匯量科技有限公司

Mobvista Inc.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1860

2019 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. DUAN Wei
(Chairman and Chief Executive Officer)
Mr. CAO Xiaohuan *(President)*
Mr. FANG Zikai

Independent Non-executive Directors

Mr. YING Lei
Mr. HU Jie
Mr. WANG Jianxin

JOINT COMPANY SECRETARIES

Mr. QIAN Cheng
Ms. SO Shuk Yi Betty

AUTHORISED REPRESENTATIVES

Mr. CAO Xiaohuan
Ms. SO Shuk Yi Betty

AUDIT COMMITTEE

Mr. WANG Jianxin *(Chairman)*
Mr. YING Lei
Mr. HU Jie

REMUNERATION COMMITTEE

Mr. YING Lei *(Chairman)*
Mr. CAO Xiaohuan
Mr. HU Jie

NOMINATION COMMITTEE

Mr. DUAN Wei *(Chairman)*
Mr. YING Lei
Mr. HU Jie

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Report Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central Hong Kong

HEADQUARTERS

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No. 222-3 Xingmin Road
Zhujiang New Town,
Tianhe District, Guangzhou,
Guangdong Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL OFFICE IN THE CAYMAN ISLANDS

P.O. Box 309 Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

HONG KONG LEGAL ADVISER

Ashurst Hong Kong
11/F, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

01860

COMPANYS WEBSITE

www.mobvista.com

Revenue of Programmatic Advertising

320.0 Million (US$)

Increased by 40.8%

Mintegral was featured in global Power Ranking of advertising platforms of AppsFlyer[1]

2019H1 2019H2

Revenue

500.3 Million (US$)

Increased by 15.1%

Adjusted EBITDA[2]

51.6 Million (US$)

Increased by 19.5%

R&D Expenses

R&D Expense 35.2 Million (US$)

As a % of revenue 7.0%

Apps[3] and DAU[4] through Our Mintegral SDK

Apps 26,000+

Increased by 276.8%

v.s. the end of 2018

DAU 500 Million

Increased by 47.1%

v.s. the end of 2018

Server Cost of Programmatic Advertising

As a % of programmatic advertising revenue 4.2%

(2018: 6.6%)

Notes:

1 According to the Performance Index Report of Advertising Platforms released by every half year by AppsFlyer, a third-party mobile advertising performance measurement platform based in Israel, our interactive programmatic advertising brand Mintegral was ranked No. 13 in the Global Power Ranking for first half of 2019 and quickly rocketed to No. 6 in the second half of 2019.

2 We define adjusted EBITDA as EBITDA (which is profit from operations plus depreciation and amortization expenses) for the years adjusted by adding back or excluding share-based compensation expenses, one-off acquisition expenses (if any), listing expenses (if any) and investment gain from financial assets at fair value through profit or loss (if any).

3 We define Apps in this situation as cumulative number of Apps that had integrated Mintegral SDK by the end of 2019.

4 We define DAU in this situation as DAU of SDK of Apps which integrated with Mintegral SDK. Its calculation of DAU of SDK is to capture the daily average number in the Q4 of 2019.

FIVE-YEAR FINANCIAL SUMMARY

	For the Year Ended 31 December				
	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**500,257**	434,727	312,956	283,923	167,207
Gross profit	**118,763**	97,901	82,859	69,075	22,846
Profit for the year	**22,069**	21,854	27,320	19,781	8,711
Adjusted EBITDA(1)	**51,620**	43,190	35,729	30,050	13,867
Adjusted net profit(2)	**40,951**	35,269	30,550	24,240	11,627

Notes:

(1) We define adjusted EBITDA as EBITDA (which is profit from operations plus depreciation and amortization expenses) for the year adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing expenses (if any) and investment gain from financial assets at fair value through profit or loss (if any).

(2) We define adjusted net profit as profit for the year adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing fee (if any) and investment gain from financial asset at fair value through profit or loss (if any).

	As at 31 December				
	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Non-current assets	**67,353**	115,698	108,839	37,744	3,317
Current assets	**444,132**	290,473	210,813	174,356	66,732
Current liabilities	**238,998**	173,592	195,808	180,753	53,687
Non-current liabilities	**6,447**	915	33,477	413	4,580
Total equity attributable to equity shareholders of the Company	**266,040**	231,664	90,367	30,810	11,782
Non-controlling interests	**—**	—	—	124	—

FINANCIAL HIGHLIGHTS

	For the Year Ended 31 December		
	2019	2018	YoY
	US$'000	US$'000	Change
Revenue	**500,257**	434,727	15.1%
Gross profit	**118,763**	97,901	21.3%
Profit for the year	**22,069**	21,854	1.0%
Non-IFRS measures			
Adjusted EBITDA[1]	**51,620**	43,190	19.5%
Adjusted net profit[2]	**40,951**	35,269	16.1%

(1) We define adjusted EBITDA as EBITDA (which is profit from operations plus depreciation and amortization expenses) for the years adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing expenses (if any) and investment gain from financial assets at fair value through profit or loss (if any).

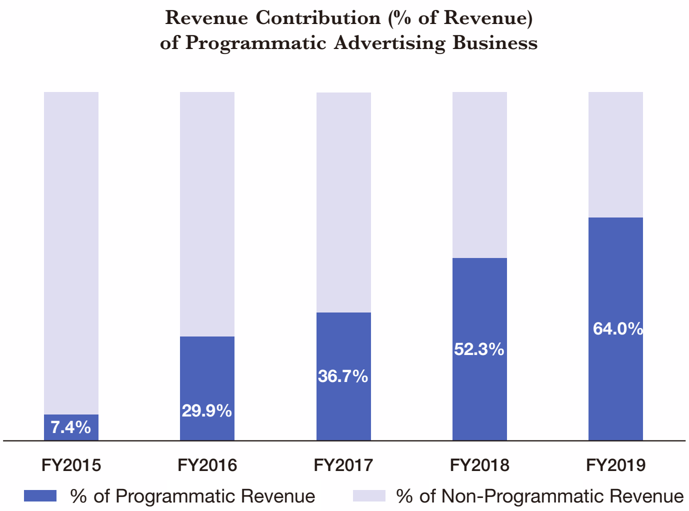
(2) We define adjusted net profit as profit for the year adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing fee (if any) and investment gain from financial assets at fair value through profit or loss (if any).

LETTER TO SHAREHOLDERS

Dear Shareholders

On behalf of the Board, we are pleased to present the Group's annual results for the year ended 31 December 2019.

We began to build our programmatic advertising platform in 2015. Here are some numbers for reference below:



The numbers above show how quickly programmatic revenue has grown as a percentage of our total revenue in the last 5 years, from US$11.7 million in absolute revenue to US$320.0 million at a compound annual growth rate of 128.8%. AppsFlyer, a leading third-party mobile advertising measurement platform based in Israel, publishes a Global Power Ranking Report twice per year which ranks mobile media sources based on aggregated and anonymized customer data. Mintegral, our interactive programmatic advertising platform, was first listed in the AppsFlyer Global Power Ranking in September 2019 and achieved a respectable ranking of 13th place. In the following March 2020 edition, Mintegral's Global Power Ranking jumped to a remarkable 6th becoming the only Chinese Company featured in the Top 10 advertising platforms, largely driven by our position in the bourgeoning programmatic advertising market segment. At the same time, our non-programmatic advertising business reported its first year-on-year decline, from US$207.4 million in 2018 to US$180.2 million in 2019.

Our view is that performance-based advertising will always hold up better during times of global economic uncertainty vs. brand advertising due to the former's predictable Return on Investment ("**ROI**") which is more closely tied to advertiser revenue events. This is especially true for online advertisers in the gaming, content and social, e-commerce categories and aligns well with our customer base. Regardless of how the transaction methods evolve, Mobvista will continue to focus on the performance-based advertising segment with particular emphasis on maximizing advertiser ROI. From our roots helping Chinese advertisers grow in overseas markets, we have evolved into a global organization with 18 offices globally (most recently Sao Paulo, Brazil), presence in more than 60 countries, and partnerships with more than 3,000 advertisers. In fact, by the end of 2019 advertisers from Europe and the America contributed approximate 30% of our revenue.

We have been transforming ourselves from non programmatic to programmatic as our industry is experiencing a revolution that manual operation are gradually being replaced by automated trading services with high frequency optimizations supported by machine learning algorithms, much like we saw what happens in Wall Street now. This trend arises because of the need to achieve greater efficiency and will require us to double down in our commitment to R&D investment in order to ensure a favorable market position in the long term. In 2019 alone, we invested more than US$35.2 million into R&D, while our sales and marketing expenses were roughly US$10.0 million. In fact, we now have more people in the R&D team than sales, operations and back office teams combined.

We have an ever-growing cluster of cloud-servers processing close to 100 billion ad requests daily. Each ad request and the related decision-making processes are becoming increasingly dependent on AI, which has inspired us to strategically invest in an internal central technology platform and an optimized infrastructure-level technology framework for cloud computing. As a result of those efforts, the percentage of programmatic advertising revenue spent on server infrastructure has declined from 8.5% in 2017 to 4.2% in 2019. Even so, in absolute numbers, Mobvista is still among one of the largest online service providers with an all-in-cloud infrastructure.

From day one, our team has embraced a culture of “Ownership” and a mindset of “keep starting up”. This has allowed us to react to the ever-changing external market with agile and diligent execution. In 2019, we added “focus on Compound Interest” to our company culture which has been at our core since we started this company and captures our attitude towards a future with uncertainty. Under the vision of “Compound Interest”, the company and each individual in the company should focus on spending their time and money based on what will deliver long-term value, not simply based on short-term profit. Our view is that we need to evaluate our return on investment in a 5-year time span at a minimum.

As we are in the pursuit of compound interest, there are decisions we have made or will make that are different than those made by other companies. In the long run, Mobvista will not just help our clients with their needs in performance-based advertising, we will also build the best tools to enable them to achieve their business goals. From analytics, A/B testing, and creative production to data management and online infrastructure optimization, we plan to create an ecosystem of tools to empower global app developers. For example, GameAnalytics helps game developers better understand their user behavior so they can improve retention, increase monetization, and decrease their cost to acquire new users. The platform is leveraged by more than 70,000 developers with almost 100,000 games, and tracks the behavior of more than 1.20 billion monthly active users. For the time being, it is still a free game analytics tool and we will continue to invest to make it better for our clients. Commercialization of the product is not high on our priority list in the short term.

The point about compound interest always goes back to our people. We are adopting an internal market to price our internal collaboration and shared resources to allow our leaders to plan and review their business from a CEO’s perspective. We also recognize that we need to motivate our people in the context of their long-term goals with the company, and this is precisely why we chose to IPO in Hong Kong: To attract talent globally, we realized we would need a long-term incentive plan like our RSU scheme so that our people can be stakeholders and beneficiaries of our long-term returns.

Last but not least, I would like to use this opportunity to sincerely thank our clients and partners. The constant push for us to improve gives us the opportunity to create more value. I would also like to thank our shareholders for their continuing support, as well as our global team for their great efforts and accomplishments. We will embrace and deliver “compound interest” for all of you.

Sincerely,

DUAN Wei
Chairman & Executive Director

CAO Xiaohuan
President & Executive Director

Guangzhou, the PRC
31 March 2020

BUSINESS REVIEW

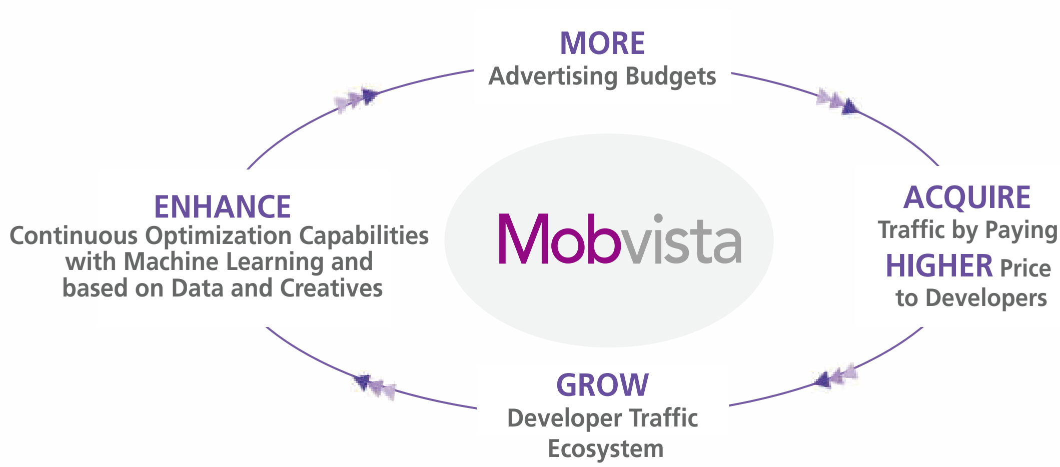
Business Review for 2019

We are a comprehensive technology platform providing mobile advertising and data analytics services to application ("**App**") developers worldwide.

In 2019, despite the downward global economic pressure and sluggish demand of the advertising market, the Company maintained a relatively rapid growth. During the Reporting Period, our revenue increased by 15.1% on a year on year basis ("**YoY**") basis to US$500.3 million (2018: US$434.7 million). In particular, the programmatic advertising business grew from US$227.3 million in 2018 to US$320.0 million in 2019, representing an increase of 40.8% on a YoY basis.

In the year of 2019, the remarkable achievements of various businesses of the Company are as follows:

1. Significant growth in our programmatic advertising business has accelerated the flywheel effect.



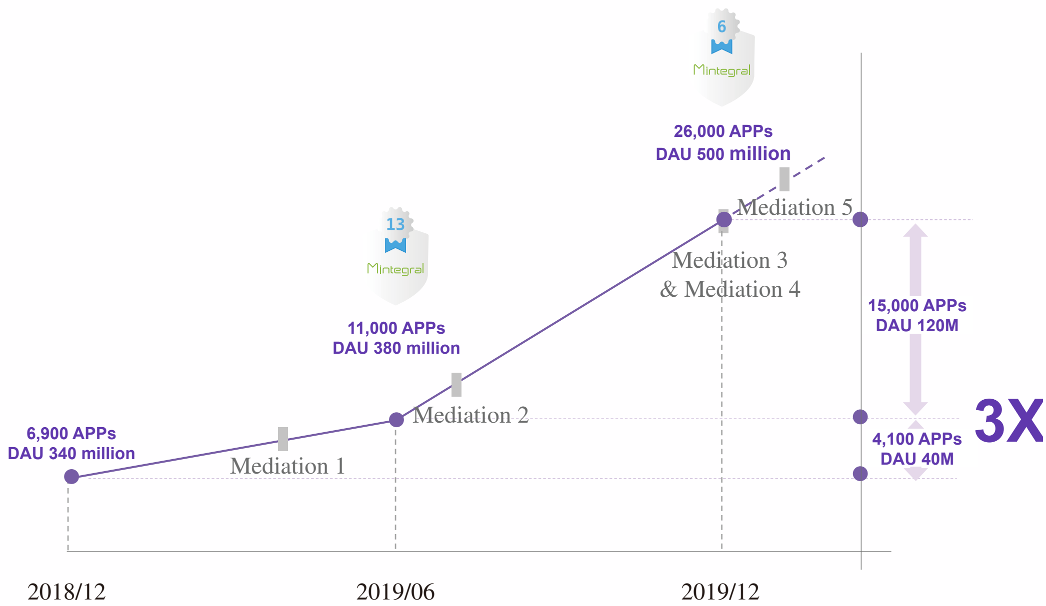
(1) The market position of the interactive programmatic advertising platform Mintegral significantly improved in the first half of 2019.

The Company has been investing in the marketing and research and development ("**R&D**") of the programmatic advertising business since 2016. In particular, the Company launched a developer incentive plan in 2018 to encourage high-quality developers in the core markets to integrate our Mintegral SDK into their Apps to expand our coverage of high-quality traffic. Furthermore, due to the continuous improvement of big data machine learning algorithms based on Cloud Native architecture and dynamically-optimized interactive creatives, the delivery capacity of our programmatic advertising to advertisers has been further improved.

Through our unrelenting efforts, our interactive programmatic advertising platform Mintegral has gained brand awareness among advertisers. Mintegral, the only new entrant since 2018, became one of the Top 20 of the Global Power Ranking in the first half of 2019 for the first time. Ranked 13th, it has become a significant force in the competitive landscape of overseas performance advertising platforms.

(2) The Mintegral SDK successively integrated with various mainstream Mediation platforms starting in April 2019, resulting in significant growth of programmatic advertising traffic and sharply reduction of the expenses of developer incentive plan.

We were recognized by the overseas mainstream Ad Monetization Mediation platforms[1] due to the strong market position of Mintegral. Our Mintegral SDK was successively integrated by various overseas mainstream Mediation platforms in April, July and December 2019. We can directly access and use the traffic of the Apps through these Mediation platforms, resulting in significant growth of accessible traffic and independent devices.



As shown in the graph above, due to the integration of the Mediation platforms with our Mintegral SDK, the number of Apps that have integrated with our Mintegral SDK increased by 15,000 in the second half of 2019, as 3.7 times as the increase of 4,100 in the first half of 2019. The DAUs of the Mintegral SDK increased by 120 million, three times of the increase of 40 million in the first half of the year.

Because of the dual tailwinds of integration with the Mediation platforms and a strong brand position, the expenses in the developer incentive plan saw a significant decrease of 37.0% from US$9.5 million in the first half of 2019 to US$6.0 million in the second half of 2019. As a percentage of the revenue of programmatic advertising, the cost of the developer incentive plan decreased from 7.5% in the first half of the year to 3.1% in the second half of the year. The incentive plan will have no significant impact to the gross profit margin of programmatic advertising revenue of the Company in the future.

1 Mediation platforms: an important player in the overseas mobile advertising industry. Other than Google, Facebook, Amazon and other developers who have proprietary advertising monetization systems, almost all small and medium overseas developers utilize a Mediation platform to connect advertising platform SDKs and optimize overall advertising revenue. There are approximately six to eight overseas mainstream Mediation platforms and each of them will choose to support a maximum 20 SDK of advertising platforms.

(3) Acceleration of our flywheel effect of programmatic advertising business.

The exponential growth of App integrations further expanded the breadth and depth of traffic coverage and also improved the precise targeting algorithms. As a result, advertisers allocate more budgets to our platform. We recorded revenue of US$193.2 million from programmatic advertising business for the second half of 2019, representing an increase of 52.5% as compared to the first half of 2019. In addition, our position in the latest Global Power Ranking of advertising platforms rocketed to the 6th in the second half of 2019, according to AppsFlyer.

In February 2020, Mopub, a well-known Mediation platform owned by Twitter, also completed integration with our Mintegral SDK. The latest global ranking of 6th further strengthened the brand effect of Mintegral amongst App developers, accelerated the expansion of traffic coverage, and increased advertising budgets advertisers allocated to us. Our programmatic advertising business traffic and the advertising budgets are driving forces to each other, accelerating the flywheel effect.

2. The user base of data analytics business has been expanding steadily and launched a new paid SaaS services for subscription.

The data analytics platform is our strategic segment in gaming which is an important vertical category of mobile App industry. On the one hand, as a third-party tool initially used by App developers, the data analytics platform is the entrance of an eco-system for our advertising services, attracting more potential advertisers and traffic resource. On the other hand, the exclusive accumulation of in game user behavior data of our data analytics services allows us to secure a differentiatedly competitive advantage over our peers in terms of algorithm optimization for precise targeting.

As at the end of the fourth quarter of 2019, the total number of game developers using GameAnalytics, our game data analytics platform, was 71,000, covering more than one third of global game users, and including more than 1.20 billion monthly active users.

After a full year of development in 2019, GameAnalytics launched a new paid SaaS service — Benchmarks+ in December built on top of the previous free SaaS service. The paid service, based on the statistics of games collected from free SaaS service of GameAnalytics, helps game developers, media and market research institutions keeping abreast of the latest industrial information for commercial decision-making.

3. Productization of our Central Technology platform and beginning to commercialize.

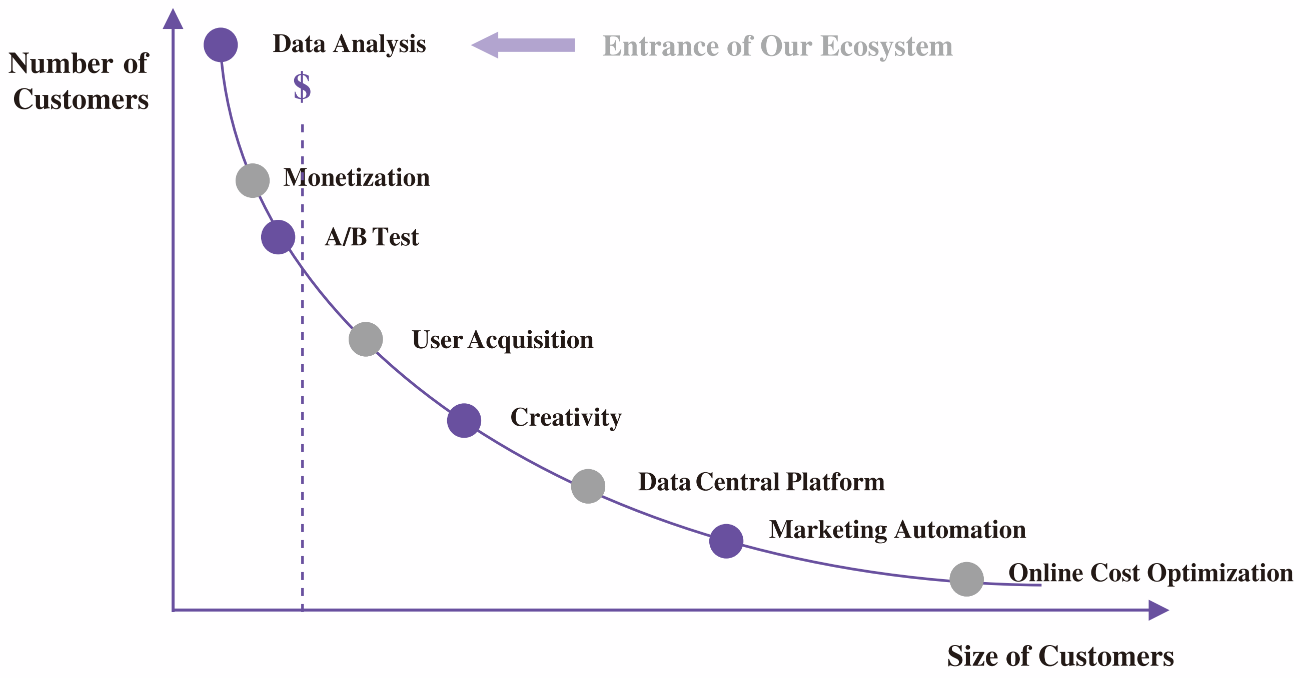
Persistent investment in technical infrastructure is the key to the continuous expansion of our advertising platform business and the formation of competitive barriers in a highly diverse application environment. In 2019, our R&D expenditures were US$35.2 million, representing an increase of 20.5% on a YoY basis compared to US$29.2 million in 2018, accounting for 7.0% of the revenue. The number of R&D personnel increased to 391, accounting for 50.3% of our total employees.

During our journey into programmatic advertising services, we have developed our big data computing engine (EnginePlus), large-scale machine learning algorithm platform (MindAlpha), data management platform (Datatory), and cloud-based elastic cluster management platform (SpotMax) into a central technology platform which can be reused, shared and upgraded. The capability of conducting big data real-time calculations of the central technology platform provides technical support for the precise targeting of advertisements and the continuous improvement of the conversion rate from advertisement display to App installation, promoting the sizable growth of our programmatic business. A more intuitive function of our central technology platform is to drive a reduction in cloud server costs. In 2019, while our programmatic business revenue increased by 40.8%, the server costs for our programmatic business decreased by 10.8%, and the percentage of server costs to programmatic advertising business revenue decreased from 6.6% in 2018 to 4.2%.

Besides supporting our business development, the central technology platform has been productized and commercialized. We have officially joined the AWS Partner Network (APN) from Amazon in July 2019, and offered a series of technology solutions from our central technology platform via AWS marketplace to corporate customers in Amazon's eco-system. We have also jointly published the cloud-based elastic cluster management solution (SpotMax) with Alibaba Cloud at the Apsara Conference 2019, empowering App developers in the global expansion of Alibaba Cloud.

The introduction of productization of the central technology platform to the market of leading cloud computing companies domestic and overseas represents our move to offer fundamental technology support for global App developers in addition to the existing mobile advertising platform and data analytics services. The connection between us and the App developers will be stronger with expanded business scope.

Future Strategies



Our Company persists on providing global App developers with technology solutions and has already built up the ability to offer services presented in the graph above. These services are offered to address different levels of needs of App developers with different business scales. For example, nearly all the App developers will use data analysis service at the early stage of App development and only App developers with sizable business scale facing the pressure of online server costs will seek for solutions to optimize server costs. Our Company will build and continuously improve a "ecosystem of tools" around the service requirement of App developers at different levels.

1. The data analysis business (including A/B Test), as a technical service that App developers must use in the development process, will become the entry-level service of our entire enterprise service ecosystem and continuously expand the customer coverage and customer base for other businesses of the Company. At the same time, the data analysis business will also form a data barrier for the mobile advertising business of the Company that competitors are not able to match, forming a sustainable competitive advantage.

2. The advertising business of the Company corresponds to the monetization, user acquisition and creative services in the graph above, which meets the needs of user acquisition and monetization of App developers and realizes user acquisition with lower cost and monetization with better revenue through excellent creativity. Programmatic advertising business had healthy returns after four-year investment. Against the background of rapid development of internet businesses, we will continually accelerate our flywheel effect of programmatic advertising business, strengthen our brand effect among App developers, and build out the mobile advertising business with a programmatic core, continuous expansion of boundaries, and steady improvement in gross profit margin.

