One Horizon Group, Inc.
Form 10-K
April 15, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-36530

One Horizon Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**46-3561419**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

649 NE 81st Street

Miami

	FL 33138
(Address of principal executive offices)	(Zip Code)

+1 (305) 420-6640

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant’s voting and non-voting common equity stock held by non-affiliates of the registrant was approximately $ 13.5 million as of June 29, 2018, the last business day of the registrant’s most recently completed second fiscal quarter, based on the last sale price of the registrant’s common stock on such date of $0.535 per share, as reported on The Nasdaq Stock Market.

As of April 10, 2019, 88,401,431 shares of the registrant’s common stock, par value $0.0001, were outstanding.

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Introductory Note

Unless otherwise noted, references to the "Company" in this Report include One Horizon Group, Inc. and all of its subsidiaries.

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

The statements made in this Report, and in other materials that the Company has filed or may file with the Securities and Exchange Commission, in each case that are not historical facts, contain "forward-looking information" within the meaning of the Private Securities Litigation Reform Act of 1995, and Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, which can be identified by the use of forward-looking terminology such as "may," "will," "anticipates," "expects," "projects," "estimates," "believes," "seeks," "cou "should," or "continue," the negative thereof, and other variations or comparable terminology as well as any statements regarding the evaluation of strategic alternatives. These forward-looking statements are based on the current plans and expectations of management, and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. These risks include, but are not limited to, risks and uncertainties relating to our current cash position and our need to raise additional capital in order to be able to continue to fund our operations; our ability to retain our managerial personnel and to attract additional personnel; competition; our ability to protect intellectual property rights, and any and other factors, including the risk factors identified in the documents we have filed, or will file, with the Securities and Exchange Commission.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this report or in any document incorporated herein by reference might not occur. Investors are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the respective dates of this report or the date of the document incorporated by reference in this report. We expressly disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by federal securities laws.

These and other matters the Company discusses in this Report, or in the documents it incorporates by reference into this Report, may cause actual results to differ from those the Company describes. The Company assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

We are a holding company which, through our operating subsidiaries, is engaged in the digital media, entertainment and secure messaging businesses, described below.

Current Structure of the Company

The Company has the following subsidiaries:

Subsidiary name	% Owned
123Wish, Inc. (acquired February 2018)	51%
One Horizon Hong Kong Ltd	100%
Horizon Network Technology Co. Ltd	100%
Love Media House, Inc. (acquired March 2018)	100%
Browning Productions & Entertainment, Inc. (acquired October 2018)	51%

In addition to the subsidiaries listed above, Suzhou Aishuo Network Information Co., Ltd ("Suzhou Aishuo") is a limited liability company, organized in China and controlled by us via various contractual arrangements. Suzhou Aishuo is treated as one of our subsidiaries for financial reporting purposes in accordance with generally accepted accounting principles in the United States ("GAAP").

Summary Description of Businesses

We have the following three core businesses:

123Wish, Inc. formerly Once In A Lifetime, LLC ("123Wish") – an experience based platform where subscribers have a chance to play and win experiences from celebrities, athletes and artists.

Love Media House, Inc. formerly known as C-Rod, Inc. (“Love Media House”) - a full-service music production, artist representation and digital media business that provides a broad range of entertainment services including branding and advertising, video and photo production, recording (including music production, arranging, mixing and mastering), songwriting (arranging writing sessions with experienced and multi-platinum writers), artist development, digital distribution, billboard chart promotion, and consulting and life coaching. The entertainment marketplace is highly competitive. The team at Love Media House, headed by Chis Rodriguez, has worked with many famous artists and achieved many Billboard numbers and giving Love Media House an important edge in promoting new talent.

Browning Productions & Entertainment, Inc. (“Browning Productions”) - a full service video production company and executive producer for all entertainment projects. Browning Productions has been selected to produce and distribute numerous television programs spanning dozens of episodes in 2019 for acclaimed television networks including A&E, FYI and History Channel.

The Company is based in the United States of America, Hong Kong, Singapore, China and the United Kingdom.

Entertainment Production Services (Love House and Browning Productions)

The primary business of Love House and Browning Productions are entertainment production services. Video projects are divided into four parts: (i) pre-production, (ii) production, (iii) post-production and (iv) distribution. During pre-production, the client describes the need and the purpose of the production. Production is the part of the process where raw materials that will be formed into the final product are created. Post-production is where the first rough cut of the final product is created. Client input is then used to create the final version of the production.

Video production services through Browning Productions include production of television shows, commercials, corporate videos, music videos, film, motion pictures (full length features), make-up and hair, casting, writing, producing, directing, stunts, post production services, graphic design (animation and special effects), audio production, and audio mastering and integration. Music production services through Love House include recording (including music production, arranging, mixing and mastering), songwriting (arranging writing sessions with experienced and multi-platinum writers), artist development, digital distribution, billboard chart promotion, branding and advertising, video and photo production, and consulting and life coaching.

Browning Productions has produced and has ownership rights to dozens of national and international television programs currently airing on a number of the most recognized television networks including A&E, FYI and History Channel. Browning Productions distributes content on a proprietary Internet/Over-The-Top (“OTT”) content platform that operates in conjunction with Verizon Digital Media Services (“VDMS”). Current productions of Browning Productions include “Wine Warriors”; the spin-off “Whisky Warriors, for which Browning Productions recently secured the Big Sky Film Grant from the State of Montana’s Film Office, “Training Grounds”; a new docuseries called “The Cryptos,” unveiling the inner workings of the cryptocurrency industry, soon to be distributed on one of the world’s most widely recognized global business news networks; and “America’s Crowdfunding,” an equity crowd-funding television series (the concept is “Shark Tank” meets “America’s Got Talent,” where the viewers vote with their wallets for equity stakes in the featured companies) in conjunction with Equity Bender, among others.

We also provide through Browning Productions marketing services and branded entertainment. Branding and name recognition is generally achieved through exposure in repetition. Through branded entertainment, a product or service stands out throughout a television series in precise placement from segment to segment for each viewer to see or hear, where the product or service is referred or mentioned by the celebrity cast. The pinnacle of all product or service inclusion into television is to allow for a full integration into the storyline and scripting of the segments centering the brand in the show content, which we believe is one of the best forms of marketing for any product or service.

The recording studio of Love House is a facility for sound recording and mixing. Ideally both the recording and monitoring spaces are specially designed by an acoustician to achieve optimum acoustic properties (acoustic isolation or diffusion or absorption of reflected sound that could otherwise interfere with the sound heard by the listener). The typical recording studio consists of a room called the "studio" or "live room", where instrumentalists and vocalists perform; and the "control room", where sound engineers sometimes with producer(s) as well operate either professional audio mixing consoles or computers with specialized software suites to manipulate and route the sound for analogue or digital recording. Often, there will be smaller rooms called "isolation booths" present to accommodate loud instruments such as drums or electric guitar, to keep these sounds from being audible to the microphones that are capturing the sounds from other instruments, or to provide "drier" rooms for recording vocals or quieter acoustic instruments.

Our recording studios through Love House may be used to record musicians, voice-over artists for advertisements or dialogue replacement in film, television or animation, foley, or to record their accompanying musical soundtracks.

Competitive Strengths

We believe our competitive strengths through Browning Productions include:

Excellent reputation: We believe we have earned an excellent reputation for our creative ability, innovation, execution and on-time delivery of complex and challenging media content.

Our creative storytelling capabilities: We believe our creative content turns ideas into visual, relatable stories that resonate with consumers and influences their behavior. We believe that our years of experience and access to creative talent allow us to tell compelling stories whether in seconds or minutes.

Diverse, creative talent base: We employ or represent directors and designers, technical directors and other artists who we believe deliver a unique combination of creative direction (character, world and story development) and execution (unique and high quality imagery and related production content).

Strong relationships with advertising agencies and brands: We have produced highly successful and creative advertising campaigns for our customers, many of which are global brands which we believe have allowed us to develop long-standing, strong relationships with leading advertising agencies and brands. We are often commissioned to create multiple campaigns for brands over many years, acting as the go-to production company for these clients. In addition, despite that some of our competitors are larger than us, we have been able to compete effectively with them and win projects from new and existing clients.

End-to end solution: We have developed in-house production processes that enable us to serve as a one-stop-shop, providing a full suite of solutions to the advertising industry and brands. We are able to conduct a project from concept through design and all stages of production using in-house and contracted creative talent when necessary.

We believe our competitive strengths through Love House include:

High quality services: We provide high quality sound recording and audio production services. We have a high end recording and production studio for use for customers. Use of the studio is billed on an hourly basis plus fees relating to the rental of the studio. Reproduction of recorded materials will also be sold to customers. The benefits that are afforded to clients in our studio include:

a convenient, reasonably priced recording studio.

a comfortable studio experience that allows artists to record their music while being in an inviting atmosphere.

high end audio equipment that will make high quality sound recordings for our clients.

professional and expert staff members that will help artists mix and produce their albums with minimal hassle.

Supplemental Services to Music Production: We also provide songwriting (arranging writing sessions with experienced and multi-platinum writers), artist development, digital distribution, billboard chart promotion, branding and advertising, video and photo production.

Competition

The team at Love Media House, headed by Chis Rodriguez, has worked with many famous artists and achieved many Billboard numbers giving Love House an important edge in promoting new talent. The team at Browning Productions, headed by William Browning, has produced and has ownership rights to dozens of national and international television programs currently airing on a number of the most recognized television networks including A&E, FYI and History Channel. Notwithstanding, the entertainment marketplace is highly competitive. There are few barriers of entry in the business and level of competition is extremely high. There are many video production companies and recording studios in United States. Many of these companies may have a greater, more established customer base than us.

Our Industry

We create branded advertising and entertainment content primarily for television, digital and other platforms.

The global advertising market is large and growing. Global advertising spending was a $591 billion global market in 2017, projected to grow to $724 billion in 2020, according to eMarketer. The U.S. is currently Browning Productions' customers' primary target market. eMarketer forecasts that the U.S. will have the largest share of global advertising spending in 2020, which it estimates will be $243 billion. As Browning Productions' business grows, we expect to capitalize on the large and expanding demand for services such as Browning Productions.

Television spending continues to be strong. Television has historically been the single largest advertising medium worldwide. Zenith forecasts that television advertising in the U.S. peaked in 2017 at $69 billion and will decline slightly to $66 billion in 2020. Television and online video together are becoming more important to advertisers seeking to build brands than either form alone.

Digital advertising spending is increasing. Digital technologies have transformed media consumption, viewing habits and social interaction. Content is being viewed at ever-increasing rates on wired and wireless smart devices across the globe. In 2017, global digital advertising spending surpassed global television advertising spending for the first time, according to MAGNA. MAGNA projects that, in 2018, U.S. digital advertising spending will exceed $100 billion and will account for half of total U.S. advertising sales for the first time. MAGNA projects that U.S. digital advertising sales will be $163 billion by 2023.

Creative short-form video content attracts audiences. Given the proliferation of entertainment channels, capturing the attention of audiences is becoming increasingly challenging. We believe that brands are seeking creative content in short-form video that includes animation and mixed media to evoke emotions that resonate with viewers. According to AOL Advertising, while online video consumption is increasing across all video lengths, short-form video is growing the fastest. According to AOL Advertising, 59% of consumers watch videos that are under one minute long every day.

Our Growth Strategy

We intend to build upon our proven ability to aggregate large audiences for brands by continuing to make compelling content that is viewable on both traditional and new platforms. We have begun to implement the growth strategies described below, and expect to continue to do so over the several years following this offering. Although the net proceeds of this offering will be available to assist us to implement our growth strategies, we cannot estimate the ultimate amount of capital needed to achieve our expected growth. We may need additional capital to implement these strategies, particularly in the event we pursue acquisitions of complementary businesses or technologies.

We intend to grow our business by:

Capitalizing on market trends in advertising and digital media: We believe our long history of creating award-winning content for television provides us with the expertise to continue to capture television advertising spending. We also believe our expertise in delivering entertaining, narrative-based short-form video content positions us well for the expected growth in digital advertising. We intend to build our core business by leveraging the increased use of animation and visual effects to differentiate marketing messages and capture audiences in the growing digital media market.

Implementing client service teams: We believe we can increase recurring work from our existing clients with a more client-focused approach to delivering our services. We are hiring account directors with knowledge of the needs of brands in key industries so that we can collaborate more closely with brands and the advertising agencies. By doing so, we believe we can get involved earlier and more intimately in a particular pitch.

Expanding direct-to-brand sales: Brands are increasingly working directly with content creators, bypassing advertising agencies. We believe this industry disruption is being caused by the desire of brands to obtain greater cost-effectiveness, transparency and control over customer data. We believe that we can increase our direct-to-brand sales by increasing business development efforts with brands. We recently reorganized our sales organization to include a specific focus on brand management.

Growing through acquisitions: We believe that the highly fragmented content creation media industry, which is comprised primarily of small-to-medium-sized private companies, provides us with significant opportunities to grow our business through acquisitions. We intend to pursue acquisitions that provide services within our current core product offerings, extend our geographic reach and expand our product offerings.

Cross-selling services: Our ability to produce diverse, engaging content across various media platforms allows us to offer clients a one-stop-shop for all of their content needs. We intend to cross-sell our various capabilities to drive additional revenue from existing clients and to seek to win new clients.

Further developing intellectual property: We intend to build upon our success in developing original series that we own and license to brands, networks and major and new digital media studios. When we develop an original series, we retain the copyright of that content. By licensing to other platforms portions of the content from original series that we develop, we can create additional revenue streams from development fees, brand license fees, distribution license fees and ancillary sources (such as from foreign viewership).

Expanding our geographic presence: We believe that by expanding our physical presence into select international regions, we will be better able to attract and retain internationally-based brands as clients. With a physical presence outside of the U.S., we believe we can provide better customer service and offer local talent who can work more intimately with internationally-based brands than we can from our offices in the U.S.

Expanding our talent roster: We intend to continue to seek to attract and retain world-class creative and technical talent, thereby increasing our ability to win jobs and build brand equity through additional high quality creative content. We believe that our reputation and our client base will allow us to continue to attract top creative talent.

Celebrity Experience Marketplace (123Wish)

123Wish, available in the Apple App Store, Google Play and www.123wish.com, is a subscription-based, experience marketplace that focuses on providing users with exclusive opportunities to enjoy personalized, dream experiences with some of the world's most renowned social media influencers including Super Influencer Jake Paul and Team 10 as well as celebrities, professional athletes, fashion designers, and artists while supporting a diverse range of charities.

123Wish provides experiences to fans of high profile celebrities but with the ability to ensure charities can benefit from proceeds of subscriptions paid. 123Wish is a super fan platform bringing fans closer to their favorite influencers, celebrities, musicians and more. 123Wish offers its users unique experiences, face time sessions, weekly giveaways, limited edition merchandise, VIP events, video shouts and exclusive video content.

The influencer or celebrity for each 123Wish experience selects a philanthropic cause to benefit or is randomly matched to a non-profit organization. Once the charitable contribution goal for an experience has been met and the designated timeframe for entry has expired, 123Wish randomly selects the winner who receives exclusive access to interact with the influencer or celebrity. Yet, everyone who enters wins a specialized gift for participation, which may include limited edition merchandise, gift cards or personalized video or voice messages from experience contributors.

Each 123Wish subscriber will soon have a digital wallet and will receive four digital coins each month that his or her subscription remains active, which the subscriber may contribute to charity. 123Wish are committed to making at least $1,000,000 in digital coin value available for charitable contribution premised on the number of subscribers. Development for inclusion of the coin technology is underway and we will be providing blockchain integration.

Competitive Strengths

We believe our competitive strengths through 123Wish include:

Excellent reputation: We believe we have earned an excellent reputation for providing users with exclusive opportunities to enjoy personalized, dream experiences with celebrities.

Contacts with Celebrities: We have successfully established relationships with a number of social media influences, music artists and other celebrities to ensure the success of our experience marketplace.

Regulatory Status

Certain jurisdictions, including California where 123 Wish maintains it principal offices, have regulations that require 123 Wish to register as a commercial fundraiser and notify governmental authorities of events that it is sponsoring. The failure to comply with applicable regulations could subject 123 Wish to fines and other penalties, including being enjoined from conducting solicitation activities for charitable purposes within the jurisdiction and other civil remedies provided by law.

