Vobile Group Limited
阜博集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3738)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	Six months ended June 30,			
	2020	2019	**2020**	2019
	US$'000	*US$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	***(Note)***	*(Note)*
Revenue	**21,575**	8,072	**167,206**	62,558
Gross profit	**10,824**	6,588	**83,886**	51,057
Profit/(loss) before tax	**9,094**	(1,433)	**70,479**	(11,106)
Profit/(loss) for the period attributable to owners of the Company	**9,500**	(1,111)	**73,625**	(8,610)

Interim Condensed Consolidated Statement of Financial Position Highlights

	June 30, 2020	December 31, 2019	**June 30, 2020**	December 31, 2019
	US$'000	*US$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	***(Note)***	*(Note)*
Total assets	**117,205**	115,971	**908,339**	898,775
Total liabilities	**71,505**	80,854	**554,164**	626,618
Net assets	**45,700**	35,117	**354,175**	272,157
Total equity	**45,700**	35,117	**354,175**	272,157

Note: Unless otherwise specified, conversions of US$ into HK$ in this announcement are based on the exchange rate of US$1.00 = HK$7.75 for illustration purpose only. No representation is made that any amounts in US$ or HK$ can be or could have been converted at the relevant dates at the above rate or any other rates at all.

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended June 30, 2020 together with the comparative figures for the six months ended June 30, 2019 as set out below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2020

		Six months ended June 30,	
		2020	2019
	Notes	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**21,575**	8,072
Cost of services provided		**(10,751)**	(1,484)
Gross profit		**10,824**	6,588
Other income and gains	*4*	**9,846**	150
Selling and marketing expenses		**(3,931)**	(3,653)
Administrative expenses		**(2,677)**	(3,378)
Research and development expenses		**(2,462)**	(999)
Finance costs	*6*	**(2,499)**	(23)
Other expenses		**(7)**	(118)
PROFIT/(LOSS) BEFORE TAX	*5*	**9,094**	(1,433)
Income tax credit	*7*	**406**	322
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**9,500**	(1,111)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Exchange differences on translation of foreign operations		**(120)**	6
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		**(120)**	6
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**9,380**	(1,105)
EARNINGS/(LOSS) PER SHARE			
Basic, profit/(loss) for the period attributable to ordinary equity holders of the parent (US cent)	*9*	**2.23**	(0.26)
Diluted, profit/(loss) for the period attributable to ordinary equity holders of the parent (US cent)		**2.19**	(0.26)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Notes	June 30, 2020 US$'000 (Unaudited)	December 31, 2019 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**297**	378
Right-of-use assets		**2,954**	1,017
Intangible assets		**7,917**	8,350
Goodwill		**78,921**	78,921
Deferred tax assets		**4,673**	4,265
Prepayments		**135**	37
Total non-current assets		**94,897**	92,968
CURRENT ASSETS			
Trade receivables	*10*	**9,892**	13,743
Prepayments, deposits and other receivables		**5,657**	4,080
Tax recoverable		**—**	355
Cash and cash equivalents		**6,759**	4,825
Total current assets		**22,308**	23,003
CURRENT LIABILITIES			
Trade payables	*11*	**6,205**	5,695
Lease liabilities		**1,014**	753
Interest-bearing borrowings		**1,875**	1,500
Other payables and accruals		**4,924**	6,306
Other liabilities		**8,120**	—
Total current liabilities		**22,138**	14,254
NET CURRENT ASSETS		**170**	8,749
TOTAL ASSETS LESS CURRENT LIABILITIES		**95,067**	101,717

	Notes	**June 30, 2020** *US$'000* **(Unaudited)**	December 31, 2019 *US$'000* (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**1,992**	240
Interest-bearing borrowings		**47,375**	48,500
Other liabilities		**—**	17,860
Total non-current liabilities		**49,367**	66,600
Net assets		**45,700**	35,117
EQUITY			
Share capital		**43**	42
Treasury shares	*12*	**(2,815)**	(2,558)
Reserves		**48,472**	37,633
Total equity		**45,700**	35,117

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 28, 2016 under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. During the period, the Group was principally engaged in providing Software as a Service ("**SaaS**").

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended June 30, 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

The interim condensed consolidated financial information is presented in US$ and all values are rounded to nearest thousand except when otherwise indicated.

2.2 Changes In Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group had only one reportable operating segment, which was offering SaaS to help content owners protect their content from unauthorized use, measure the viewership of their content, and monetize their content during the period. Since this is the only reportable operating segment of the Group, no further operating segment analysis is presented.

Geographical information

(a) ***Revenue from external customers***

	Six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
United States	**20,816**	7,122
Japan	**670**	588
Others	**89**	362
	21,575	8,072

The revenue information above is based on the locations of the customers.

(b) ***Non-current assets***

Majority of significant non-current assets of the Group are located in the United States. Accordingly, no geographical information of segment assets is presented.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the period.