3. The remaining services including data central platform, marketing automation and online server cost optimization are more based on the iteration and extension of our existing technology central platform. Data central platform and marketing automation will be revolutionary for the industry. The Company will evolve from a model that helps customers to make use of their advertising budgets to the model that we provides customers with an easy-to-use system to help them better use advertising budget based on their data automatically. The data central platform, marketing automation, and server cost optimization can meet the needs of leading App developers, as well as the needs of customers in industries other than App developers. In the near future, they will not only be a tool to strengthen the connection with App developers, but will become the most promising business segment of the Company which will expand our customers base beyond App developers and will contribute to the long-term development of the Company.

Revenue

Revenue by Type of Services

During the year ended 31 December 2019, we recorded revenue of US$500.3 million (2018: US$434.7 million),which increased by 15.1% compared to last year. The following table sets forth a breakdown of our total revenue by type of services for years indicated:

	For the Year Ended 31 December				
	2019		2018		
	US$'000	**% of Total Revenue**	US$'000	% of Total Revenue	**YoY Change**
Mobile advertising revenue	**500,257**	**100.0%**	434,688	100.0%	**15.1%**
Game publishing revenue	**—**	**—**	39	—	**—**
Total	**500,257**	**100.0%**	434,727	100.0%	**15.1%**

Mobile advertising revenue continued to grow. For the year ended 31 December 2019, all of our revenues were derived from mobile advertising services. Revenue from mobile advertising services increased by 15.1% on a YoY basis to US$500.3 million (2018: US$434.7 million).

Revenue by Purchasing Model

The following table sets forth a breakdown of revenue from mobile advertising by purchasing model for the years indicated:

	For the Year Ended 31 December				
	2019		2018		
	US$'000	**% of Mobile Advertising Revenue**	US$'000	% of Mobile Advertising Revenue	**YoY Change**
Programmatic	**320,017**	**64.0%**	227,312	52.3%	**40.8%**
Non-programmatic	**180,240**	**36.0%**	207,376	47.7%	**-13.1%**
Total mobile advertising revenue	**500,257**	**100.0%**	434,688	100.0%	**15.1%**

The growth of programmatic advertising revenue accelerated and programmatic purchasing became the primary purchasing model of our mobile advertising platform. For the year ended 31 December 2019, revenue from programmatic advertising maintained robust growth and increased by 40.8% on a YoY basis to US$320.0 million (2018: US$227.3 million). The revenue contribution from programmatic advertising increased to 64.0%. Due to the ongoing effort to expand the supply of high-quality programmatic traffic and improve our capabilities in both algorithm and interactive advertising creatives such as playable ads, we enhance the performance of our advertising service to drive advertising budget in our platform. This further improves mobile App developers' advertising revenue and thereby encourage more mobile App developers with high-quality traffic to integrate with our programmatic advertising platform. With the growing size of advertising budget and traffic, the flywheel effect on our programmatic advertising service has started to accelerate after integration with the Mediation platform.

In addition, to align with the need for transparent, precise and efficient marketing campaigns, our non-programmatic advertising business extended its product offering to a unified set of marketing solutions which includes both programmatic and non-programmatic advertising services. Although the revenue from non-programmatic advertising decreased in the year of 2019, non-programmatic advertising service will remain an important supplement to our programmatic advertising services in the long run. For the year ended 31 December 2019, revenue from non-programmatic advertising was US$180.2 million (2018: US$207.4 million) and revenue contribution from non-programmatic advertising decreased to 36.0% (2018: 47.7%).

Revenue by Geographic Location

The following table sets forth a breakdown of revenue from mobile advertising by geographic regions[1] for the years indicated:

	For the Year Ended 31 December				
	2019		2018		
	US$'000	**% of Mobile Advertising Revenue**	US$'000	% of Mobile Advertising Revenue	**YoY Change**
China[2]	**291,137**	**58.2%**	279,964	64.4%	**4.0%**
EMEA[3]	**72,737**	**14.5%**	38,913	9.0%	**86.9%**
Americas[4]	**67,756**	**13.5%**	41,735	9.6%	**62.3%**
Asia Pacific	**52,535**	**10.5%**	55,686	12.8%	**-5.7%**
Rest of Asia[5]	**10,603**	**2.1%**	12,102	2.8%	**-12.4%**
Others	**5,489**	**1.2%**	6,288	1.4%	**-12.7%**
Total mobile advertising revenue	**500,257**	**100.0%**	434,688	100.0%	**15.1%**

Notes:

(1) The destinations in the table were classified according to locations of advertisers' headquarters.

(2) Includes mainland China, the Hong Kong Special Administrative Region of the People's Republic of China (the "**PRC**"), the Macau Special Administrative Region of the PRC and Chinese Taiwan.

(3) Primarily includes United Kingdom, Switzerland, Germany, Saudi Arabia, Jordan, Egypt, Nigeria.

(4) Primarily includes United States, Canada, Mexico, Brazil, Argentina and Chile.

(5) Primarily includes Central and South Asia.

The global expansion initiatives from mobile App developers in China, EMEA and the Americas dominated the growth of our mobile advertising revenue. We earned most of our revenue by providing mobile App developers from China, EMEA and the Americas with user acquisition services in overseas markets. We earned most of our revenue by providing App developers from China with global marketing solutions based on the market trend of China-to-Global. For the year ended 31 December 2019, mobile advertising revenue from App developers in China was US$291.1 million (2018: US$280.0 million), accounting for 58.2% of our mobile advertising revenue. By increasing investment and brand awareness in Europe and the Americas, we also grew our mobile advertising business in EMEA and the Americas significantly. Mobile advertising revenues from EMEA and the Americas increased by 86.9% and 62.3% on a YoY basis to US$72.7 million and US$67.8 million, respectively. Revenue contribution from EMEA and the Americas increased to 14.5% and 13.5%, respectively.

Revenue by Mobile App Category

The following table sets forth a breakdown of revenue from mobile advertising by mobile App categories for the years indicated:

	For the Year Ended 31 December				
	2019		2018		
	US$'000	**% of Mobile Advertising Revenue**	US$'000	% of Mobile Advertising Revenue	**YoY Change**
Games	**205,896**	**41.2%**	117,278	27.0%	**75.6%**
E-commerce	**106,170**	**21.2%**	73,555	16.9%	**44.3%**
Content and social	**97,994**	**19.6%**	167,590	38.6%	**-41.5%**
Lifestyle	**32,934**	**6.6%**	24,881	5.7%	**32.4%**
Utility	**28,682**	**5.7%**	24,816	5.7%	**15.6%**
Other	**28,581**	**5.7%**	26,568	6.1%	**7.6%**
Total mobile advertising revenue	**500,257**	**100.0%**	434,688	100.0%	**15.1%**

Our advertiser base is diversified in terms of App categories, with the advertising budget from games and e-commerce App developers being the main driver of our revenue growth. With the ability to provide in-depth insights about the global App market, our mobile advertising services were able to cover advertisers from different App categories. For the year ended 31 December 2019, we achieved varying degrees of growth except for content and social Apps. Among all the App categories, mobile advertising revenues from games, e-commerce and lifestyle Apps increased by 75.6%, 44.3% and 32.4% on a YoY basis respectively. They collectively achieved revenues of US$345.0 million, accounting for 69.1% of mobile advertising revenue.

By shifting market strategy from cross-promotion to massive user acquisition, hyper-casual games have become popular all over the world in 2019. On the other hand, the market promotion of content and social applications, such as short video applications, has decreased as compared with 2018. As we strategically allocated more resources such as traffic to games, game App developers have replaced content and social App developers as the largest customer categories to our mobile advertising business. For the year ended 31 December 2019, revenue from games increased by 75.6% on a YoY basis to US$205.9 million (2018: US$117.3 million) and revenue contribution from games increased to 41.2% (2018: 27.0%). Hyper-casual games' focus on frequent data analysis driven content updates, user base growth and Ad monetization improvements are naturally in line with the services provided by third-party mobile advertising and data analytics platforms like us. We developed strong competence with respect to the synergies between our traffic resources, unique creative capabilities, interactive advertising formats and data analytics products for our games, which attracted more games App developers to use our services for user acquisition and to invest large advertising budgets in our platforms, and the above will further grow the scale of our mobile advertising business.

In addition, as a mobile advertising platform focusing on global marketing services, we became an important partner of many e-commerce App developers looking to acquire users, benefitting from the accelerated international expansion of global e-commerce platforms and increasing advertising budgets. Therefore, the scale of our e-commerce business grew rapidly. For the year ended 31 December 2019, revenue from e-commerce business increased by 44.3% on a YoY basis to US$106.2 million (2018: US$73.6 million).

Costs of Sales

During the year ended 31 December 2019, our costs of sales increased by 13.3% on a YoY basis to US$381.5 million (2018: US$336.8 million). This increase was primarily driven by the fast growth in our mobile advertising revenue. The following table sets forth a breakdown of our costs of sales by type of costs for the years indicated:

	For the Year Ended 31 December				
	2019		2018		
	US$'000	% of Total Revenue	US$'000	% of Total Revenue	YoY Change
Mobile advertising costs	**381,494**	**76.3%**	336,802	77.5%	**13.3%**
Traffic acquisition costs	**365,830**	**73.1%**	319,023	73.4%	**14.7%**
Server costs	**15,664**	**3.1%**	17,779	4.1%	**-11.9%**
Game publishing costs	**—**	**—**	24	—	**—**
Total	**381,494**	**76.3%**	336,826	77.5%	**13.3%**

The following table sets forth a breakdown of costs of sales by type of purchasing model for the years indicated:

	For the Year Ended 31 December				
	2019		2018		
	US$'000	% of Programmatic Revenue	US$'000	% of Programmatic Revenue	YoY Change
Programmatic costs	**246,359**	**77.0%**	180,887	79.6%	**36.2%**
Traffic acquisition costs	**233,045**	**72.8%**	165,959	73.0%	**40.4%**
Server costs	**13,314**	**4.2%**	14,928	6.6%	**-10.8%**
	US$'000	% of Non-programmatic Revenue	US$'000	% of Non-programmatic Revenue	YoY Change
Non-programmatic costs	**135,135**	**75.0%**	155,915	75.2%	**-13.3%**
Traffic acquisition costs	**132,785**	**73.7%**	153,064	73.8%	**-13.2%**
Server costs	**2,350**	**1.3%**	2,851	1.4%	**-17.6%**

More advanced technology platform further lower the server costs as the economies of scale of programmatic business grew. Programmatic advertising services require us to incur higher server costs than non-programmatic advertising services do. For the year ended 31 December 2019, the server costs of programmatic advertising as a percentage of programmatic advertising revenue is 4.2%, compared to the server costs of non-programmatic advertising as a percentage of revenue for the non-programmatic advertising services of 1.3%.

Our continuous R&D investment in server architecture and elastic cloud computing enhanced the efficiency of server allocation for our businesses. With our growing scale of programmatic advertising services, we effectively reduced server costs incurred by each additional request by our mobile advertising platform. For the year ended 31 December 2019, the server costs of programmatic advertising services decreased by 10.8% on a YoY basis while our programmatic advertising revenue increased by 40.8% on a YoY basis, and the server costs as a percentage of programmatic advertising revenue decreased to 4.2% (2018: 6.6%). The optimization of server costs will enable us to significantly reduce the impact of revenue growth on the server costs as programmatic advertising services grow rapidly, and this will create increasing profit margins for the mobile advertising services.

To grow programmatic advertising business at scale globally, we continued to deepen our partnership with quality traffic channels. For the year ended 31 December 2019, as our programmatic advertising revenue grew, our traffic acquisition costs increased by 40.4% on a YoY basis to US$233.0 million (2018: US$166.0 million). As we were ranked 6th on Global Power Ranking in the Performance Index Report of Advertising Platforms released by AppsFlyer, Mintegral, our interactive programmatic advertising platform, is widely recognized by App developers and Mediation platforms, resulting in exponential growth in the number of Apps and mobile devices accessible to Mintegral. Because of the improvements in the brand awareness and market position, the subsidies of incentive plan which we have implemented since 2018 to encourage high quality App developers to adopt Mintegral SDK decreased sharply in 2019. For the year ended 31 December 2019, programmatic traffic acquisition cost incurred by the incentive plan was US$15.5 million and such cost as a percentage of programmatic advertising revenue was narrowed to 4.8% (2018: 9.8%). It is foreseeable that, with rising brand awareness and continuous integration with Mediation platforms such as Mopub, the subsidies of incentive plan will further decrease in the future, and the impact on costs will no longer be significant.

The contribution of non-programmatic advertising acquisition to revenue decreased, while the cost ratio remained stable. For the year ended 31 December 2019, the cost of sales for non-programmatic advertising services decreased to US$135.1 million. Non-programmatic advertising cost as a percentage of non-programmatic advertising revenue had no material change. As a percentage of non-programmatic advertising revenue, the traffic acquisition costs of non-programmatic advertising services decreased slightly to 73.7%. The proportion of server costs slightly decreased to 1.3%.

Gross Profit and Gross Profit Margin

The following table sets forth the indicated years for the gross profit and gross profit margin of the Company's entire business activities:

For the Year Ended 31 December				
2019		2018		
Gross Profit US$'000	**Gross Profit Margin %**	Gross Profit US$'000	Gross Profit Margin %	**Gross Profit YoY Change %**
118,763	**23.7%**	97,901	22.5%	**21.3%**

The gross profit continued to increase and its growth exceeded the growth of revenue. For the year ended 31 December 2019, our gross profit increased by 21.3% on a YoY basis to US$118.8 million (2018: US$97.9 million). Our gross profit margin increased to 23.7% (2018: 22.5%).

The following table sets forth our gross profit and gross profit margin from mobile advertising by purchasing model for the years indicated:

	For the year ended 31 December				
	2019		2018		
	Gross Profit US$'000	**Gross Profit Margin %**	Gross Profit US$'000	Gross Profit Margin %	**Gross Profit YoY Change %**
Programmatic	**73,658**	**23.0%**	46,425	20.4%	**58.7%**
Non-programmatic	**45,105**	**25.0%**	51,461	24.8%	**-12.4%**
Total	**118,763**	**23.7%**	97,886	22.5%	**21.3%**

The market position of programmatic advertising platform and technical capabilities for precise positioning and efficient conversion were improved, resulting in higher gross profit and gross profit margin of the programmatic advertising business. For the year ended 31 December 2019, gross profit of our programmatic advertising business increased by 58.7% on a YoY basis to US$73.7 million (2018: US$46.4 million). Due to our continuous investments on the development of infrastructure to optimize of our server costs, and the mutual flywheel effect of programmatic traffic and advertiser budget, our bargaining power in programmatic business has steadily improved. For the year ended 31 December 2019, the gross profit margin of our programmatic advertising business increased to 23.0% (2018: 20.4%).

In 2019, in order to expand the traffic resources in Europe and the Americas and attract more advertising budget, we continued to implement incentive plans encouraging high quality App developers to adopt the Mintegral SDK by way of transferring part of our gross profit to developers . In addition, due to stronger brand position and advanced programmatic advertising technology, we successfully reduced the cost of incentive plan. The cost of incentive plan for 2019 was US$15.5 million, representing 4.8% of the income of programmatic advertising business and significantly lower than 9.8% for 2018. In the future, the flywheel acceleration effect of our business growth will further consolidate our market position and attract more integration of Mediation platform. The cost of our incentive plan will be further reduced, resulting in higher profit margin of the programmatic advertising business.

The gross profit of the non-programmatic advertising business decreased along with the revenue of the programmatic advertising business, and the gross profit margin remained stable. For the year ended 31 December 2019, the gross profit of our non-programmatic advertising business decreased to US$45.1 million (2018: US$51.5 million), with a gross profit margin of 25.0%, which remained stable compared to that of last year (2018: 24.8%).

The following table sets forth our gross profit and gross profit margin from mobile advertising by the mobile App category for the years indicated:

	For the Year Ended 31 December						
	2019			2018			
	Gross Profit US$'000	**Percentage of Gross Profit %**	**Gross Profit Margin %**	Gross Profit US$'000	Percentage of Gross Profit %	Gross Profit Margin %	**Gross Profit YoY Change %**
Games	**50,337**	**42.4%**	**24.4%**	34,137	34.9%	29.1%	**47.5%**
E-commerce	**31,299**	**26.4%**	**29.5%**	22,473	23.0%	30.6%	**39.3%**
Content and social	**19,265**	**16.2%**	**19.7%**	24,746	25.3%	14.8%	**-22.1%**
Lifestyle	**9,351**	**7.9%**	**28.4%**	7,735	7.9%	31.1%	**20.9%**
Utility	**5,270**	**4.4%**	**18.4%**	4,212	4.3%	17.0%	**25.1%**
Other	**3,241**	**2.7%**	**11.3%**	4,583	4.6%	17.3%	**-29.3%**
Total	**118,763**	**100.0%**	**23.7%**	97,886	100.0%	22.5%	**21.3%**

From the perspective of App categories, our total gross profit was mainly derived from gross profit generated from our advertising business which promotes games, e-commerce and content and social categories. For the year ended 31 December 2019, the gross profit generated by our App advertising business in games, e-commerce and content and social categories accounted for 85.0% of our total gross profit.

Our total gross profit growth in 2019 was mainly driven by the growth of our advertising business in games, e-commerce and lifestyle service App categories. Excluding content and social App advertising, the gross profit of all other categories of our App advertising business showed a different degree of growth. Among which, the gross profit of game, e-commerce and lifestyle service App advertising business increased significantly along with the substantial increase in our revenue.

For the year ended 31 December 2019, with the expansion of the revenue from our game advertising revenue, the gross profit from our game App advertising increased to US$50.3 million (2018: US$34.1 million), representing an increase of 47.5% on a YoY basis. To capitalize the growing trend towards hyper-casual games, we leveraged the synergy between our gaming traffic resources and data analytics product to promote hyper-casual game through both customized and interactive advertising formats, which lead to higher conversion rate of the campaign. We adopted a proactive marketing strategy to expand our market share at a relatively low gross profit margin. Our competency in hyper-casual game promotion attracted more advertising budgets from hyper-casual game developers and hence contributed to the significant increase in revenue and gross profit of our game App advertising services.

On the other hand, the trend that more e-commerce Apps are globalizing and lifestyle service Apps beginning to emerge around the world led to increasing advertising budgets from developers in these two categories. As a result, the gross profit of e-commerce and lifestyle service category advertisements in our mobile advertising business has also increased along with the expansion of our revenue. For the year ended 31 December 2019, the gross profit generated from our e-commerce and lifestyle service App advertising business increased by 39.3% and 20.9% on a YoY basis to US$31.3 million and US$9.4 million, respectively.

Selling and Marketing Expenses

During the year ended 31 December 2019, we recorded selling and marketing expenses of US$10.0 million (2018: US$7.8 million), 28.2% higher on a YoY basis. The increase was mainly due to share-based compensations recorded in selling and marketing expenses. If we disregard the impact from the related share-based compensations, our selling and marketing expenses will increase by 16.3% on a YoY basis to US$8.0 million (2018: US$6.9 million), which accounting for 1.6% (2018: 1.6%) of our revenue, remaining at a relatively low level. As our mobile advertising business is to deliver user-installed performance advertisements to mobile application developers, we will mainly satisfy the needs of users for high-quality user installations with the provision of quality advertising technology and services. Efforts will also be made to enhance our brand influence in the market in order to obtain a larger share of mobile advertising budget. Therefore, we are not required to have substantial sales and marketing expenses to maintain sustainable growth in business scale.

Research and Development Expenses

As mentioned above, we provide mobile advertising services based on the delivery of user-installed performance advertisement. Continuous R&D investment helps us accurately identify potential target user groups of advertisers amid heavy data traffic at a lower cost. The investment also helps us achieve higher conversion rate to allow installation and delivery for high-quality users, which ultimately results in higher revenue and gross profit. In addition, mobile advertising technology is also undergoing rapid iteration. We have to maintain a certain amount of R&D investment to sustain our leading position and enhance core competitiveness in the ever-changing mobile internet advertising industry. As such, we continued to invest in R&D activities for programmatic advertising products, cloud computing infrastructure, big data and artificial intelligence. For the year ended 31 December 2019, our R&D expenses was US$35.2 million (2018: US$29.2 million). The increase was primary due to the increase in share-based compensation recorded in R&D expenses. If we exclude the related share-based compensation expenses, the R&D expenses will only slightly increase by 0.8% to US$27.1 million (2018: US$26.9 million). As a percentage of revenue for the current period, our R&D expenses decreased to 5.4% (2018: 6.2%). Since we have established competitive edge in technology, the growth in the number of R&D personnel will slow down and we will maintain stable growth in R&D investment.

General and Administrative Expenses

During the year ended 31 December 2019, our general and administrative expenses increased to US$51.2 million (2018: US$35.9 million).

The share-based compensation expenses included in general and administrative expenses increased to US$9.5 million in 2019. If we disregard the impact of related share-based compensation expenses over the same period of these two years, our general and administrative expenses will increase by 27.3% on a YoY basis to US$41.7 million (2018: US$32.8 million), accounting for 8.3% (2018: 7.5%) of the revenue over the same period.

Profit from Operations

During the year ended 31 December 2019, our operating profit was US$25.2 million (2018: US$26.9 million). If we disregard the impact from the share-based compensation expenses, the profit from operations will increase by 35.0% on a YoY basis to US$45.1 million (2018: US$33.4 million).

Finance Costs

During the year ended 31 December 2019, our finance costs increased to US$1.7 million (2018: US$0.8 million). The increase was mainly due to the loan interest incurred in newly added bank loan balance, and the interest expense calculated under the application of the new lease standard, namely IFRS 16.

Income Tax

During the year ended 31 December 2019, our income tax expenses decreased to US$1.4 million (2018: US$4.3 million). The decrease was mainly driven by the movement in deferred tax.

Profit Attributable to Equity Holders of the Company

During the year ended 31 December 2019, our profit attributable to equity holders of the Company increased by 1.0% on a YoY basis to US$22.1 million (2018: US$21.9 million). In 2018 and 2019, we granted the share-based incentives to the eligible management and employees. The share-based compensation expenses were recognised over the service period of these management and employees resulting in an expenditure of US$19.9 million (2018: US$6.4 million) for the year ended 31 December 2019. If we disregard the impact of the share-based compensation expenses, the profit attributable to equity holders of the Company will increase by 48.3% on a YoY basis to US$42.0 million (2018: US$28.3 million).

Other Financial Information (Non-IFRS measures)

To supplement our consolidated financial statements presented in accordance with IFRS, we also use non-IFRS measures, namely EBITDA and adjusted EBITDA, as additional financial measures, which are not required by or presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of our results of operations or financial conditions as reported under IFRS.

	For the Year Ended 31 December				
	2019		2018		
	US$'000	**% of Total Revenue**	US$'000	% of Total Revenue	**YoY Change**
Profit from operations	**25,176**	**5.0%**	26,939	6.2%	**-6.5%**
Add back:					
Depreciation and amortization	**7,562**	**1.5%**	2,836	0.7%	**166.6%**
EBITDA	**32,738**	**6.5%**	29,775	6.8%	**10.0%**
Add back:					
Share-based compensation expenses	**19,891**	**4.0%**	6,448	1.5%	**208.5%**
One-off expenses related to acquisitions	**—**	**—**	34	—	**—**
Listing expenses	**—**	**—**	6,933	1.6%	**—**
Investment gain from financial assets at fair value through profit or loss	**(1,009)**	**-0.2%**	—	—	**—**
Non-IFRS measures					
Adjusted EBITDA[(1)]	**51,620**	**10.3%**	43,190	9.9%	**19.5%**

Note:

(1) We define adjusted EBITDA as EBITDA (which is profit from operations plus depreciation and amortization expenses) for the years adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing expenses (if any) and investment gain from financial assets at fair value through profit or loss (if any).

	For the Year Ended 31 December				
	2019		2018		
	US$'000	% of Total Revenue	US$'000	% of Total Revenue	YoY Change
Profit for the year	22,069	4.4%	21,854	5.0%	1.0%
Add back:					
Share-based compensation expenses	19,891	4.0%	6,448	1.5%	208.5%
One-off acquisition-related expenses	–	–	34	–	–
Listing expenses	–	–	6,933	1.6%	–
Investment gain from financial assets at fair value through profit or loss	(1,009)	-0.2%	–	–	–
Non-IFRS measure					
Adjusted net profit[(1)]	40,951	8.2%	35,269	8.1%	16.1%

Note:

(1) We define adjusted net profit as profit for the year adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing fee (if any) and investment gain from financial assets at fair value through profit or loss (if any).

With the increase in gross profit margin of our mobile advertising business, we have achieved effectively controlled the increases in other expenses and thereby strengthened the profitability of our mobile advertising business. As previously mentioned, because of our persistent investment in central platform technology and continuous improvement in market awareness, our mobile advertising business was able to spin the flywheel much faster and hence improve the bargaining power of our mobile advertising business and increase our gross profit. In the meanwhile, our spending in other expenses have also maintained at the same level of the previous year, resulting in a greater profitability for our mobile advertising business. If we disregard the impact from the related share-based compensations, as a percentage of our revenue for the Reporting Period, the selling and marketing expenses will remain the same as that of the previous year at 1.6% (2018: 1.6%) and the R&D expenses will decrease to 5.4% (2018: 6.2%). As a result, the adjusted EBITDA for the Reporting Period will increase by 19.5% to US$51.6 million (2018: US$43.2 million) on a YoY basis and adjusted net profit will increase by 16.1% to US$41.0 million (2018: US$35.3 million) on a YoY basis.

Capital Structure and Gearing Ratio

The Company was incorporated in the Cayman Islands, and on as at 31 December 2019 the Company's authorized share capital was US$100,000,000 divided into 10,000,000,000 shares of US$0.01 each. As at 31 December 2019, the number of issued ordinary shares of the Company was 1,534,204,000, which had been fully paid up.

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations.

The Group's gearing ratio is defined as the Group's total liabilities over its total assets. As at 31 December 2019, our total asset were US$511.5 million (31 December 2018: US$406.2 million), while our total liabilities were US$245.4 million (31 December 2018: US$174.5 million). The gearing ratio (total liabilities divided by total assets) increased to 48.0% (31 December 2018: 43.0%).