CORPORATE HISTORY

We were initially incorporated in Pennsylvania in 1972 as Coratomic, Inc. We changed our name five times thereafter, with the last name change in 2012 to One Horizon Group, Inc. In addition, we changed our domicile from Pennsylvania to Delaware in 2013.

Our authorized capital is 200,000,000 shares of Common Stock, par value $0.0001 per share (the "Common Stock"), and 50,0000,000 shares of preferred stock, par value $0.0001 per share (the "Preferred Stock"). The designation of rights including voting powers, preferences, and restrictions shall be determined by the Board of Directors before the issuance of any shares. As of the date hereof, 88,401,431 shares of our Common Stock are issued and outstanding and no preferred stock is issued and outstanding.

Acquisition of a Controlling Interest in Once In A Lifetime LLC

On February 22, 2018, we acquired 51% of the membership interests in Once In A Lifetime LLC, a Florida limited liability company d/b/a/ 123 Wish ("123 Wish"), pursuant to an Exchange Agreement dated January 18, 2018, with 123 Wish and its members in consideration for 1,333,334 shares of our common stock, plus an additional number of shares of our common stock based upon the net after tax earnings of 123 Wish during the six month periods ending six and twelve months after the completion of the acquisition. Once In A Lifetime LLC has been merged into our newly formed majority-owned Delaware subsidiary, 123 Wish, Inc.

123 Wish is a subscription-based, experience marketplace that focuses on providing users with exclusive opportunities to enjoy personalized, dream experiences with social media influencers, including Jake Paul and Team 10, as well as celebrities, professional athletes, fashion designers and artists, while supporting a diverse range of charities.

Acquisition of C-Rod, Inc.

On March 20, 2018, we acquired C–Rod, Inc., including its record label, Velveteen Entertainment, and media division, Mues Media (collectively, the "C-Rod Companies") pursuant to an Exchange Agreement dated February 27, 2018 with C-Rod, Inc., Christopher Rodriguez and Patricia Rodriguez, in consideration for $150,000, 1,376,147 shares of our common stock issued to Cap United LLC, plus an additional number of shares of our common stock based upon the net after tax earnings of C-Rod during the two years ending after the completion of the acquisition. On May 2, 2018, we amended the articles of incorporation of C-Rod, Inc. to change its corporate name to Love Media House, Inc.

C-Rod, Inc., a music production company founded in 2002 by Grammy-nominated, multi-platinum producer and composer Christopher Rodriguez, regularly works with artists, which have included many celebrity acts.

Acquisition of a Controlling Interest in Banana Whale Studios Pte. Ltd.

On May 18, 2018, we entered into and consummated an Exchange Agreement (the “Exchange Agreement”) with Banana Whale Studios Pte. Ltd., a Singapore corporation (“Banana Whale”), and the founding shareholders of Banana Whale (the “Banana Whale Stockholders”), pursuant to which we acquired 51% of the outstanding shares (“Controlling Interest in Banana Whale”) of Banana Whale in exchange for a number of our shares of common stock to be based upon the earnings of Banana Whale. Banana Whale is a B2B software provider in the $100+ billion-dollar gaming industry focusing on innovation and next generation games and entertainment. As a condition to closing the acquisition, Banana Whale Stockholders demanded and we deposited in escrow for their benefit 7,383,000 shares of our common stock (“OHGI Shares”) with a fair value of $4,983,000 as security for our obligation to issue such shares to which they may become entitled. If the number of shares to which the Banana Whale Stockholders become entitled is less than 7,383,000, the excess shares will be returned to us for cancellation. We also granted Banana Whale the right to use our secure messaging software.

Acquisition of 123Wish Software

Pursuant to the terms of that certain Agreement on Sale of 123Wish Software dated September 27, 2018 (“Software Sale Agreement”), among us, Once in a Lifetime Platform LLC (“OIALP”), and One Horizon Hong Kong Limited (“OHHK”), OIALP sold and assigned to OHHK eighty percent (80%) of the intellectual property rights to OIALP’s software platform and App that underlies 123Wish’s business in exchange for our making an additional investment of $100,000 into 123Wish without requiring the minority shareholders in 123Wish (some of whom are members of OIALP) to put up matching funds and our issuing 3,000,000 shares of its common stock to members of OIALP.

Acquisition of a Controlling Interest in Browning Productions & Entertainment, Inc.

On October 22, 2018, we entered into an Exchange Agreement (“Browning Exchange Agreement”) pursuant to which we acquired a majority of the outstanding shares (the “Controlling Interest in Browning”) of Browning Productions & Entertainment, Inc., a Florida corporation (“Browning Productions”), from William J. Browning, the sole stockholder of Browning. Browning Productions produces television programs which have aired internationally as well as nationally.

In exchange for the controlling interest in Browning Productions, we paid Mr. Browning $10,000 and issued to him 150,000 shares of common stock, and agreed to issue to him an additional 150,000 shares of common stock following completion of the audit of Browning Productions’ financial statements, plus an additional number of shares of common stock which can be up to a maximum of 17,000,000 shares, determined by dividing two and a half times the net after tax earnings of Browning Productions during the twelve month period ending December 31, 2019 by the average of the closing price of our common stock during the ten consecutive trading days immediately preceding the end of 2019. To the extent the number of shares which we are obligated to issue to Mr. Browning exceeds 13,553,506 shares, representing 19.99% of our outstanding shares of common stock immediately prior to the acquisition (the "Excess Shares"), instead of issuing the Excess Shares to Mr. Browning we will pay him an amount in cash for the Excess Shares. We had previously paid Mr. Browning $10,000 and issued 35,000 shares of common stock to him upon execution of a non-binding letter of intent for the acquisition of Browning Productions on May 10, 2018.

Though the terms of this transaction only required a $20,000 cash payment ($10,000 in cash under the non-binding letter of intent and $10,000 in cash under the Browning Exchange Agreement) to Mr. Browning, we were required to provide Browning Productions with a working capital loan in an initial amount of $150,000, which is to be repaid out of the post-closing net profit of Browning Productions as well as earmark an additional $150,000 in cash for future investment in Browning Productions (to assist in funding the future operations of Browning Productions).

We have agreed to register for resale the initial 150,000 shares issued to Mr. Browning.

We have a right of first refusal to purchase the remaining shares of Browning Productions.

Proposed Acquisition of a Controlling Interest in Maham

Pursuant to the terms of a definitive Exchange Agreement, dated February 20, 2019, among us, Maham LLC ("Maham"), the members of Maham, and Mr. Hauswirth (the "Maham Exchange Agreement"), we agreed to (i) issue to the members of Maham unregistered shares of Common Stock equal to (a) 25% of the dollar value the Members have invested in Maham to date, with all non-cash investment based equity owned by members will be exchanged at the same valuation as the valuation of Maham at the time that such non-cash investment based equity was issued, divided by (b) the market value of OHGI Common Stock, determined in accordance with the terms of the Exchange Agreement, as of the closing date (the "Initial Shares"), and (ii) upon completion of the second 12-month period following the closing, issue up to a maximum of 17,000,000 unregistered shares to the members of Maham on a pro-rata basis based on their holdings, which number of additional shares will be equal to two-and-a-half times (2.5x) the net after-tax earnings of Maham for the First Adjustment Period (as defined in the Maham Exchange Agreement), divided by the market value of our Common Stock. Upon the closing of the Maham transaction, we will own 51% of the issued and outstanding interests in Maham.

Adoption of One Horizon Group, Inc. Amended and Restated 2018 Equity Incentive Plan

Our board of directors and shareholders adopted and approved on November 2, 2018 and December 27, 2018, respectively, the One Horizon Group, Inc. Amended and Restated 2018 Equity Incentive Plan, effective December 27, 2018, under which stock options and restricted stock may be granted to officers, directors, employees and consultants. Under the Plan, 15,000,000 of Common Stock, par value $0.0001 per share, are reserved for issuance, subject to increase pursuant to the terms and conditions as set forth in the Plan.

Recent Developments

Disposition of a Controlling Interest in Banana Whale Studios Pte. Ltd.

On February 4, 2019, we entered into and consummated an agreement (the "Agreement") with Banana Whale and the Banana Whale Stockholders, pursuant to which we sold the Controlling Interest in Banana Whale in exchange for $2,000,000, consisting of $1,500,000 in cash and a $500,000 promissory note bearing interest at 5% per annum payable on December 31, 2019 (the "BWS Note"). Under the BWS Note, Banana Whale can prepay the BWS Note in whole or in part without premium or penalty. Pursuant to the BWS Note, the Banana Whale Stockholders agreed to guarantee the payments of all amounts due thereunder on a limited-recourse basis. On February 4, 2019, we also entered into a Pledge and Escrow Agreement with the Banana Whale Stockholders pursuant to which the Banana Whale Stockholders agreed to place the Controlling Interest in Banana Whale in escrow as security for payment of the

BWS Note.

The Agreement also terminated certain of the remaining obligations under the Exchange Agreement which was previously entered into by us and the Banana Whale Stockholders, releasing us, Banana Whale and the Banana Whale Stockholders from their remaining obligations thereunder. Pursuant to the Exchange Agreement, we had agreed to acquire the Controlling Interest in Banana Whale in exchange for a number of our shares to be based upon the earnings of Banana Whale. Under the Agreement, the Company agreed to leave the OHGI Shares in escrow and together with the Banana Whale Stockholders, to instruct the escrow agent that the OHGI Shares will remain in escrow for a period of at least 90 days pending an absence of asserted claims under the Agreements indemnification provisions.

Recent Voluntary Termination By OHGI of Listing of Common Stock on the Nasdaq Capital Market

Our common stock commenced trading on the Nasdaq Capital Market (“Nasdaq”) on July 9, 2014 under the ticker symbol “OHGI”. On May 10, 2018, the Company received notice (the “Notice”) from Nasdaq indicating that the Company’s common stock did not meet the continued listing requirement as set forth in Nasdaq Listing Rule 5550(a)(2) based on the closing bid price of the common stock for the preceding 30 business days.

Under Nasdaq Listing Rule 5810(c)(3)(A), the Company received a 180-calendar day grace period from the date of the Notice to regain compliance by meeting the continued listing standard of a minimum closing bid price of at least $1.00 per share for 10 consecutive business days during the 180-calendar day grace period ended on November 6, 2018. During the grace period, the Company was unable to regain compliance with the minimum bid price standard.

In accordance with NASDAQ Listing Rule 5810(c)(3)(A), in addition to such initial grace period, the Company could be afforded an additional 180-calendar day compliance period, provided that on the 180th calendar day of the initial grace period, the Company (i) met the applicable market value of publicly held shares requirement for continued listing and all other applicable requirements for initial listing on the Nasdaq (except for the bid price requirement) and (ii) notified Nasdaq of its intent to cure the minimum bid price deficiency. Prior to expiration of the initial grace period, the Company requested an additional 180-calendar day compliance period and notified Nasdaq of the Company's compliance with the stated listing standards and its intent to cure the minimum bid price deficiency through a reverse stock split, if necessary. On November 7, 2018, the Company received written notification from Nasdaq granting an additional 180-calendar day period, which expires on May 6, 2019, to regain compliance with the minimum bid price requirement described above. This second 180-calendar day period relates exclusively to the bid price deficiency and we could be delisted during the 180-calendar day period for failure to maintain compliance with any other listing requirements that occurs during the 180-calendar day period.

During subsequent interactions between the Company and the Nasdaq it became apparent that the Nasdaq may make a finding of noncompliance with the stockholder approval requirements of Nasdaq Listing Rule 5635 and may initiate delisting proceedings against the Company.

As a result of the foregoing, on February 26, 2019, Martin Ward, Chief Financial Officer of the Company, approved the voluntary termination of the listing of OHGI's common stock on the Nasdaq. On March 8, 2019, the Company filed an application on Form 25 with the SEC to voluntarily terminate its Nasdaq listing. The delisting from the Nasdaq became effective on March 8, 2019. As of March 8, 2019, the Company's common stock is quoted on the OTCQB tier of the OTC Markets under the ticker symbol "OHGI." The transition from the Nasdaq to the OTCQB did not materially affect the Company's business operations.

Reverse Stock Split

A reverse stock split ("Reverse Stock Split") of the outstanding shares of the Common Stock in the range from one-for-two (1-for-2) to one-for-fifty (1-for-50), which ratio will be selected by the Board of Directors was approved by our Board of Directors and by our shareholders at the annual meeting of the shareholders held on December 27, 2018 as described in that proxy statement on that certain Definitive Schedule 14A filed with the SEC on November 28, 2018. We will announce publicly our plans to effect the Reverse Stock Split once the Board of Directors makes its determination.

Corporate Information

Our principal executive offices are located at 649 NE 81st Street, Miami, Florida 33138, and our telephone number at that location is (305) 420-6640. The URL for our website is www.onehorizongroup.com. The information contained on or connected to our website is not incorporated by reference into, and you must not consider the information to be a part of, this Annual Report on Form 10-K.

During the year ended December 31, 2017, we restructured our operations and simplified and strengthened our capital structure by:

Selling certain of our operating subsidiaries (the “Discontinued Entities”) to our former Chief Executive Officer pursuant to a Stock Purchase Agreement entered into August 10, 2017, in consideration for the forgiveness of $1,968,243 payable to our former CEO.

Issuing: (A) (i) 13,000,000 shares of our common stock in exchange for $3,000,000 principal amount of an outstanding subordinated debenture in the principal amount of $3,500,000 and the forgiveness of accrued and unpaid interest thereon, and (ii) our 7% promissory note in the principal amount of $500,000 for the surrender of the remaining principal amount of the debenture; (B) 4,000,000 shares of our common stock and our 7% promissory note in the principal amount of $500,000 for all of the outstanding shares of our Series A-1 Convertible Preferred Stock; and (C) 859,802 shares of our common stock to our Chief Financial Officer in exchange for $662,048 of indebtedness payable to him.

The restructuring and simplification and strengthening of our capital structure has allowed us to concentrate on developing our secure messaging business, which has focused on gaming, educational and security applications in China and Hong Kong, while seeking acquisition opportunities. In September 2017, Mark White who had previously served as our Chief Executive Officer, was appointed Chief Executive Officer to develop and implement our acquisition strategy.

Our Strategy

The Company's strategy is make further acquisitions in the digital media and entertainment space, while continuing to trade in the secure messaging business in gaming, educational and security segments.

Employees

As of December 31, 2018, we had 13 employees, all of whom were full-time employees.

ITEM 1A. RISK FACTORS

RISKS RELATED TO OUR BUSINESS

We incurred a net loss in 2018 and 2017 with negative cash flows and we cannot assure you as to when, or if, we will become profitable and generate positive cash flows.

We incurred a net loss of $13.8 million for the year ended December 31, 2018 and a net loss of $7.5 million for the year ended December 31, 2017 and negative cash flows from operations of $3.0 million for the year ended December 31, 2018 and $0.4 million for the year ended December 31, 2017. Such losses have historically required us to seek additional funding through the issuance of debt or equity securities. Our long term success is dependent upon among other things, achieving positive cash flows from operations and if necessary, augmenting such cash flows using external resources to satisfy our cash needs.

We may be unable to effectively manage our planned expansion.

Our planned expansion may strain our financial resources. In addition, any significant growth into new markets may require an expansion of our employee base for managerial, operational, financial, and other purposes. During any growth, we may face problems related to our operational and financial systems and controls. We would also need to continue to expand, train and manage our employee base. Continued future growth will impose significant added responsibilities upon the members of management to identify, recruit, maintain, integrate, and motivate new employees.

If we are unable to successfully manage our expansion, we may encounter operational and financial difficulties which would in turn adversely affect our business and financial results.

We may require additional funding for our growth plans, and such funding may result in a dilution of your investment.

We have estimated our funding requirements in order to implement our growth plans. If the costs of implementing such plans should exceed these estimates significantly or if we come across opportunities to grow through expansion plans which cannot be predicted at this time, and our funds generated from our operations prove insufficient for such purposes, we may need to raise additional funds to meet these funding requirements.

These additional funds may be raised by issuing equity or debt securities or by borrowing from banks or other resources. We cannot assure you that we will be able to obtain any additional financing on terms that are acceptable to us, or at all. If we fail to obtain additional financing on terms that are acceptable to us, we will not be able to implement such plans fully if at all. Such financing even if obtained, may be accompanied by conditions that limit our ability to pay dividends or require us to seek lenders' consent for payment of dividends, or restrict our freedom to operate our business by requiring lender's consent for certain corporate actions.