An analysis of revenue and other income and gains is as follows:

	Six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Rendering of services	**21,575**	8,072
Other income and gains		
Fair value gain on other liabilities measured at FVTPL	**9,740**	—
Interest income	**2**	92
Foreign exchange gain	**68**	58
Other	**36**	—
	9,846	150

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Cost of services provided	**10,751**	1,484
Employee benefit expense (excluding Directors' and chief executive's remuneration)		
Wages and salaries	**4,959**	3,095
Equity-settled share option expense	**3**	31
Other benefits	**122**	286
Pension scheme contributions	**11**	16
	5,095	3,428
Depreciation of items of property, plant and equipment	**96**	166
Depreciation of right-of-use assets	**843**	543
Amortization of intangible assets	**433**	—
Lease payments not included in the measurement of lease liabilities	**356**	231
Impairment of trade receivables	**10**	58
Research and development expenses	**2,462**	999
Auditor's remuneration	**123**	84
Bank interest income	**(2)**	(92)
Foreign exchange differences, net	**50**	21

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest on loans	**2,422**	—
Interest on lease liabilities	**77**	23
	2,499	23

7. INCOME TAX CREDIT

Income tax consists primarily of the United States, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group during the six months ended June 30, 2020 is at the federal tax rate of 21% (2019: 21%). No Hong Kong profits tax has been provided for as the Group has no assessable profits generated in Hong Kong for the period (2019: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The major components of income tax credit for the six months ended June 30 are as follows:

	Six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current — United States		
Charge for the period	**—**	2
Current — Japan		
Charge for the period	**2**	14
Deferred tax credit	**(408)**	(338)
Total tax credit for the period	**(406)**	(322)

8. DIVIDEND

The Board does not recommend payment of any dividend for the period ended June 30, 2020 (2019: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the six months ended June 30, 2020 and 2019.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all diluted potential ordinary shares into ordinary shares.

	Six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation	**9,500**	(1,111)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**425,103,765**	424,209,851
Effect of dilution — Weighted average number of ordinary shares	**9,450,859**	9,035,971
Weighted average number of ordinary share options for the purpose of diluted earnings/(loss) per share calculation	**434,554,624**	433,245,822*

* For the six month ended June 30, 2019, because the diluted loss per share amount is increased when taking share options into account, the share options had an anti-dilutive effect on the basic loss per share for the period and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts was based on the loss for the period of US$1,111,000, and the weighted average number of ordinary shares of 424,209,851 in issue during the period.

10. TRADE RECEIVABLES

	June 30, 2020	December 31, 2019
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade receivables	**9,923**	13,781
Impairment	**(31)**	(38)
	9,892	13,743

The Group's trading terms with its debtors are usually 10 to 60 days. The Group always recognizes lifetime expected credit losses ("ECL") for all trade receivables and measures the lifetime ECL on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

An ageing analysis of the current trade receivables as at June 30, 2020, based on the invoice date and net of loss allowance, is as follows:

	June 30, 2020	December 31, 2019
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within 90 days	**6,075**	9,655
91 to 180 days	**1,896**	1,110
181 to 365 days	**1,601**	818
Over 365 days	**320**	2,160
	9,892	13,743

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	June 30, 2020	December 31, 2019
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**3,205**	7,133
Less than 3 month past due	**4,167**	2,728
3 to 6 months past due	**2,150**	922
6 to 12 months past due	**370**	1,265
Over 12 months past due	**—**	1,695
	9,892	13,743

11. TRADE PAYABLES

An ageing analysis of the trade payables as at June 30, 2020, based on the invoice date, is as follows:

	June 30, 2020	December 31, 2019
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within 90 days	**6,091**	5,579
91 to 180 days	**114**	116
	6,205	5,695

The trade payables are non-interest-bearing and are normally settled on 30 to 90 day terms.

12. TREASURY SHARES

On May 6, 2019, the Board adopted a Share Award Scheme to incentivize, recognize and reward the contributions of certain eligible persons ("Eligible Persons") to the growth and development of the Group.

Pursuant to the Share Award Scheme, the ordinary shares of US$0.0001 each in the capital of the Company will be acquired by the trustee at the cost of the Company and will be held in trust for the Eligible Persons before vesting. The total number of shares granted under the Share Award Scheme shall be limited to 10% of the total issued share capital of the Company.

The Board has delegated the power and authority to a trustee to handle operational matters of the Share Award Scheme but all major decisions in relation to the Share Award Scheme shall be made by the Board unless expressly provided for in the Share Award Scheme rules pursuant to the Share Award Scheme or the Board resolves to delegate such power to the trustee.

Pursuant to the Share Award Scheme rules, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit, select any participants for participation in the Share Award Scheme as Eligible Persons and determine the number of awarded shares.

At June 30, 2020, no share was granted under the Share Award Scheme.