We operate our business internationally and the major currencies of our receipt and payments are denominated in US dollars. The Group's interest rate risk arises primarily from variable rates bank loans, the effective interest rate of variable rate borrowings in 2019 is 3.14%–4.79% (2018: 1.80%–4.07%).

Financial Resources

Our Company funded our cash requirement principally from capital contribution from shareholders, cash generated from our operations and bank loans. As at 31 December 2019, our cash and cash equivalents amounted to US$67.3 million (31 December 2018: US$64.9 million).

Capital Expenditure

The following table sets forth our capital expenditure for the periods indicated:

	For the Year Ended 31 December	
	2019	2018
	US$'000	US$'000
Property, plant and equipment	**462**	658
Intangible assets and development costs	**11,677**	4,058
Prepayment for properties	**—**	756
Total	**12,139**	5,472

Our capital expenditure primarily consisted of expenditures on (i) property, plant and equipment, and (ii) intangible assets, including developed technologies (capitalized research and development expenditures), royalties, software and trademark. As at 31 December 2019, capital expenditure increased to US$12.1 million (31 December 2018: US$5.5 million). The increase in capital expenditure mainly reflected the increase in the capitalized research and development expenses. In 2019, the capitalized research and development expenses increased to US$11.6 million (2018: US$3.8 million).

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

There were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures during the Reporting Period.

Charges on Group's Assets

As at 31 December 2019, none of the Group's assets were charged with any parties or financial institutions.

Material Investments or Future Plan for Major Investment

As at 31 December 2019, the Group did not hold any material investment and there was no specific plan for material investments or capital assets.

Contingent Liabilities and Financial Guarantees

As at 31 December 2019, there is no contingent liability or financial guarantee granted to third parties of the Group.

Employee and Remuneration Policies

As at 31 December 2019, the Group had 18 offices around the world and had 777 full-time employees (31 December 2018: 735), primarily based in our headquarters in Guangzhou the PRC. Among all employees, 391 of them are in R&D department. R&D employees comprise of 50.3% of full-time employees. The number of employees employed by the Group varies from time to time depending on needs, and employees are remunerated based on reference to market conditions and individual employees performance, qualification and experience.

In order to nurture and retain specialists, the Group has formulated systematic recruitment procedures and offers competitive benefits and training opportunities. The remuneration policy and package of the Group's employees are periodically reviewed. Employees will be rated according to their appraisals, which in turn affect the performance bonus and share awards they receive.

Foreign Exchange Risk Management

We operate our business internationally and the major currencies of our receipts and payments are denominated in US dollars. We are exposed to non-US dollar currencies risk primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a foreign currency. We managed foreign exchange risk by performing regular reviews of our foreign exchange exposures.

Below is the brief information of the current Directors and senior management of the Group.

DIRECTORS

The Board currently comprises six Directors, of which three are executive Directors and three are independent non-executive Directors. The following table sets out information of the Directors.

Name	Age	Position	Date of Appointment
Mr. DUAN Wei	34	Executive Director and chairman of the Board	16 April 2018
Mr. CAO Xiaohuan	34	Executive Director	16 April 2018
Mr. FANG Zikai	35	Executive Director	13 June 2018
Mr. YING Lei	50	Independent non-executive Director	31 October 2018
Mr. WANG Jianxin	49	Independent non-executive Director	31 October 2018
Mr. HU Jie	44	Independent non-executive Director	31 October 2018

Executive Directors

Mr. DUAN Wei (段威)
Mr. Duan, aged 34, joined the Group in 2013. He is one of our co-founders, an executive Director, the chairman of the Board and chief executive officer of the Company and is responsible for overall strategic planning and the business direction of the Group. He serves as director of various subsidiaries of the Company.

Mr. Duan obtained his bachelor's degree in system science and engineering from Zhejiang University in 2008.

Mr. CAO Xiaohuan (曹曉歡)
Mr. Cao, aged 34, joined the Group in 2014. He is one of our co-founders, an executive Director and the president of the Company and is mainly responsible for overall management of the operations of the Group. He serves as director of various subsidiaries of the Company.

Mr. Cao is currently a member of CPA Australia. Mr. Cao received his bachelor's degree of system science and engineering in 2008 from Zhejiang University and later a master's degree in system analysis and integration in 2011 from the same university.

Mr. FANG Zikai (方子愷)
Mr. Fang, aged 35, joined the Group in 2015. He is an executive Director and the chief product officer of the Company, primarily responsible for product research and the management of the advertising business line of the Group.

Mr. Fang received his bachelor's degree from Zhejiang University in 2007, Mr. FANG majored in mathematics and applied mathematics and in 2009 obtained a master's degree of arts from the University of Pittsburgh.

Mr. XI Yuan (奚原) *(Resigned the position of Director in July 2019)*
Mr. XI, aged 35, joined the Group in 2013. He has been an executive Director and the vice president of our Company, primarily responsible for the business development of the advertising department. He resigned the position of Director in July 2019.

Mr. XI received his bachelor's degree in communication engineering in 2007 from Southwest Jiaotong University, and later obtained a master's degree of micro-electronics and solid-state electronic in 2010 from the same university.

Independent non-executive Directors

Mr. YING Lei (應雷)

Mr. Ying, aged 50, was appointed as an independent non-executive Director of our Group in October 2018. He is responsible for providing independent advice and judgment to our Board.

From May 2017 to November 2018, Mr. Ying served as an independent non-executive director of Guangzhou Mobvista. From December 2013 to April 2016, Mr. Ying served as the independent director of China CYTS Tours Holding Co., Ltd (Shanghai Stock Exchange Stock Code: 600138).

Mr. YING received his bachelor's degree in economics from Renmin University of China in 1991.

Mr. WANG Jianxin (王建新)

Mr. WANG, aged 49, was appointed as an independent non-executive Director of our Group in October 2018. He is responsible for providing independent advice and judgment to our Board.

Mr. Wang currently has served as an independent director of Chongqing Fuling Zhacai Group Co., Ltd (Shenzhen Stock Exchange Stock Code: 002507) since 2014. From 2012 to 2018, Mr. Wang served as an independent director of Shenzhen Goodix Technology Co., Ltd. (Shanghai Stock Exchange Stock Code: 603160). Mr. Wang used to serve as an independent director of Guangdong Highsun Group Co., Ltd. (Shenzhen Stock Exchange Stock Code: 000861) from 2011 to 2015. Prior to that, he served as an independent director of AVIC Real Estate Co., Ltd. (Shenzhen Stock Exchange Stock Code: 000043) from 2010 to 2016.

Mr. Wang has more than 25 years of extensive professional experience in investment, finance, accounting and tax. He has been a partner of Shinewing (HK) CPA Limited since 2007.

Mr. Wang was accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants in 1996. He obtained his bachelor's degree in auditing from Zhongnan University of Finance and Economics in 1994.

Mr. HU Jie (胡杰)

Mr. HU, aged 44, was appointed as an independent non-executive Director of our Group in October 2018. He is responsible for providing independent advice and judgment to our Board.

Mr. Hu joined the group of Guangzhou R&F Properties Co., Ltd (HKEX Stock Code: 02777) in 2002. Mr. Hu services as vice general manager and the board secretary. Mr. Hu has been a member of the M&A Financing Committee of the China Association for Public Companies since 2014.

Mr. Hu received his master's degree in economics from Jinan University in 2000.

SENIOR MANAGEMENT

Mr. SONG Xiaofei (宋笑飛)

Mr. SONG, aged 33, is the chief financial officer of the Company and is responsible for the Group's overall financial management. Mr. Song joined the Group in 2015.

Mr. Song was accredited as a Certified Public Accountant (non-practising) by The Chinese Institute of Certified Public Accountants in 2017.

Mr. Song received his bachelor's degree from Guangdong University of Foreign Studies in 2008, majoring in English Linguistics.

Mr. CHEN Qiaofeng (陳巧鋒)

Mr. CHEN, aged 34, is the vice president of the Company, primarily responsible for the Group's business development and management, especially in Greater China, Americas, Japan and Russia. Mr. Chen joined us in 2014.

Mr. Chen received his bachelor's degree from Zhejiang University in 2008, majoring in chemical engineering and technology.

Ms. YANG Ying (楊瑩)

Ms. YANG, aged 29, is the head of Southeast Asia and Europe regions of the Company, primarily responsible for business development and management, especially in Asia and Europe. Ms. Yang joined the Group in 2014 as the business manager.

Ms. Yang received her bachelor's degree from Zhejiang University in 2013, majoring in English.

Mr. LI Tianhui (黎田輝) *(Resigned in December 2019)*

Mr. LI, aged 38, has been the human resources director of the Company, primarily responsible for the Group's human resources management. Mr. LI joined the Group in 2014, and resigned in December 2019.

Mr. LI graduated from Nanchang University in 2003, majoring in environmental engineering.

DIRECTOR’S REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 16 April 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. We are a leading technology platform providing mobile advertising and mobile analytics services to the mobile app developers globally.

An analysis of the Group’s revenue and operating profit for the year by principal activities is set out in the section headed “Management Discussion and Analysis” on pages 13 to 24 in this annual report and note 3 to the financial statement.

FIVE YEARS FINANCIAL SUMMARY

The five year financial summary of the Group is set out on page 4 in the section headed “Five-Year Financial Summary” of this annual report.

RESULTS

The financial results of the Group for the year ended 31 December 2019 are set out on pages 80 to 86 of this annual report.

DIVIDEND POLICY AND FINAL DIVIDEND

Under the Articles of Association, our Company in general meeting may declare dividends in any currency to be paid to our shareholders, provided that no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may from time to time pay to our shareholders such interim dividends as appear to our Directors to be justified by the profits of our Company. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require a foreign-invested enterprise to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

During the period from the Listing Date to 31 December 2019, the Company declared a special dividend of HK$0.08 per share on 25 July 2019, amounting to approximately HK$122.74 million to its shareholders and payable on 27 August 2019.

No final dividend was recommended by the Board for the year ended 31 December 2019.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out as below:

Section(s) in this Annual Report	Page No. of the Annual Report
a Fair review of the Company's business	Management Discussion and Analysis
b Description of the principal risks and uncertainties the Company is facing	Management Discussion and Analysis; Director's Report
c Indication of likely future development of the Company's business	Letter to Shareholders; Business Review
d Analysis using financial key performance indicators	Financial Summary; Management Discussion and Analysis
e Discussion on the Company's environmental policies and performance	ESG report
f Discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Company	Corporate Governance Report; Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the Group's five largest customers in aggregate accounted for approximately 16.8% of the Group's total revenue. The Group's largest customer accounted for 5.3% of the Group's total revenue.

During the year ended 31 December 2019, the Group's five largest suppliers in aggregate accounted for approximately 29.5% of the Group's total purchase. The Group's largest supplier accounted for 10.4% of the Group's total purchase.

To the best of the knowledge of the Directors, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended 31 December 2019 are set out in note 10 to the financial statements on pages 120 to 121 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2019 are set out in note 23 to the financial statements on pages 138 to 139 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2019 are set out in note 24 to the financial statements on pages 140 to 143 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's distributable reserves were US$161,323,000.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2019, particulars of bank loans and other borrowings of the Company are set out in note 18 to the financial statements on page 133 of this annual report.

DONATIONS

The total donations made by the Group during the year ended 31 December 2019 amounted to approximately US$1,251.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Interests of Directors and Chief Executive in Securities" and "RSU Scheme", at no time during the year ended 31 December 2019 was the Company, any of its subsidiaries to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any body corporate.

DIRECTORS

The Directors during the Reporting Period and up to the date of this Latest Practicable Date were:

EXECUTIVE DIRECTORS

Mr. DUAN Wei, *(chairman and Chief Executive Officer)*
Mr. CAO Xiaohuan, *(president)*
Mr. FANG Zikai
Mr. Xi Yuan *(resigned from director position on 26 July 2019 while maintained other position with the Group)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YING Lei
Mr. WANG Jianxin
Mr. HU Jie

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation made by each of the independent non-executive directors under Rule 3.13 of the Listing Rules regarding their independence, and considers all the independent non-executive directors to be independent.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

During the year ended 31 December 2019, Mr. XI Yuan resigned as Director. Save as disclosed above, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in this annual report in the section headed "Profile of Directors and Senior Management" on pages 25 to 27.

DIRECTORS' SERVICE CONTRACTS

(a) Executive Directors

Each of the executive Directors entered into a service contract with the Company on 19 June 2018. Each service contract was for an initial term of three years (subject always to re-election as and when required under the Articles of Association) until termination.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years on 31 October 2018 (subject always to re-election as and when required under the Articles of Association) until termination.

REMUNERATION POLICY

The Group's remuneration policies are based on the merits, qualifications and competence of individual employees and are reviewed by the Remuneration Committee periodically. The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the Group's operating results, individual performance of each Directors and comparable market statistics.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in notes 7 and 8 to the financial statements on pages 116 to 118 of this annual report.

Details of the senior management's emoluments of the Group are set out in the corporate governance report on page 55 of this annual report.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2019, by our Group to or on behalf of any of the Directors.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 21 to the financial statements on page 135 of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

We have entered into confidentiality and non-competition agreements with our Directors and management. During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTORS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the ended of 31 December 2019.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the directors' and officers' liability insurance is currently in force and was in force during the Listing Date to the date of this Latest Practicable Date.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended 31 December 2019 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended 31 December 2019 or subsisted at the end of the year.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, each of our Controlling Shareholders undertook to the Company in a deed of non-competition that, subject to and except as mentioned in the Prospectus, the Controlling Shareholders would not and shall procure that its/his associates (excluding the Group) will not carry on, engage, invest, participate or otherwise be interested in any business in the mobile advertising and mobile analytics business as described in the Prospectus that is currently or intended to be carried on by the Company in any part of the world.

Each of them has confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report during the financial year of 2019. No new business opportunity was informed by them as at 31 December 2019. The independent non-executive Directors have reviewed the implementation of the deed of non-compete undertaking and are of the view that the non-competition undertakings have been complied with by the Controlling Shareholders for the year ended 31 December 2019.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2019.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Interest in Shares

Name of Director	Nature of Interest	Number of ordinary shares interested	Number of underlying shares held	Total	Approximate percentage of the Company's issued share capital
Mr. DUAN Wei(1)	Interest in controlled corporation	1,127,999,842(L)(2)	—	1,127,999,842	73.52%
Mr. FANG Zikai	Beneficial owner	1,552,200(L)	1,416,900	3,269,100	0.21%

Note:

(1) Guangzhou Mobvista, through its wholly-owned subsidiary Seamless, holds 1,127,999,842 Share of our Company, representing 73.52% of total number of Shares. Mr. Duan, Guangzhou Huimao, and Horgos Duanshi Pearl River Equity Investment Co., Ltd. directly holds 12.94%, 17.97% and 4.20% interest in Guangzhou Mobvista, respectively. The general partner of Guangzhou Huimao is Guangzhou Huisui, which is owned by Mr. Duan as to 95%. Guangzhou Huisui holds the entire voting and disposition power in Guangzhou Huimao. Therefore, Mr. Duan is deemed to be interested in Guangzhou Huimaos interest in Guangzhou Mobvista under the SFO. Horgos Duanshi Pearl River Equity Investment Co., Ltd. is wholly-owned by Mr. Duan; therefore, Mr. Duan is deemed to be interested in Horgos Duanshi Pearl River Equity Investment Co., Ltd.'s interest in Guangzhou Mobvista under the SFO. As a result, Mr. Duan is deemed to be interested in an aggregate of 35.11% interest in Guangzhou Mobvista, and thus is further deemed to be interested in the 1,127,999,842 Shares of our Company which Guangzhou Mobvista is interested in.

(2) L: Long Position

(b) Interest in associated corporation

Name of Director	Associated Corporation	Registered capital of the associated corporation	Nature of interests	Number of shares	Approximate percentage of shareholding in the associated corporation
Mr. DUAN Wei(1)	Guangzhou Mobvista	RMB372,644,072	Beneficial owner	48,207,872(L)(3)	12.94%
		RMB372,644,072	Interest in controlled corporation	82,625,776(L)	22.17%
Mr. CAO Xiaohuan(2)	Guangzhou Mobvista	RMB372,644,072	Beneficial owner	2,410,496(L)	0.65%
		RMB372,644,072	Interest in controlled corporation	16,575,860(L)	4.45%

Notes:

(1) Mr. Duan, Guangzhou Huimao, and Horgos Duanshi Pearl River Equity Investment Co., Ltd. directly holds 12.94%, 17.97% and 4.20% interest in Guangzhou Mobvista, respectively. The general partner of Guangzhou Huimao is Guangzhou Huisui, which is owned by Mr. Duan as to 95%. Guangzhou Huisui holds the entire voting and disposition power in Guangzhou Huimao. Therefore, Mr. Duan is deemed to be interested in Guangzhou Huimao's interest in Guangzhou Mobvista under the SFO. Horgos Duanshi Pearl River Equity Investment Co., Ltd. is wholly-owned by Mr. Duan; therefore, Mr. Duan is deemed to be interested in Horgos Duanshi Pearl River Equity Investment Co., Ltd.'s interest in Guangzhou Mobvista under the SFO.

(2) Mr. Cao, Horgos Huichun Equity Investment Co., Ltd. and Fengli Trust directly holds 0.65%, 1.28% and 3.17% interest in Guangzhou Mobvista, respectively. Horgos Huichun Equity Investment Co., Ltd. is a company wholly-owned by Mr. Cao. The trustee and sole beneficiary of Fengli Trust is Guangzhou Huiqian. The general partner of Guangzhou Huiqian is Mr. Cao, who held 1% interest in Guangzhou Huiqian. The limited partners of Guangzhou Huiqian are Mr. Xi, Mr. Fang, Mr. WANG Ping and Horgos Duanshi Pearl River Equity Investment Co., Ltd. (a company wholly-owned by Mr. Duan), holding 27.26%, 27.26%, 27.26% and 17.21% interest in Guangzhou Huiqian, respectively. Currently the general partner, namely Mr. Cao, holds the entire voting and disposition power in Guangzhou Huiqian.

(3) L: Long Position

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SECURITIES

As at 31 December 2019, the following persons will have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders of our Company under the Listing Rules:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of shareholding in our company
Seamless[(1)]	Beneficial owner	1,127,999,842(L)[(3)]	73.52%
Guangzhou Mobvista[(1)]	Interest in controlled corporation	1,127,999,842(L)	73.52%
Mr. DUAN Wei[(2)]	Interest in controlled corporation	1,127,999,842(L)	73.52%

Notes:

(1) Seamless holds 1,127,999,842 Shares in the Company, representing 73.52% of the issued shares. Seamless is wholly-owned by Guangzhou Mobvista. Therefore, Guangzhou Mobvista is deemed to be interested in the 1,127,999,842 Shares held by Seamless under the SFO.

(2) Mr. Duan, Guangzhou Huimao and Horgos Duanshi Pearl River Equity Investment Co., Ltd. directly holds 12.94%, 17.97% and 4.20% interest in Guangzhou Mobvista, respectively. The general partner of Guangzhou Huimao Investment Management Center (Limited Partnership) is Guangzhou Huisui, which is owned by Mr. Duan as to 95%; Guangzhou Huisui holds the entire voting and disposition power in Guangzhou Huimao. Therefore, Mr. Duan is deemed to be interested in Guangzhou Huimaos interest in Guangzhou Mobvista under the SFO. Horgos Duanshi Pearl River Equity Investment Co., Ltd. is wholly-owned by Mr. Duan; therefore, Mr. Duan is deemed to be interested in Horgos Duanshi Pearl River Equity Investment Co., Ltd.'s interest in Guangzhou Mobvista under the SFO. As a result, Mr. Duan is deemed to be interested in an aggregate of 35.11% interest in Guangzhou Mobvista, and thus is further deemed to be interested in the 1,127,999,842 Shares which Guangzhou Mobvista is interested in.

(3) L: Long Position

Apart from the foregoing, the Company had not been notified for any other interest by prescribed notices which were required to be recorded in the register kept under section 336 of the SFO.

RSU SCHEMES

(a) Employee RSU Scheme

We adopted the Employee RSU Scheme on 27 September 2018 and amended on 19 November 2018 to incentivize employees and consultants. The Company has appointed Sovereign Trustees Limited as the Employee RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the Employee RSU Scheme. The Company selects the Employee RSU Participants under the Employee RSU Scheme at its discretion.

The Employee RSU Scheme is and will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being 1 November 2018.

As at 31 December 2019, RSUs in respect of 55,476,100 underlying Shares representing approximately 3.62% of the total issued shares had been granted to RSU Participants pursuant to the Employee RSU Scheme. None of the grantees of the RSUs under the Employee RSU Scheme are Directors, members of the senior management of the Company or otherwise core connected person(s) of the Company.

As at 31 December 2019, here below are the details of the RSUs granted and outstanding under the Employee RSU Scheme:

Name of grantees of RSUs	Number of Shares underlying RSUs outstanding at 1 January 2019	RSUs granted during the period from 1 January 2019 to 31 December 2019	RSUs vested during the period from 1 January 2019 to 31 December 2019	RSUs lapsed during the period from 1 January 2019 to 31 December 2019	Number of Shares underlying RSUs outstanding at 31 December 2019
Employees, and consultants[(1)]	49,454,400	6,021,700	7,083,100	2,320,200	46,072,800

Note:

(1) Comprise 236 employees (other than directors, member of the senior management of the Company or core connected person of the Company) as at 1 January 2019 and 234 employees, 16 consultants (other than directors, member of the senior management of the Company or core connected person of the Company) as at 31 December 2019.

(b) Management RSU Scheme

We adopted the Management RSU Scheme on 19 November 2018 to incentivize directors, senior management, officers and consultants of the Company or its subsidiaries for their contribution to the Group. The Company has appointed Sovereign Fiduciaries (Hong Kong) Limited as the Management RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the Management RSU Scheme. Connected Globe Holdings Limited (a wholly-owned subsidiary of the Management RSU Trustee) holds and manages shares underlying the RSUs for the benefit of eligible participants pursuant to the Management RSU Scheme.

The Management RSU Scheme is and will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being 21 November 2018.

As at the date of 31 December 2019, RSUs in respect of 11,150,300 underlying Shares, representing approximately 0.73% of the total issued shares, had been granted to 6 Management RSU Participants pursuant to the Management RSU Scheme. Among the grantees of the RSUs, two are Directors, four are members of the senior management of our Company and one is an entity wholly-owned by a member of the senior management of our Company, details of which are set out in the table below.

Name of grantees of RSUs	Number of Shares underlying RSUs outstanding at 1 January 2019	RSUs granted during the period from 1 January 2019 to 31 December 2019	RSUs vested during the period from 1 January 2019 to 31 December 2019	RSUs lapsed during the period from 1 January 2019 to 31 December 2019	Number of Shares underlying RSUs outstanding at 31 December 2019
Directors					
XI Yuan[(1)]	1,739,000	–	1,739,000	–	–
FANG Zikai	2,969,100	–	1,552,200	–	1,416,900
Other senior management[(2)]	6,442,200	–	1,537,100	–	4,905,100
Total	11,150,300	–	4,828,300	–	6,322,000

Notes:

(1) Mr. Xi Yuan resigned from his director position on 26 July 2019, while maintained his other positions with the Group.

(2) Including the entity(ies) wholly-owned by the relevant grantees.

Share Option Scheme

The Share Option Scheme was conditionally approved and adopted by our Shareholders on 30 October 2018, and became effective on the Listing Date. The purpose of the Share Option Scheme is to incentivize and reward the eligible persons for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted, the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

During the Reporting Period, no share option was granted, under the Share Option Scheme since the Listing Date. Accordingly, there was no outstanding share option as at the date of this Latest Practicable Date.

A summary of the Share Option Scheme is set out below:

1) *Eligible persons*

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of our Group or associated companies of our Company ("**Eligible Persons**").

2) *Maximum number of Shares in respect of which options may be granted*

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (if any) of our Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**"). As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 151,886,700 shares, representing approximately 9.9% of the shares in issue (i.e. 1,534,204,000 Shares) as at the date of this annual report.

The Board may, with the approval of the Shareholders in general meeting refresh, the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company (the "**Other Schemes**") under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of on which the Shareholders approve the refreshment of the Scheme Mandate Limit. The Board may, with the approval of the Shareholders in general meeting, grant options to any Eligible Person who, as specifically identified by the Board, would cause the Scheme Mandate Limit to be exceeded. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval from the Shareholders.

At any time, the maximum number of Shares which may be issued upon the exercise of all outstanding options which have been granted and not yet exercised under the Share Option Scheme and any Other Schemes of our Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or independent financial adviser appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

3) *Maximum entitlement of each individual*

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of our Company, his associates) abstaining from voting. Our Company must send a circular to the

Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

4) *Option Period*

Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

5) *Minimum Period for which an Option must be held before it can be exercised*

Unless the exercise of Option would, in the opinion of the Board, be in breach of a statutory or regulatory requirement or unless the Board determines otherwise in its absolute discretion, any Option (1) which has been vested; (2) of which conditions have been satisfied or waived by the Board in its sole discretion; and (3) which has not lapsed, may be exercised at any time from the next Business Day after the offer of Options has been accepted by an option-holder pursuant to the Share Option Scheme.

6) *Payment on acceptance of the Option and the period within which payments must be made*

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options which has not been accepted within this period shall lapse.

An amount of HK$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

7) *Basis of determining the exercise price*

Subject to any adjustment made as described in the rules of Share Option Scheme, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;

(ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and

(iii) the nominal value of the Shares.

8) *Remaining life of the Share Option Scheme*

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after the period of which no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

PRE-EMPTIVE RIGHTS

As at the year ended 31 December 2019, no pre-emptive rights have been granted.

RELATED PARTY TRANSACTIONS

The related party transactions which were undertaken in the normal course of business are set out in note 27 to the consolidated financial statements. For those related party transactions that constitute connected transactions or continuing connected transactions (as the case may be) under the Listing Rules, these transactions are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Property Lease Agreement

Mobvista (Guangzhou) Technology Company Limited (the company's subsidiary) entered into four property lease agreements with each of Mobvista Co., Ltd, Guangzhou Ruisou, Guangzhou Huichun, and Duanshi Investment, respectively (together the "**Property Lease Agreements**"), on 1 July 2018 and further amended on 28 September 2018.