Further, if we raise additional funds by way of a rights offering or through the issuance of new shares, any shareholders who are unable or unwilling to participate in such an additional round of fund raising may suffer dilution in their investment.

The activities of 123 Wish are subject to regulation in certain jurisdictions, and the failure to comply with those regulations could result in fines and other penalties.

Certain jurisdictions, including California where 123 Wish maintains it principal offices, have regulations that require 123 Wish to register as a commercial fundraiser and notify governmental authorities of events that it is sponsoring. The failure to comply with applicable regulations could subject 123 Wish to fines and other penalties, including being enjoined from conducting solicitation activities for charitable purposes within the jurisdiction and other civil remedies provided by law.

Our operations and managements are partially located outside of the United States; U.S. investors may experience difficulties in attempting to effect service of process and to enforce judgments based upon U.S. federal securities laws against the company and its non U.S. resident officers and directors.

While we are organized under the laws of State of Delaware, our management, our officers and directors are non-U.S. residents, and our headquarters are located outside of the United States. Consequently, it may be difficult for investors to effect service of process on such officers and directors in the United States and to enforce in the United States judgments obtained in United States courts against such persons based on the civil liability provisions of the United States securities laws. Since all our assets are located outside of the U.S. it may be difficult or impossible for U.S. investors to collect a judgment against us. As well, any judgment obtained in the United States against us may not be enforceable.

We are dependent on our management team and the loss of any key member of that team could have a material adverse effect on our operations and financial condition.

We attribute our success to the leadership and contributions of our managing team comprising executive directors and key executives, in particular to Mark White, our Chief Executive Officer, and Martin Ward, our Chief Financial Officer.

Our continued success is therefore dependent to a large extent on our ability to retain the services of these key management personnel. The loss of their services without timely and qualified replacement, would adversely affect our operations and hence, our revenue and profits.

We may not have sufficient insurance coverage and an interruption of our business or loss of a significant amount of property could have a material adverse effect on our financial condition and operations.

We currently do not maintain any insurance policies against loss of key personnel and business interruption as well as product liability claims. If such events were to occur, our business, financial performance and financial position may be materially and adversely affected.

We may be unable to adequately safeguard our intellectual property or we may face claims that may be costly to resolve or that limit our ability to use such intellectual property in the future.

Our business is reliant on our intellectual property. Our software is the result of our research and development efforts, which we believe to be proprietary and unique. However, we are unable to assure you that third parties will not assert infringement claims against us in respect of our intellectual property or that such claims will not be successful. It may be difficult for us to establish or protect our intellectual property against such third parties and we could incur substantial costs and diversion of management resources in defending any claims relating to proprietary rights. If any party succeeds in asserting a claim against us relating to the disputed intellectual property, we may need to obtain licenses to continue to use the same. We cannot assure you that we will be able to obtain these licenses on commercially reasonable terms, if at all. The failure to obtain the necessary licenses or other rights could cause our business results to suffer.

Where litigation is necessary to safeguard our intellectual property, or to determine the validity and scope of the proprietary rights of others, this could result in substantial costs and diversion of our resources and could have a material adverse effect on our business, financial condition, operating results or future prospects.

RISKS *RELATED TO OUR COMMON STOCK AND OUR STATUS AS A PUBLIC COMPANY.*

As a result of being a public company, we are subject to additional reporting and corporate governance requirements that will require additional management time, resources and expense.

As a public company we are obligated to file with the SEC annual and quarterly information and other reports that are specified in the Exchange Act. We are also subject to other reporting and corporate governance requirements under the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated thereunder, all of which impose significant compliance and reporting obligations upon us and require us to incur additional expense in order to fulfill such obligations.

Our shares of common stock are from time to time thinly-traded, so stockholders may be unable to sell at or near ask prices or at all if they need to sell shares to raise money or otherwise desire to liquidate their shares.

Our common stock has from time to time been “thinly traded,” meaning that the number of persons interested in purchasing our common stock at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer that has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give stockholders any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained.

There is only a limited public market for our common stock and a large number of outstanding shares of common stock may be sold in the market.

A substantial number of our shares of common stock are freely tradeable without restriction or further registration under the Securities Act any may be sold in the public market which may cause the market price of our common stock to decline. Because the Company believes Mr. Zhanming Wu is not an affiliate, as that term is defined in Rule 144 under the Securities Act, and has beneficially owned his shares for more than one year, the shares of common stock available for sale in the market include 15,484,039 shares currently owned by him.

We do not expect to pay dividends in the foreseeable future.

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common stock, and stockholders may be unable to sell their shares on favorable terms. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our common stock.

Certain provisions of the General Corporation Law of the State of Delaware may have anti-takeover effects, which may make an acquisition of our company by another company more difficult.

We are subject to the provisions of Section 203 of the General Corporation Law of the State of Delaware, which prohibits a Delaware corporation from engaging in any business combination, including mergers and asset sales, with an interested stockholder (generally, a 15% or greater stockholder) for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The operation of Section 203 may have anti-takeover effects, which could delay, defer or prevent a takeover attempt that a holder of our common stock might consider in its best interest.

ITEM 2. PROPERTIES

We do not currently own any real property. We lease the following offices:

Location	Approximate size	Approximate monthly rent
Hong Kong	150 sqft	$ 1,900
USA	1,000 sqft	$ 1,400
UK	120 sqft	$ 1,250

ITEM 3. LEGAL PROCEEDINGS

We are not party to any material legal proceedings and no material legal proceedings have been threatened by us.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is quoted on the OTCQB Venture Market under the symbol OHGI. Prior to March 8, 2019, our Company's common stock was listed on the NASDAQ Capital Market.

Record Holders

As of April 10, 2019, we had approximately 269 record holders of our common stock. The number of record holders does not include persons who held our common stock in nominee or "street name" accounts through brokers.

Dividend Policy

The payment of cash dividends by us is within the discretion of our board of directors and depends in part upon our earnings levels, capital requirements, financial condition, any restrictive loan covenants, and other factors our board considers relevant. We have not declared or paid any dividends on our common stock, during the periods included in this report, and we do not anticipate paying such dividends in the foreseeable future. We intend to retain earnings, if any, to finance our operations and expansion.

Stock compensation

The shareholders approved a stock option plan on August 6, 2013, the 2013 Equity Incentive Plan ("2013 Plan"). The 2013 Plan is for the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalents, cash bonuses and other stock-based awards to employees, directors and consultants of the Company.

There have been no options issued in the year ended December 31, 2018 and there are no options outstanding as at December 31, 2018.

Sales of Unregistered Equity Securities

On December 6, 2017, we entered into an agreement with Maxim Group LLC ("Maxim") for investment banking and advisory services. Under the agreement we agreed to issue 225,000 shares of common stock to Maxim. The certificates evidencing the shares were issued in 2018 and were endorsed with, the customary Securities Act legend. Except as previously reported in the reports we have filed under the Exchange Act, we have not issued or sold any other unregistered equity securities during the period by this report.

On April 5, 2018 the Company entered into a "Buy-Side" agreement with Maxim for 12 months ending April 4, 2019 whereby Maxim would act for the Company in introducing an acquisition target. The Company agreed the annual fee of 225,000 shares of common stock together with a cash fee equivalent to 3% of the agreed price of any such acquisition.

On September 2, 2018 the investment bank advisory agreement signed in December 2017 was extended to a minimum period of 24 months with it terminating thereafter by either party giving a minimum of 15 days written notice of cancellation. The Company issued 500,000 shares of common stock in compensation for this contract extension.

Repurchases of Equity Securities

We have not repurchased any equity securities during the period covered by this report.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information which management believes is relevant to an assessment and understanding of our results of operations and financial condition. The discussion should be read along with our audited consolidated financial statements and notes for the fiscal years ended December 31, 2018 and 2017. The following discussion and analysis contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Our actual results may differ significantly from the results, expectations and plans discussed in these forward-looking statements. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements. See "Cautionary Note Concerning Forward-Looking Statements." You also should specifically consider the various risk factors identified in this report that could cause actual results to differ materially from those anticipated in these forward-looking statements.

Overview

During the year ended December 31, 2018, the Company continued to generate cash losses related to the legacy operations (Horizon Globex/VoIP Business). For the year ended December 31, 2018 the Company's net loss totaled $13.8 million. The losses were primarily made up of non-cash items totaling $11.2 million including, impairment charges, amortization of intangible assets, issuance of common stock warrants for services received, amortization of debt issue costs and debt discounts, and non cash other income.

During 2018, the Company has pursued investments in the digital media business and on February 22, 2018, acquired a controlling interest in Once In A Lifetime, LLC d/b/a 123Wish (www.123wish.com), an experience based platform that offers participants an opportunity to play and win unique experiences from renowned celebrities, influencers, athletes, designers, artists, luxury items and more while supporting a diverse range of charities.

In addition on March 20, 2018, we acquired all of the outstanding shares of C-Rod, Inc., a Florida corporation, including its record label, Velveteen Entertainment, and media division, Mues Media (collectively, the "C-Rod Companies"), pursuant to an Exchange Agreement with C-Rod, Inc., Christopher Rodriguez and Patricia Rodriguez, in exchange for $150,000 in cash and 3,376,000 shares of our common stock plus an additional number of shares of our common stock based upon the net after tax earnings of C-Rod during the two years ending after the completion of the acquisition.

The C-Rod Companies will continue business operations as ‘Love Media House,’ a wholly owned subsidiary of our company.

Love Media House, a premier music production company founded in 2002 by Grammy-nominated, multi-platinum producer and composer Christopher Rodriguez, regularly works with superstar artists, which have included many celebrity acts such as Rihanna, Jennifer Lopez, Lady Gaga, Enrique Iglesias and Pet Shop Boys.

In May 2018 the Company acquired a 51% interest of a Singaporean Gaming Software developer called Banana Whale Studios PTE Ltd.(“BWS”). BWS required funding of the development of the software games and the Company provided the necessary funding. In February 2019 the Company sold its interest in BWS for $2.0 million and the results for BWS are reflected in discontinued operations in the Company’s financial statements.

On October 23, 2018 the Company acquired a 51% stake in Browning Production & Entertainment, Inc., a Television production company with productions on Over The Top platforms like “Wine Warriors” and “Training Grounds”.

On February 21, 2019 the Company entered into an exchange agreement to acquire a 51% share of the Maham LLC, an innovative, technology- driven yoga studio concept. The purchase price is ultimately based on 2.5 times the aggregate net profit earned during the 24 month period from closing.

Results of Operations

The following table sets forth information from our statements of operations for the years ended December 31, 2018 and 2017.

Comparison of year ended December 31, 2018 and 2017 (in thousands) excluding discontinued items.

	For the Year Ended December 31,		Year to Year Comparison	
	2018	2017	Increase/ (decrease)	Percentage Change
Revenue	$ 787	$ 714	$ 73	10.2 %
Cost of revenue				
Software and production costs	91	—	91	N/A
Amortization of intangible assets	2,148	855	1,293	151.2 %
	2,239	855		
Gross deficit	(1,452)	(141)	(1,311)	(929.8)%
Operating Expenses				
General and administrative	7,139	4,236	2,903	68.5 %
Acquisition services	1,874	—	1,874	N/A
Depreciation	1	17	(16)	(94.1)%
Impairment charge	3,761	—	3,761	N/A
Total Operating Expenses	12,775	4,253	8,522	200.4 %
Loss from Operations	(14,227)	(4,394)	9,833	223.8 %
Other Income(expense)				
Interest expense	(428)	(666)	238	35.7 %
Other Income	989	—	989	N/A
Foreign currency exchange (losses) gains	(5)	1	(6)	(600.0)%
Loss from continuing operations	$ (13,671)	$ (5,059)	(8,612)	(170.2)%

Revenue: Our revenue for continuing operations for the year ended December 31, 2018 was approximately $787,000 as compared to approximately $714,000 for the year ended December 31, 2017, an increase of approximately $73,000 or 10.2%. The increase was primarily due to revenue generated from companies acquired in the year.

Cost of Revenue: Cost of revenue was primarily the amortization of intangible assets relating to subsidiaries acquired together with intellectual property associated with the secure messaging.

***Gross Deficit*:** Gross deficit for the year ended December 31, 2018 was approximately $1.45 million as compared to $0.15 million for the year ended December 31, 2017. The increased deficit is primarily due to the increase in amortization.

Operating Expenses: Operating expenses including general and administrative expenses, consultancy expenses, depreciation and impairment charges were approximately $12.8 million for the year ended December 31, 2018, as compared to approximately $4.3 million, for the same period in 2017, an increase of approximately $8.5 million or 200%. The increase in expenses primarily arose due to an increase in non-cash consulting expenses paid in shares and an impairment charge related to our secure messaging software.

Other Income (Expense): Net other income totaled $0.56 million for the year ended December 31, 2018, and increase of $1.22 million over the year ended December 31, 2017. The increase in net other income is due primarily to a decrease in interest expense charges and other income recognized from the planned disposition of Banana Whale.

Net Loss: Net loss from continuing operations for the year ended December 31, 2018 was approximately $13.7 million as compared to a net loss of $5.1 million for the same period in 2017. Going forward, management believes the Company will continue to grow the business and increase profitability through acquisitions.

Foreign Currency Translation Adjustment: Our reporting currency is the U.S. dollar. Our local currencies, Hong Kong Dollars, British pounds and Chinese Renminbi, are our functional currencies. Results of operations and cash flow are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income in the statement of shareholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

Years Ended December 31, 2018 and December 31, 2017

The following table sets forth a summary of our approximate cash flows for the periods indicated:

	For the Years Ended December 31 (in thousands)	
	2018	**2017**
Net cash used in operating activities from continuing operations	(3,012)	(382)
Net cash used in operating activities from discontinued operations	(39)	(321)
Net cash used in investing activities from continuing operations	(170)	(2)
Net cash used in investing activities from discontinued operations	(980)	(261)
Net cash provided by financing activities from continuing operations	3,516	1,477
Net cash provided by financing activities from discontinued operations	301	—

Net cash used by operating activities from continuing operations was approximately $3.0 million for the year ended December 31, 2018 as compared to approximately $0.4 million for the same period in 2017. The increase in cash used in operating activities from continuing operations is largely due to the increase in cash expenditures in 2018 as compared to 2017 related to the newly acquired entities.

Net cash used in investing activities from continuing operations was approximately $0.17 million for the year ended December 31, 2018. Net cash used in investing activities was primarily focused on acquisition and investment in acquired subsidiaries.

Net cash provided by financing activities from continuing operations amounted to approximately $3.5 million for 2018 and $1.5 million for 2017. Cash provided by financing activities in 2018 and 2017 was primarily from the sale of Common Stock and conversion of warrants, net of related costs.

Our working capital surplus as of December 31, 2018, was approximately $1.6 million, as compared to a working capital surplus of approximately $0.9 million for the same date in 2017.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. Our significant accounting policies are described in notes accompanying the consolidated financial statements. The preparation of the consolidated financial statements requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. Estimates are based on information available as of the date of the financial statements, and accordingly, actual results in future periods could differ from these estimates. Significant judgments and estimates used in the preparation of the consolidated financial statements apply critical accounting policies described in the notes to our consolidated financial statements.

We consider our recognition of revenues, accounting for the consolidation of operations, accounting for stock-based compensation, accounting for intangible assets and related impairment analyses, the allowance for doubtful accounts and accounting for equity transactions, to be most critical in understanding the judgments that are involved in the preparation of our consolidated financial statements.

Together with our critical accounting policies set out above, our significant accounting policies are summarized in Note 2 of our audited financial statements as of and for the year ended December 31, 2018.

Revenue Recognition

1. Digital secure messaging revenue involves the sale of user licenses, at a fixed price per license, to the customers, which is our sole performance obligation under the existing licensing agreements. The Company recognizes the revenue from the sale of the user licenses when the valid licenses have been delivered to the customer’s server in useable form.