On 23 December 2018, Mobvista (Guangzhou) Technology Company Limited (the company's subsidiary) signed a termination agreement with Mobvista Co., Ltd. So far, the property lease agreement between them has not been fulfilled.

According to the valid property Lease Agreements valid as at 31 December 2019, Guangzhou Ruisou, Guangzhou Huichun, and Duanshi Investment leased certain properties to our Group with a total area of approximately 5,339 square meters.

Landlord	Tenant	Location	Approximate gross floor area (sq.m.)	Approximate Monthly Rental (RMB)	Intended use	Duration of Agreement
Guangzhou Ruisou	Mobvista Technology	Units 02-04 and 06-12 of 44/F, and Units 01-04 and 06-12 of 43/F, Tianying Plaza (East Tower), No. 222-3, Xingmin Road, Zhujiang New Town, Tianhe District, Guangzhou, PRC	4,719	2018: RMB1,321,427.2 (equivalent to US$190,507.7) 2019: RMB1,354,462.9 (equivalent to US$195,270.4) 2020: RMB1,422,186.0 (equivalent to US$205,033.9)	Office	Three years
Guangzhou Huichun	Mobvista Technology	Unit 05, 43/F, Tianying Plaza (East Tower), No. 222-3, Xingmin Road, Zhujiang New Town, Tianhe District, Guangzhou, PRC	310	2018: RMB86,906.7(equivalent to US$12,529.2) 2019: RMB89,079.4 (equivalent to US$12,842.4) 2020: RMB93,533.3 (equivalent to US$13,484.5)	Office	Three years
Duanshi Investment	Mobvista Technology	Unit 05, 44/F, Tianying Plaza (East Tower), No. 222-3, Xingmin Road, Zhujiang New Town, Tianhe District, Guangzhou, PRC	310	2018: RMB86,744.7 (equivalent to US$12,505.8) 2019: RMB88,913.3(equivalent to US$12,818.5) 2020: RMB93,359.0 (equivalent to US$13,459.4)	Office	Three years

ANNUAL CAPS

For the years ending 31 December 2018, 2019 and 2020, the total amount of the rental to be paid by our Group to Guangzhou Ruisou, Guangzhou Huichun and Duanshi Investment under the Property Lease Agreements shall not exceed the following caps:

	Proposed annual caps for the year ending 31 December(1)		
	2018	2019	**2020**
Rentals payable by our Group to Guangzhou Ruisou, Guangzhou Huichun, and Duanshi Investment	RMB3.4 million(2) (equivalent to US$0.5 million)	RMB21.1 million (equivalent to US$3.0 million)	**RMB22.2 million (equivalent to US$3.2 million)**

Notes:

(1) All the amounts in the above table are presented in millions and have been rounded to the nearest thousands in whole numbers.

(2) The proposed annual cap for the year ending 31 December 2020 is calculated considering the estimated length of the lease period for such year.

During the year ended 31 December 2019, the aggregate actual amount of the continuing connected transaction incurred was US$2,971,354.

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better;

(iii) according to the agreement governing them, on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(iv) did not exceed the annual cap amount.

The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONFIRMATION FROM THE EXTERNAL AUDITOR

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its letter to the Board containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited which stated that:

(a) nothing has come to the attention of the auditor that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the auditor that causes the auditor to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to the attention of the auditor that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions；

(d) with respect to the aggregate amount of the continuing connected transactions, nothing has come to the attention of the auditor that causes the auditor to believe the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

FOREIGN EXCHANGE RISK MANAGEMENT

We operate our business internationally and the major currencies of our receipts and payments are denominated in US dollars. We are exposed to non-US dollar currencies risk primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a foreign currency. We managed foreign exchange risk by performing regular reviews of our net foreign exchange exposures.

OTHER PRINCIPAL RISKS AND UNCERTAINTIES

Our operations and future financial results could be materially and adversely affected by various risks. The following highlights the principal risks that the Group is susceptible to and is not meant to be exhaustive:

- We generate our revenues almost entirely from the advertising services we provide. If we fail to retain existing advertisers and publishers, deepen or expand our relationships with advertisers and publishers, or attract new advertisers and publishers, our financial position, results of operations and prospects may be materially and adversely affected.

- If the mobile advertising industry fails to continue to develop and growth, or if the mobile advertising market develops or grows more slowly than expected, our profitability and prospects may be materially and adversely affected.

- If we fail to introduce new or enhanced services to keep up with the technological developments or new business models of the mobile advertising and mobile analytics industries, or the changing requirements of advertisers, publishers and mobile analytics users, our business, financial position and results of operations may be materially and adversely affected.

- We expect to continue to experience intense competition. If we fail to compete effectively against other mobile advertising companies and other mobile analytics service providers, we could lose advertisers, publishers or mobile analytics users, and our revenues may decline.

- If we provide inaccurate or fraudulent data, it may have an adverse impact on our business, results of operations and reputation.

- Our business is subject to complex and evolving laws and regulations. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

- Misappropriation or misuse of privacy information and failure to comply with laws and regulations on data protection, including the GDPR, could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in advertisers, publishers or mobile analytics user base, or otherwise harm our business.

- Any breaches of our security measures, including unauthorized access, computer viruses and hacking, may adversely affect our database, reduce use of our services and damage our reputation and brand names.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of the Group's subsidiaries has purchased, sold or redeemed any of the Company's shares during the Reporting Period.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date by way of global offering, raising total net proceeds of approximately US$146.6 million after deducting professional fees, underwriting commissions and other related listing expenses. Over-allotment option was partially exercised on 4 January 2019 and raised total gross proceeds of approximately US$7.6 million. And as at 31 December 2019, the total net proceeds received by the Company were approximately US$154.2 million.

As at 31 December 2019, the following table sets out the breakdown of the use of proceeds from the global offering:

Purpose of Net Proceeds	Amount Allocated (US$'000,000)	Amount Utilized (US$'000,000)	Balance (US$'000,000)
1 Big data and AI technologies and IT infrastructure	46.3	9.5	36.8
2 Improvement of services on our mobile advertising and mobile analytics platform	46.3	8.2	38.1
3 Implement our "Glocal" strategy by enhancing our local service capabilities and expanding our global footprint	15.4	2.4	13.0
4 Strategic investments and acquisitions	30.8	1.3	29.5
5 General working capital	15.4	1.1	14.3
Total of net proceeds	**154.2**	**22.5**	**131.7**

During the Reporting Period, the Group has followed the plan for the use of proceeds as set out in the Prospectus of the Company and expects to utilise the balance of the net proceeds of approximately US$131.7 million in the next 2 years.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. For further details of the Group's environmental policies and performance, please refer to the section of "Environmental, Social and Governance Report" in this annual report.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting ("**AGM**") will be held on Tuesday, 16 June 2020. A notice convening the AGM and all other relevant documents will be published and dispatched to shareholders in April 2020.

CLOSURE OF REGISTER OF MEMBERS

The registers of members of the Company will be closed from Thursday, 11 June 2020 to Tuesday, 16 June 2020, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at AGM to be held on Tuesday, 16 June 2020, during the period of which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfers documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 10 June 2020.

SUBSEQUENT EVENTS

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and might impact the Group's operations and financial position. The Group has been closely monitoring the impact of the coronavirus outbreak on the Group's businesses and has put in place contingency measures. These contingency measures include but not limited to negotiating repayment schedule of some debtors, assessing our supplier's readiness, continually monitoring oversea offices' daily operation and strengthening cost control. So far, the management has not identified any significant impacts from the outbreak of coronavirus which require adjustment to or disclosure in the financial statement. Except for the event of the coronavirus outbreak, there have been no other events subsequent to 31 December 2019 which require adjustment to or disclosure in the financial statement as at the date of this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued shares as at the date of this Latest Practicable Date, which was in line with the requirement under the Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by KPMG, certified public accountants. KPMG will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditor of the Company will be proposed at the AGM.

By order of the Board
DUAN Wei
Chairman and Chief Executive Officer

Guangzhou, PRC, 31 March 2020

The Company is committed to achieving and maintaining high standards of corporate governance by focusing on the principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to Directors and employees, with reference to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

During the year ended 31 December 2019, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules other than code provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. DUAN is the chairman of our Board and the chief executive officer of our Company. With extensive experience in the mobile advertising and mobile analytics industry, Mr. DUAN is responsible for the overall strategic planning and general management of our Group and has been an instrumental part of our growth and business expansion since the establishment of our Group. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-caliber individuals.

Our Board currently comprises three executive Directors (including Mr. DUAN) and three independent non-executive Directors and therefore its composition has a fairly strong element of independence.

BOARD OF DIRECTORS

The Board is responsible for the overall leadership of the Group. The Board oversees the Group's strategic decisions and monitors business development and performance. The Board has delegated the authority and responsibility of the day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

The Board consists of six Directors, including three executive Directors and three independent non-executive Directors. The Broad is comprised of Mr. DUAN Wei (chairman of the Board and Chief Executive Officer), Mr. CAO Xiaohuan (president) and Mr. FANG Zikai as executive Directors; Mr. YING Lei, Mr. HU Jie and Mr. WANG Jianxin as independent non-executive Directors.

The biographies of the Directors are set out under the section headed “Profile of Directors and Senior Management” of this annual report.

At all times, the Board has met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board.

Diversity of the Board

Our Directors have a balanced mix of experiences and industry background, including but not limited to experiences in advertising, financial, technology, mobile internet and securities industries. Our Directors obtained degrees in various majors including system science, communication engineering, mathematics, micro-electronics and solid-state electronics, economics and auditing. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board.

The Company believes that the diversity of its Broad members will be immensely beneficial for the enhancement of the Company‘s performance. Pursuant to our Board diversity policy, selection of Board candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Broad.

The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendations to the Board for adoption. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that is relevant to the Company‘s business growth.

In identifying and selecting suitable candidates to serve as a director of the Company, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

Save as disclosed in the Directors’ biographies set out in the section headed “Profile of Directors and Senior Management” in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material relationship) with any other Director and chief executive.

All Directors attended various trainings during the year ended 31 December 2019, including trainings regarding the updating of the Listing Rules, the responsibilities and continuous obligations of Directors and the Environmental, Social and Governance Reporting Guide. The Company had arranged suitable trainings for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

According to the information provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2019 is as follows:

Name of Directors	Nature of Continuous Professional Development Programmes
Executive Directors	
Mr. DUAN Wei	A, B & C
Mr. CAO Xiaohuan	A, B & C
Mr. FANG Zikai	A, B & C
Mr. XI Yuan	A, B & C
Independent Non-executive Directors	
Mr. YING Lei	A, B & C
Mr. HU Jie	A, B & C
Mr. WANG Jianxin	A, B & C

Notes:

A: Attending seminars and/or meetings and/or forums and/or briefings
B: Giving talks in the seminars and/or meetings and/or forums
C: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

The Company is committed to continuously reviewing and improving its internal systems, including those in relation to internal supervision and control, and risk management.

Appointment and Re-election of Directors

Each of the executive Directors entered into a service contract with the Company on 19 June 2018. Each service contract was for an initial term of three years (subject always to re-election as and when required under the Articles of Association) until termination.

Each of the independent non-executive Directors has signed an appointment letter with the Company for an initial term of three years on 31 October 2018 (subject always to re-election as and when required under the Articles of Association) until termination.

In accordance with the Articles of Association, at every annual general meeting of the Company, one-third of the Directors, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation. This is provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall remain in office until the close of the meeting at which he retires and shall be eligible for re-election thereafter. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing the same number of persons to be Directors.

The Articles of Association set out the procedures and process for the appointment, re-election and removal of Directors. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

None of the Directors has entered a service contract with members of the Group that cannot be terminated by the Group within one year without payment of compensation, other than statutory compensation.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times per year, and at approximately quarterly intervals. The Board also meets at other times as and when required. In addition, the Board holds general meetings to maintain an on-going dialogue with the Shareholders. In accordance with the Articles of Association, an annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing.

For other Board and Board Committee meetings, reasonable notice is generally required. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least 3 days before the meetings to ensure that they have sufficient time to review the relevant papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries with copies circulated to all Directors or Board Committee members for information and record-keeping.

Minutes of the Board meetings and Board Committee meetings are recorded and are in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached are noted, including concerns raised by the Directors/Board Committee members. Draft and final versions of the minutes of each Board meeting and Board Committee meeting are sent to the Directors/Board Committee members for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by all Directors.

The Board held 18 Board meetings during the year ended 31 December 2019. The attendance of each Director at Board, committee meetings and annual general meeting, whether in person or by means of electronic communication, is detailed in the table below:

	Attendance/No. of Eligible Board, Committee Meetings or Annual General Meeting				
Name of director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive Directors					
Mr. DUAN Wei *(Chairman)*	18/18	—	1/1	—	1/1
Mr. CAO Xiaohuan	18/18	—	—	2/2	1/1
Mr. FANG Zikai	18/18	—	—	—	1/1
Mr. XI Yuan[(1)]	9/9	—	—	—	1/1
Independent Non-executive Directors					
Mr. YING Lei	18/18	2/2	1/1	2/2	1/1
Mr. HU Jie	18/18	2/2	1/1	2/2	1/1
Mr. WANG Jianxin	18/18	2/2	—	—	1/1

Note:

(1) Mr. XI Yuan resigned from executive Director on 26 July 2019.

Delegation by the Board

The Board reserves its right to decide on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, the appointment of Directors and other significant financial and operational matters. Directors may have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to management entering into any significant transactions.

Corporate Governance Function

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

1. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

4. to develop, review and monitor the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Company was complied with the relevant CG Code provisions during the year ended 31 December 2019.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises three members, Mr. WANG Jianxin (Chairman), Mr. YING Lei and Mr. HU Jie, all of whom are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policies on engaging an external auditor to supply non-audit services.

(d) to monitor the integrity of the Company's financial statements, annual reports, accounts, half-yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:

   (i) any changes in accounting policies and practices;

   (ii) major judgmental areas;

   (iii) significant adjustments resulting from the audit;

   (iv) the going concern assumptions and any qualifications;

   (v) compliance with accounting standards; and

   (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(e) regarding paragraph (d) above: (i) Members shall liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the Company's auditors; and (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;

(g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems in place. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

(h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(j) to review the financial and accounting policies and practices of the Company and its subsidiaries;

(k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the Board on the matters set out in the CG Code;

(n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(o) to act as the key representative body for overseeing the Company's relation with the external auditor;

(p) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by Shareholders of the Company; and

(q) to consider such other matters as the Board may from time to time determine.

The Audit Committee's major work during the year ended 31 December 2019 includes:

(a) reviewing the 2019 annual report, the Environmental, Social and Governance Report and annual results announcement;

(b) reviewing the 2019 interim report and interim results announcement;

(c) reviewing the Company's compliance with the CG Code;

(d) reviewing the relationship with the external auditor with reference to the work performed by the external auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the external auditor;

(e) reviewing the continuing connected transactions of the Group carried out during the year ended 31 December 2019; and

(f) reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

KPMG is the Group's external auditor. The Audit Committee reviews the relationship of the Company with KPMG on an annual basis. Having also reviewed the effectiveness of the external audit process as well as the independence and objectivity of KPMG, the Audit Committee is satisfied with this relationship. As such, the Audit Committee has recommended their re-appointment at the forthcoming AGM.

Code provision C3.3(e)(i) of the CG Code provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the external auditor. The Company has included such terms in relevant terms of reference, and thus complied with the Code provision C3.3(e)(i) of the CG Code during the year ended 31 December 2019.

The Audit Committee held 2 meetings during the year ended 31 December 2019 and please refer to the paragraph headed "Board Meetings" above for details of each member's attendance of the meetings.

Terms of Reference of the Audit Committee was revised according to the revision of the CG Code which took into effect from 1 January 2019.

Nomination Committee

The Nomination Committee currently comprises three members, including one executive Director namely Mr. DUAN Wei (chairman) and two independent non-executive Directors namely Mr. Ying Lei and Mr. HU Jie.

The principal duties of the Nomination Committee include the following:

(a) to review the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, race, skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals who are qualified/suitable to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors of the Company; and

(d) to make recommendations to the Board on the appointment or re-appointment of directors of the Company and succession planning for directors of the Company, in particular, the chairman and the chief executive of the Company.

The Nomination Committee's major work during the year ended 31 December 2019 includes:

(a) reviewing the structure, size, composition and diversity (including the gender, age, cultural and educational background, race, skills, knowledge and experience) of the Board;

(b) assessing the independence of independent non-executive Directors;

(c) making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive; and

(d) reviewing the Board diversity policy.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The Company recognizes the benefits of having a diverse Board, and views diversity at Board level as a business imperative that will help the Company achieve its strategic objectives and maintain a competitive advantage. As such, the Board has set measurable objectives for the implementation of the Board diversity policy to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and maintain the effectiveness of the Board. The Nomination Committee is satisfied that the Board diversity policy is successfully implemented.

The Nomination Committee held 1 meeting during the year ended 31 December 2019 and please refer to the paragraph headed "Board Meetings" above for details of each member's attendance of the meeting.

Remuneration Committee

The Remuneration Committee currently comprises three members, including one executive Director namely Mr. CAO Xiaohuan, and two independent non-executive Directors namely Mr. Ying Lei (chairman) and Mr. Hu Jie.

The principal duties of the Remuneration Committee include the following:

(a) to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policies;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) either:

(i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management of the Company, or

(ii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management of the Company.

This should, include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive directors of the Company;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions of the Company and its subsidiaries;

(f) to consider the levels of remuneration required to attract and retain the directors to run the Company successfully;

(g) to review and approve compensation payable to executive directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(h) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(i) to ensure that no director of the Company or any of his or her associates is involved in deciding his or her own remuneration.

The Remuneration Committee's major work during the year ended 31 December 2019 includes:

(a) making recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board from time to time;

(c) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

(d) making recommendations to the Board on the remuneration of non-executive Directors; and

(e) ensuring no Director or any of his or her associates is involved in deciding his or her own remuneration.

In conducting its work in relation to the remuneration of Directors and senior management team of the Company, the Remuneration Committee ensured that no individual or any of this associates was involved in determining his own remuneration. It also ensured that remuneration awards were determined by reference to the performance of the individual and the Company and were aligned to the market practice and conditions, the Company's goals and strategies. They are designed to attract, retain and motivate high performing individuals, and reflect the specifics of individual roles.

The Remuneration Committee held 2 meetings during the year ended 31 December 2019 and please refer to the paragraph headed "Board Meetings" above for details of each member's attendance of the meetings.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2019 is set out below:

	Number of persons
HK$3,000,001 to HK$3,500,000	1
HK$5,000,001 to HK$5,500,000	1
HK$5,500,001 to HK$6,000,000	1
HK$7,000,001 to HK$7,500,000	1

Remuneration of Directors

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 7 and 8 to the financial statements on pages 116 to 118 of this annual report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility in preparing the financial statements for the year ended 31 December 2019, which gave a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report of this annual report.

External Auditors

KPMG is appointed as the external auditors of the Company upon the recommendation of the Audit Committee.

An analysis of the remuneration paid to the external auditors of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Service Category	Fee Paid/Payable (US$)
Audit Services	304,414
Non-audit Services	130,463
Total	434,877

The fees attributable to the non-audit services above mainly include the service fee paid to KPMG as the reporting accountants of the Company in connection with the initial public offering.

MODEL CODE

The Group has adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors as its own code of conduct. Having made specific enquiry of all Directors, each of the Directors has complied with the required standards as set out in the Model Code during the Reporting Period.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the year ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standard of corporate governance to safeguard the interest of the Shareholders and to enhance corporate value and accountability. The Company has adopted the corporate governance code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Pursuant to A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive should be separate and performed by the different individual.

Mr. DUAN Wei is the chairman of the Board and the chief executive officer of our Company. With extensive experience in the mobile advertising and mobile analytics industry, Mr. DUAN is responsible for the overall strategic planning and general management of our Group and has been an instrumental part of our growth and business expansion since our establishment. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-caliber individuals.

Save as the above, the Company has applied the principles and code provisions as set out in the CG Code during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring that the Company has established and maintained adequate and effective risk management and internal control systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The Board was satisfied with the internal audit function for the year ended 31 December 2019.

Risk Management

The Company is committed to continuously improving the risk management system, including its structure, process and culture, through the enhancement of risk management ability, to ensure long-term growth and sustainable development of the Company's business.

The Company has established a risk management system which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes. Each business group of the Company, on a regular basis, identifies and assesses risk factors that may negatively impact the achievement of its objectives, and formulates appropriate response measures.

During the year ended 31 December 2019, the Company adopted dynamic risk management processes including risk identification, risk analysis, risk assessment, risk response, risk monitoring, and risk reporting in response to identifying significant risks of the Company. Regular meetings were held between the executive Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and contract receipts from customers, the efficiency in the use of the Group's resources in comparison to the budgets, and operational matters to ensure the Group has complied with the regulations that have material impact on the Group's business. The aim is to enhance the communication and accountability of the Directors and management so that significant strategic, financial, operational and compliance risks or potential deviations are identified and dealt with in a proper and timely manner and that, significant issues are reported back to the Board for their attention.

During the year ended 31 December 2019, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

DISCLOSURE OF INSIDE INFORMATION

The Company has developed its disclosure policy to provide a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

JOINT COMPANY SECRETARIES

Mr. QIAN Cheng and Ms. SO Shuk Yi Betty were appointed as the joint company secretaries of the Company. They are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Ms. SO is not an employee of our Company, but an external service provider engaged by us as our Company secretary and Mr. QIAN is the key contact person with whom Ms. SO can contact.

Mr. QIAN and Ms. SO have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year ended 31 December 2019.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which enable Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides an opportunity for the Shareholders to communicate directly with the Directors.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 43/F, Tianying Plaza (East Tower), No. 222-3 Xingmin Road Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Shareholders may put forward proposals for consideration at a general meeting of the Company in accordance with the Articles of Association. Any one or more members holding as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or joint company secretaries of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitions(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitions(s) as a result of the failure of the Board shall be reimbursed to the requisitions(s) by the Company.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, the Company has not made any changes to its Articles of Association.

ESG REPORT

Overview

This is the second Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") prepared by the Group. This report provides information on the Group's ESG performance for the year ended 31 December 2019. The environmental key performance indicators ("**KPIs**") of Guangzhou headquarters and social KPIs of the Group are collected to reflect the quantitative performances.

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") as set out in Appendix 27 to the Listing Rules.

Sustainable Development Strategy

The Group realizes the operation in environmentally and socially responsible can create long term value for the business development. We consider ESG factors into our decision making process and strive to integrate ESG principles into our business practices so that it has produced a positive impact on the sustainable development, the environment and the community.

ESG Working Group

The Group has established the ESG working group during the year ended 31 December 2019 to coordinate the ESG management, manage the ESG-related risks and implement the ESG practices with the structure as follows:

Role	Responsibilities
The Board	• Setup the ESG targets; • Evaluate the ESG strategies, plans and results; • Ensure the effectiveness of executing ESG policies; • Review the ESG related issues regularly; and • Review the Annual Report and ESG Report
ESG Working Group	• Identify the ESG material topics and major risks of the Group; • Formulate the ESG working plans and strategies; • Coordinate departments to implement relevant strategies; and • Report recommendations to the Board as to improve the ESG performances
Departments of the Group	• Collect the internal policies and quantitative data of the Group; • Execute the ESG policies and strategies; • Monitor the daily operations in related to the ESG; and • Assist the ESG working group to carry out related work

Communicating with Stakeholders

The Group emphasizes the importance of communicating with stakeholders. Stakeholders' active involvement to propose targeted ESG strategies will promote the positive development in company operations.

Stakeholder Engagement

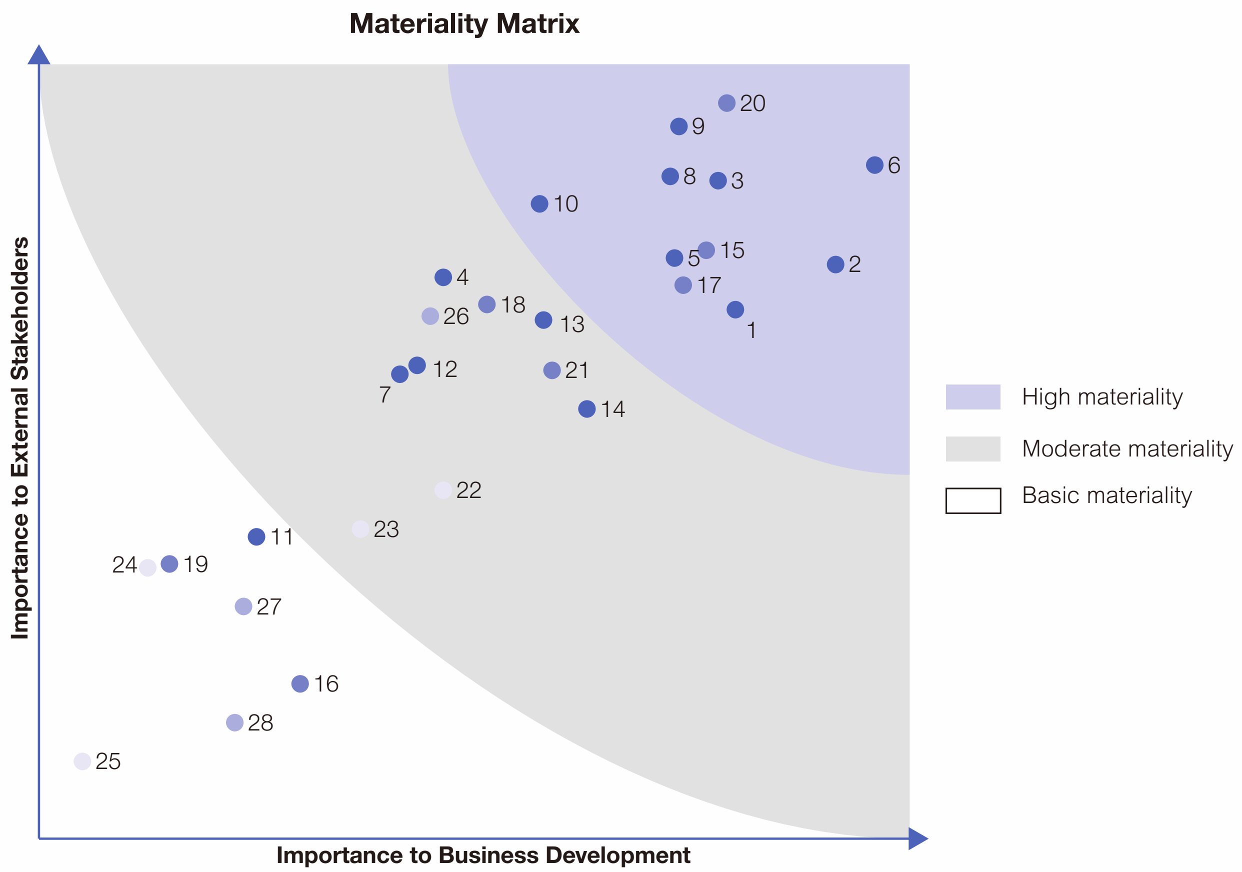
Key stakeholders of the Group include: shareholders, investors, regulatory authorities, employees, clients, business partners, suppliers, peers, intermediaries (i.e. company secretaries, lawyers and auditors), community and the public. The Group communicates with its stakeholders through similar communication channels as in 2018, readers can refer to the details of the communication channels from 2018 ESG report.