2. 123Wish derives income from user subscriptions, sale of merchandise, sale of tickets for experiences with social media influencers and artists, and the sale of corporate sponsorships, each of which is a separate performance obligation. User subscriptions cover a defined period of time (typically one month) and the revenue is recognized as the Company satisfies the requisite performance obligation (over the defined subscription period). Sale of merchandise and tickets are recognized when the customer has paid for the item and when the merchandise and/or ticket has been delivered to the customer. Corporate sponsorship packages are non-refundable and relate to brand association. The Company has no further service deliverable to the sponsor and the revenue is recognized when the

agreement is entered into by both parties and the required marketing materials have been delivered to the corporate sponsor for their use.

3. Love Media House derives income from recording and video services. Income is recognized when the recording and video services are performed and the final customer product is delivered and the point at which the performance obligation is satisfied. These revenues are non-refundable.

4. Banana Whale derives income primarily through licensing arrangements with gaming customers. Under these arrangements, Banana Whale provides the customers with a license (functional IP), implementation services and ad-hoc support, which may include unspecified upgrades and enhancements. The Company has determined that these promised goods and services represent one combined performance obligation since the individual promised goods or services are not distinct in the context of the contract. The revenues earned from the arrangements are primarily based on usage-based royalties. As the Company has determined that the license is the predominant item to which the royalty relates, revenues are recognized when the related sale or usage by the customer occurs.

5. Browning Production & Entertainment, Inc derives income from the advertising associated with the airing of television series produced by BP&E and also license income from the show of series on certain channels based on the number of viewers attracted.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, “Revenue from Contracts with Customers,” which supersedes the revenue recognition requirements of Accounting Standards Codification (“ASC”) Topic 605, “Revenue Recognition” and most industry-specific guidance on revenue recognition throughout the ASC. The new standard is principles-based and provides a five step model to determine when and how revenue is recognized. The core principle of the new standard is that revenue should be recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also requires disclosure of qualitative and quantitative information surrounding the amount, nature, timing and uncertainty of revenues and cash flows arising from contracts with customers. The new standard, as updated in 2015, was effective for us in the first quarter of the year ending December 31, 2018 and can be applied either retrospectively to all periods presented or as a cumulative-effect adjustment as of the date of adoption. We have evaluated the impact of the new accounting standard on our revenue recognition policies and it did not have an impact on our financial statements.

In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.” ASU 2016-10 clarifies the implementation guidance on identifying performance obligations. This ASU applies to all companies that enter into contracts with customers to transfer goods or services. This ASU is effective for public entities for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before interim and annual reporting periods beginning after December 15, 2016. Entities have the choice to apply the ASU either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying these standards at the date of initial application and not adjusting comparative information. We have evaluated the impact of the new accounting standard on our revenue recognition policies and it did not have an impact on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements, including the independent registered public accounting firm's report on our financial statements, are included beginning at page F-1 immediately following the signature page of this report.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Disclosure Controls. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures for the period ended December 31, 2018. Our Chief Executive Officer and Chief Financial Officer concluded that due to the deficiency in the internal control over financial reporting discussed below, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of December 31, 2018.

Management’s Report on Internal Control over Financial Reporting

Our management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors (notably, the Audit Committee thereof), management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our Chief Executive Officer and our Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Due to a lack of accounting personnel, the Company's inability to segregate various accounting functions, lack of a control function over original documentation of agreements, and a lack of a documented control environment with respect to our operating entities, management has concluded that there was a material weakness in our internal control environment based on these matters and has concluded that as of December 31, 2018, our internal control over financial reporting was not effective.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. The rules of the Securities and Exchange Commission do not require an attestation of the Management's report by our registered public accounting firm in this annual report.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

Name	Age	Position
Mark White	58	President, Chief Executive Officer and Director
Martin Ward	61	Chief Financial Officer and Director
Nicholas Carpinello	69	Director
Richard Vos	73	Director
Robert Law	68	Director
Aling Zhang	61	Director
Pengfei Li	31	Director

Mark White. Mr. White was appointed as President, Chief Executive Officer and a director on September 8, 2017. Mr. White previously served as the Company's Chief Executive Officer from November 30, 2012 to July 24, 2014 and as a director from December 2012 to July 2014. From July 2014 to August 2017, he was engaged as a private investor seeking business and investment opportunities. Mr. White served as the Chief Executive Officer of One Horizon Group, PLC from 2004 to November 2012. His entrepreneurial career in the distribution of electronic equipment and telecommunications spans over 20 years. He founded Next Destination Limited in 1993, the European distributor for Magellan GPS and satellite products, and sold the business in 1997. Prior to that, Mr. White was Chief Executive Officer for Garmin Europe, where he built up the company's European distribution network. He previously sold Garmin's GPS products through Euro Marine Group Ltd, a company he formed in 1990, which established distribution in Europe for U.S. manufacturers of marine electronic equipment. Earlier in his career, Mr. White was the Sales Director for Cetrek Limited, a maritime autopilot manufacturer.

Martin Ward. Mr. Ward has served as Chief Financial Officer since November 30, 2012 and a director since December 10, 2012. Mr. Ward served as the Chief Financial Officer and Company Secretary of One Horizon Group, PLC from 2004 to November 2012. Prior to joining One Horizon Group, Mr. Ward was a partner at Langdowns DFK, a United Kingdom-based chartered accountancy practice. Earlier in his career, between 1983 and 1987, he worked for

PricewaterhouseCoopers as an Audit Manager. Mr. Ward is a fellow of the Institute of Chartered Accountants of England and Wales.

Nicholas Carpinello. Mr. Carpinello has served as a director since March 7, 2013. He has been the owner of Carpinello Enterprises LLC d/b/a Cottman Transmission Center, a national auto service franchise, since 2004 and also has worked as a consultant to SatCom Distribution Inc. ("SDI"), assisting in various business, tax and financial matters of US operations of UK-based distributors of satellite communication hardware and airtime, since 2005. Prior to November 2012, SDI was a subsidiary of One Horizon Group PLC. Mr. Carpinello's years of professional experience are extensive, and include experience as CFO and Treasurer with multinational public and private manufacturers of armored vehicles and, later in his career, CFO of privately-held companies in the computer science field. He is a Certified Public Accountant, an alumnus of Arthur Andersen & Co., and holds a BA degree in Accounting from the University of Cincinnati.

Richard Vos. Mr. Vos was appointed as a director on August 28, 2013. Mr. Vos has been a non-executive director of NSSC Operations Ltd., which operates the National Space Centre in the United Kingdom, until February 2018 and was chairman of its audit committee. From August 2014 to March 2017. Mr. Vos was a non-executive director of Tawsat Limited and Tawsat Holdings Limited, both Irish registered companies which hold intellectual property in certain satellite operations.

Mr. Vos was an Independent Director from 2007 to January 2017 of Avanti Communication Group plc, a public company listed on the London Stock Exchange (LSE:AVN), where he was chairman of its remuneration committee and audit committee. From June 2005 to June 2010, Mr. Vos was a director of our United Kingdom subsidiary. One Horizon Group plc (formerly SatCom Group Holdings plc) ("One Horizon UK"), and from October 2006 to June 2010 was also Chairman. From July 2005 to March 2010, One Horizon UK was listed on the Alternative Investment Market of the London Stock Exchange (AIM: SGH). From October 2008 to October 2010, Mr. Vos served as a director of TerreStar Europe Ltd., a former start-up business seeking to provide mobile satellite services in Europe. From April 2003 to 2009, Mr. Vos was chairman of the Telecommunications and Navigation Advisory Board of the British National Space Centre (subsequently reconstituted as the United Kingdom Space Agency). From September 2006 to June 2009, Mr. Vos was a director of Avanti Screenmedia Group plc, formerly listed on the London Stock Exchange (LSE:ASG), which provided satellite and other services. Mr. Vos obtained his Bachelor of Arts with Honors in Modern Languages from University of London in 1968, and his Diploma in Management Studies from Kingdom Polytechnic in 1973.

Robert Law. Mr. Law has served as a director since August 28, 2013. From 1990 to 2016, Mr. Law served as chief executive officer of Langdowns DFK Limited ("Langdowns"), a United Kingdom-based accounting, tax and business advisory firm, and from 1979 to 2018 served as a director of Langdowns. Also, from 1990 to 2016, Mr. Law served as the chief executive officer of Southern Business Advisers LLP ("Southern Business Advisers"), a United Kingdom-based business associated with Langdowns that also offers accounting, tax and business advisory services, was a member of Southern Business Advisers since 1979. Mr. Law is a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"), having qualified as an ICAEW Chartered Accountant in 1976.

Ajing Zhang. Mr. Zhang was appointed as a director in January 2019. He was managing director of Shanghai Suonengderui Energy Science and Technology Development Co., Ltd. from March 2011 to April 2018. From March 2010 to February 2011 he was Executive Deputy General Manager of China Energy Conservation and Environmental Protection Shanghai Company. From June 2006 to March 2010 he was Deputy General Manager of Shanghai Citelum Kighting Design Co. LTd. From March 2003 to June 2006 he was Assistant General Manager of Oriental Pearl Group Co., Ltd. From May 1992 to March 2003, he was Assistant General Manager and Financial Manager of Oriental Pearl Taxi Co., Ltd. From April 1989 to May 1992 he was Finance Supervisor of Shanghai Qichongtian Hotel. Mr. Zhang received a Bachelor's degree from Shanghai Lixin College of Accounting in 1987 (where he majored in Accounting), a postgraduate degree from East China Normal University in 1999)(where he majored in Economic Information Management) and a Master's degree from Macau University of Science and Technology in 2004 (where he majored in Business Administration Management).

Pengfei Li. Mr. Li was appointed as a director in January 2019. He has been Investment Director of Dachao Asset Management (Shanghai) Co., Ltd., of which Mr. Wu is Chairman, since January 2018. From June 2015 to December 2017 he was Assistant resident of Shanghai Lighter Capital Management Co., Ltd. From June 2013 to June 2015 he was Investment Manager of Shanghai Fosun Hiogh Technology (Group) Co., Ltd/Shanghai Yuyuan Gold and Jewelry Group Ltd. Mr. Li received a Bachelor's degree from Shanghai University of Engineering Science in 2011 (where he majored in International Economics and Trade) and a Master of Science degree from the University of Brighton (United Kingdom) in 2013 (where he majored in MSc Finance and Investment).

There are no family relationships among our directors and executive officers. Each director is elected at our annual meeting of shareholders and holds office until the next annual meeting of shareholders, or until his successor is elected and qualified, or his earlier death, resignation or removal. Officers are elected by and serve at the discretion of the Board of Directors.

Information Concerning the Board of Directors

Board Leadership Structure and the Board’s Role in Risk Oversight.

The Board of Directors currently does not have a Chairman. Our Chief Executive Officer acts as the Chairman of the Board. The Board determined that in the best interest of the Company the most effective leadership structure at this time is not to separate the roles of Chairman and Chief Executive Officer. A combined structure provides the Company with a single leader who represents the Company to our stockholders, regulators, business partners and other stakeholders, among other reasons set forth below. Should the Board conclude otherwise, the Board will separate the roles and appoint an independent Chairman.

This structure creates efficiency in the preparation of the meeting agendas and related Board materials as the Company’s Chief Executive Officer works directly with those individuals preparing the necessary Board materials and is more connected to the overall daily operations of the Company. Agendas are also prepared with the permitted input of the full Board of Directors allowing for any concerns or risks of any individual director to be discussed as deemed appropriate. The Board believes that the Company has benefited from this structure, and Mr. White’s continuation in the combined role of the Acting Chairman and Chief Executive Officer is in the best interest of the stockholders.

The Company believes that the combined structure is necessary and allows for efficient and effective oversight, given the Company’s relatively small size, its corporate strategy and focus.

The Board of Directors does not have a specific role in risk oversight of the Company. The Chairman, President and Chief Executive Officer and other executive officers and employees of the Company provide the Board of Directors with information regarding the Company’s risks.

Compensation of Directors

Non-employee directors are entitled to receive compensation for serving as directors and may receive option grants from our company. Employee directors do not receive any compensation for their services as directors. All of our directors are reimbursed for expenses incurred by them in connection with attending Board of Directors’ meetings. The following table sets forth all cash compensation paid by us, as well as certain other compensation paid or accrued, in 2018, to each of our non-employee directors.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Nicholas Carpinello	18,000	0	0	0	0	0	18,000
Robert Law	16,000	0	0	0	0	0	16,000
Richard Vos	16,000	0	0	0	0	0	16,000

Independent Directors

Our Board of Directors has determined that Nicholas Carpinello, Robert Law and Richard Vos are “independent directors” within the meaning of NASDAQ Marketplace Rule 5605(a)(2). As of March 8, 2019, our common stock is quoted on the OTCQB tier of the OTC Markets and ceased trading on Nasdaq.

Board Meetings; Committees and Membership

The Board of Directors held 7 meetings during the fiscal year ended December 31, 2018 (“fiscal 2018”). During fiscal 2018, each of the directors then in office attended more than 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of all committees of the Board on which such director served.

We maintain the following committees of the Board of Directors: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each committee is comprised entirely of directors who are “independent” within the meaning of NASDAQ Marketplace Rule 5605(a)(2). Each committee acts pursuant to a separate written charter, and each such charter has been adopted and approved by the Board of Directors. Copies of the committee charters are available on our website at airindustriesgroup.com under the heading “Investor Relations.” As of March 8, 2019, our common stock is quoted on the OTCQB tier of the OTC Markets and ceased trading on Nasdaq.

Audit Committee

Our Audit Committee consists of Nicholas Carpinello, Robert Law and Richard Vos, each of whom is independent. The Audit Committee assists the Board of Directors oversight of (i) the integrity of financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent auditor’s qualifications and independence, and (iv) the performance of our internal audit function and independent auditor, and prepares the report that the Securities and Exchange Commission requires to be included in our annual proxy statement. The audit committee operates under a written charter. Mr. Carpinello is the Chairman of our audit committee.

The Board of Directors determined that Mr. Carpinello possesses accounting or related financial management experience that qualifies him as financially sophisticated within the meaning of Rule 4350(d)(2)(A) of the Nasdaq Marketplace Rules and that he is an “audit committee financial expert” as defined by the rules and regulations of the SEC. As of March 8, 2019, our common stock is quoted on the OTCQB tier of the OTC Markets and ceased trading on Nasdaq.

A copy of current charter of Audit Committee is available on the Company’s website http://content.stockpr.com/onehorizongroup/media/6f6926ac07f2526da1eaa0d94f84c6d7.pdf

Nominating and Corporate Governance Committee

The purpose of the Nominating and Corporate Governance Committee is to assist the Board of Directors in identifying qualified individuals to become members of our Board of Directors, in determining the composition of the Board of Directors and in monitoring the process to assess Board effectiveness. Each of Nicholas Carpinello, Robert Law and Richard Vos are members of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee operates under a written charter. Mr. Richard Vos is the Chairman of the Nominating and Corporate Governance Committee.

Our Nominating and Corporate Governance Committee has, among the others, the following authority and responsibilities:

To determine and recommend to the Board, the criteria to be considered in selecting nominees for the director;

To identify and screen candidate consistent with such criteria and consider any candidates recommended by our stockholders pursuant to the procedures described in our proxy statement or in accordance with applicable laws, rules and regulations and provisions of our charter documents.

To select and approve the nominees for director to be submitted to a stockholder vote at the annual meeting of stockholders.

A copy of current charter of Nominating and Corporate Governance Committee is available on the Company’s website http://content.stockpr.com/onehorizongroup/media/8eccadeceb1ccc10b249cc5ab2456058.pdf

Compensation Committee

The Compensation Committee is responsible for overseeing and, as appropriate, making recommendations to the Board of Directors regarding the annual salaries and other compensation of our executive officers and general employees and other policies, and for providing assistance and recommendations with respect to our compensation policies and practices. Each of Nicholas Carpinello, Robert Law and Richard Vos are members of the Compensation Committee. The Compensation Committee operates under a written charter. Mr. Robert Law is the Chairman of Compensation Committee.

As required by Rule 10C-1(b)(2), (3) and (4)(i)(vi) under the Securities Exchange Act of 1934 (the "Act"), our Compensation Committee has, among the others, the following responsibilities and authority.

The compensation committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser.

The compensation committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the compensation committee or said group.

The Company must provide for appropriate funding, as determined by the compensation committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the compensation committee or said group.

The compensation committee select, or receive advice from, a compensation consultant, legal counsel or other adviser to the compensation committee or said group, other than in-house legal counsel, only after conducting an independence assessment with respect to the adviser as provided for in the Act.

A copy of current Charter of Compensation Committee is available on the Company's website http://content.stockpr.com/onehorizongroup/media/abf14232f92dbd65d5ee4c83d7b1fa3b.pdf

Code of Ethics

Our board of directors has adopted a Policy Statement on Business Ethics and Conflicts of Interest ("Code of Ethics") applicable to all employees, including the Company's chief executive officer and chief financial officer. A copy of the Code of Ethics and Business Conduct is available on the Company's website http://content.stockpr.com/onehorizongroup/media/250c1db923f658aca6cc69dfc35c7f89.pdf

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act and the rules thereunder require our officers and directors, and persons that own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish us with copies. Based solely on our review of the copies of the Section 16(a) forms received by us, or written representations from certain reporting persons, we believe that during the fiscal year ended December 31, 2018 all of our officers, directors, and beneficial owners of more than 10% of our outstanding shares of common stock filed on a timely basis all reports required by Section 16(a) of the Exchange Act.

Stockholder Communications

OHGI stockholders who want to communicate with our Board or any individual director can write to:

One Horizon Group, Inc.

649 NE 81st Street

Miami FL 33138

Attn: Board Administration

Your letter should indicate that you are an OHGI stockholder. Depending on the subject matter, management will:

- Forward the communication to the Director or Directors to whom it is addressed;
- Attempt to handle the inquiry directly, for example where it is a request for information about OHGI or it is a stock-related matter; or
- Not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

At each Board meeting, a member of management presents a summary of all communications received since the last meeting that were not forwarded and makes those communications available to the Directors on request.

ITEM 11. EXECUTIVE COMPENSATION

The following tables set forth, for the periods indicated, the total compensation awarded to, earned by or paid to each person who served as the principal executive officer during the fiscal year ended December 31, 2018 ("Fiscal 2018") and each other executive officer whose total compensation awarded to, earned by or paid to such other executive officer for Fiscal 2018 was in excess of $100,000 for services rendered in all capacities to the Company and its subsidiaries (together, the "Named Executive Officers").

2018 Summary Compensation Table: Executives

Name and Principal Position	Period	Salary ($)	Bonus ($)	Stock Award(s) ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Mark White CEO (1)	Year ended 12/31/18	480,000	0	0	0	0	0	0	480,000
	Year ended 12/31/17	160,000	0	1,504,000	0	0	0	0	1,664,000
Martin Ward, CFO(2)	Year ended 12/31/18	240,000	0	0	0	0	0	0	240,000
	Year ended 12/31/17	240,000	0	0	0	0	0	0	240,000

(1) For the year ended December 31, 2018, Mr. White was paid in US Dollars. For the year ended December 31, 2017, Mr. White's remuneration was accrued in US Dollars, that remuneration remains unpaid. Mr. White was awarded a stock award of 1.6 million shares with a value of approximately $1.5 million for the signing of the 5 year employment contract. The value was based on the closing stock price at the date of execution of the contract.

(2) For the years ended December 31, 2017 and 2018, Mr. Ward was paid predominately in US Dollars.

We have entered into an Amended and Restated Employment Agreement with Mark White which continues for an initial term through July 31, 2022, and which automatically renews for one year terms thereafter, subject to the rights of both parties to terminate the Agreement. Mr. White's Employment Agreement provided for a signing grant of 1,600,000 shares of the Company's common stock, an annual salary of $480,000 per annum, an annual bonus to be determined by the Board and an acquisition bonus whereby Mr. White will receive additional shares each time the Company completes an acquisition of a new business. Mr. White's Agreement contains customary non-disclosure and non-compete provisions which are operative during the term of his agreement and for one year thereafter. Mr. White's agreement provides for severance of one year's salary if his agreement is terminated by the Company without cause or in the event of a change in control of the Company. In addition we have agreed that upon termination of Mr. White's Employment Agreement upon request we would register our shares of common stock then held by him for sale under the Securities Act of 1933, as amended.

We have entered into an Employment Agreement with Martin Ward which continues for an initial term through July 31, 2022, and which automatically renews for one year terms thereafter, subject to the rights of both parties to terminate the Agreement. Mr. Ward's Employment Agreement provides for an annual salary of $240,000 per annum and an annual bonus to be determined in accordance with a program to be developed by the Board of Directors. Mr. Ward's Agreement contains customary non-disclosure and non-compete provisions which are operative during the term of his agreement and for one year thereafter. Mr. Ward's agreement provides for severance of one year's salary if his agreement is terminated by the Company without cause or in the event of a change in control of the Company. In addition we have agreed that upon termination of Mr. Ward's Employment Agreement upon request we would register our shares of common stock then held by him for sale under the Securities Act of 1933, as amended.

Pension Benefit

None during the periods covered in this Report.

Nonqualified Deferred Compensation

None during the periods covered in this Report.

Retirement/Resignation Plans

None during the periods covered in this Report.

Outstanding Equity Awards at 2018 Year-End

None.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our Common Stock as of April 10, 2019 by (i) each person (or group of affiliated persons) who is known by us to own more than five percent (5%) of the outstanding shares of our Common Stock, (ii) each director, executive officer and director nominee, and (iii) all of our directors, executive officers and director nominees as a group. As of April 10, 2019, we had 88,401,431 shares of Common Stock issued and outstanding.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock that such person has the right to acquire within 60 days of April 10, 2019. For purposes of computing the percentage of outstanding shares of our common stock held by each person or group of persons named below, any shares that such person or persons has the right to acquire within 60 days of April 10, 2019 is deemed to be outstanding for such person, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The inclusion herein of any shares listed as beneficially owned does not constitute an admission of beneficial ownership.

Name	**Amount And Nature of Beneficial Ownership(1)**	**Percent**	
Owners of More than 5% of Outstanding Shares:			
Zhanmang Wu	15,354,409	17.4	%
BK Consulting Group, LLC	4,750,000	5.4	%
Directors and Named Executive Officers:			
Mark White	4,140,603	4.7	%
Martin Ward	1,369,738	1.5	%
Richard Vos	3,402	*	
Nicholas Carpinello	1,781	*	
Robert Law	1,781	*	
		*	
All Executive Officers and Directors as a Group (5 persons):	5,517,305	6.2	%

* Less than 1%.

(1) Except as otherwise indicated, each of the stockholders listed above has sole voting and investment power over the shares beneficially owned.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Our Policy Concerning Transactions with Related Persons

Under Item 404 of SEC Regulation S-K, a related person transaction is any actual or proposed transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, including those involving indebtedness not in the ordinary course of business, to which we or our subsidiaries were or are a party, or in which we or our subsidiaries were or are a participant, in which the amount involved exceeded or exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years and in which any of our directors, nominees for director, executive officers, beneficial owners of more than 5% of any class of our voting securities (a "significant shareholder"), or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest.

We recognize that transactions between us and any of our Directors or Executives or with a third party in which one of our officers, directors or significant shareholders has an interest can present potential or actual conflicts of interest and create the appearance that our decisions are based on considerations other than the best interests of our Company and stockholders.

The Audit Committee of the Board of Directors is charged with responsibility for reviewing, approving and overseeing any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K), including the propriety and ethical implications of any such transactions, as reported or disclosed to the Committee by the independent auditors, employees, officers, members of the Board of Directors or otherwise, and to determine whether the terms of the transaction are not less favorable to us than could be obtained from an unaffiliated party.

Amounts due to related parties include the following: *(in thousands)*

	December 31, 2018	
Loans due to stockholders and related parties		
Due within one year	$	1,205
Long-term		0

$	1,205

The foregoing transactions were reviewed and approved by the Audit Committee or our Board of Directors. We believe that the terms of each transaction were not less favorable to us than those terms that could be obtained from an unaffiliated third party.

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Director Independence

Our Board of Directors has determined that Nicholas Carpinello, Robert Law and Richard Vos are "independent directors" within the meaning of NASDAQ Marketplace Rule 5605(a)(2). As of March 8, 2019, our common stock is quoted on the OTCQB tier of the OTC Markets and ceased trading on Nasdaq.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services.

Principal Accountant Fees and Services

As required by our Audit Committee charter, our Audit Committee pre-approved the engagement of Cherry Bekaert LLP for all audit and permissible non-audit services. The Audit Committee annually reviews the audit and permissible non-audit services performed by our principal accounting firm and reviews and approves the fees charged by our principal accounting firm. The Audit Committee has considered the role of Cherry Bekaert LLP in providing tax and audit services and other permissible non-audit services to us and has concluded that the provision of such services, if any, was compatible with the maintenance of such firm's independence in the conduct of its auditing functions.

Aggregate fees for professional services rendered to the Company by Cherry Bekaert LLP ("Cherry") for the years ended December 31, 2018 and 2017 were as follows:

Services Provided	**2018**	**2017**
Audit Fees	$101,684	$88,700
Audit Related Fees	16,100	0
Tax Fees	20,000	0

All Other Fees	0	0
Total	$137,784	$ 88,700

Audit Fees

Audit fees billed by Cherry, the Company’s current independent registered public accounting firm, were for the audit of our annual consolidated financial statements, including any fees related to other filings with the SEC.

Audit-Related Fees

There were $16,100 of audit related fees incurred in 2018 in relation to work on Form S-3 registration statements issued.

Tax Fees

There were $20,000 of tax fees billed or accrued during the Reported Periods.

All Other Fees

There were no other fees billed or accrued during the Reported Periods.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The consolidated financial statements and Report of Independent Registered Public Accounting Firm are listed in the Index to Financial Statements on page F-1 and included beginning on page F-2.

(2) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the SEC are either not required under the related instructions, are not applicable (and therefore have been omitted), or the required disclosures are contained in the financial statements included herein.

(3) Exhibits.

Exhibit Number	**Title of Document**	**Location**
2.1	Agreement and Plan of Merger effective as of August 26, 2013	Incorporated by reference from Definitive Information Statement on Form 14C Appendix C filed May 26, 2013
2.2	Stock Purchase Agreement with Brian Collins dated August 11, 2017	Incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 filed August 14, 2017
3.1	Amendment to Articles of Incorporation as filed December 27, 2012, with the Pennsylvania Department	Incorporated by reference from the Current Report on Form 10-K filed

	of State Corporate Bureau	May 13, 2013
3.2	Amendment to Articles of Incorporation as filed, with the Pennsylvania Department of State Corporate Bureau	Incorporated by reference from Definitive Information Statement on Form 14C Appendix B filed May 26, 2013
3.3	Amended and restated articles of incorporation of BICO, Inc as filed, with the Pennsylvania Department of State Corporate Bureau	Incorporated by reference from Definitive Information Statement on Form 14C Appendix F filed May 26, 2013
3.4	Bylaws of BICO, Inc. as filed, with the Pennsylvania Department of State Corporate Bureau	Incorporated by reference from Definitive Information Statement on Form 14C Appendix G filed May 26, 2013
3.5	Certificate of incorporation of One Horizon Group, Inc., as filed, with Delaware Secretary of State	Incorporated by reference from Definitive Information Statement on Form 14C Appendix D filed May 26, 2013
3.6	Certificate of Amendment to Certificate of Incorporation effecting a 1-for-6 reverse stock split	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed May 1, 2017.
3.7	Certificate of Designation for Series A-1 Convertible Preferred Stock	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed July 14, 2017.
3.8	Bylaws of One Horizon Group, Inc., as filed, with Delaware Secretary of State	Incorporated by reference from Definitive Information Statement on Form 14C Appendix E filed May 26, 2013

Exhibit Number	Title of Document	Location
4.1	Common Stock Purchase Warrant dated May 1, 2013	Incorporated by reference to Exhibit 4.1 of Quarterly Report on Form 10-Q/A filed May 30, 2013
4.2	Form of Class A Warrant	Incorporated by reference from Current Report on Form 8-K filed July 25, 2014.
4.3	Form of Class B Warrant	Incorporated by reference from Current Report on Form 8-K filed July 25, 2014
4.5	Form of Convertible Debenture	Incorporated by reference from Current Report on Form 8-K filed December 29, 2014
4.6	Form of Amended and Restated Class C Warrant	Incorporated by reference from Current Report on Form 8-K filed January 23, 2015
4.7	Form of Amended and Restated Class D Warrant	Incorporated by reference from Current Report on Form 8-K filed January 23, 2015
4.8	Form of Amended and Restated Performance Warrant	Incorporated by reference from Current Report on Form 8-K filed January 23, 2015
4.9	Form of Amended and Restated Placement Agent Warrant	Incorporated by reference from Current Report on Form 8-K filed January 23, 2015
4.10	Form of Warrant	Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed July 18, 2017
4.11	Form of Warrant issued to Bespoke Growth Partners, Inc.	Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-3 (File No. 333-221300) filed October 17, 2017
4.12	Form of warrants issued to First Choice International Company, Inc.	Incorporated by reference to the exhibits to Exhibit 10.1 to Current Report on Form 8-K Filed December 19, 2017
4.13	Warrant issued to BK Consulting Group, LLC, as amended	Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-3 filed on September 10, 2018 and declared effective on September 14, 2018
4.14	Form of Warrant issued to First Choice International Company, Inc	Incorporated by reference to Exhibit A to Exhibit 10.1 to Current Report on Form 8-K filed on October 9, 2018

Exhibit Number	Title of Document	Location
10.1	Loan Agreement dated January 22, 2013 between the Company and Mark White	Incorporated by reference to the Quarterly Report on Form 10-Q/A filed on May 30, 2013
10.2	Loan Agreement dated January 22, 2013 between the Company and Brian Collins	Incorporated by reference to the Quarterly Report on Form 10-Q/A filed on May 30, 2013
10.3	Subscription Agreement, as amended, dated as of February 18, 2013, between the Company and Patrick Schildknecht	Incorporated by reference to the Quarterly Report on Form 10-Q/A filed on May 30, 2013
10.4	Warrant Agreement, dated as of February 18, 2013, between the Company and Patrick Schildknecht	Incorporated by reference from the Current Report on Form 10-8K filed September 5, 2013
10.5	Advisory Agreement dated as of April 15, 2013 between the Company and TriPoint Global Equities, LLC	Incorporated by reference to the Quarterly Report on Form 10-Q/A filed on May 30, 2013
10.6	Amended and Restated Subscription Agreement, dated as of August 30, 2013, between the Company and Patrick Schildknecht	Incorporated by reference from the Current Report on Form 8-K filed September 5, 2013
10.7	Amended and Restated Warrant Agreement, dated as of August 30, 2013, between the Company and Patrick Schildknecht	Incorporated by reference from the Current Report on Form 8-K filed September 5, 2013
10.8	Form of Independent Director Agreement between the Company and Richard Vos/Nicholas Carpinello/Robert Law	Incorporated by reference from the Current Report on Form 8-K filed August 22, 2013
10.9	From of Indemnification Agreement between the Company and Richard Vos/Nicholas Carpinello/Robert Law	Incorporated by reference from the Current Report on Form 8-K filed August 22, 2013
10.10	Agreement, dated November 29, 2013, between One Horizon Group, Inc. and Newport Coast Securities, Inc.	Incorporated by reference from the Current Report on Form 8-K filed December 3, 2013
10.11	Director Agreement between the Company and Robert Vogler dated January 8, 2014	Incorporated by reference from the Current Report on Form 8-K filed January 13, 2014
10.12	Securities Purchase Agreement dated July 21, 2014	Incorporated by reference from the Current Report on Form 8-K filed on July 25, 2014