Materiality Matrix

We have invited internal and external stakeholders to complete the online survey. The survey result enables to identify the material ESG topics that significantly impact the operation and reputation of the Group. The list of topics can be classified as below areas:

- Economics and Operation
- Employment and Labour Practices
- Environment
- Community

With reference to the Global Reporting Initiative ("**GRI**") and the Guide, 34 material topics were listed in the online survey for internal and external stakeholders to rate the importance. and 28 material topics were summarized to plot the materiality matrix (as below).



Economics and operation	1.	Economic performance
	2.	Market competitiveness
	3.	Compliance with laws and regulations
	4.	Responsible procurement
	5.	Quality control
	6.	Technological development and application
	7.	Cyber safety
	8.	Protection of customers' privacy
	9.	Satisfaction level of customers
	10.	Anti-fraud and anti-corruption
	11.	Whistle-blowing mechanism
	12.	Complaint handling and responding mechanism
	13.	Protection of intellectual property right
	14.	Promotion and product/service labeling

Employment and labour practices	15.	Employment rights
	16.	Labour relations
	17.	Occupational health and safety
	18.	Employee diversity, nondiscrimination and equal opportunity
	19.	Prevention of child labour and forced labour
	20.	Qualifications and professional conduct
	21.	Employee training and development
Environment	22.	Energy consumption and efficiency
	23.	Water consumption and efficiency
	24.	Waste disposal and treatment
	25.	Green Finance
Community	26.	Attention to community
	27.	Community Investment and involvement
	28.	Popularization of financial investment

Our sustainable development strategy is built on pillars of "Product Responsibilities", "Employee Care", "Environmental Protection" and "Community Involvement" to align with the result of the materiality matrix showing the topics that our stakeholders believe to be material to the Group.

Product Responsibilities

Mobvista is a comprehensive technology platform providing mobile advertising and data analytics services to App developers worldwide.

Data Protection and Privacy

We have implemented policies to comply with relevant laws and regulations on data protection and privacy in our business operations, and ensure the data which has been collected are not misappropriated or misused. We collect device-specific data such as device ID and IP address, but do not collect or store personal data such as the user's legal name or personal ID number.

We have implemented measures to comply with laws and regulations on data protection and privacy in China, the United States, European countries and other major jurisdictions that we operate in. We have implemented internal user personal data usage and maintenance policy, requiring our employees to use user data only for the specific purpose and scope previously agreed by relevant users and not to use such data for other uses without prior written consent from relevant users. We have implemented protection and security measures for personal data collection, process and storage and continue to strengthen such measures, including our data monitoring system, firewall, data encryption technology, system login protection, digital access authentication, data backup and other automatic software protection measures. We continuously update our user privacy policy on official website and send newsletters to users regarding privacy policy update and ensure our compliance with relevant laws and regulations. We generally include user data and privacy clause in our contracts to require our contractual counterparties to comply with our privacy policies and relevant laws and regulations on data protection and privacy.

Intellectual Property Protection

The Group strictly follows with the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), Computer Software Protection Regulations (《計算機軟件保護條例》) and Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) to protect our assets. We register patents as soon after evaluating the needs of the patents. We also pay attention to the specific valid date and make sure to extend in time. Our legal team and related operating colleagues are responsible for the daily management of legal matters involving trademark, patent, copyright and domain names.

Advertising

We ensure our operation to comply with the Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》) and the Anti-Unfair Competition Law (《反不正當競爭法》) for brand promotion. We strictly monitor all the promotional materials and seek management approval first before publishing externally as to prevent providing mislead information.

Communicating with Clients

The Group provides services to customers in a customer-oriented approach and strives to become the ideal partner with them. We believe that effective communication is the key driver to client success.

In the early stages of customer engagement, preliminary service plans are development according to the customers' needs. Then we adjust and optimize the advertising plans and strategies through continuous communication and carry out advertising campaigns as planned. Moreover, we arrange regular visits to clients to understand their feedback and needs and contact the clients to meet their requirements as soon as possible if clients are not satisfied with the services. In order to improve service quality, service satisfaction surveys are issued to clients regularly to understand their evaluations and suggestions for our services.

We set up various channels to receive the enquiries, suggestions and complains and follow standardized procedures to handle with cases. The Group did not receive any services-related complaints from customers during the Reporting Period. We will continue to provide professional and high quality services to our customers.

Avoiding Corruption

We are aware of the importance of protecting legal rights and interest as well as regulating misconduct business practices as for sustainable, stable and healthy development. Apart from strictly following, but not limited to the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Law Against Unfair Competition of the People's Republic of China《中華人民共和國反不正當競爭法》and the Interim Provisions on Banning Commercial Bribery《關於禁止商業賄賂行為的暫行規定》, we has formulated internal policies such as the “Anti-fraud and Reporting Mechanism Management Measures” (《反舞弊與舉報機制管理辦法》) to better monitor suspicious transactions and standardize reporting procedures. The employees and the Group did not involve in any legal cases relating with extortion, bribery, fraud and money laundering during the Reporting Period.

Risk Management

The Group is committed to continuously improving the risk management system to ensure the long-term growth and sustainable development of the Group’s business. For further details of the Group’s risk management policies, please refer to the paragraph headed “Risk Management and Internal Control” in the Corporate Governance Report.

Green Procurement

Since the Group is not engaged in the traditional manufacturing industry, procurement here mainly include office equipment, software and hardware, and daily maintenance of the office. The Group has formulated the “Supply Chain Management Policy” (《採購制度規範》) to manage the procurement process in order to avoid unnecessary expenses. All new suppliers are required to provide the relevant qualification and undergo the background check to mitigate the environmental and social risk. The factors affecting the selection of the suppliers include their reputation and qualifications, full compliance in operations (such as no bribery and corrupt), environmental friendly and socially responsible.

After the supplier is selected, we will sign detailed contract with them. We also formulate the standardized procedures for services or product acceptance. Suppliers shall meet our required standards or they must rectify in time if acceptance is not qualified. We maintain regular communication with suppliers for effective management and construct good relationship so that they can continuously supply with qualified goods and services for us.

During the Reporting Period, we had a total of 156 office related suppliers in Mainland China, providing software, hardware, computers and office apparatus for our daily operations.

Employee Care

We allocate enough resources to our employees for maintaining their competitiveness and professionalism. The Group recognizes the achievements made by all employees and willing to listen from them. The Group's employment complies with laws and regulations, including but not limited to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law (《勞動合同法》), the Law on the Protection of Minors (《未成年人保護法》) and the Prohibition of the Use of Child Labor (《禁止使用童工規定》), the Hong Kong Special Administrative Region complies with the Employment Ordinance (《僱傭條例》) and Employment of Children Regulations (《僱用兒童規例》).

Our "Employee Handbook" (《員工手冊》) lists out all regulations related to employees and we strictly follow with these polices. The Group respects the opinions of employees and updates the Employee Handbook regularly.

Fair Recruitment

We recruit talents from worldwide and strive to promote employees diversity to attract and retain talents. Equal opportunities are provided to all employees regardless the gender, race, religion, physical characteristics and nationality.

Every job applicant is required to provide information on his/her educational background, qualification and job experience, which is reviewed by the human resources department. This allows the Group to hire suitable candidate in accordance with the job requirements and, to avoid hiring child. The Group strictly complies with the relevant laws and regulations, including the Labour Law, the protection of Minors and the Prohibition of Using Child Labour of the PRC and Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong). During the Reporting Period, no material non-compliance with the laws and regulations related to the prevention of child labour have been found by the Group.

The workforce information during the year ended 31 December 2019 and previous financial year is shown as below:

Workforce Information **Indicator**	**Unit**	**2019**	**2018**
Total Workforce	number of people	777	735
Female	number of people	375	354
Male	number of people	402	381
Total Workforce by Employee Type			
Junior employee	number of people	558	546
Intermediate management	number of people	143	124
Senior management	number of people	64	57
Top management	number of people	12	8
Total Workforce by Age Group			
Below 30	number of people	498	520
30–50	number of people	278	212
Above 50	number of people	1	3
Total Workforce by Geographical Location			
Guangzhou	number of people	430	394
Beijing	number of people	223	236
Other parts of Greater China	number of people	11	8
Other parts of Asia	number of people	33	27
Americas	number of people	24	27
Europe	number of people	56	43

Promotion

During each year, employees who satisfy the requirements with regard to the length of service and performance may apply for promotion. Depending on the work area, the promotion is reviewed and considered by different internal committees to make it as fair as possible.

Employee Departure

We value our relationship with our employees and handle employee departure strictly in accordance with applicable laws and regulations. The human resources department arranges exit interviews with departing employees to understand the reasons for his/her departure and welcome any suggestions for improvement.

Work-Life Balance

The Group adopts five-days work week and flexible working hours to help employees strike a good work-life balance. We encourages employees to improve work efficiency and complete work tasks during working hours. Employees who worked through holidays are entitled to have compensation leave after obtaining internal approval. During the Reporting Period, we were not aware of any cases of forced labour in the Group since no employee conducted work against his/her wills.

Benefits and Welfare

Employees are entitled to public holidays, annual leave, sick leave, wedding leave, maternity leave, paternity leave and funeral leave according to the law. The Group provides employees who work in Mainland China with the "Five Social Insurance and One Housing Fund" (五險一金), namely, endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund. These benefits are provided in compliance with "Social Insurance Law of the People's Republic of China" (《中華人民共和國社會保險法》), "Provisional Regulations on Collection and Payment of Social Insurance Premiums" (《社會保險費徵繳暫行條例》) and "Regulation on the Administration of Housing Accumulation Funds" (《住房公積金管理條例》).

Moreover, the Group offers breakfast, lunch, afternoon snacks and dinner for free for employees and we use reusable cutlery. We carefully select food suppliers to ensure food safety, specified quantity, temperature and quality for employees to enjoy regular and good dining experience.

Well-being Activities for Employees

We attach great importance to employees' physical and mental health. The Group enriches employee's spare time by organizing various recreational activities.

Mobvista Anniversary

M Shop for Children's Day

Christmas Celebrations of Overseas Office

Outing & Team Building

"Spark" Training

Leadership Training

Employee Development and Training

The Group arranges several training courses on different aspects each month. The courses include new employee orientation, general training, professional training and management training. The training content is updated regularly in response to market and business needs. Employees can improve general and professional skills by participating in these training courses. Besides, the Group purchases books and subscribes to magazines based on employees' suggestions and job needs to create a learning and growing environment. During the year ended 31 December 2019, there were approximately 74 courses. The average training hours per employee were over 11 hours and the percentage of employees who received training is approximately 85%.

Occupational Health and Safety

We strive to provide a safe and comfortable work environment for our employees and care about the health of employees. We arrange annual medical examination and a range of health care activities. Our offices provide fitness equipment to promote healthy lifestyle of employees. Office facilities and fire equipment are regularly inspected to ensure the safety of the office environment. The Group did not have any cases of workplace injuries or fatalities during the Reporting Period.

Environmental Protection

Regarding the business nature of the Group, our consumption of natural resources and generation of waste has little impact towards the environment. Nevertheless, as a new economic technology company, we continuously advocate for a green working culture and a sustainable lifestyle. During the Reporting Period, there was no violation of the environmental laws and regulations of the related operating regions. Guangzhou headquarter office is chosen as the environmental KPIs boundary as the offices located in Europe, the Americas and other areas are insignificant with environmental consumption.

Greenhouse Gas ("GHG") Emissions

We understand the impacts and risks of extreme weather. Although this issue doesn't have much influence to our business, we also pays close attention to the progress of regional "2019 China's Policies and Actions for Addressing Climate Change Report" (《中國應對氣候變化的政策與行動2019年度報告》) and international COP25 organized by the United Nations. The Group is willing to adopt practical and appropriate recommendations in contributing to improve the environment.

The same standards of ISO 14064–1 set by the International Organization for Standardization and the Greenhouse Gas protocol developed by the World Resources Institute and the World Business Council for Sustainable Development had been adopted since the previous financial year are used in this GHG inventory audit of Guangzhou headquarters with the below summary:

Summary of GHG Emissions	Unit	2019	2018
Scope 1 Direct GHG emissions	tonnes	14.5	14.2
Scope 2 Indirect GHG Emissions	tonnes	173.8	167.5
Scope 3 Other Indirect GHG Emissions	tonnes	550.1	669.4
Total GHG Emissions	tonnes	738.4	851.1
Total GHG emissions intensity (per employee)	tonnes	1.7	2.2

Scope 1: The direct GHG emissions generated from sources owned and controlled by the Guangzhou headquarter office.

Scope 2: Indirect GHG emissions by electricity generation, heating and cooling or steam purchased by the Guangzhou headquarter office.

Scope 3: Emissions include indirect GHG emissions by sources that are not owned or directly controlled by the Guangzhou headquarter office.

Carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and Sulphur hexafluoride (SF_6) are the six types of GHGs emitted to the atmosphere within the 3 scopes. Scope 1 is direct emissions of fuels from stationary sources and mobile sources that are controlled by the Group. Scope 2 is the energy indirect emissions of the electricity purchased. Scope 3 is other indirect emissions from flights of employees' business trips, water consumption, waste water treatment, waste disposal and paper consumption.

Emissions Management

The information about the type of emissions and respective emissions data from vehicles is shown in the table below:

Type of Emissions	Unit	Emissions data
NO_X	kg	48.1
SO_X	kg	0.1
PM	kg	4.5

The Group clearly identifies that business air travel, electricity consumption as well as mobile sources are the major sources of GHG emissions. The Group adopts the below initiatives to manage the emissions.

Business Air Travel

As the Group has operations in various countries, air travel cannot be avoided. However, we acknowledge that this aspect accounts for the large emissions of GHGs. We compare the emissions induced from flight between the previous year and the year ended 31 December 2019 with reduction. Employees need to get prior approval to evaluate the needs before booking the flights. The choice of high speed rail is an alternative to replace the air travel within PRC regions.

Manage the use of vehicles

The Group provides vehicles for employees to facilitate their access. The Group conducts strict monitoring to avoid abuse of such vehicles and to reduce excessive consumption. The Group monitors the kilometers travelled and keeping track of fuel consumption to gain better understanding of the usage every year and set targeted initiatives.

The kilometers travelled and fuel consumption of the vehicles are recorded as 41,645.0km and 5,340 liters respectively during the Reporting Period.

Green Office

The Group first identifies all possible sources of environmental pollution from the office operations and evaluates the extent of the environmental impacts. The Group then executes target-driven and practical measures. Moving forwards, the Group will set reduction targets to some important environmental indicators to demonstrate our commitment towards the environmental protection.

Manage the use of electricity

As we acknowledge that lighting, air-conditioning are essential in maintaining our operation, the relevant department of the Group posts reminders regularly to all employees to conserve energy resources and build up good habit. Timely repair and replacement of the apparatus are conducted to reduce safety risks and excess electricity consumption.

The Group arranges security guard to patrol daily to ensure that all employees turn off lights before leaving the offices. Natural lighting is preferred during daytime. Moreover, for the sake of employees' health consideration, the Group ensures that enough lightings are provided for employees to work. We use LED lights gradually and reduce the lighting devices from the areas that exceed the luminance level. We can conserve electricity efficiently in this source when employees have built up with the above good daily habits.

The air conditioning system is identified as the source of high electricity consumption and certain initiatives have been taken. The office buildings use the Central Control and Monitoring System (CCMS) to have better control of the air-conditioning system. Minimum temperature of the system is set and coupled together with regularly cleaning of the filter. The location of installing air conditioners are chosen in areas without direct exposure of the sunlight.

By adopting the above effective initiatives, the result was the overall improvement of electricity usage of the Group during the Reporting Period, which also reduced Scope 2 GHG emissions.

Indicator	Unit	2019	2018
Electricity consumption	kWh	329,726.0	317,740.0
Electricity consumption intensity	kWh/employee	766.8	806.4

Conservation of Resources

Apart from electricity, it is necessary to control paper usage, waste and water with efficient management control.

Manage the use of paper

We allocate significant resources to set up platforms with different purpose as well as provide hardware support for employees to achieve goals in creating a paperless office and improving work efficiency. Employees are encouraged not to print out unnecessary files. Messages of saving paper, using recycling paper and double-sized printing are posted near the printer to remind employees to build up a good environmental-friendly habit. We place recycling stations to collect waste paper and posters (apart from confidential or sensitive information) and all will be sent to recycling companies for further treatment. We also make consumption comparison between the year ended 31 December 2018 and the year ended 31 December 2019 to facilitate the proposed targeted measures and to improve its environmental performance in the future:

Indicator	Size of Paper	Unit	2019	2018
Paper consumption	A3	reams	10	20
	A4	reams	460	600
Intensity of Paper consumption		reams of paper/employee	1.1	1.6

By adopting the above measures, the paper consumption experienced significant decrease during the Reporting Period.

Waste management

The Group generates few hazardous waste in operation and addresses the great importance to reducing waste generation. We identify the main sources of hazardous waste generating within the offices are printers and computers and hence to propose the target initiatives stated as below.

Printers We lease printers from a third-party supplier. The supplier is responsible for adding toners, replacing and recycling the ink cartridges. The treatments can reduce disposal rate and reduce the harm to the environment.

Computers The office computers are set with 3-year lifespan. When the computers can no longer be used normally and meet the criteria for scrapping, we sell the scrapped computers to a third-party company for recycling.

During the Reporting Period, we had implemented the above measures to approximately 100 of computer-related componets.

Although non-hazardous waste does not pose with high impact to the environment compared with hazardous waste, we try to reduce generation. We divide and place the food and general waste separately. By taking the aforementioned measures, the waste generated by the Group during the Reporting Period has decreased compared to the year 2018. The generation of non-hazardous waste of Guangzhou headquarter office was as follows:

Indicator	**Unit**	**2019**	**2018**
Production of non-hazardous waste	tonnes	46.7	52.2
Total disposed non-hazardous waste intensity	kg/employee	108.6	132.5

Water conservation

We understand that reducing waste at source is the best solution towards sustaining green business operations. Thus, we have been carrying out our policy in conserving water proactively with the following comparative figures between the year ended 31 December 2018 and the year ended 31 December 2019:

Indicator	**Unit**	**2019**	**2018**
Water consumption	tonnes	2,852	3,820
Water consumption intensity	tonnes/employee	6.6	9.7

We execute the below measures for water management mainly in the washroom areas. Employees are educated and instructed to close faucet tightly before leaving. In order to raise the water conservation awareness of employees, relevant water saving tips are posted in the washroom area.

With the significant improvements for the overall environmental KPIs performance as compared with the previous financial year, we strive for continual work towards the goals of environmental excellence and propose more feasible environmental measures together with sustainable involvement of our employees.

Community Involvement

We are devoted to caring for the community and giving back to the society through donations and actual participation. During the year ended 31 December 2019, we had participated in the following charity activities:

Donation to the Drinking Water Construction Project for Community in Zhaile Town of Nayong County (納雍縣寨樂鎮) in Guizhou Province

Nayong County is an impoverished area without safe sources of drinking water. The Group realizes the urgency of gathering the funds to construct pipelines and reservoir to tackle with the problem. RMB60,000 was donated to alleviate the water crisis and improve the living standard of citizens living in Zhaile Town of Nayong County (納雍縣寨樂鎮) in Guizhou Province.

Voluntary Tree Planting

In April 2019, the Group arranged a team of employees going to Lianma Village, Conghua District, Guangzhou (廣州從化區蓮麻村) to plant tree saplings. Planting trees expand the green area and help reduce carbon dioxide in the air. At the same time, the activity raised the environmental awareness of our employees.

Award of Excellence of Hong Kong Community Chest

The Community Chest of Hong Kong has been serving Hong Kong for over 50 years. Since its inception, the Chest holds on to one principal-to allocate all donations raised-on helping Hong Kong people, including children & youth, elderly, family & child welfare, medical & health, rehabilitation & aftercare, as well as community development services. In the year 2019, the Group got the Award of Excellence of Hong Kong Community Chest.

To the shareholders of Mobvista Inc.
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Mobvista Inc. ("the Company") and its subsidiaries ("the Group") set out on pages 80 to 154, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies on page 108.

The Key Audit Matter

The Group's revenue, which comprises primarily income from provision of mobile advertising services, totalled US$500,257,000 for the year ended 31 December 2019.

Revenue is recognised when the related services are delivered based on the specific terms of the contract. The Group uses a number of different information technology ("IT") systems to track specified actions as specified in related customer contracts. The calculation of the mobile advertising services charges is automatically performed by the technology platform based on pre-defined key parameters, including unit price and volume. These IT systems are complex and process large volumes of data during the year.

Records of mobile advertising services charges are generated, in an aggregated amount of each category, and are manually input into the accounting system on a monthly basis.

We identified revenue recognition as a key audit matter because the reliance on complex IT systems, with the subsequent manual input into the accounting system, increases the risk of error in recording revenue.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue included the following:

- inspecting Group's contracts with customers (on a sample basis) to understand the terms of service delivery and acceptance and assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

- with the assistance of our internal IT specialists, identifying and evaluating the key relevant IT systems and the design, implementation and operating effectiveness of key internal controls, with particular emphasis on the capturing and recording of specified action;

- with the assistance of our internal IT specialists, assessing the calculation logic of the pre-defined formulae built into the technology platform and the related parameters (including unit price and transaction volume) used in the calculation of mobile advertising service charges;

- comparing the details of the monthly manual journal entries relating to the input into the accounting system of aggregate mobile advertising services revenue with the reports generated by the IT systems;

- comparing cash receipts from customers during the year and subsequent to the financial year end with invoices issued to customers during the year, on a sample basis; and

- inspecting underlying documentation for other manual journal entries relating to revenue which were considered to be material or met other specific risk-based criteria.

Assessment of potential impairment of goodwill

Refer to note 12 to the consolidated financial statements and the accounting policies on page 103 and 111.

The Key Audit Matter	How the matter was addressed in our audit
The carrying values of the Group's goodwill as at 31 December 2019 amounted to US$28,998,000, of which US$19,981,000 and US$9,017,000 relate to the acquisitions of businesses from nativeX, LLC ("nativeX") and Game analytics ApS ("GA") respectively. The goodwill recognised from the acquisitions of businesses have been allocated to the nativeX cash-generating unit ("CGU") and the GA CGU respectively. Management performs impairment assessments of goodwill annually. Management engaged an external valuer to assess the recoverable amount of the relevant CGUs using the value in use method by preparing discounted cash flow forecasts derived from the most recent financial forecast approved by the management. The preparation of discounted cash flow forecasts involves the exercise of significant judgement, particularly in estimating the revenue growth rates and the discount rates applied. We identified assessing potential impairment of goodwill as a key audit matter because the impairment assessments prepared by management are complex and contain certain judgmental assumptions applied which could be subject to management bias in their selection.	Our audit procedures to assess the potential impairment of goodwill included the following: • evaluating management's impairment model, including the identification of and the allocation of goodwill to each CGU with reference to the requirements of the prevailing accounting standards; • evaluating the competence, experience, capability and objectivity of the external valuer engaged by management to perform the valuation of the relevant CGUs; • challenging the key estimates and assumptions adopted in the discounted cash flow forecasts, including revenue growth rate, by referring to industry and other available third-party information, the recent financial performance of each CGU subject to impairment assessment and the financial budget which was approved by the management; • comparing the actual results for the current year with management's estimates in their cash flow forecasts for the previous year in order to assess the historical accuracy of the management's forecasting process; • involving our internal valuation specialists to assist us in evaluating the valuation methodologies adopted by the external valuer in the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards, and assessing whether the discount rates applied in the discounted cash flow forecasts were within the range adopted by other companies in the same industry;

Assessment of potential impairment of goodwill (continued)

Refer to note 12 to the consolidated financial statements and the accounting policies on page 103 and 111.

The Key Audit Matter	How the matter was addressed in our audit
	• obtaining from management sensitivity analysis of the revenue growth rate and the discount rate adopted in the discounted cash flow forecast and assessing the impact of changes in the key assumptions on the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and • considering the disclosures in the financial statements in respect of management's impairment assessments of goodwill allocated to each CGU with reference to the requirements of the prevailing accounting standards.

Impairment of trade receivables

Refer to note 15 to the consolidated financial statements and the accounting policies on page 101 and 111.

The Key Audit Matter	How the matter was addressed in our audit
As disclosed in note 15 to the consolidated financial statements, the Group has trade receivables amounting to approximately US$245,743,000 as at 31 December 2019. Impairment losses of US$12,261,000 were recognised during the year ended 31 December 2019. Trade receivables are generally due within 60 to 90 days from the date of revenue recognition. Management recognises a loss allowance for lifetime expected credit losses (ECLs) on the trade receivables. Lifetime ECLs are estimated based on a number of factors which include ageing of overdue trade receivables, customers' repayment history, customers' financial position, current market conditions and forecast of future economic conditions. Such assessment involves a significant degree of management judgment and estimation. We identified assessing the impairment of trade receivables as a key audit matter because the assessment of the loss allowances for trade receivables is inherently subjective and requires significant management judgment, which increases the risk of error or potential management bias.	Our audit procedures to assess the impairment of trade receivables included the following: • assessing the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and the estimation of loss allowance; • assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices; • challenging management's estimation of expected credit loss, taking into consideration the ageing of the balances, credit terms, recent settlement patterns, historical observed default rate and the forecast of future economic conditions; • identifying significant or long overdue trade receivables by inspecting the trade receivable ageing report and challenging management's assessment of the recoverability of these balances, taking into consideration the ageing of the balances, credit terms, recent settlement patterns, identified default or disputes, the debtors' financial condition, recent communications with the debtors and the future economic forecast; and • inspecting cash receipts from customers after the financial year end relating to trade receivable balances as at 31 December 2019, on a sample basis.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fong Kwin.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019
(Expressed in United States dollar)

	Note	**2019** **US$'000**	2018 US$'000
Revenue	3	**500,257**	434,727
Cost of sales		**(381,494)**	(336,826)
Gross Profit		**118,763**	97,901
Selling and marketing expenses		**(9,988)**	(7,792)
Research and development expenses		**(35,241)**	(29,212)
General and administrative expenses		**(51,230)**	(35,897)
Other net income	4	**2,872**	1,939
Profit from operations		**25,176**	26,939
Finance costs	5(a)	**(1,718)**	(788)
Profit before taxation	5	**23,458**	26,151
Income Tax	6	**(1,389)**	(4,297)
Profit for the year attributable to equity shareholders of the Company		**22,069**	21,854
Earnings per share	9		
Basic (United states dollar cents)		**1.50**	1.91
Diluted (United states dollar cents)		**1.47**	1.87

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(d).

The notes on pages 87 to 154 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(h).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in United States dollar)

	2019 US$'000	2018 US$'000
Profit for the year	**22,069**	21,854
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**503**	(64)
Total comprehensive income for the year attributable to equity shareholders of the Company	**22,572**	21,790

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(d).

The notes on pages 87 to 154 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in United States dollar)

	Note	**31 December 2019 US$'000**	31 December 2018 US$'000
Non-current assets			
Property, plant and equipment	10	**8,836**	656
Intangible assets	11	**14,682**	5,989
Goodwill	12	**28,998**	28,998
Deferred tax assets	20(b)	**10,102**	7,749
Other financial assets	14	**1,433**	71,000
Deposits and prepayments	15	**3,302**	1,306
		67,353	115,698
Current assets			
Trade and other receivables	15	**317,651**	220,854
Restricted cash	16(a)	**5,021**	4,754
Cash and cash equivalents	16(b)	**67,348**	64,865
Other financial assets	14	**53,796**	—
Current tax recoverable	20(a)	**316**	—
		444,132	290,473
Current liabilities			
Trade and other payables	17	**172,871**	152,101
Current tax payable	20(a)	**6,380**	4,794
Bank loans	18	**55,471**	16,697
Lease liabilities	19	**4,276**	—
		238,998	173,592
Net current assets		**205,134**	116,881
Total assets less current liabilities		**272,487**	232,579

The notes on pages 87 to 154 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in United States dollar)

	Note	**31 December 2019 US$'000**	31 December 2018 US$'000
Non-current liabilities			
Deferred tax liabilities	20(b)	**1,167**	915
Lease liabilities	19	**5,137**	—
Other non-current liabilities		**143**	—
		6,447	915
NET ASSETS		**266,040**	231,664
CAPITAL AND RESERVES			
Share Capital	23	**15,341**	15,188
Reserves		**250,699**	216,476
TOTAL EQUITY		**266,040**	231,664

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(d).

The consolidated financial statements on pages 80 to 154 were approved and authorized for issue by the Board of Directors on 31 March 2020 and were signed on its behalf by:

Duan Wei
Director

Cao Xiaohuan
Director

The notes on pages 87 to 154 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Expressed in United States dollar)

	Note	Share capital US$'000 (Note 23)	Share premium US$'000 (Note 24(b))	Capital reserve US$'000 (Note 24(a))	Statutory reserve US$'000 (Note 24(c))	Exchange reserve US$'000 (Note 24(d))	Reserve for treasury shares US$'000 (Note 24(f))	Shared-based payments reserve US$'000 (Note 24(e))	Retained profits US$'000	Total equity US$'000
As at 1 January 2018		28,401	–	771	2,656	1,340	–	10,800	46,070	90,038
Changes in equity for the year ended 31 December 2018:										
Profit for the year		–	–	–	–	–	–	–	21,854	21,854
Other comprehensive income		–	–	–	–	(64)	–	–	–	(64)
Total comprehensive income		–	–	–	–	(64)	–	–	21,854	21,790
Share-based payment	24(e)	–	–	–	–	–	–	6,448	–	6,448
Appropriation to statutory reserves	24(c)	–	–	–	59	–	–	–	(59)	–
Deemed distribution	1(b)	(28,362)	–	(764)	(1,538)	(720)	–	–	(8,764)	(40,148)
Issuance of ordinary shares in connection with Reorganisation	23(b)(i)	(29)	–	29	–	–	–	–	–	–
Issuance of ordinary shares to Restricted Share Units ("RSU") trustees	23(b)(ii)	1	–	–	–	–	–	–	–	1
Issuance of ordinary shares upon initial public offering, net of issuing costs	23(b)(iii)	3,188	150,347	–	–	–	–	–	–	153,535
Capitalisation issue	23(b)(iv)	11,989	(11,269)	–	–	–	(720)	–	–	–
Balance at 31 December 2018		15,188	139,078	36	1,177	556	(720)	17,248	59,101	231,664

The notes on pages 87 to 154 from part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Expressed in United States dollar)

	Note	Share capital US$'000 (Note 23)	Share premium US$'000 (Note 24(b))	Capital reserve US$'000 (Note 24(a))	Statutory reserve US$'000 (Note 24(c))	Exchange reserve US$'000 (Note 24(d))	Reserve for treasury shares US$'000 (Note 24(f))	Shared-based payments reserve US$'000 (Note 24(e))	Retained profits US$'000	Total equity US$'000
As at 1 January 2019		15,188	139,078	36	1,177	556	(720)	17,248	59,101	231,664
Changes in equity for the year ended 31 December 2019:										
Profit for the year		–	–	–	–	–	–	–	22,069	22,069
Other comprehensive income		–	–	–	–	503	–	–	–	503
Total comprehensive income		–	–	–	–	503	–	–	22,069	22,572
Vested RSUs		–	5,862	–	–	–	119	(5,981)	–	–
Share-based compensation	24(e)	–	–	–	–	–	–	19,891	–	19,891
Issuance of ordinary share in IPO over-allotment	23(b)(v)	153	7,446	–	–	–	–	–	–	7,599
Appropriation to statutory reserves	24(c)	–	–	–	476	–	–	–	(476)	–
Dividends declared	24(h)	–	(15,686)	–	–	–	–	–	–	(15,686)
Balance at 31 December 2019		15,341	136,700	36	1,653	1,059	(601)	31,158	80,694	266,040

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(d).

The notes on pages 87 to 154 from part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019
(Expressed in United States dollar)

	Note	**31 December 2019 US$'000**	31 December 2018 US$'000
Operating activities			
Cash generated from operations	16(c)	**(1,081)**	34,269
Income tax paid		**(2,039)**	(5,244)
Net cash (used in)/generated from operating activities		**(3,120)**	29,025
Investing activities			
Investment in other financial assets		**(19,707)**	(138,722)
Proceeds from disposal of other financial assets		**19,500**	—
Payment for the purchase of property, plant and equipment		**(462)**	(658)
Payment for intangible assets and development costs		**(11,677)**	(4,058)
Prepayment for properties		**—**	(756)
Acquisition of subsidiaries		**(167)**	(167)
Interest received		**240**	1,133
Net cash used in investing activities		**(12,273)**	(143,228)
Financing activities			
Proceeds from bank loans	16(d)	**140,396**	78,335
Repayment of bank loans	16(d)	**(101,622)**	(70,371)
Listing expense paid		**(7,157)**	—
Dividend paid to equity shareholders of the Company	24(h)	**(15,686)**	—
Payment to related parties	16(d)	**—**	(57,846)
Capital element of lease rentals paid	16(d)	**(4,740)**	—
Interest element of lease rentals paid	16(d)	**(545)**	—
Proceeds from sub-lease		**471**	—
Deemed distribution	1(b)	**—**	(2,024)
Interest paid and other borrowing cost paid	16(d)	**(1,096)**	(1,497)
Issuance of shares upon initial public offering, net of issuing costs paid		**—**	158,945
Issuance of ordinary shares in IPO over-allotment		**7,599**	—
Changes in restricted and pledged deposits		**(267)**	30,392
Net cash generated from financing activities		**17,353**	135,934
Net increase in cash and cash equivalents		**1,960**	21,731
Cash and cash equivalents at the beginning of the year		**64,865**	44,797
Effect of foreign exchanges rates changes		**523**	(1,663)
Cash and cash equivalents at the end of the year	16(b)	**67,348**	64,865

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(d).

The notes on pages 87 to 154 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Reorganisation

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

The Company was incorporated in the Cayman Islands on 16 April 2018 as part of the reorganisation (the "Reorganisation") of Seamless Technology Limited ("Seamless"). Prior to the completion of the Reorganisation as described below, the mobile advertising businesses were carried out by Seamless and its subsidiaries (together referred to as "Seamless Group"). Seamless Group was initially established in November 2014 and continued to grow substantially, and in early 2018, Seamless Group further absorbed some PRC mobile advertising businesses ("Other PRC Operating Entities") from its controlling shareholder, Mobvista Co., Ltd. ("Guangzhou Mobvista"). The absorption of the businesses of the Other PRC Operating Entities by Seamless was completed on 31 May 2018 and has been accounted for as a common control transaction in accordance with the accounting policy set out in Note 1(e) (ii).

In connection with the Reorganisation, on 13 April 2018, Seamless established Worldwide Target Limited ("Worldwide BVI") as its wholly-owned subsidiary in the BVI, and then transferred to Worldwide BVI the entire share capital of each of Mintegral Limited, Flash Banner Technology Company Limited, Advertter Technology Company Limited, Mintegral International Limited, Westcore Technology Limited, Adlogic Technology Pte. Ltd. and Mobvista International Technology Limited, which collectively engage in mobile advertising businesses in the PRC and some overseas countries (the "Core Operations"), in consideration for 60,217,492 shares of the Worldwide BVI. In August 2018, the Company issued 1,000,000 shares to Seamless in exchange for the entire share capital of Worldwide BVI. Upon the completion of the Reorganisation, the Company becomes the holding company of the Group.

The Reorganisation is considered as business combinations under common control. Accordingly, the consolidated financial statements of the Group prepared using the principles of merger accounting as if the Group had always been in existence. The consolidated financial statements of the Group for the years ended 31 December 2018 and 2017 had been prepared using the financial information of the companies engaged in the Core Operations and now comprising the Group, under the common control of Seamless as if the current group structure had been in existence throughout the years, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of Seamless, whichever is a shorter period.

1 Significant accounting policies (Continued)

(b) Reorganisation (Continued)

Certain assets and liabilities historically associated with the Other PRC Operating Entities that were not transferred to the Group and were retained by Guangzhou Mobvista in connection with the Reorganisation because they were not considered strategically complementary to the Group's mobile advertising businesses. These assets and liabilities have been included in the accompanying financials for periods prior to 31 May 2018 and reflected as a deemed distribution to Guangzhou Mobvista on 31 May 2018. The assets and liabilities retained by Guangzhou Mobvista, which are not complementary to the mobile advertising businesses, consisted of the following as at 31 May 2018:

	Note	US$'000
Assets		
Property, plant and equipment — net	10	924
Intangible assets	11	29
Deferred tax assets	20(b)(i)	92
Deposits and prepayments		68,448
Other receivables		1,667
Restricted cash		12,472
Cash and cash equivalents	16(b)	2,024
Amount due from related parties		39,079
		124,735
Liabilities		
Other payables		3,355
Amounts due to related parties		48,245
Current tax payable		652
Bank loans		32,335
		84,587
NET ASSETS		40,148

(c) Basis of preparation of the financial statements

The financial statements is presented in United States dollar ("US$"), rounded to the nearest thousand. The functional currency of the Company is Hong Kong dollars. The measurement basis used in the preparation of the financial statements is the historical cost basis except the investments in debt and equity securities are stated at fair value as explained in note 1(f).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 Significant accounting policies (Continued)

(c) Basis of preparation of the financial statements (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effects on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(d) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1 Significant accounting policies (Continued)

(d) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(a) New definition of a lease (Continued)

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 10(a). For an explanation of how the Group applies lessee accounting, see note 1(i)(i).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.6%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

1 Significant accounting policies (Continued)

(d) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

(iii) (Continued)

The following table reconciles the operating lease commitments as disclosed in note 26 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 US$'000
Operating lease commitments at 31 December 2018	10,019
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(71)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	5,959
	15,907
Less: total future interest expenses	(1,440)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	14,467

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

1 Significant accounting policies (Continued)

(d) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(b) *Lessee accounting and transitional impact* (Continued)

(iii) (Continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 US$'000	Capitalisation of operating lease contracts US$'000	Carrying amount at 1 January 2019 US$'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Other property, plant and equipment	656	12,818	13,474
Other receivables- non current	1,306	1,671	2,977
Total non-current assets	**115,698**	**14,489**	**130,187**
Trade and other payables	152,101	22	152,123
Lease liabilities (current)	—	4,784	4,784
Current liabilities	**173,592**	**4,806**	**178,398**
Net current assets	**116,881**	**(4,806)**	**112,075**
Total assets less current liabilities	**232,579**	**9,683**	**242,262**
Lease liabilities (non-current)	—	9,683	9,683
Total non-current liabilities	**915**	**9,683**	**10,598**
Net assets	**231,664**	**—**	**231,664**

1 Significant accounting policies (Continued)

(d) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(c) *Impact on the financial result and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 16(d)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 16(d)).

The following tables give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A) US$'000	**Add back: IFRS 16 depreciation and interest expenses (B) US$'000**	**Deduct: estimated amounts related to operating leases as if under IAS 17 (note 1) (C) US$'000**	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B+C) US$'000**	Compared to amounted reported for 2018 under IAS 17 US$'000
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**25,176**	**4,250**	**(4,514)**	**24,912**	11,519
Finance costs	**(1,718)**	**545**	**–**	**(1,173)**	(231)
Profit before taxation	**23,458**	**4,795**	**(4,514)**	**23,739**	11,288
Profit for the period	**22,069**	**4,795**	**(4,514)**	**22,350**	10,131

1 Significant accounting policies (Continued)

(d) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(c) *Impact on the financial result and cash flows of the Group* (Continued)

	2019			2018
	Amounts reported under IFRS 16 (A) US$'000	**Estimated amounts related to operating leases as if under IAS 17 (note 1 & 2) (B) US$'000**	**Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) US$'000**	Compared to amounts reported under IAS 17 US$'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash (used in)/generated from operations	(1,081)	(4,814)	(5,895)	3,817
Net cash used in operating activities	**(3,120)**	**(4,814)**	**(7,934)**	**(1,555)**
Capital element of lease rentals paid	(4,740)	4,740	—	—
Interest element of lease rentals paid	(545)	545	—	—
Proceeds from sub-lease	471	(471)	—	—
Net cash generated from financing activities	**17,353**	**4,814**	**22,167**	**(4,621)**

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

(d) *Lessor accounting*

The Group sub-leases properties as the lessor of finance leases. Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

1 Significant accounting policies (Continued)

(e) Consolidation

(i) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless classified as held for sale.

1 Significant accounting policies (Continued)

(e) Consolidation (Continued)

(ii) Business combinations involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling shareholder.

The assets and liabilities of the combining entities or businesses are consolidated at the carrying amounts previously recognised in the respective controlling shareholder's financial statements.

The consolidated statements of profit or loss and comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been consolidated at the earliest balance sheet date presented or when they first came under common control, whichever is later.

(f) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investments. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 25(e). These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(r)(ii)).

— Fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

1 Significant accounting policies (Continued)

(f) Investments in debt and equity securities (Continued)

(i) Investments other than equity investments (Continued)

- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(r)(ii).

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(i)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Motor vehicles	3 years
Office equipment, furniture and fittings	3 years
Leasehold improvements	Shorter of the remain term of the lease or 3 years

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Significant accounting policies (Continued)

(h) Goodwill and intangible assets

(i) Goodwill

Goodwill represents the excess of

a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When b) is greater than a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

(ii) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	1–3 years
Royalties	2 years
Trademark	7 years
Developed Technology	3–3.5 years

1 Significant accounting policies (Continued)

(h) Goodwill and intangible assets (Continued)

(ii) Intangible assets (Continued)

Management determined the trademark to have a useful life of 7 years based on (i) estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by a third party valuer with reference to the useful lives adopted by comparable companies in the market. Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(i) Lease assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

1 Significant accounting policies (Continued)

(i) Lease assets (Continued)

(i) As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(j)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(ii) As a lessor

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(d), then the Group classifies the sub-lease as an operating lease.

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognizes a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to related parties) and lease receivables.

Other financial assets measured at fair value, including equity and debt securities measured at FVPL and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using effective interest rate where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and lease receivables (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with note 1(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and lease receivables (Continued)

Basis of calculation of interest income (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment including right-of-use assets;

— intangible assets;

— goodwill; and

— Investments in subsidiaries in the company’s statement of financial position

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as they would be at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 Significant accounting policies (Continued)

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1 (j)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 Significant accounting policies (Continued)

(o) Employee benefits (Continued)

(ii) Share-based payments

The fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions (including lock up period) upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the capital reserve).

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 Significant accounting policies (Continued)

(p) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 Significant accounting policies (Continued)

(r) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is recognised when control over service is transferred to the customer.

The following is a description of principal activities from which the Group generates its revenue.

(i) Provision of mobile advertising services

The Group's principal services are the provisions of mobile advertising services. The Group utilizes a combination of pricing models and revenue is recognised when the related services are delivered based on the specific terms of the contract, which are commonly based on:

a) specified actions (i.e. cost per action ("CPA") or other preferences agreed with advertisers), or

b) agreed rebates to be earned from certain publishers.

Specified actions

Revenue is recognized on a CPA basis once agreed actions (download, activation, registration and etc.) are performed. While none of the factors individually are considered presumptive or determinative, because the Group is the primary obligor and are responsible for (1) identifying and contracting with third-party advertisers which the Group views as customers; (2) identifying mobile publishers to provide mobile spaces where the Group views the mobile publishers as suppliers; (3) establishing the selling prices of CPA pricing model; (4) performing all billing and collection activities, including retaining credit risk; and (5) bearing sole responsibility for fulfilment of the advertising, the Group acts as the principal of these arrangements and therefore recognised revenue earned and costs incurred related to these transactions on a gross basis.

Agreed rebates to be earned from certain publishers

In the arrangement with certain publishers, the Group act as a sales agent for these publishers by having marketing clients market with this publisher. In return, the Group earn incentives from these publishers based on contractually stipulated amounts once certain spending thresholds are achieved. The Group consider these particular publishers as customers and record such incentives as net revenues. Incentives from these publishers are calculated on a quarterly or an annual basis in accordance with the terms as agreed in arrangements.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1 (j)(i)).

1 Significant accounting policies (Continued)

(r) Revenue recognition (Continued)

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(iv) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payments is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(s) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transactions dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into United States dollar at the average exchange rates for the period which approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into United States dollar at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

1 Significant accounting policies (Continued)

(u) Related parties (Continued)

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i) (1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Principal versus agent considerations — revenue from provision of mobile advertising services

In determining whether the Group is acting as a principal or as an agent in the provision of mobile advertising services requires judgements and considerations of all relevant facts and circumstances. The Group is a principal in a transaction if the Group obtains control of services provided before they are transferred to customers. If control is unclear, when the Group is primarily obligated in a transaction, and has latitude in establishing prices and selecting publishers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from services provided.

(b) Impairment of trade receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, which is adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables during their expected lives.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value.

(d) Income taxes

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the actual current and deferred income tax in the period in which such determination is made.

In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the assets can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised upon the likely timing and the level of future taxable profits of the individual entities together with the tax planning strategies.

(Expressed in United States dollars unless otherwise indicated)

3 Revenue

The principal services of the Group are the provisions of mobile advertising services. For the purpose of resources allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

The disaggregation of revenue from contracts with customers by the timing of revenue recognition during the year is as follows:

	2019 **US$'000**	2018 US$'000
Point in time	**500,257**	434,688
Over time	**–**	39
	500,257	434,727

The amount of each significant category of revenue recognised during the year is as follows:

	2019 **US$'000**	2018 US$'000
Provision of mobile advertising services	**500,257**	434,688
Game publishing	**–**	39
	500,257	434,727

The Group's customer base is diversified. During the year ended 31 December 2019, no single customer contributed to 10% or more of the Group's revenue (2018: one). The amount of sales to these customers during the year ended 31 December 2018 was US$101,048,000. Details of concentrations of credit risk arising from these customers are set out in note 25 (a).

3 Revenue (Continued)

Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location of the customers' headquarters.

	Revenue from external customers	
	2019	2018
	US$'000	US$'000
China (note (i))	**291,137**	279,964
Americas (note (ii))	**67,755**	41,735
Asia Pacific	**52,535**	55,725
Rest of Asia (note (iii))	**10,603**	12,102
EMEA (note (iv))	**72,737**	38,913
Others	**5,490**	6,288
	500,257	434,727

Notes:

(i) Includes mainland China, the Hong Kong Special Administrative Region of PRC, the Macau Special Administrative Region of the PRC, and Chinese Taiwan.

(ii) Primarily includes United States, Canada, Mexico, Brazil, Argentina and Chile.

(iii) Primarily includes Central and South Asia.

(iv) Primarily includes United Kingdom, Switzerland, Germany, Saudi Arabia, Jordan, Egypt and Nigeria.

4 Other net income

	2019	2018
	US$'000	US$'000
Interest income on financial assets measured at amortised cost	**2,472**	1,217
Net fair value gain on financial assets at fair value through profit or loss	**1,009**	—
Net foreign exchange (loss)/gain	**(1,091)**	113
Government grants (note)	**438**	762
Net loss on disposal of property, plant and equipment	**(17)**	(30)
Others	**61**	(123)
	2,872	1,939

Note: Government grant represented unconditional cash subsidies received by certain PRC subsidiaries from local government for the Group's achievement during the year ended 31 December 2019 and 2018. There are no unfulfilled conditions or contingencies relating to such government grants income recognised.

5 Profit before taxation

Profit before taxation is arrived at after charging:

	Note	2019 US$'000	2018 US$'000
(a) Finance costs			
Interest on bank loans		**1,173**	788
Interest on lease liabilities		**545**	—
		1,718	788
(b) Staff costs			
Contributions to defined contribution retirement plans		**2,574**	2,634
Share-based compensation expenses	22	**19,891**	6,448
Salaries, wages and other benefits		**38,748**	38,423
		61,213	47,505
(c) Other items			
Depreciation charge	10	**4,579**	921
— property, plant and equipment		**329**	921
— right-of-use assets		**4,250**	—
Amortisation of intangible assets	11	**2,983**	1,915
Total minimum lease payments for leases previously classified as operating leases under IAS 17		**—**	1,992
Impairment losses			
— trade receivables	25(a)	**12,261**	2,299
— other receivables		**—**	122
Auditors' remuneration		**437**	322
Listing expenses		**—**	6,933

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Details are set out in note 1(d).

6 Income tax in the consolidated statements of profit or loss

(a) Income tax in the consolidated statements of profit or loss represents:

	2019 US$'000	2018 US$'000
Current tax	**3,498**	3,797
Deferred tax	**(2,109)**	500
	1,389	4,297

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands, the BVI and Seychelles, the Group is not subject to any income tax in the Cayman Islands, the BVI and Seychelles.

(ii) The provision for Hong Kong Profits Tax for 2019 is taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018–19 subject to a maximum reduction of HK$20,000 for each business (2018: a maximum reduction of HK$30,000 was granted for the year of assessment 2017–18 and was taken into account in calculating the provision for 2018).

(iii) Adlogic Technology Pte. Ltd., a subsidiary in Singapore, is subject to the prevailing corporate income tax rate of 17% in Singapore.

(iv) USCore, Inc., a subsidiary in the United States, is subject to federal income tax rate of 21% in the United States for the years ended 31 December 2019, according to the U.S. Tax Cuts and Jobs Acts effective on 1 January 2018. In addition, USCore, Inc. is subject to taxation in various states of the United States. nativeX, LLC, a wholly-owned subsidiary of USCore, Inc., is treated as a disregarded entity for income tax purpose and its income or loss are included in the income tax calculation of USCore, Inc..

(v) The Enterprise Income Tax ("EIT") rate applicable to the subsidiaries registered in the PRC is 25% for the year.

(vi) Guangzhou Huiliang Information Technology Company Limited, a subsidiary in the PRC, is accredited as a "high and new technology enterprise" and applicable for a preferential enterprise income tax rate of 15% commencing from 2017 to 2019.

(vii) According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2017 onwards, PRC subsidiaries of the Group engaging in research and development activities are entitled to claim 175% for the three years ended 31 December 2019 of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for each year ("Super Deduction"). The Group has made its best estimate for Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year.

(viii) The PRC EIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a Hong Kong subsidiary of the Group is entitled to a reduced withholding tax rate of 5% if it is the "beneficial owner" and holds more than 25% of the equity interest of its PRC enterprise directly.