Exhibit Number	Title of Document	Location
10.13	Form of Securities Purchase Agreement dated July 14, 2017	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed July 18, 2017
10.14	Form of Stock Purchase Agreement dated August 10, 2017 with Brian Collins, former CEO	Incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q filed August 14, 2017
10.15	Amendment to Certain Transaction Documents dated August 15, 2014	Incorporated by reference from the Current Report on Form 8-K filed on August 8, 2014
10.16	Securities Purchase Agreement dated December 22, 2014	Incorporated by reference from the Current Report on Form 8-K filed on December 29, 2014
10.17	Agreement with Zhanming Wu for conversion of Convertible Debenture	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed September 8, 2017
10.18	Registration Rights Agreement dated December 22, 2014	Incorporated by reference from the Current Report on Form 8-K filed on December 29, 2014
10.19	Agreement with Mark White dated August 4, 2017 for Exchange of Series A-1 Preferred Stock	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed September 8, 2017
10.20	Consulting Agreement dated October 17, 2017 with Bespoke Growth Partners, Inc.	Incorporated by reference to Exhibit 10.1 to Registration Statement on Form S-3(File No. 333-221300) filed October 17, 2017
10.21	Agreement dated December 6, 2017 with Maxim Group LLC	Incorporated by reference to Exhibit 10.21 to Annual Report on Form 10-K filed April 2, 2018
10.22	Agreement dated December 13, 2017 with First Choice International Company, Inc.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed December 19, 2017
10.23	Indemnification Agreement between the Company and Brian Collins	Incorporated by reference from the Annual Report on Form 10-K filed on April 1, 2015
10.24	Indemnification Agreement between the Company and Martin Ward dated	Incorporated by reference from the Annual Report on Form 10-K filed on April 1, 2015
10.25	Form of Securities Purchase Agreement dated July 14, 2017.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed July 18, 2017.
10.26	Exchange Agreement dated January 18, 2018 with Once In A Lifetime, LLC	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed January 24, 2018

1 0.27	Exchange Agreement dated February 26, 2018 with C-Rod, Inc.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed February 28, 2018
10.28†	Employment Agreement with Mark White	Incorporated by reference to Exhibit 10.28 to Annual Report on Form 10-K filed April 2, 2018
10.29†	Employment Agreement with Martin Ward	Incorporated by reference to Exhibit 10.29 to Annual Report on Form 10-K filed April 2, 2018
10.30†	2018 Equity Incentive Plan	Incorporated by reference to Exhibit 10.30 to Annual Report on Form 10-K filed April 2, 2018

10.31	Exchange Agreement dated as of May 18, 2018 by and among One Horizon Group, Inc., Banana Whale Studios, Sargon Petros, Mark Hogbin, Rita Liu and Jeremy Chung	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on May 24, 2018
10.32	Subscription Agreement dated as of August 29, 2018	Incorporated by reference to Exhibit 10.1 to Registration Statement on Form S-3 filed on September 10, 2018 and declared effective on September 14, 2018
10.33	Consulting Agreement dated as of March 30, 2018 with BK Consulting Group, LLC	Incorporated by reference to Exhibit 10.2 to Registration Statement on Form S-3 filed on September 10, 2018 and declared effective on September 14, 2018
10.34	Subscription Agreement dated as of September 21, 2018.	Incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on September 21, 2018
10.35	Securities Purchase Agreement dated as of October 4, 2018 with First Choice International Company, Inc.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on October 9, 2018
10.36	Exchange Agreement dated as of October 22, 2018 for the acquisition of a majority of the outstanding shares of Browning	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on October 24, 2018
10.37	Settlement Agreement relating to the Wu Litigation	Incorporated by reference to Registration Statement on Form S-3 (Registration No. 333-227971) filed October 24, 2018 and declared effective November 2, 2018
10.38	Consulting Agreement with One Percent Investments, Inc.	Incorporated by reference to Exhibit 10.6 to Quarterly Report on Form 10-Q filed November 16, 2018
10.39	Securities Purchase Agreement with Bespoke Growth Partners, Inc.	Incorporated by reference to Exhibit 10.7 to Quarterly Report on Form 10-Q filed November 16, 2018
10.40	Securities Purchase Agreement with BK Consulting Group, LLC.	Incorporated by reference to Exhibit 10.8 to Quarterly Report on Form 10-Q filed November 16, 2018

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Exhibit Number	Title of Document	Location
14.1	Policy Statement on Business Ethics and Conflicts of Interest	Incorporated by reference from the Annual Report on Form 10-KSB for the year ended December 31, 2004, filed May 23, 2005
21.1	Subsidiaries	Filed as part of this report
23.1	Consent of Cherry Bekaert, LLP	Filed as part of this report
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14	Filed as part of this report
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14	Filed as part of this report
32.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed as part of this report
101.INS	XBRL Instance	Filed as part of this report
101.SCH	XBRL Taxonomy Extension Schema	Filed as part of this report
101.CAL	XBRL Taxonomy Extension Calculation	Filed as part of this report
101.DEF	XBRL Taxonomy Extension Definition	Filed as part of this report
101.LAB	XBRL Taxonomy Extension Labels	Filed as part of this report
101.PRE	XBRL Taxonomy Extension Presentation	Filed as part of this report

† Management contract, compensation plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		ONE HORIZON GROUP, INC.
Date: April 15, 2019	By:	/s/ Mark White Mark White President and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby appoints Mark White and Martin Ward, and each of them, as attorneys-in-fact with full power of substitution, severally, to execute in the name and on behalf of the registrant and each such person, individually and in each capacity stated below, one or more amendments to the annual report on Form 10-K, which amendments may make such changes in the report as the attorney-in-fact acting deems appropriate and to file any such amendment to the annual report on Form 10-K with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ Mark White Mark White	President, Chief Executive Officer and Director (principal executive officer)	April 15, 2019
/s/ Martin Ward Martin Ward	Chief Financial Officer and Director (principal financial officer and principal accounting officer)	April 15, 2019
/s/ Nicholas Carpinello Nicholas Carpinello	Director	April 15, 2019

/s/ Robert Law Robert Law	Director	April 15, 2019
/s/ Richard Vos Richard Vos	Director	April 15, 2019

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ONE HORIZON GROUP, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
One Horizon Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of One Horizon Group, Inc. (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive loss, stockholders’ equity, and cash flows for each of the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

Going Concern Matters

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has recurring losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management’s evaluations of the events and conditions and management’s plans regarding those matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board of the United States of America (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Cherry Bekaert LLP

Tampa, Florida

April 15, 2019

We have served as the Company’s auditors since 2016.

ONE HORIZON GROUP, INC.

Consolidated Balance Sheets

December 31, 2018 and 2017

(in thousands, except share data)

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash	$353	$763
Accounts receivable, net	325	102
Prepaid compensation	550	550
Investment	100	—
Other receivable	2,022	—
Advances to acquisition target	70	—
Deferred production costs	87	—
Other current assets	386	28
	3,893	1,443
Current assets of discontinued operations	129	—
Total current assets	4,022	1,443
Property and equipment, net	3	2
Goodwill	2,213	—
Intangible assets, net	3,184	5,340
Prepaid compensation (non-current)	1,467	2,017
Non current assets of discontinued operations	36	—
Total assets	$10,925	$8,802
Liabilities, Temporary Equity and Stockholders' Equity		
Current liabilities:		
Accounts payable	$334	$167
Accrued expenses	156	55
Accrued compensation	181	251
Deferred income	177	—
Notes payable	101	32
Notes payable, related parties	205	—
Convertible notes, net of debt discount of $155	—	45
Promissory notes, related parties	1,000	—
	2,154	550

Current liabilities of discontinued operations	301	—
Total current liabilities	2,455	550
Long-term liabilities		
Promissory notes, related parties	—	1,000
Total liabilities	2,455	1,550
Temporary Equity - redeemable common stock outstanding 848,611	605	—
Stockholders' Equity		
One Horizon Group, Inc. stockholders' equity		
Preferred stock: $0.0001 par value, authorized 50,000,000; nil shares issued or outstanding	—	—
Common stock: $0.0001 par value, authorized 200,000,000 shares, issued and outstanding 87,559,672 (2018) and 30,255,123 (2017)	8	3
Additional paid-in capital	62,600	48,356
Share subscription receivable	(1,425)	—
Accumulated (Deficit)	(54,854)	(41,085)
Accumulated other comprehensive loss	(35)	(22)
Total One Horizon Group, Inc stockholders' equity	6,294	7,252
Non-controlling interest	1,571	—
Total stockholders' equity	7,865	7,252
Total liabilities, temporary equity and stockholders' equity	$10,925	$8,802

See accompanying notes to consolidated financial statements.

ONE HORIZON GROUP, INC.

Consolidated Statements of Operations

For the years ended December 31, 2018 and 2017

(in thousands, except per share data)

	Years ended December 31, 2018	2017
Revenue	$787	$714
Cost of revenue		
Software and production costs	91	—
Amortization of intangible assets	2,148	855
	2,239	855
Gross deficit	(1,452)	(141)
Expenses:		
General and administrative	7,139	4,236
Acquisition related costs	1,874	—
Depreciation	1	17
Intangible asset impairment charge	3,761	—
	12,775	4,253
Loss from operations	(14,227)	(4,394)
Other income and expense:		
Interest expense	(428)	(666)
Other income (Note 3)	989	—
Foreign currency exchange (losses)/gains	(5)	1
	556	(665)
Loss from continuing operations	(13,671)	(5,059)
Loss from discontinued operations	(908)	(2,375)
Net loss for the year	(14,579)	(7,434)
Net loss attributable to non controlling interest	810	—
Net loss attributable to One Horizon Group, Inc. Common stockholders	$(13,769)	$(7,434)
Earnings per share		
Basic and diluted net loss per share		

- Continuing operations	$(0.27)	$(0.40)
- Discontinued operations	$(0.02)	$(0.19)
Weighted average number of shares outstanding		
Basic and diluted	50,857	12,534

See accompanying notes to consolidated financial statements.

ONE HORIZON GROUP, INC.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2018 and 2017

(in thousands)

	Years ended December 31,	
	2018	2017
Net loss	$(13,769)	$(7,434)
Other comprehensive loss:		
Foreign currency translation adjustment loss	(13)	(51)
Total comprehensive loss	$(13,782)	$(7,485)

See accompanying notes to consolidated financial statements.

ONE HORIZON GROUP, INC.

Consolidated Statements of Temporary and Stockholders' Equity

For the years ended December 31, 2018 and 2017

(in thousands)

	Temporary Equity Shares	Amount	Common Stock Shares	Amount	Additional Paid-In Capital	Stock Subscription Receivable	Accumulated Deficit	Accumulated OCI	Non-Controlling Interest	Total Stockholders' Equity
Balance January 1, 2017	—	$ —	6,145	$ 1	$ 37,504	—	$ (33,590)	$ 29	$ —	$ 3,944
Net loss	—	—	—	—	—	—	(7,434)	—	—	(7,434)
Foreign currency translation	—	—	—	—	—	—	—	(51)	—	(51)
Deemed distribution	—	—	—	—	61	—	(61)	—	—	—
Shares issued for services provided	—	—	4,275	—	4,170	—	—	—	—	4,170
Shares issued for exercise of warrants	—	—	1,521	—	980	—	—	—	—	980
Options issued for services	—	—	—	—	132	—	—	—	—	132
Warrants issued for services	—	—	—	—	1,486	—	—	—	—	1,486
Reclassification of redeemable preference shares	—	—	—	—	62	—	—	—	—	62
Shares issued in settlement of debt	—	—	897	—	692	—	—	—	—	692
Conversion of preferred shares and note payable to	—	—	4,000	1	(500)	—	—	—	—	(499)

common stock										
Conversion of debenture to common stock	—	—	13,000	1	3,349	—	—	—	—	3,350
Beneficial conversion feature	—	—	—	—	155	—	—	—	—	155
Shares issued for sale of stock	—	—	417	—	265	—	—	—	—	265
Balances, December 31, 2017	—	$—	30,255	$ 3	$ 48,356	$—	$ (41,085)	$ (22)	$ —	$ 7,252
Net loss	—	—	—	—	—	—	(13,769)	—	(810)	(14,579)
Foreign currency translation	—	—	—	—	—	—	—	(13)	—	(13)
Shares issued for business combinations	—	—	12,277	1	3,340	—	—	—	2,381	5,722
Shares issued for exercise of warrants	—	—	8,675	—	2,096	—	—	—	—	2,096
Shares issued for services provided	171	199	11,474	2	4,748	—	—	—	—	4,750
Shares issued for sale of stock	—	—	21,525	2	2,672	(1,425)	—	—	—	1,249
Shares issued for IP agreement	—	—	3,000	—	548	—	—	—	—	548
Shares issued for conversion of debt	677	406	—	—	—	—	—	—	—	—
Shares issued for settlement agreement	—	—	354	—	96	—	—	—	—	96
Beneficial conversion feature	—	—	—	—	200	—	—	—	—	200
Warrant modification expense	—	—	—	—	544	—	—	—	—	544

Balances, December 31, 2018	848	$ 605	87,560	$ 8	$ 62,600	$ (1,425)	$ (54,854)	$ (35)	$ 1,571	$ 7,865

See accompanying notes to consolidated financial statements.

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ONE HORIZON GROUP, INC.

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(in thousands)

	Years ended December 31, 2018	2017
Cash used in operating activities:		
Operating activities:		
Net loss for the year	$(13,671)	$(5,059)
Adjustment to reconcile net loss for the year to net cash used in operating activities:		
Depreciation of property and equipment	2	17
Amortization of intangible assets	2,148	855
Amortization of debt issue costs	—	132
Amortization of beneficial conversion feature	355	101
Amortization of debt discount	—	199
Impairment charge	3,761	—
Amortization of shares issued for services	550	270
Warrants issued for services received	544	1,530
Options issued for services received	—	132
Common shares issued for services received	4,949	1,244
Other income	(930)	—
Changes in operating assets and liabilities:		
Accounts receivable	(180)	(100)
Other assets	(465)	17
Accounts payable and accrued expenses	(179)	280
Deferred revenue	105	—
Net cash flows from continuing operating activities	(3,012)	(382)
Net cash flows from discontinued operating activities	(39)	(321)
Net cash flows from operating activities	(3,051)	(703)
Cash used in investing activities:		
Cash consideration of acquisitions (net of cash acquired)	(168)	—
	—	—
Acquisition of property and equipment	(2)	(2)

Net cash flows from investing activities – continuing operations	(170)	(2)
Cash flows from investing activities – discontinued operations	(980)	(261)
Net cash flows from investing activities	(1,150)	(263)
Cash flows from financing activities:		
Cash proceeds from exercise of warrants	2,096	980
Cash proceeds from issuance of common stock	1,449	465
Advances from/(repayments to) related parties	(29)	32
Net cash flows from financing activities – continuing operations	3,516	1,477
Cash flows from financing activities – discontinued operations	301	—
Net cash flows from financing activities	3,817	1,477
Increase/(decrease) in cash during the year	(384)	511
Foreign exchange effect on cash	(26)	(8)
Cash at the beginning of the year - continuing operations	763	106
Cash at the beginning of the year – discontinued operations	—	154
Cash at end of the year – total	$353	$763

See accompanying notes to consolidated financial statements.

ONE HORIZON GROUP, INC.

Consolidated Statements of Cash Flows (continued)

For the years ended December 31, 2018 and 2017

(in thousands)

	Year ended December 31,	
	2018	2017
Cash paid for interest	$ —	$ —
Non-cash transactions:		
Common stock issued in acquisitions	$ 5,722	$ —
Common stock issued for software	$ 548	$ —
Common stock issued for settlement of accrued compensation	$ —	$ 662
Reclassification of preferred shares	$ —	$ 62
Forgiveness of related party debt for sale of discontinued operations	$ —	$ 1,968

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

Note 1. Description of Business, Organization and Principles of Consolidation

Description of Business

One Horizon Group, Inc ("the Company") has the following core businesses following the acquisition of 123Wish Inc., Love Media House, Inc (formerly called C-Rod, Inc.), Banana Whale Studios PTE Ltd and Browning Productions & Entertainment, Inc. in the year ended December 31, 2018 (See Note 3). The core trading businesses are:

(i) Secure Messaging – offers digitally secure messaging software and sells licenses primarily into the gaming, security and educational markets.
(ii) 123Wish – an experience based platform where subscribers have a chance to play and win experiences from celebrities, athletes and artists.
(iii) Love Media House (formerly called C-Rod) - a full-service music production, artist representation and digital media business.
(iv) Banana Whale Studios ("BWS") – a B2B software provider in the online gaming industry that develops and supplies online games to Asian gaming platforms. The interest in BWS was disposed on in February 2019 (see note 4)
(v) Browning Productions & Entertainment - a television filming and production company was acquired on October 23, 2018.

The Company is based in the United States of America, Hong Kong, Singapore, China and the United Kingdom.