6 Income tax in the consolidated statements of profit or loss (Continued)

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2019 US$'000	2018 US$'000
Profit before taxation	**23,458**	26,151
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**3,059**	3,343
Tax effect of non-deductible expenses	**57**	630
Tax effect of non-taxable income	**(88)**	(136)
Super Deduction of research and development expenses	**(1,044)**	(537)
Over-provision in prior years	**(298)**	(384)
Tax concession	**(608)**	1,356
Others	**301**	25
Actual tax expense	**1,389**	4,297

7 Directors' emoluments

Directors' emoluments are disclosed as follows:

	Year ended 31 December 2019						
Directors	**Directors fees US$'000**	**Salaries, allowances and other benefits in kind US$'000**	**Retirement scheme contributions US$'000**	**Discretionary bonuses US$'000**	**Sub-Total US$'000**	**Share-based payments US$'000**	**Total US$'000**
Executive directors							
Duan Wei (note i)	–	68	6	–	74	–	74
Cao Xiaohuan (note i)	–	96	7	–	103	–	103
Xi Yuan (note ii)	–	42	4	–	46	666	712
Fang Zikai (note ii)	–	91	8	50	149	1,030	1,179
Independent non-executive directors							
Ying Lei (note iii)	–	20	–	–	20	–	20
Wang Jianxin (note iii)	–	20	–	–	20	–	20
Hu Jie (note iii)	–	20	–	–	20	–	20
	–	357	25	50	432	1,696	2,128

7 Directors' emoluments (Continued)

	Year ended 31 December 2018						
Directors	Directors fees US$'000	Salaries, allowances and other benefits in kind US$'000	Retirement scheme contributions US$'000	Discretionary bonuses US$'000	Sub-Total US$'000	Share-based payments US$'000	Total US$'000
Executive directors							
Duan Wei (note i)	–	97	5	100	202	–	202
Cao Xiaohuan (note i)	–	97	5	100	202	15	217
Xi Yuan (note ii)	–	102	7	120	229	641	870
Fang Zikai (note ii)	–	85	7	120	212	666	878
Independent non-executive directors							
Ying Lei (note iii)	–	–	–	–	–	–	–
Wang Jianxin (note iii)	–	–	–	–	–	–	–
Hu Jie (note iii)	–	–	–	–	–	–	–
	–	381	24	440	845	1,322	2,167

Notes:

i. Appointed as executive directors in April 2018.

ii. Appointed as executive directors in June 2018. Mr. Xi Yuan resigned from his director position on 26 July 2019, while maintained his other position with the Group.

iii. Appointed as independent non-executive directors in October 2018.

All the executive directors are key management personnel of the Group during the year and their remuneration disclosed above include those for services rendered by them as key management personnel. During the year, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8 Individual with highest emoluments

Of the five individuals with the highest emoluments, two of them are the directors for the year ended 31 December 2019 (2018: two), whose emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2019 **US$'000**	2018 US$'000
Salaries and other emoluments	**563**	561
Discretionary bonuses	**81**	140
Share-based compensation	**2,237**	511
Retirement scheme contributions	**22**	33
	2,903	1,245

The emoluments of the above individuals with the highest emoluments for the year ended 31 December 2019, respectively are within the following band:

	2019	2018
HK$2,500,001 to HK$3,000,000	**–**	2
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
HK$7,000,001 to HK$7,500,000	**1**	–
HK$10,000,001 to HK$10,500,000	**1**	–

(Expressed in United States dollars unless otherwise indicated)

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of US$22,069,000 (2018: US$21,854,000) and the weighted average of 1,471,466,607 shares (2018: 1,144,598,398 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019	2018
At 1 January (note)	**1,446,866,842**	1,127,999,842
Effect of treasure shares (note 24(f))	**9,598,918**	—
Effect of issuance of ordinary shares upon initial public offering (note 23(b)(iii))	**—**	16,598,556
Effect of issuance of over-allotment shares (note 23(b)(v))	**15,000,847**	—
Weighted average number of ordinary shares at 31 December	**1,471,466,607**	1,144,598,398

Note:

The weighted average number of shares in issue during the year ended 31 December 2018 was based on the assumption that the 1,127,999,842 shares (excluding effect of treasure shares of 71,936,328) were issued before the listing of shares on the Stock Exchange, as if such shares had been outstanding throughout the year ended 31 December 2018.The number of ordinary shares as at 1 January 2019 represents 1,518,867,000 outstanding ordinary shares as of the date netting of 72,000,158 treasure shares held by RSU trustees as at 1 January 2019.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of US$22,069,000 (2018: US$21,854,000) and the weighted average number of shares of 1,496,241,136 shares (2018: 1,165,766,460 shares) in issue adjusted for the potential dilutive effect caused by the shares granted under the share award scheme (see note 22).

Weighted average number of ordinary shares (diluted)

	2019	2018
Weighted average number of ordinary shares at 31 December	**1,471,466,607**	1,144,598,398
Effect of unvested shares under the Company's share award scheme	**24,774,529**	21,168,062
Weighted average number of ordinary shares (diluted) at 31 December	**1,496,241,136**	1,165,766,460

10 Property, plant and equipment

(a) Reconciliation of carrying amount

	Note	Motor vehicles US$'000	Office equipment, furniture and fittings US$'000	Leasehold improvements US$'000	Construction in progress US$'000	Right of use assets US$'000	Total US$'000
Cost:							
At 1 January 2018		116	1,096	1,627	–	–	2,839
Additions		–	417	16	225	–	658
Disposals		–	(75)	(7)	–	–	(82)
Deemed distribution	1(b)	(118)	(130)	(636)	(225)	–	(1,109)
Exchange difference		2	(41)	(34)	–	–	(73)
At 31 December 2018		–	1,267	966	–	–	2,233
Impact on initial application of IFRS 16		–	–	–	–	12,818	12,818
At 1 January 2019		–	1,267	966	–	12,818	15,051
Additions		–	305	9		148	462
Disposals		–	(172)	–	–	–	(172)
Adjustment	1(c)	–	–	–		(475)	(475)
Exchange difference		–	(10)	(15)		(18)	(43)
At 31 December 2019		–	1,390	960	–	12,473	14,823
Accumulated depreciation:							
At 1 January 2018		(33)	(393)	(530)	–	–	(956)
Charge for the year		(17)	(330)	(574)	–	–	(921)
Written back on disposals		–	39	7	–	–	46
Deemed distribution	1(b)	50	30	105	–	–	185
Exchange difference		–	31	38	–	–	69
At 31 December 2018 and 1 January 2019		–	(623)	(954)	–	–	(1,577)
Charge for the year		–	(323)	(6)	–	(4,250)	(4,579)
Written back on disposals		–	155	–	–	–	155
Exchange difference		–	(1)	15	–	–	14
At 31 December 2019		–	(792)	(945)	–	(4,250)	(5,987)
Net book value:							
At 31 December 2019		–	598	15	–	8,223	8,836
At 31 December 2018		–	644	12	–	–	656

Notes:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(d).

10 Property, plant and equipment (Continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 31 Dec 2019 US$'000	At 31 Dec 2018 (Note) US$'000
Other properties leased for own use, carried at depreciated cost	**8,223**	12,818

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 3 years. Lease payments are usually increased every 2 years to reflect market rentals.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

Depreciation charge of other properties leased for own use	**4,250**	—
Interest on lease liabilities (note 5(a))	**545**	—
Expense relating to short-term leases and leases of low-value assets	**476**	—
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	1,992

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(d).

During the year, all additions to right-of-use assets were related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 16(e) and 19 respectively.

(Expressed in United States dollars unless otherwise indicated)

11 Intangible assets

	Note	Royalties US$'000	Software US$'000	Trademark US$'000	Developed Technology US$'000	Total US$'000
Cost:						
At 1 January 2018		1,174	185	1,157	5,434	7,950
Additions		—	246	—	3,812	4,058
Deemed distribution	1(b)	—	(37)	—	—	(37)
Exchange difference		—	(10)	—	—	(10)
At 31 December 2018 and 1 January 2019		1,174	384	1,157	9,246	11,961
Additions		—	48	—	11,629	11,677
Exchange difference		—	(3)	—	—	(3)
At 31 December 2019		1,174	429	1,157	20,875	23,635
Accumulated amortisation:						
At 1 January 2018		(1,174)	(99)	(302)	(2,497)	(4,072)
Charge for the year		—	(77)	(165)	(1,673)	(1,915)
Deemed distribution	1(b)	—	8	—	—	8
Exchange difference		—	7	—	—	7
At 31 December 2018 and 1 January 2019		(1,174)	(161)	(467)	(4,170)	(5,972)
Charge for the year		—	(47)	(165)	(2,771)	(2,983)
Exchange difference		—	2	—	—	2
At 31 December 2019		(1,174)	(206)	(632)	(6,941)	(8,953)
Net book value:						
At 31 December 2019		—	223	525	13,934	14,682
At 31 December 2018		—	223	690	5,076	5,989

The amortisation charge for the year is included in "Research and development expenses" and "General and administrative expenses" in the consolidated statement of profit or loss.

12 Goodwill

	2019 US$'000	2018 US$'000
Goodwill in connection with the acquisition of:		
— nativeX, LLC. (i)	**19,981**	19,981
— Game analytics Aps (ii)	**9,017**	9,017
	28,998	28,998
Carrying amount:		
At 31 December	**28,998**	28,998

(i) Goodwill in connection with the acquisition of nativeX, LLC

In connection with the Group's acquisition of nativeX, LLC, the Group recognised goodwill of US$19,981,000. For the purpose of impairment testing, goodwill has been allocated to the Group's cash-generating units (CGU) identified according to country of operation.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projection based on financial forecast approved by management. The key assumptions used in the estimation of the recoverable amount are pre-tax discount rate and budgeted revenue growth rate (average of financial forecasts period) set out below. The expected revenue growth rate is following the business plan approved by the Group. Pre-tax discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

	2019	2018
In percent		
Pre-tax discount rate	**33.6%**	21.5%
Terminal value growth rate	**2.5%**	3.0%
Budgeted revenue growth rate (average of financial forecasts period)	**12.8%**	17.3%

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately US$17,857,000 as at 31 December 2019 (2018: 13,197,000).

12 Goodwill (Continued)

(i) Goodwill in connection with the acquisition of nativeX, LLC (Continued)

The Company performs the sensitivity analysis based on the assumption that pre-tax discount rate and revenue growth rate has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would be decreased to as below:

	2019 US$'000	2018 US$'000
Pre-tax discount rate increase by 5%	**10,331**	6,776
Budgeted revenue growth rate decrease by 5%	**12,360**	1,759

As at 31 December 2019, if the pre-tax discount rate rose to 49.2% (2018: 35.3%) or budgeted revenue growth rate (average of financial forecasts period) decreased to 1.9% (2018: 11.4%), the recoverable amount of the CGU would be approximately equal to its carrying amount.

Reasonable possible changes in key assumptions would not lead to impairment as at 31 December 2019 and 2018, respectively.

(ii) Goodwill in connection with the acquisition of Game analytics ApS

In connection with the Group's acquisition of Game analytics ApS, the Group recognised goodwill of US$9,017,000. For the purpose of impairment testing, goodwill has been allocated to the Group's CGU identified according to country of operation.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projection based on financial forecast approved by management. The key assumptions used in the estimation of the recoverable amount are pre-tax discount rate and budgeted revenue growth rate (average of financial forecasts period) set out below. The expected revenue growth rate is following the business plan approved by the Group. Pre-tax discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

	2019	2018
In percent		
Pre-tax discount rate	**18.9%**	18.6%
Terminal value growth rate	**3.0%**	3.0%
Budgeted revenue growth rate (average of financial forecasts period)	**9.1%**	17.5%

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately US$4,134,000 as at 31 December 2019 (2018: US$4,925,000).

12 Goodwill (Continued)

(ii) Goodwill in connection with the acquisition of Game analytics ApS (Continued)

The Company performs the sensitivity analysis based on the assumption that pre-tax discount rate and budgeted revenue growth rate (average of financial forecasts period) has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would be decreased to as below:

	2019	2018
	US$'000	US$'000
Pre-Tax discount rate increase by 5%	**37**	106
Budgeted revenue growth rate decrease by 5%	**64**	243

As at 31 December 2019, if the pre-tax discount rate rose to 24.0% (2018: 23.7%) or budgeted revenue growth rate (average of financial forecasts period) decreased to 5.0% (2018: 12.4%), the recoverable amount of the CGU would be approximately equal to its carrying amount.

Reasonable possible changes in key assumptions would not lead to impairment as at 31 December 2019 and 2018, respectively.

13 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of share held is ordinary unless otherwise stated.

Company name	Place of incorporation and business/ date of incorporation	issued and paid-up capital/registered capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Mobvista International Technology Limited ("MIT HK")	Hong Kong 15 December 2014	Hong Kong Dollar ("HK$") 10,000	–	100%	Mobile advertising services
Advertter Technology Company Limited	Seychelles 24 June 2015	US$100	–	100%	Mobile advertising services
Flash Banner Technology Company Limited	Seychelles 24 June 2015	US$100	–	100%	Mobile advertising services
Mintegral Limited (formerly known as Pointer Ad Technology Company Limited)	Seychelles 24 June 2015	US$100	–	100%	Mobile advertising services
Adlogic Technology Pte. Ltd.	Singapore 14 October 2015	Singapore Dollar 50,000	–	100%	Mobile advertising services

(Expressed in United States dollars unless otherwise indicated)

13 Investments in subsidiaries

Company name	Place of incorporation and business/ date of incorporation	issued and paid-up capital/registered capital	Proportion of ownership interest Direct	Indirect	Principal activities
Mintegral International Limited (formerly known as Dime Freak Technology Limited)	Hong Kong 24 May 2013	HK$10,000	–	100%	Mobile advertising services
Mobvista-Japan Co., Ltd.	Japan 22 September 2017	Japanese Yen 1,000,000	–	100%	Mobile advertising services
Guangzhou Huiliang Information Technology Company Limited (i) (廣州匯量信息科技有限公司, "Guangzhou Huiliang")	PRC 2 April 2015	US$1,000,000	–	100%	Technology and mobile advertising services
Eurocore B.V.	Netherlands 28 July 2016	Euro 1	–	100%	Investment holding
USCore, Inc	United States of America ("US") 9 December 2015	US$1	–	100%	Investment holding
Game Analytics ApS	Denmark 20 October 2011	Euro 74,067	–	100%	Mobile advertising analysis solutions
nativeX, LLC	US 9 June 2010	–	–	100%	Mobile advertising services
Game Analytics Ltd.	England and Wales 11 September 2014	British Pound 1	–	100%	Mobile advertising analysis solutions

Note:

(i) The subsidiary is wholly foreign-owned enterprise in the PRC.

14 Other financial assets

	2019 **US$'000**	2018 US$'000
Financial assets at fair value through profit or loss ("FVPL")		
— current portion	**53,796**	—
— non-current portion	**1,433**	71,000
Total	**55,229**	71,000

Notes:

Financial assets at FVPL at 31 December 2019 included:

(i) An investment in a limited partnership in PRC with principal amount of US$1,433,000 in August 2019. The Group does not have significant influence on the daily operation of the limited partnership. The investment has been entirely classified to financial asset at FVPL in accordance with IFRS 9. As at 31 December 2019, the fair value of the financial asset at FVPL is not materially different from the principal amount of US$1,433,000.

(ii) An investment in a wealth management product with principal amount of US$50,500,000 issued by a financial institution in Hong Kong as at 31 December 2019. The wealth management product will mature in December 2020 with guaranteed principals and no fixed interest rate attached to it. The Group has an option to withdraw the principal partially since the first anniversary when agreed with the financial institution. The wealth management product and the embedded put option has been entirely classified to financial assets at FVPL in accordance with IFRS 9. As at 31 December 2019, the fair value of the investment in a wealth management product is not materially different from the principal amount of US$50,500,000.

15 Trade and other receivables

	2019 US$'000	2018 US$'000
Trade receivables	**245,743**	159,955
Less: Allowance for doubtful debts	**(26,330)**	(14,453)
	219,413	145,502
Deposits and prepayments	**12,308**	8,688
Other receivables (note (i))	**89,232**	67,970
	320,953	222,160
Less: Non-current deposits and prepayments (note (ii))	**(3,302)**	(1,306)
	317,651	220,854

All of the trade and other receivables (including amounts due from related parties) included in current assets are expected to be recovered or recognised as expense within one year.

Notes:

(i) As at 31 December 2019, other receivables of the Group included investments in wealth management products of US$78,640,000 issued by financial institutions in the PRC and Hong Kong, which were maturing within one year, with guaranteed principals and fixed returns per annum.

(ii) As at 31 December 2019, the Group held a loan receivable from a third party, which has a principal amount of US$1,700,000 maturing within two year and bears an interest at 3% per annum.

(a) Ageing analysis

As at 31 December 2019, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the revenue recognition date and net of allowance for doubtful debts, is as follows:

	2019 US$'000	2018 US$'000
Within 3 months	**128,800**	108,791
3 to 6 months	**59,700**	21,772
6 to 12 months	**29,019**	12,117
Over 12 months	**1,894**	2,822
	219,413	145,502

Trade receivables are due within 60–90 days from the date of revenue recognition. Further details on the Group's credit policy are set out in note 25(a).

16 Cash and bank balances

(a) Restricted cash

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated statements of financial position, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

	2019 **US$'000**	2018 US$'000
Deposits pledged for bank borrowings	**4,165**	4,425
Other deposits in banks	**856**	329
	5,021	4,754

(b) Cash and cash equivalents

	2019 **US$'000**	2018 US$'000
Cash at bank and on hand	**67,348**	64,865

As at 31 December 2019, cash and cash equivalents placed with banks in Mainland China amounted to US$33,369,000 (2018: US$25,715,000). Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 May 2018, cash and cash equivalents with an aggregate carrying value of approximately US$2,024,000, were retained by Guangzhou Mobvista and had been reflected as deemed distribution to Guangzhou Mobvista for the year ended 31 December 2018.

(c) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2019** **US$'000**	2018 US$'000
Profit before taxation		**23,458**	26,151
Adjustments for:			
Depreciation	5(c)	**4,579**	921
Amortisation	5(c)	**2,983**	1,915
Interest expenses	5(a)	**1,718**	788
Interest income	4	**(2,472)**	(1,217)
Net loss on disposal of property, plant and equipment		**17**	30
Investment gain from financial assets at fair value through profit or loss	4	**(1,009)**	—
Equity-settled share-based payment expenses	5(b)	**19,891**	6,448
Impairment loss recognised	5(c)	**12,261**	2,421
Changes in working capital:			
Increase in trade and other receivables		**(90,824)**	(68,422)
Increase in trade and other payables		**28,317**	65,234
Cash generated from operations		**(1,081)**	34,269

16 Cash and bank balances (Continued)

(c) Reconciliation of profit before taxation to cash generated from operations (Continued):

Note:

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Previously, cash payments under operating leases made by the Group as a lessee of $3,817,000 were classified as operating activities in the consolidated cash flow statement. Under IFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 16(d)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to IFRS 16 are set out in note 1(d).

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank loans US$'000	Interest payable US$'000	Amounts due from/ (to) related parties US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2018	40,443	97	67,068	—	107,608
Changes from financing cash flows:					
Proceeds from bank loans	78,335	—	—	—	78,335
Repayment of bank loans	(70,371)	—	—	—	(70,371)
Payment to related parties	—	—	(57,846)	—	(57,846)
Deemed distribution (note 1(b))	(32,335)	(57)	(9,166)	—	(41,558)
Interest paid and other borrowing cost paid	—	(1,497)	—	—	(1,497)
Total changes from financing cash flows	(24,371)	(1,554)	(67,012)	—	(92,937)
Exchange adjustment	625	—	—	—	625
Other changes:					
Interest expenses (note 5(a))	—	788	—	—	788
Capitalised borrowing costs	—	679	—	—	679
Total other changes	—	1,467	—	—	1,467

16 Cash and bank balances (Continued)

(d) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans US$'000	Interest payable US$'000	Amounts due from/ (to) related parties US$'000	Lease liabilities US$'000	Total US$'000
At 31 December 2018	16,697	10	56	—	16,763
Impact on initial application of IFRS 16 (note 1(d))	—	—	(56)	14,467	14,411
At 1 January 2019	16,697	10	—	14,467	31,174
Changes from financing cash flows:					
Proceeds from bank loans	140,396	—	—	—	140,396
Repayment of bank loans	(101,622)	—	—	—	(101,622)
Capital element of lease rentals paid	—	—	—	(4,740)	(4,740)
Interest element of lease rentals paid	—	—	—	(545)	(545)
Interest paid and other borrowing cost paid	—	(1,096)	—	—	(1,096)
Total changes from financing cash flows	38,774	(1,096)	—	(5,285)	32,393
Exchange adjustment	—	(16)	—	—	(16)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	—	—	—	161	161
Decrease in lease liabilities from adjusting existing lease contract during the year	—	—	—	(475)	(475)
Interest expenses (note 5(a))	—	1,173	—	545	1,718
Listing expenses paid	—	—	193	—	193
Total other changes	—	1,173	193	231	1,597
At 31 December 2019	55,471	71	193	9,413	65,148

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IFRS 17. See notes 1(d) and 19.

16 Cash and bank balances (Continued)

(e) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 US$'000	2018 (note) US$'000
Within operating cash flows	**479**	3,817
Within financing cash flows	**5,285**	—
	5,764	3,817

Note:

As explained in the note to note 16(c), the adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts all relate to lease rentals paid.

17 Trade and other payables

	2019 US$'000	2018 US$'000
Trade payables (note (a))	**144,722**	124,918
Amounts due to related parties (note 27(b))	**193**	56
Other payables	**10,687**	15,279
Receipt in advance	**8,601**	5,014
Staff costs payables	**6,358**	5,635
VAT and other tax payables	**2,310**	1,199
	172,871	152,101

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As at 31 December 2019 and 2018, the amounts due to related parties were non-trade related, unsecured and interest-free.

(a) An ageing analysis of the trade payables based on the invoice date is as follows:

	2019 US$'000	2018 US$'000
Within 1 month	**38,081**	43,231
1 to 2 months	**36,420**	27,305
2 to 3 months	**29,473**	20,908
Over 3 months	**40,748**	33,474
	144,722	124,918

18 Bank loans

As at 31 December 2019, the bank loans were repayable as follows:

	2019 US$'000	2018 US$'000
Within 1 year or on demand	**55,471**	16,697

As at 31 December 2019, the bank loans were secured as follows:

	2019 US$'000	2018 US$'000
Unsecured (Note (a))	**7,473**	—
Secured (Note (b)/(c))	**47,998**	16,697
	55,471	16,697

Notes:

(a) At 31 December 2019, unsecured banking facilities of the Group amounted to US$10,321,000 (2018: Nil), of which US$9,604,000 were guaranteed by Mobvista Inc. The facilities were utilised to the extent of US$7,473,000 (2018: Nil).

(b) At 31 December 2019, secured banking facilities of the Group amounted to US$51,000,000 (2018: US$60,814,000), which were secured by restricted cash of US$4,403,000 (2018: US$4,425,000). The secured banking facilities of the Group were also guaranteed by Mobvista Inc. The facilities were utilised to the extent of US$47,998,000 (2018: US$16,697,000).

(c) All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). As at 31 December 2019, none of the covenants relating to drawn down facilities had been breached (2018: nil).

19 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	At 31 December 2019		**At 1 January 2019 (note)**	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	**Present value of the minimum lease payments $'000**	**Total minimum lease payments $'000**
Within 1 year	4,276	4,586	4,784	4,914
After 1 year but within 5 years	5,137	5,527	9,683	11,059
	9,413	10,111	14,467	15,973
Less: total future interest expenses		(698)		(1,506)
Present value of lease liabilities		9,413		14,467

19 Lease liabilities (Continued)

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in note 1(d).

20 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	2019 US$'000	2018 US$'000
Current tax payable	**6,380**	4,794
Current tax recoverable	**(316)**	—
	6,064	4,794

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from	Tax loss	Share-based compensation US$'000	Provision for impairment US$'000	Depreciation and amortisation US$'000	Goodwill US$'000	Total US$'000
At 1 January 2018	4,024	1,750	2,218	96	(621)	7,467
(Charged)/credited to profit or loss	(1,533)	980	355	(8)	(294)	(500)
Deemed distribution (note 1(b))	(38)	–	(54)	–	–	(92)
Exchange difference	(13)	(28)	–	–	–	(41)
At 31 December 2018	2,440	2,702	2,519	88	(915)	6,834
(Charged)/credited to profit or loss	(1,669)	2,197	1,835	(2)	(252)	2,109
Exchange difference	14	(22)	–	–	–	(8)
At 31 December 2019	785	4,877	4,354	86	(1,167)	8,935

(ii) Reconciliation to the consolidated statements of financial position

	2019 US$'000	2018 US$'000
Net deferred tax asset recognised in the consolidated statements of financial position	**10,102**	7,749
Net deferred tax liability recognised in the consolidated statements of financial position	**(1,167)**	(915)
	8,935	6,834

20 Income tax in the consolidated statements of financial position (Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of US$1,350,000 as at 31 December 2019 (2018: US$299,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction. The tax losses as at 31 December 2019 will expire in 9 years under current tax legislation.