Current Structure of the Company

The Company has the following subsidiaries:

Subsidiary name	% Owned
123Wish, Inc.	51%
One Horizon Hong Kong Ltd	100%
Horizon Network Technology Co. Ltd	100%

Love Media House, Inc	100%
Global Phone Credit Limited	100%
Browning Production & Entertainment Inc.	51%

In addition to the subsidiaries listed above, Suzhou Aishuo Network Information Co., Ltd (“Suzhou Aishuo”) is a limited liability company, organized in China and controlled by us via various contractual arrangements. Suzhou Aishuo is treated as one of our subsidiaries for financial reporting purposes in accordance with GAAP.

In February 2019 the Company entered into to an agreement to acquire a majority interest in Maham LLC.

All significant intercommunity balances and transactions have been eliminated in consolidation.

Note 2. Summary of Significant Accounting Policies

Liquidity and Capital Resources

Historically, the Company has incurred net losses and negative cash flows from operations. The Company has principally financed these losses from the sale of equity securities.

On February 4, 2019 the Company sold its equity stake in BWS for $2.0 million of which $1.5 million was received in cash immediately and the balance is payable by December 31, 2019. The impact on the Company's liquidity is twofold, (i) the immediate increase in cash balances of $1.5 million, and (ii) the ceasing of the investment funding to cover the Banana Whale software development.

In addition, and as more fully described in Note 3, the Company acquired three additional operating entities during 2018. Coupled with the reduction of expenses due to the disposal of the interest in BWS described above, the Company projects the results of these acquisitions will provide positive cash contributions to the Company's corporate and central costs by the fourth quarter of 2019.

At December 31, 2018, the Company had cash of $353,000. In addition, in February 2019, the Company received cash proceeds of $1,500,000 together with a promissory note for $500,000 for the disposal of the Company's interest in BWS. Together with the cash on hand as a result of these transactions and based on the Company's current operational plan and budget, the Company believes that it is probable that it has will have sufficient cash to fund its operations into at least the second quarter of 2020.

However, actual results could materially differ from the Company's projections. Accordingly, the Company may be required to raise additional funds through various sources, such as equity and debt financings. While the Company believes it is probable that such financings could be secured, there can be no assurance the Company will be able to secure additional sources of funds to support its operations, or if such funds are available, that such additional financing will be sufficient to meet the Company's needs or on terms acceptable to us.

Basis of Accounting and Presentation

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

Foreign Currency Translation

The reporting currency of the Company is the United States dollar. Assets and liabilities other than those denominated in U.S. dollars, primarily in Singapore, the United Kingdom and China, are translated into United States dollars at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the average rate of exchange throughout the period. Gains or losses from these translations are reported as a separate component of other comprehensive income (loss) until all or a part of the investment in the subsidiaries is sold or liquidated. The translation adjustments do not recognize the effect of income tax because the Company expects to reinvest the amounts indefinitely in operations.

Transaction gains and losses that arise from exchange-rate fluctuations on transactions denominated in a currency other than the functional currency are included in general and administrative expenses.

Cash

Cash and cash equivalents include bank demand deposit accounts and highly liquid short term investments with maturities of three months or less when purchased. Cash consists of checking accounts held at financial institutions in Hong Kong which, at times, balances may exceed insured limits. The Company has not experienced any losses related to these balances, and management believes the credit risk to be minimal.

Accounts receivable, concentrations and revenue recognition

1. Digital secure messaging revenue involves the sale of user licenses, at a fixed price per license, to the customers, which is our sole performance obligation under the existing licensing agreements. The Company recognizes the revenue from the sale of the user licenses when the valid licenses have been delivered to the customer's server in useable form.

2. 123Wish derives income from user subscriptions, sale of merchandise, sale of tickets for experiences with social media influencers and artists, and the sale of corporate sponsorships, each of which is a separate performance obligation. User subscriptions cover a defined period of time (typically one month) and the revenue is recognized as the Company satisfies the requisite performance obligation (over the defined subscription period). Sale of merchandise are recognized when the customer has paid for the item and when the merchandise has been delivered to the customer. Corporate sponsorship packages are non-refundable and relate to brand association. The Company has no further service deliverable to the sponsor and the revenue is recognized when the agreement is entered into by both parties and the required marketing materials have been delivered to the corporate sponsor for their use.

3. Love Media House derives income from recording and video services. Income is recognized when the recording and video services are performed and the final customer product is delivered and the point at which the performance obligation is satisfied. These revenues are non-refundable.

4. Banana Whale derives income primarily through licensing arrangements with gaming customers. Under these arrangements, Banana Whale provides the customers with a license (functional IP), implementation services and ad-hoc support, which may include unspecified upgrades and enhancements. The Company has determined that these promised goods and services represent one combined performance obligation since the individual promised goods or services are not distinct in the context of the contract. The revenues earned from the arrangements are primarily based on usage-based royalties. As the Company has determined that the license is the predominant item to which the royalty relates, revenues are recognized when the related sale or usage by the customer to which the royalty relates, occurs.

5.

Browning Production & Entertainment, Inc derives income from the advertising associated with the airing of television series produced by BP&E and also license income from the show of series on certain channels based on the number of viewers attracted advertising. The advertising revenue is recognized when the series to which the advertising relates is aired. Customer payments received prior to the satisfaction of the company's performance obligation are recorded as deferred revenue in the Company's consolidated balance sheet.

The Company does not have off-balance sheet credit exposure related to its customers. As of December 31, 2018 three customers accounted for 68% of the accounts receivable balance and as of December 31, 2017, one customer accounted for 100% of the accounts receivable balance. Two customers accounted for 31% of the revenue for the year ended December 31, 2018 and one customer accounted for 76% of the revenue for the year ended December 31, 2017.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements of Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition" and most industry-specific guidance on revenue recognition throughout the ASC. The new standard is principles-based and provides a five step model to determine when and how revenue is recognized. The core principle of the new standard is that revenue should be recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also requires disclosure of qualitative and quantitative information surrounding the amount, nature, timing and uncertainty of revenues and cash flows arising from contracts with customers. Topic 606 was effective for us in the first quarter of the year ended December 31, 2018 and adoption did not have a material impact on our financial statements.

In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing." ASU 2016-10 clarifies the implementation guidance on identifying performance obligations. This ASU applies to all companies that enter into contracts with customers to transfer goods or services. Topic 606 was effective for us in the first quarter of the year ending December 31, 2018 and adoption did not have a material impact on our financial statements.

Intangible Assets

Intangible assets include software development costs, acquired technology and customer lists and are amortized on a straight-line basis over the estimated useful lives ranging from four to five years. The Company periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful life. The Company performs periodic reviews of its capitalized intangible assets to determine if the assets have continuing value to the Company. As a result of this review, an impairment change relating to Horizon Software totaling $3.8 million was recognized in the year ended December 31, 2018 (2017: $nil).

Impairment of Other Long-Lived Assets

The Company evaluates the recoverability of its property and equipment and other long-lived assets whenever events or changes in circumstances indicate impairment may have occurred. An impairment loss is recognized when the net book value of such assets exceeds the estimated future undiscounted cash flows attributed to the assets or the business to which the assets relate. Impairment losses, if any, are measured as the amount by which the carrying value exceeds the fair value of the assets. During the years ended December 31, 2018 and 2017 the Company recorded no impairment losses related to the Company’s long-lived assets other than the previously discussed intangible asset impairment charge. The impairment determination is subject to a high degree of estimation uncertainty and are ongoing as we continue to develop the acquired companies.

Income Taxes

Deferred income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, operating loss, and tax credit carryforwards, and are measured using the enacted income tax rates and laws that will be in effect when the differences are expected to be recovered or settled. Realization of certain deferred income tax assets is dependent upon generating sufficient taxable income in the appropriate jurisdiction. The Company records a valuation allowance to reduce deferred income tax assets to amounts that are more likely than not to be realized. The initial recording and any subsequent changes to valuation allowances are based on a number of factors (positive and negative evidence). The Company considers its actual historical results to have a stronger weight than other, more subjective, indicators when considering whether to establish or reduce a valuation allowance.

The Company continually evaluates its uncertain income tax positions and may record a liability for any unrecognized tax benefits resulting from uncertain income tax positions taken or expected to be taken in an income tax return. Estimated interest and penalties are recorded as a component of interest expense and other expense, respectively.

Because tax laws are complex and subject to different interpretations, significant judgment is required. As a result, the Company makes certain estimates and assumptions in: (1) calculating its income tax expense, deferred tax assets, and deferred tax liabilities; (2) determining any valuation allowance recorded against deferred tax assets; and (3) evaluating the amount of unrecognized tax benefits, as well as the interest and penalties related to such uncertain tax positions. The Company's estimates and assumptions may differ significantly from tax benefits ultimately realized. Historically the Company has not filed income tax returns and the related required informational filings in the US. Certain informational filings if not filed contain penalties. The Company is currently addressing this issue with advisors to determine the amount of potential payments due. Given the complexity of the issue the Company is unable to quantify a range of potential loss. Accordingly no liability has been recorded in the accompanying consolidated balance sheets in respect of this matter. However, such potential penalties may be material to the Company's financial statements.

Net Loss per Share

Basic net loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share takes into consideration common shares outstanding (computed under basic loss per share) and potentially dilutive securities. For the years ended December 31, 2018 and 2017, all outstanding warrants are antidilutive because of net losses, and as such, their effect has not been included in the calculation of diluted net loss per share. Common shares issuable are considered outstanding as of the original approval date for purposes of earnings per share computations.

Accumulated Other Comprehensive Income (Loss)

Other comprehensive income (loss), as defined, includes net income (loss), foreign currency translation adjustment, and all changes in equity (net assets) during a period from non-owner sources. To date, the Company has not had any significant transactions that are required to be reported in other comprehensive income (loss), except for foreign currency translation adjustments.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the fiscal year. The Company makes estimates for, among other items, useful lives for depreciation and amortization, determination of future cash flows associated with impairment testing for long-lived assets, determination of the fair value of stock options and warrants, valuation allowance for deferred tax assets, allowances for doubtful accounts, and potential income tax assessments and other contingencies. The Company bases its estimates on historical experience, current conditions, and other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from those estimates and assumptions.

Stock-based payments

The Company accounts for stock-based awards at fair value on date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes option pricing model, which includes subjective judgements about the expected life of the awards, forfeiture rates and stock price volatility.

Fair Value Measurements

GAAP establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by GAAP are described below:

Level 1 - Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
Level 2 - Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
Level 3 - Pricing inputs that are generally observable inputs and not corroborated by market data.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The Company's Level 3 financial liabilities consist of contingent consideration relating to the acquisitions of 123Wish and LMH which requires significant judgment or estimation (see Note 3).

Note 3. Acquisitions

123Wish, Inc.

In February 2018 the Company completed the acquisition of a 51% controlling interest in 123 Wish, Inc. (formerly Once in a Lifetime LLC) a Delaware corporation in exchange for the issuance of 1,333,334 fully paid and non-assessable shares of common stock with a fair value of $1.39 million. In addition, the Company shall issue fully paid and non-assessable shares of common stock equal to 2.5 times of the net, after tax, earnings of 123 Wish for the nine month period after the date of acquisition and fully paid and non-assessable shares of common stock equal to 4.5 times the net, after tax, earnings of 123 Wish for the second six month period after the date of acquisition. 123 Wish, Inc. has proprietary applications which use the social media aspect of the internet.

The following table summarizes the consideration paid and the fair value of the assets acquired and liabilities assumed (In thousands):

Consideration Paid:

Common stock	$1,387
Non controlling interest	1,353
	$2,740

Fair values of identifiable assets acquired and liabilities assumed:

Assets acquired:	
Cash	$14
Other intangible assets	2,307
Goodwill	419
Net Assets Acquired	$2,740

The consideration paid was 1,333,334 common shares valued at $1.04 per share. Separately identifiable intangible assets include technology which were valued by management using discounted cash flow and replacement cost approaches.

As of December 31, 2018, the Company has estimated that no additional share amounts will need to be issued as contingent consideration and therefore is not included in the Company's allocation of the purchase price in the table above.

Love Media House, Inc. (formerly C-Rod, Inc.)

In March 2018 the Company completed the acquisition of 100% ownership of Love Media House, Inc. ("LMH") a Florida corporation in exchange for $150,000 cash and 3,376,147 fully paid and non-assessable shares of common stock with a fair value of $1.9 million. LMH is in the music and video content business. The financial statements of LMH have been included in the consolidated financial statements from the date of acquisition.

The following table summarizes the consideration paid and the fair value of the assets acquired and liabilities assumed (In thousands):

Consideration Paid:

Cash	$150
Common stock	1,885
	$2,035

Fair values of identifiable assets acquired and liabilities assumed:

Assets acquired:	
Cash	$5
Other intangible assets	900
Goodwill	1,172
Total assets acquired	2,077
Liabilities assumed:	
Accounts payable	42
Total Liabilities Assumed	42
Net Assets Acquired	$2,035

Separately identifiable intangible assets were customer relationships and were valued by management using discounted cash flow and replacement cost approaches.

As of December 31, 2018, the Company has estimated that no additional share amounts will need to be issued as contingent consideration and therefore is not included in the Company's allocation of the purchase price in the table above.

Banana Whale Studios PTE Ltd

In May 2018 the Company completed the acquisition of 51% ownership of Banana Whale Studios PTE Ltd ("BWS") a Singapore corporation. The acquisition of Banana Whale was based on an earnout formula solely and should Banana Whale fail to reach forecasted profit numbers during the first 24 months then some, or all of the shares allocated would be refundable to the Company.

At the time of acquisition 7,383,000 shares of common stock were placed in escrow for payment of the confirmed earn out. However, based on the terms of the ultimate disposition (note 4) of BWS no shares were ultimately transferred or other consideration paid. The following table summarizes the consideration paid and the fair value of the assets acquired and liabilities assumed in May 2018 (In thousands):

Consideration Paid:

Common stock	$—
Non-controlling interest	894
	$894

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Fair values of identifiable assets acquired and (liabilities) assumed:

Assets acquired:	
Cash	$42
Accounts receivable	11
Equipment	37
Other receivable	2,022
Liabilities assumed:	
Accounts payable	(288)
	$1,824
Bargain purchase gain	$930

On February 4, 2019 the Company sold it's holding in Banana Whale for $2.0 million of which $1.5 million was in cash on completion and the balance was a note receivable for $500,000 payable by December 31, 2019. The note is secured by a pledge of Banana Whale shares held in the name the four founding shareholders of Banana Whale. The pledged shares are held in escrow pending the payout of the Note.

Browning Production & Entertainment

In October 2018 the Company completed the acquisition of 51% ownership of Browning Productions & Entertainment, Inc. ("Browning Productions") a Florida corporation in exchange for $10,000 cash and an allocation of 300,000 fully paid shares of common stock with a fair value of $101,100. Of these shares, 150,000 have been issued with the remaining balance of 150,000 to be issued upon receipt of audited financial statements of Browning Productions. The Company had previously paid a deposit of $10,000 cash and 35,000 fully paid shares of common stock with a fair value of $18,200.

The following table summarizes the consideration paid and the fair value of the assets acquired and liabilities assumed as of October 22, 2018 (In thousands):

Consideration Paid:

Common stock	$119
Cash	20
Non-controlling interest	134

$273

Fair values of identifiable assets acquired and (liabilities) assumed:

Assets acquired:	
Cash	$—
Accounts receivable	43
Other assets	23
Equipment	2
Goodwill	622
Liabilities assumed:	
Accounts payable	(42)
Deferred revenue	(72)
Loans and advances	(303)
Net Assets Acquired	$273

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Note 4. Discontinued Operations

In November 2018 the management of the Company's then 51% controlled subsidiary, Banana Whale Studios PTE Ltd., entered into discussions whereby the Company would sell its shares of BWS to a third party. Under the agreement dated January 31, 2019, the Company received cash of $1,500,000 and a promissory note of $500,000 and the return of the 7,383,000 Company shares issued on acquisition. The Company shares are held in Escrow for three months to secure certain warranties given by the Company on closure.