(d) Deferred tax liabilities not recognised:

The Group is subject to 5% withholding tax on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 31 December 2019, deferred tax liabilities in respect of temporary differences relating to such undistributed profits of US$519,000 (2018: nil) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

21 Employee retirement benefits

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the applicable rate of the eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant government authorities in various areas other than Mainland China and Hong Kong, The Group's liability in respect of these plans is limited to the contributions payable at the end of each reporting period. Contributions to these plans are expensed as incurred.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

(Expressed in United States dollars unless otherwise indicated)

22 Share-based compensation expenses

(a) Share-based compensation scheme of Guangzhou Mobvista

The Group's ultimate controlling party, Guangzhou Mobvista, operates a share-based compensation scheme (the "Guangzhou Mobvista Scheme") under which the restricted stock units of Guangzhou Mobvista ("Guangzhou Mobvista RSUs") will be granted to qualified employees of Guangzhou Mobvista and its subsidiaries. The Guangzhou Mobvista RSUs granted would vest on specific dates, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective Guangzhou Mobvista RSUs are met, the Guangzhou Mobvista RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

During 2014 and 2015, Guangzhou Mobvista had granted such RSUs to certain directors and employees of the Group under the Scheme, which vest after one year to four years from the date of grant. Movements in the number of Guangzhou Mobvista RSUs granted to the Group's directors and employees and the respective weighted-average grant date fair value are as follows:

	2019		2018	
	Number of Guangzhou Mobvista RSUs	**Weighted average grant date fair value US$**	Number of Guangzhou Mobvista RSUs	Weighted average grant date fair value US$
Outstanding as at 1 January	**–**	**N/A**	936,872	3.09
Vested during the year	**–**	**N/A**	(936,872)	3.09
Outstanding as at 31 December	**–**	**N/A**	–	N/A

Share-based compensation expense relating to awards granted to employees is based on the grant date fair value of the RSUs and is recognised on a straight-line basis over the entire vesting period. The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares of the Company on the date of grant. The grant date fair value was determined with the assistance of an independent third party valuation firm, and discounted cash flow method was used to determine fair value of the underlying shares. RSUs were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. No dividends has been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the RSUs.

(b) Share-based compensation scheme of the Group

The Company has adopted a share incentive scheme on 27 September 2018 and amended on 19 November 2018, and issued 60,604,700 shares (after adjusted for capitalisation issue (note 23(b)) of the Company for the purposes of incentivise employee, directors, senior management and officers for their contribution to the Group and attract and retain skilled and experienced personnel for the future growth of the Group for providing them with the opportunity to own equity interests in the Company (the "2018 Share Incentive Plan").

(Expressed in United States dollars unless otherwise indicated)

22 Share-based compensation expenses (Continued)

(b) Share-based compensation scheme of the Group (Continued)

Two trusts have been set up to assist the Board of Directors with the administration and vesting of RSUs granted pursuant to the 2018 Share Incentive Plan (the "RSU trustees").

On 1 November 2018, the Group granted 49,454,400 RSUs to certain employees of the Group. On 21 November 2018, the Group granted 4,708,100 RSUs and 6,442,200 RSUs to certain directors and senior management of the Group respectively.

During the year ended 31 December 2019, the Group granted 6,021,700 RSUs to certain employees and consultants of the Group. Each RSUs is settled by transfer of one ordinary share of the Company from the RSU trustees to the grantee upon its vesting.

Pursuant to the RSUs agreements under 2018 Share Incentive Plan, subject to grantee's continued service to the Group through the applicable vesting date, the RSUs shall become vested after 2 months to 49 months from the date of grant.

Movements in the number of RSUs granted to the Group's directors and employees and the respective weighted-average grant date fair value are as follows:

	2019		2018	
	Number of RSUs	**Weighted average grant date fair value per RSU US$**	Number of RSUs	Weighted average grant date fair value per RSU US$
Outstanding as at 1 January	**60,604,700**	**0.50**	–	–
Granted during the year	**6,021,700**	**0.44**	60,604,700	0.50
Forfeited during the year	**(2,320,200)**	**0.51**	–	–
Vested during the year	**(11,911,400)**	**0.50**	–	–
Outstanding as at 31 December	**52,394,800**	**0.49**	60,604,700	0.50

Share-based compensation expense relating to awards granted to employees is based on the grant date fair value of the RSUs and is recognised on a straight-line basis over the entire vesting period. The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares of the Company on the date of grant. Prior to the listing of the Company's shares, the grant date fair value was determined with the assistance of an independent third party valuation firm, and discounted cash flow method was used to determine fair value of the underlying shares. After listing, the grant date fair value was determined by the non-adjusted closing price on the Stock Exchange, on a basis that vesting is achieved through the non-market performance condition only. RSUs were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. No dividends have been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the RSUs.

(Expressed in United States dollars unless otherwise indicated)

23 Share capital

(a) Authorised

	2019		2018	
	Number of shares	**Nominal value of shares US$'000**	Number of shares	Nominal value of shares US$'000
At 1 January	**10,000,000,000**	**100,000**	–	–
Additions	**–**	**–**	10,000,000,000	100,000
At 31 December	**10,000,000,000**	**100,000**	10,000,000,000	100,000

The Company was incorporated in the Cayman Islands with an authorised share capital of US$50,000 divided into 5,000,000 shares of US$0.01 each and issued one share, credited as fully paid.

Pursuant to written resolutions consented by the board of directors of the Company on 30 October 2018, the Company's authorised share capital was increased to US$100,000,000 by the creation of an additional 9,995,000,000 ordinary shares of US$0.01 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(b) Issued and fully paid

		Ordinary shares	
	Note	**Number of ordinary shares**	**Nominal value of fully paid ordinary shares US$'000**
As at 1 January 2018		–	–
Issuance of ordinary shares upon incorporation		1	–
Issuance of ordinary shares in connection with the Reorganisation	i	1,000,000	10
Issuance of ordinary shares to RSU trustees	ii	63,830	1
Issuance of shares upon initial public offering	iii	318,867,000	3,188
Capitalisation issue	iv	1,198,936,169	11,989
As at 31 December 2018		1,518,867,000	15,188
As at 31 December 2018 and 1 January 2019		1,518,867,000	15,188
Issuance of ordinary share in IPO over-allotment	v	15,337,000	153
As at 31 December 2019		1,534,204,000	15,341

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

23 Share capital (Continued)

(b) Issued and fully paid (Continued)

(i) In connection with the Reorganisation, on 13 April 2018, Seamless established Worldwide BVI as its wholly-owned subsidiary in the BVI, and then transferred to Worldwide BVI the entire share capital of each of Mintegral Limited, Flash Banner Technology Company Limited, Advertter Technology Company Limited, Mintegral International Limited, Westcore Technology Limited, Adlogic Technology Pte. Ltd. and Mobvista International Technology Limited (together the "Transferred Entities"), in consideration for 60,217,492 shares of the Worldwide BVI.

On 8 August 2018, the Company issued 1,000,000 shares with par value of US$0.01 to Seamless in exchange for the entire share capital of Worldwide BVI. Upon the completion of the Reorganisation, the Company becomes the holding company of the Group.

Consequently, the combined share capital of US$39,000 of the Transferred Entities is deducted from the share capital, and the difference of US$29,000 between the consideration and the share capital of the transferred entities was recorded as a capital reserve.

(ii) On 12 October 2018, the Company issued 63,830 ordinary shares with a par value of US$0.01 each to the RSU trustees.

(iii) Upon completion of the IPO, the Company issues 318,867,000 new shares at a price of HK$4.00 per share. The total gross proceeds received by the Company in connection with IPO were approximately US$163,056,000 (equivalent to HK$1,275,468,000), of which US$3,188,000 were credited to the Company's share capital account. The remaining proceeds of US$159,867,000, less the listing costs directly attributable to the issue of the shares of US$9,520,000, amounted to US$150,347,000 were credited to the Company's share premium account.

(iv) On 12 December 2018, 1,198,936,169 ordinary shares of US$0.01 each were issued at par value to the shareholders of the Company by way of capitalisation of US$11,989,000 from the Company's share premium account.

(v) On 4 January 2019, over-allotment option in relation to initial public offering in Hong Kong Stock Exchange of the Group was partially exercised and an aggregate of 15,337,000 shares were issued at a price of HK$4.00 (equivalent to approximately US$0.5) per share accordingly. The total gross proceeds received by the Company in connection with over-allotment were approximately US$7,599,000 (equivalent to HK$59,503,000), of which US$153,000 were credited to the Company's share capital account. The remaining proceeds of US$7,446,000 were credited to the Company's share premium account.

24 Reserves and dividends

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital US$'000 (Note 23)	Capital redemption reserve US$'000 (Note 24(a))	Share premium US$'000 (Note 24(b))	Reserve for treasury shares US$'000 (Note 24(f))	Share-based payments reserve US$'000 (Note 24(e))	(Accumulated loss)/retained profits US$'000	Total equity US$'000
At 1 January 2018	–	–	–	–	–	–	–
Changes in equity for the year ended 31 December 2018							
Loss for the year	–	–	–	–	–	(12,852)	(12,852)
Total comprehensive income	–	–	–	–	–	(12,852)	(12,852)
Share-based payments	–	–	–	–	5,596	–	5,596
Issuance of ordinary shares in connection with Reorganisation	10	60,207	–	–	–	–	60,217
Issuance of ordinary shares to RSU trustees	1	–	–	–	–	–	1
Issuance of ordinary shares upon initial public offering, net of issuing costs	3,188	–	150,347	–	–	–	153,535
Capitalisation issue	11,989	–	(11,269)	(720)	–	–	–
At 31 December 2018 and 1 January 2019	15,188	60,207	139,078	(720)	5,596	(12,852)	206,497
Changes in equity for the year ended 31 December 2019							
Profit for the year	–	–	–	–	–	17,969	17,969
Total comprehensive income	–	–	–	–	–	17,969	17,969
Vested RSUs	–	–	5,862	119	(5,981)	–	–
Share-based payments	–	–	–	–	19,891	–	19,891
Issuance of ordinary share in IPO over-allotment	153	–	7,446	–	–	–	7,599
Dividends declared	–	–	(15,686)	–	–	–	(15,686)
At 31 December 2019	15,341	60,207	136,700	(601)	19,506	5,117	236,270

(a) Capital reserve

The capital reserve represents the difference between the increase of registered capital and total capital injection and other reserve arising from Reorganisation.

24 Reserves and dividends (Continued)

(b) Share premium

Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(c) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the Mainland China are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(d) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 1(s).

(e) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of RSUs granted to the directors, employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(o)(ii).

(f) Treasury shares

The Company's treasury shares comprise the cost of the Company's shares held by the RSU trustees. On 12 October 2018, the Company issued 63,830 ordinary shares with a par value of US$0.01 each to the RSU trustees. The shares held by the RSU trustees was increased by 71,936,328 after the capitalisation issue, and the RSU trustees was decreased by 11,911,400 after the RSU vested and therefore the RSU trustees held 60,088,758 (2018: 72,000,158) of the Company's shares at 31 December 2019.

(g) Distributability of reserves

At 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was US$161,323,000 (2018:US$131,822,000).

24 Reserves and dividends (Continued)

(h) Dividends

On 25 July 2019, the Board has resolved the distribution of a special dividend of HK$0.08 per share to the shareholders of the Company and it was paid to shareholders on 27 August 2019. The dividends are distributed from the Company's share premium.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

There is no final dividend proposed after the end of the reporting period.

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio is defined as the Group's total liabilities over its total assets.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a significant increase in the Group's total debt and hence the Group's debt to asset ratio rose from 43% to 45% on 1 January 2019 when compared to its position as at 31 December 2018.

24 Reserves and dividends (Continued)

(i) Capital management (Continued)

The Group's debt to asset ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	31 December 2019 US$'000	1 January 2019 (Note) US$'000	31 December 2018 (Note) US$'000
Current liabilities:			
Trade and other payables	172,871	152,057	152,101
Current tax payable	6,380	4,794	4,794
Bank loans	55,471	16,697	16,697
Lease Liabilities	4,276	4,784	—
Non-current liabilities:			
Deferred tax liabilities	1,167	915	915
Lease liabilities	5,137	9,683	—
Other non-current liabilities	143	—	—
Total debt	245,445	188,930	174,507
Total Asset	511,485	420,594	406,171
Debt to asset ratio	48%	45%	43%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated.

25 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, restricted cash and trade and others receivables. The carrying amount of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

To manage risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable financial institution outside of mainland China. There has been no recent history of default in relation to these financial institutions.

The Group does not provide any other guarantees which would expose the Group to credit risk.

25 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

The Group's trade and other receivables primarily comprise of amounts receivable from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 2% (2018: 6%) and 9% (2018: 18%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	2019		
	Expected loss rate %	**Gross carrying amount US$'000**	**Loss allowance US$'000**
Current (not past due)	**1.41%**	**57,900**	**(814)**
Less than 3 months past due	**1.03%**	**95,610**	**(987)**
3 to 12 months past due	**10.37%**	**72,175**	**(7,485)**
13 to 24 months past due	**57.90%**	**5,546**	**(3,211)**
25 to 36 months past due	**70.80%**	**2,346**	**(1,661)**
Over 36 months past due	**100.00%**	**12,166**	**(12,172)**
		245,743	**(26,330)**

25 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

	2018		
	Expected loss rate %	Gross carrying amount US$'000	Loss allowance US$'000
Current (not past due)	0.40%	62,141	(226)
Less than 3 months past due	0.80%	56,551	(473)
3 to 12 months past due	4.20%	25,956	(1,097)
13 to 24 months past due	33.80%	2,933	(992)
25 to 36 months past due	86.10%	5,112	(4,403)
Over 36 months past due	100.00%	7,262	(7,262)
		159,955	(14,453)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the allowance account in respect of trade receivables during the year is as follows:

	2019 US$'000	2018 US$'000
At the beginning of the year	**14,453**	12,090
Impact on initial application of IFRS 9	**—**	329
Adjusted balance at 1 January	**14,453**	12,419
Impairment loss recognised	**12,261**	2,299
Uncollectable amounts written off	**(384)**	(265)
At the end of the year	**26,330**	14,453

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

25 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of 2019 and 2018 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2019 Contractual undiscounted cash outflow			
	Within 1 year or on demand US$'000	**More than 1 year but less than 2 years US$'000**	**Total US$'000**	**Carrying amount US$'000**
Trade and other payables (excluding receipt in advance)	**164,270**	**—**	**164,270**	**164,270**
Bank loans	**55,744**	**—**	**55,744**	**55,471**
	220,014	**—**	**220,014**	**219,741**

	At 31 December 2018 Contractual undiscounted cash outflow			
	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	Total US$'000	Carrying amount US$'000
Trade and other payables (excluding receipt in advance)	147,087	—	147,087	147,087
Bank loans	16,823	—	16,823	16,697
	163,910	—	163,910	163,784

25 Financial risk management and fair values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from variable rates bank loans, which expose the Group to cash flow interest rate risk.

(i) Interest rate profile

The following table details the interest rate profile of the Group's bank loans at the end of the reporting period:

Variable rate borrowings	**2019** **US$'000**	2018 US$'000
Bank loans (US$'000)	**55,471**	16,697
Effective interest rate	**3.14%–4.79%**	1.80%–4.07%

(ii) Sensitivity analysis

As at 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation for the period by approximately US$457,000 (2018: US$140,000) mainly as a result of higher/lower finance costs on bank loans. The impact on the Group's profit after taxation is estimated as an annualised impact on interest expense of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a foreign currency (i.e. a currency other than the functional currency of the operations to which the transactions relate).

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in US$, translated using the spot rates at the reporting period end date.

Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	At 31 December 2019		
	RMB **US$'000**	**HKD** **US$'000**	**Total** **US$'000**
Trade and other receivables	**28,052**	**138**	**28,190**
Cash and cash equivalents	**13,294**	**912**	**14,206**
Trade and other payables	**(7,354)**	**(185)**	**(7,539)**
Net exposure to currency risk	**33,992**	**865**	**34,857**

25 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

	At 31 December 2018		
	RMB US$'000	HKD US$'000	Total US$'000
Trade and other receivables	13,070	64,704	77,774
Cash and cash equivalents	9,031	142	9,173
Trade and other payables	(4,454)	(44)	(4,498)
Net exposure to currency risk	17,647	64,802	82,449

(ii) Sensitivity analysis

A 5% strengthening of US$ against the following currencies at the reporting date would increase/(decrease) profit after taxation by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant.

	2019	2018
RMB	**1,445**	750
HKD	**36**	2,705

A 5% weakening of US$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Fair value

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

25 Financial risk management and fair values (Continued)

(e) Fair value (Continued)

(i) *Financial assets measured at fair value* (Continued)

Fair value hierarchy (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at the reporting dates:

31 December 2019

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Financial asset at FVPL	**3,296**	**1,433**	**50,500**	**55,229**

31 December 2018

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Financial asset at FVPL	—	—	71,000	71,000

During the years ended 31 December 2018 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Information about Level 3 fair value measurements

	Valuation techniques	Significant Unobservable Inputs	Significant Unobservable Range	Weighted average
As at 31 December 2019				
Financial asset at FVPL — wealth management product	discounted cash flow	bond yield rate	2019: 4%–8% (2018: 4%–8%)	2019: 6% (2018: 6%)
Financial asset at FVPL — convertible loan	binomial lattice model	expected volatility	2019: N/A (2018: 52%–63%)	2019: N/A (2018: 57.5%)

The fair value of wealth management product is determined using the discounted cash flow and the significant unobservable input used in the fair value measurement is the bond yield rate. The fair value measurement is positively correlated to the bond yield rate. As at 31 December 2019, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would have increased/decreased the Group's profit by US$303,000.

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2019 because of the short-term maturities of all these financial instruments.

26 Commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2018 US$'000
Within 1 year	3,800
After 1 year but within 5 years	6,219
	10,019

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 1(d)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(i).

27 Material related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

During the year, the directors are of the view that the following are related parties of the Group:

Name of party	**Relationships**
Seamless	Controlling shareholder
Guangzhou Mobvista	Ultimate controlling party
Guangzhou Jianda Network Technology Company Limited	Entity controlled by the ultimate controlling party
Zhuhai Huiliang Investment Holding Company Limited	Entity controlled by the ultimate controlling party
Guangzhou Ruisou	Entity controlled by the ultimate controlling party
Guangzhou Huichun Industrial Investment Co., Ltd. ("Guangzhou Huichun")	Indirectly wholly-owned by Mr. Cao, one of the executive directors of the Company
Duanshi Industrial Investment (Guangzhou) Co., Ltd. ("Duanshi Investment")	Indirectly wholly-owned by Mr. Duan, the chairman, executive director and a Controlling Shareholder of the Company
Beijing Huiju Shanhe	Entity controlled by the ultimate controlling party

27 Material related party transactions (Continued)

(a) Transactions with related parties

	2019 **US$'000**	2018 US$'000
Recurring:		
Lease of offices premised by		
— Guangzhou Ruisou	**2,600**	47
— Guangzhou Huichun	**186**	3
— Duanshi Investment	**186**	3
Non-recurring:		
Receiving management and rental services from Guangzhou Mobvista	**—**	236
Receiving Research, Development and rental service from Beijing Huiju Shanhe	**—**	721
Receiving loan interest from Guangzhou Mobvista	**—**	785
Listing expenses paid by Guangzhou Mobvista	**30**	—
Listing expenses paid by behalf by Seamless	**163**	—

(b) Balances with related parties

As at 31 December 2018 and 2019, the Group had the following balances with related parties:

	2019 **US$'000**	2018 US$'000
Lease Liabilities		
— Guangzhou Ruisou	**4,596**	—
— Guangzhou Huichun	**330**	—
— Duanshi Investment	**330**	—
	5,256	—
Other payables		
— Guangzhou Ruisou	**—**	50
— Guangzhou Huichun	**—**	3
— Guangzhou Mobvista	**30**	—
— Seamless	**163**	—
— Duanshi Investment	**—**	3
	193	56

27 Material related party transactions (Continued)

(c) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2019	2018
	US$'000	US$'000
Short-term employee benefits	**950**	1,561
Share-based compensation expenses	**3,822**	1,689
Contributions to retirement benefit scheme	**49**	44
	4,821	3,294

Total remuneration is included in "staff costs" (see note 5(b)).

(d) Applicability of the Listing Rules relating to connected transactions

The recurring transactions with related parties in respect of note 27(a) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in paragraph headed "Continuing Connected Transactions" of the Directors' Report.

28 Company-level statement of financial position

	Note	31 December 2019 US$'000	31 December 2018 (note) US$'000
Non-current assets			
Investment in subsidiaries		80,109	60,217
Other financial assets		—	70,000
Deposits and prepayments		—	962
		80,109	131,179
Current assets			
Other receivables		112,998	74,826
Other financial assets		50,500	—
Cash and cash equivalents		5,083	16,657
		168,581	91,483
Current liabilities			
Other payables		12,420	16,165
		12,420	16,165
Net current assets		156,161	75,318
Total assets less current liabilities		236,270	206,497
CAPITAL AND RESERVES	22		
Share capital		15,341	15,188
Reserves		220,929	191,309
TOTAL EQUITY		236,270	206,497

Note:

The company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(d).

29 Immediate and ultimate controlling party

As at the date of this report, the directors consider the immediate controlling party of the Company to be Seamless, which is incorporated in BVI, and the ultimate controlling party of the Company to be Guangzhou Mobvista.

(Expressed in United States dollars unless otherwise indicated)

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2019

Up to date of issue of the financial statements, the IASB has issued a number of amendments and new standards, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of material	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

31 Comparative figures

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(d).

32 Non-adjusting events after the reporting period

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and might impact the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include but not limited to: negotiating repayment schedule of some debtors, assessing our suppliers' readiness, continually monitoring oversea offices' daily operation and strengthening cost control. So far, the management has not identified any significant impacts from the outbreak of coronavirus which require adjustment to or disclosure in the financial statements. Except for the event of the coronavirus outbreak, there have been no other events subsequent to 31 December 2019 which require adjustment to or disclosure in the consolidated financial statements as at the date when the financial statement is authorized to issue.

"AI"	artificial intelligence
"AGM"	annual general meeting
"Articles or Articles of Association"	the articles of association of our Company as amended from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code" or "Corporate Governance Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China", "PRC" or "Mainland China"	the Peoples Republic of China, which for the purpose of this annual report only, excludes Hong Kong, Macau and Taiwan
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Company", "our Company", "the Company" or "Mobvista"	Mobvista Inc. (匯量科技有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 16 April 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Seamless, Guangzhou Mobvista and Mr. Duan
"Director(s)"	the director(s) of our Company or any one of them
"Duanshi Investment"	Duanshi Industrial Investment (Guangzhou) Co., Ltd., a company established in the PRC on 21 July 2017 and indirectly wholly-owned by Mr. Duan
"DAU"	daily active user, in the context of DAUs of SDK, representing the number of unique mobile devices on which the codes of the app(s) integrating the SDK called the function in the SDK and resulted in an exchange of data between the app and the SDK platform on that day (multiple calls from the same device are only counted as one DAU)
"Employee RSU Scheme"	the restricted share unit scheme of the Company approved and adopted by our Board on 27 September 2018 and amended on 19 November 2018
"Fengli Trust"	China Industrial International Trust Limited Fengli Investment Single Fund Trust (Period 1)
"FVPL"	fair value through profit or loss
"GDPR"	the General Data Protection Regulation

DEFINITIONS

"Guangzhou Mobvista"	Mobvista Co., Ltd.* (廣州匯量網絡科技股份有限公司), a company established in the PRC as a joint stock limited company on 15 July 2015 through conversion from a limited liability company (i.e. Guangzhou Huitao) and listed on the NEEQ (stock code: 834299)
"Group", "our Group", or "the Group"	the Company and its subsidiaries from time to time
"Game Analytics"	Game Analytics ApS, a Denmark-based company that operates a SaaS game data analytics platform for game developers
"Guangzhou Huichun"	Guangzhou Huichun Industrial Investment Co., Ltd., a company established in the PRC with limited liabilities on 19 July 2017 and indirectly wholly-owned by Mr. Cao
"Guangzhou Huimao"	Guangzhou Huimao Investment Management Center (Limited Partnership) a partnership established in the PRC on 13 May 2015 and controlled by Mr. Duan
"Guangzhou Huiqian"	Guangzhou Huiqian Investment Management Centre (Limited Partnership) a partnership established in the PRC on 23 November 2015 and controlled by Mr. Cao
"Guangzhou Huisui"	Guangzhou Huisui Investment Management Co., Ltd., a company established in the PRC with limited liabilities on 8 May 2015 and is owned by Mr. Duan as to 95%
"Guangzhou Ruisou"	Guangzhou Ruisou Information Technology Co., Ltd., a company established in the PRC with limited liability on 7 November 2013 and a direct wholly-owned subsidiary of Guangzhou Mobvista within the Retained Guangzhou Mobvista Group
"Hong Kong"	the Hong Kong Special Administrative Region of the Peoples Republic of China
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Branch Share Registrar"	Computershare Hong Kong Investor Services Limited
"IFRS"	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
"Latest Practicable Date"	20 April 2020, the latest date prior to the printing of this annual report for ascertaining certain information in this annual report
"Listing"	the listing of the Shares on the Main Board

"Listing Date"	12 December 2018, the date on which the Company was listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Management RSU Scheme"	the restricted share unit scheme of the Company approved and adopted by our Board on 19 November 2018
"Mobvista Technology"	Mobvista (Guangzhou) Technology Limited, a company established in the PRC with limited liability on 2 April 2015 and an indirect wholly-owned subsidiary of our Company
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Mr. Cao"	Mr. CAO Xiaohuan, one of our co-founders, an executive Director and the president of our Company
"Mr. Duan"	Mr. DUAN Wei, our chairman, one of our co-founders, an executive Director and the chief executive officer of our Company
"Mr. Fang"	Mr. FANG Zikai, an executive Director and the chief product officer of our Company
"Mr. Xi"	Mr. XI Yuan, a former executive Director and the vice president of our Company who resigned from director position on 26 July 2019, while maintained his other positions with the Group
"Nomination Committee"	the nomination committee of the Company
"programmatic advertising"	the automatic buying and selling of ad inventories and automatic ad delivery through SDK or API
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the period from the Listing Date to 31 December 2019
"RMB"	Renminbi yuan, the lawful currency of China
"RSU"	a restricted share unit award granted to a participant under the RSU Scheme
"RSU Schemes"	the Employee RSU Scheme and the Management RSU Scheme
"Seamless"	Seamless Technology Limited, a business company incorporated in the BVI with limited liability on 24 November 2014 and wholly-owned by Guangzhou Mobvista Seamless Technology Limited

"SDK"	software development kit, a set of software development tools that allows the creation of applications for a certain software package
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the Share Option Scheme we conditionally adopted pursuant to a resolution passed by our Shareholders on 30 October 2018
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"We", "us" or "our"	our Company or our Group, as the context may require
%	per cent