The Company has accounted for the operations as discontinued operations. The statement of operations include discontinued operations as follows: *(in thousands)*

	Year ended December 31, 2018
Revenue	$ 156
Cost of Revenue	
Hardware	504
	504
Gross Deficit	(348)
Expenses	
General and administrative	551
Depreciation	9
	560
Loss from Discontinued Operations	$ (908)

The balance sheet of discontinued operations as at December 31, 2018 is as follows: (in thousands)

	December 31, 2018
Current assets	
Cash	$ 18
Accounts Receivable	111
	129

Property and equipment	36
	$ 165
Current liabilities	
Accounts payable	$ 1
Loans payable	300
	$ 301
Shareholder deficiency	(136)
	$ 165

In the year ended December 31, 2017 the Company disposed of a Voice over I.P. software business together with the subsidiaries incorporated in Ireland, Switzerland and United Kingdom, which were involved in that business segment to Mr. Collins, the former Chief Executive Officer of the Company. In consideration Mr. Collins forgave the liability of $1.97 million then due to Mr. Collins. The Company accounted for the operations of this business segment as discontinued operations. The 2017 statement of operations include discontinued operations as follows (in thousands)

	Year ended December 31, 2017
Revenue	$ 496
Cost of Revenue	1,012
Gross Deficit	(516)
Expenses	
General and administrative	998
Depreciation	5
Research and development	255
	1,258
Impairment Loss	(622)
Income Taxes	21
Loss from Discontinued Operations	$ (2,375)

Note 5. Intangible Assets

Intangible assets consist primarily of software development costs, intellectual property and customer and reseller relationships which are amortized over the estimated useful life, generally on a straight-line basis.*(in thousands)*

	December 31 2018	December 31 2017
Horizon software	$ —	$ 6,527
123Wish Platform intellectual property	548	—
Social online application software	2,307	—
Customer lists	900	—
	3,755	6,527
Less accumulated amortization	(571)	(1,187)
Intangible assets, net	$ 3,184	$ 5,340

Amortization of intangible assets for each of the next four years is estimated to be approximately $796,000 per year.

Note 6. Goodwill

The following is the detail of the Goodwill that arose on acquisitions described in Note 3:

	December 31 2018	December 31 2017
123Wish, Inc.	$ 419	$ —
Love Media House, Inc. (formerly C. Rod, Inc.)	1,172	—
Browning Productions & Entertainment, Inc	622	
	$ 2,213	$ —

Note 7. Notes Payable, Related Parties

As of December 31, 2018 amounts totalling $205,000 were owed to certain members of the management at subsidiary companies. The amounts are unsecured, interest free and have no specified repayment dates.

Note 8. Notes Payable

a) Promissory notes.

The promissory notes due to Zhanming Wu ($500,000) and the Company’s CEO, Mark White ($500,000), both considered related parties, including accrued interest of 7% per annum from issuance, are due for repayment on August 31, 2019. The promissory notes were issued as a result of the re-organization of the Company in August 2017 involving the removal of Redeemable Preference Shares and the Debenture totaling in exchange for new shares of common stock and the promissory notes.

b) Other notes payable.

Notes payable by Browning Productions & Entertainment, Inc. totaling $101,000 are due to unrelated parties and are repayable on demand and interest bearing at average rates of 5.4% per year.

Note 9. Share Capital

Common Stock

The Company is authorized to issue 200 million shares of common stock, par value of $0.0001.

During the year ended December 31, 2018 the Company:

Issued 225,000 shares of common stock for services with a fair value of $357,750
Issued 1,333,334 shares of common stock, with a fair value of $1.4 million, for the acquisition of 51% of Once in a Lifetime
Issued 100,000 shares of common stock for services provided with a fair value of $204,000
Issued 504,167 shares of common stock for conversion of convertible note and accrued interest in the amount of $302,500
Issued 172,222 shares of common stock for conversion of convertible note and accrued interest in the amount of $103,000
Issued 172,222 shares of common stock for services provided with a fair value of $200,000
Issued 750,000 shares of common stock for exercise of warrants at a price of $0.75 per share.
Issued 50,000 shares of common stock for services provided with a fair value of $80,000.
Issued 1,376,147 shares of common stock, with a fair value of $1,541,285, as part consideration for the acquisition of Love Media House, Inc.
Issued 100,000 shares of common stock for services to be provided with a fair value of $85,000.
Issued 225,000 shares of common stock for services to be provided with a fair value of $168,750
Issued 850,000 shares of common stock for services provided with a fair value of $425,000
Issued 7,383,000 shares of common stock, for the acquisition of 51% of Banana Whale Studios Pte., Ltd see note 3.
Issued 1,575,000 shares of common stock for services provided with a fair value of $787,500
Issued 850,000 shares of common stock for exercise of warrants at a price of $0.50 per share
Issued 600,000 shares of common stock for services provided with a fair value of $306,000
Issued 300,000 shares of common stock for services provided with a fair value of $150,000
Issued 1,750,000 shares of common stock for cash of $0.20 per share
Issued 1,850,000 shares of common stock for exercise of warrants at a price of $0.10 per share
Issued 35,000 shares of common stock, with a fair value of $18,200, for an option to acquire an interest in Browning Productions.
Issued 1,525,000 shares of common stock for cash of $114,375
Issued 975,000 shares of common stock for exercise of warrants at a price of $0.075 per share
Issued 4,500,000 shares of common stock for cash of $360,000
Issued 1,000,000 shares of common stock for services provided with a fair value of $175,000

Issued 3,000,000 shares of common stock for acquisition of software with a fair value of $548,000
Issued 150,000 shares of common stock, with a fair value of $51,000, for the acquisition of 51% of Browning Productions.
Issued 5,550,000 shares of common stock for services provided with a fair value of $1,148,000
Issued 4,250,000 shares of common stock for cash of $324,500
Issued 4,250,000 shares of common stock for exercise of warrants at a price of $0.20 per share
Issued 354,409 shares of common stock, with a fair value of $96,000, pursuant to a settlement
Issued 2,000,000 shares of common stock, with a fair value of $344,000, as an adjustment to the purchase price of Love Media House, Inc.
Issued 9,500,000 shares of common stock for subscription receivable of $1,425,000

During the year ended December 31, 2017 the Company:

Issued 91,667 shares of common stock for services provided with a fair value of $176,055
Issued 127,366 shares of common stock for exercise of warrants at a price of $0.80 per share
Issued 417,461 shares of common stock for cash proceeds of $265,000
Issued 859,802 shares of common stock for settlement of related party loan in the amount of $662,048
Issued 3,000,000 shares of common stock in connection with five year employment contracts for executives with a fair value of $2,750,000
Issued 55,556 shares of common stock for exercise of warrants at a price of $0.80 per share
Issued 37,500 shares of common stock for settlement of amount owing of $30,000
Issued 13,000,000 shares of common stock as part of settlement of convertible debenture and accrued interest in the amount of $3,350,000
Issued 4,000,000 shares of common stock for redemption of 555,555 shares of Series A-1 Preferred Stock
Issued 108,333 shares of common stock for services provided with a fair value of $83,416
Issued 833,334 shares of common stock for the exercise of warrants at a price of $0.60 per share
Issued 1,075,000 shares of common stock for services provided with a fair value of $1,161,000
Issued 350,000 shares of common stock for the exercise of warrants at a price of $0.60 per share
Issued 155,000 shares of common stock for the exercise of warrants at a price of $0.80 per share

Stock Purchase Warrants

As at December 31, 2018, the Company had reserved 185,169 shares of its common stock for the outstanding warrants with weighted average exercise price of $0.80. Such warrants expire at various times up to July 2020.

During the year ended December 31, 2018, 5,225,000 warrants were issued, 301,219 warrants were forfeited and 8,675,000 warrants were exercised, for proceeds of $2,096,000.

During the year ended December 31, 2018, the Company agreed to reduce the exercise price on 6.5 million outstanding warrants, which resulted in additional compensation cost of $544,000, in order to obtain additional funding.

Under the engagement agreement with Maxim Group LLC, the Company has agreed for any financing arranged by Maxim for the Company, during the contractual period, the Company will in addition to paying a cash fee of up to 7% of funds raised to deliver a cash warrant to Maxim to purchase shares in the Company equal to 4% of the number of shares issued in the financing. The warrants will be exercisable at 120% of the pricing of the common stock issued in the raise. The exercisable period is 12 months from the date of the raise, thereafter if not exercised the warrants will lapse.

Note 10. Stock-Based Compensation

The shareholders approved a stock option plan on August 6, 2013, the 2013 Equity Incentive Plan (“2013 Plan”). The 2013 Plan is for the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalents, cash bonuses and other stock-based awards to employees, directors and consultants of the Company. Following the reorganization in August 2017, all outstanding employee stock options were forfeited under the rules of the Plan.

There have been no options issued in the years ended December 31, 2017 and 2018.

A summary of the 2013 Plan options for the twelve months ended December 31, 2017, is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2017	141,250	$ 14.83
Forfeited	(141,250)	22.61
Outstanding at December 31, 2017	—	N/A

During the year ended December 31, 2018 there was no stock option activity relating to the 2013 Plan.

Prior to the 2013 Plan the Company issued stock options to employees under other stock plans.

A summary of the Company's other stock options for the year ended December 31, 2017, is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2017	145,950	$ 3.18
Forfeited	(145,950)	22.61
Outstanding at December 31, 2017	—	N/A

During the year ended December 31, 2018 there was no stock option activity relating to other stock plans.

In March, 2018 the Company adopted an Equity Incentive Plan ("the 2018 Plan") to provide additional incentives to the employees, directors and consultants of the Company to promote the success of the Company's business. During the year ended December 31, 2018, no common stock of the Company was issued under the 2018 Plan.

Note 11. Income Taxes

The difference between the U.S. statutory federal tax rate and the provision for income tax recorded by the Company is primarily attributable to the change in the Company's valuation allowance against its deferred tax assets and to a lesser extent to the tax the differential on losses in foreign countries.

Deferred Tax Assets

The potential benefit of net operating loss carryforwards has not been recognized in the consolidated financial statements since the Company cannot determine that it is more likely than not that such benefit will be utilized in future years. The tax years 2006 through 2017 remain open to examination by federal authorities in certain jurisdictions in which the Company operates namely China and Hong Kong. The components of the net deferred tax assets and the amount of the valuation allowance are as follows: *(in thousands)*

	December 31	
	2018	**2017**
Deferred tax assets		
Net operating loss carryforwards	3,577	2,138
Valuation allowance	(3,577)	(2,138)
Net deferred tax assets	$—	$—

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 became law (the "Tax Act"). The Tax Act enacts a broad range of changes to the Internal Revenue Code of 1986, as amended (the "IRC"). The Tax Act, among other things, includes changes to U.S. federal tax rates, imposes significant additional limitations on the deductibility of interest and net operating losses, allows for the expensing of capital expenditures and puts into effect the migration from a "worldwide" system of taxation to a territorial system. The tax reform did not have a material impact to our financial statements as our net deferred tax assets and liabilities are fully reserved. We urge our stockholders to consult with their legal and tax advisors with respect to any such legislation and the potential tax consequences of investing in our common stock.

Note 12. Segment Information

The Company has the following business segments for the year ended December 31, 2018 and 2017.

The Company's revenues for continuing operations were generated in the following business segments (in thousands)

	December 31, 2018	**December 31, 2017**
Sale of secure messaging licenses	$ 228	$ 714
123Wish (from January 2018)	109	—
Love Media House (from March 2018)	446	—
Browning Productions (from November 2018)	4	
Total	$ 787	$ 714

The following is a detail of the Company's cost of sales by business segment:

	December 31, 2018	**December 31, 2017**
Sale of secure messaging licenses including amortization of software	$ 1,577	$ 855
123Wish (from January 2018)	404	—
Love Media House (from March 2018)	258	—
Browning Productions (from November 2018)	—	—
Total	$ 2,239	$ 855

The following is a detail of the Company's general and administrative and other expenses by business segment:

	December 31, 2018	December 31, 2017
Sale of secure messaging licenses including impairment charge	$ 4,021	$ —
123Wish (from January 2018)	869	—
Love Media House (from March 2018)	490	—
Browning Productions (from November 2018)	12	—
Corporate	7,383	4,253
Total	$ 12,775	$ 4,253

The following is a detail of the Company's other income and expenses by business segment:

	December 31, 2018	December 31, 2017
Sale of secure messaging licenses	$ —	$ —
123Wish (from January 2018)	—	—
Love Media House (from March 2018)	—	—
Browning Productions (from November 2018)	22	—
Corporate	534	(665)
Total	$ 556	$ (665)

The following is a detail of the continuing net (loss) by business segment:

	December 31, 2018	December 31, 2017
Sale of secure messaging licenses	$ (5,327)	$ (149)
123Wish (from January 2018)	(760)	—
Love Media House (from March 2018)	(135)	—
Browning Productions (from November 2018)	14	—
Corporate	(7,463)	(4,910)
Total	$ (13,671)	$ (5,059)

Note 13. Legal proceedings

On May 30, 2018, Zhanming Wu ("Wu"), the record owner of 15,000,000 shares of common stock of One Horizon Group, Inc. (the "Company"), commenced an action in the Court of Chancery of the State of Delaware [Case No.2018-0387-JRS; the "Injunction Action"] against the Company and its directors and officers (collectively, the "Director Defendants") alleging multiple breaches of contract between the Company and Wu, and seeking (i) damages; (ii) to enjoin the Company from issuing, offering, selling or granting any shares of its common stock to any person or entity, or consummate any merger, acquisition or similar transaction without the prior approval of Wu, and to prevent the Individual Defendants from undermining that right by engaging in any further transactions designed to entrench themselves as directors and officers of the Company and to dilute Wu's stock ownership below 30% of the outstanding shares of the Company, (iii) to enforce Wu's right to appoint four directors to the Company's Board of Directors, (iv) to rescind the issuance of 7,383,000 shares to the former stockholders of Banana Whale Studios Pte. Ltd ("Banana Whale") in exchange for 51% of the outstanding shares of Banana Whale (the "Banana Whale Acquisition"), (iv) to obtain a declaration that the Individual Defendants have breached their fiduciary duty of loyalty by taking actions to entrench themselves on the Company's Board of Directors; and (v) seeking an award of attorneys' fees and costs in connection with the litigation and such other relief as the Court deems fair and equitable.

On June 11, 2018, Wu commenced a second action in the Court of Chancery of the State of Delaware [Case No.2018-0427-JRS; the "225 Action"] under Section 225 of the Delaware General Corporation Law seeking (i) to appoint four directors to the Company's Board of Directors, (ii) to enjoin the Company and its affiliates from issuing, offering, selling or granting any shares of the Company's common stock to any person or entity, or consummate any merger, acquisition or similar transaction without the prior approval of Wu during the pendency of the action and (iii) seeking an award of attorneys' fees and costs in connection with the litigation and such other relief as the Court deems fair and equitable.

On October 15, 2018, the parties entered into an agreement (the "Settlement Agreement") which provides for the immediate cessation of all activities in the two actions and which will result in the dismissal of the two actions upon the fulfillment by the Company of certain conditions. Among the conditions to dismissal which the Company is required to meet to obtain the complete dismissal of the actions are the issuance of 354,409 shares to Wu to reimburse a portion of the expenses incurred in connection with the actions, the nomination and election to the Company's Board of Directors of up to two individuals designated by Wu, the redemption of up to approximately 850,000 shares of common stock at $0.65 each, from certain investors whom Wu recommended to invest in the Company (the "Additional Investors") should they request that the Company do so and the facilitation of the sale of shares of the Company's common stock by Wu, including the registration of such shares for sale under the Securities Act. Based on ASC 840, which requires that conditionally redeemable securities be classified outside of permanent stockholders' equity, $605,000 was reclassified as mezzanine equity effective October 15, 2018. Pending the re-election of Wu's nominees to the Board of Directors at the Company's 2018 Annual Meeting of Stockholders, the Company will continue to comply with the terms of the Status Quo Order issued in July in connection with the 225 Action. The 225 Action will be dismissed and the Company will no longer be obliged to comply with the Status Quo Order upon the re-election of Wu's nominees to the Board of Directors at the Company's 2018 Annual Meeting of Stockholders.

A Stipulation of Dismissal in respect of the Injunction Action will be filed and the parties will exchange releases upon the fulfillment of certain conditions, including the registration of Wu's shares and the removal of the restrictive legend from Wu's shares and the shares held by the Additional Investors. Notwithstanding such dismissal, should the registration of Wu's shares lapse for any reason prior to October 1, 2019, Wu shall be entitled to enforce his rights under the side letters which were the basis of many of his claims, which letters are deemed to be a part of the Settlement Agreement as if set forth therein. If the Dismissal Stipulation has been filed in the Injunction Action and Wu's shares have remained continuously registered until October 1, 2019, the side letters shall be deemed of no force and effect.