Movements of shares held under the Share Award Scheme during the year are as follows:

	2020	
	US$'000	*Number of shares*
At January 1	2,558	7,870,000
Purchased during the period	257	970,000
At June 30	2,815	8,840,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECTS

The outbreak of COVID-19 has brought upon unprecedented challenges to all of us since early 2020. The pandemic has caused a global recession with more than a third of the global population being placed on lockdown at one time. The full impact on global businesses remains to be seen. During times of crisis, we have responded quickly to adapt our business operations according to local government policies and guidelines in each of the cities where we have offices and employees. We are pleased that we have ensured our business continuity in spite of travel restrictions and working remotely from home.

During the first half of 2020, we have completed the successful integration of the Rights ID and Channel ID businesses acquired from ZEFR, Inc. in Los Angeles, California. As a result, we now own and operate the market-leading content monetization platform on YouTube and Facebook. This has significantly expanded the size and scope of our business, and has helped to broaden and diversify both our sources of revenue and our customer base. In addition to our existing strong customer base of film studios, television networks and other premium video content rightsholders, we now serve a broader sets of content owners whose Intellectual Property ("IP") assets are featured on the social media platforms, including YouTube, Facebook, Instagram and SoundCloud.

The COVID-19 pandemic has had a substantial impact on the film industry in 2020. Across the world and to varying degrees, cinemas and movie theaters have been closed. Subsequently, the global box office has dropped by billions of dollars, and streaming has become more popular. We continue to explore ways to grow our digital PPT business, namely TVOD business. We remain optimistic on the potential revenue upside of our TVOD business in the long run.

As Andy Grove, former CEO of Intel, once said: "Bad companies are destroyed by crisis; Good companies survive them; Great companies are improved by them." We are confident that we will emerge from this pandemic as a stronger business, using our proprietary SaaS platforms to help our clients in preventing revenue loss from infringement and increase revenue growth in on-line distribution.

Industry Outlook

(1) Major Studios Turning to DTC — An increasing number of consumers choose to discontinue their subscription of traditional pay television services, such as cable and satellite television delivered through system operator owned and controlled set top boxes, a trend known as "cord cutting". Content owners and content aggregators have been embroiled in a strategic land grab of direct relationships with consumers. A large number of consumers now only watch digital video programming through applications and services using OTT delivery technology built in the Smart TVs or a variety of digital video/gaming devices. This is forcing significant changes in content production, aggregation and distribution business model. Major studios and content owners are turning to the DTC model for a brighter future.

(2) DTC Marketing on Social Video Platforms — Social video platforms, such as YouTube and Facebook, continue to represent a significant portion of viewers' time spent on-line, across all devices. Short clips of studio produced movie and television programming, often times fan favorite cut of these studio content, are popular on social video platforms and generating billions of views. Marketers of DTC video services are searching effective marketing tools to grow their subscriber base. Identifying the viewers of a brand studio's content on social video platforms can effectively locate its large fan base online. Reaching these identified viewers with targeted advertising can be a powerful marketing tool, including subscriber acquisition and retention.

Group Strategies

We remain focused on serving global premium content owners and rightsholders. Our clients include film studios, television networks, record labels, DTC service providers, subscription video-on-demand content aggregators, sports leagues, toys and games company. Generally speaking, they all have media entertainment businesses. The success of media entertainment business is highly dependent on the protection of IP rights in the entertainment products and services they created, and predominantly being consumed in digital format over internet nowadays. We firmly believe that our core business in content protection is the essential service for all media entertainment businesses and will become even more important over time. For example, the unauthorized distribution and access to movies and television episodes of a major studio will reduce the number of subscribers of its DTC service, therefore directly reduce its revenues. This will have a much bigger impact to the studio's business compared to the good old days when a significant amount of its revenues was guaranteed by output licensing deals. With the announced high-stakes investments in DTC services, the total investment in original content productions has been increasing dramatically over time. These developments require DTC service providers to devote substantial resources for content protection.

The successful acquisition of Rights ID and Channel ID businesses has transformed our Group into the premier provider of comprehensive solution in content protection and monetization. We are the only independent rights management provider that operates in collaboration and compliance with YouTube, Facebook, Instagram and SoundCloud. We have the best platform and expertise to identify, prioritize and maximize video monetization on social media platforms. The ability to reach viewers of specific video content on social media platforms and deliver targeted advertising messages gives us powerful tools for brand marketing and performance marketing.

Content is king. Distribution is everywhere. We are poised to capitalize on the huge market opportunity in the coming years. We will continue to execute our strategic plan.

Revenue Model for Product Offerings

The core of our revenue model is SaaS. Our revenue model can be categorized as:

- Subscription-based SaaS business — mainly consisting of content protection platform and content management platform; and

- Transaction-based SaaS business — mainly consisting of transactional video on demand platform (a.k.a. digital PPT platform) and content monetization platform.

FINANCIAL REVIEW

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	Six months ended June 30,			
	2020	2019	**2020**	2019
	US$'000	*US$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	**21,575**	8,072	**167,206**	62,558
Gross profit	**10,824**	6,588	**83,886**	51,057
Profit/(loss) before tax	**9,094**	(1,433)	**70,479**	(11,106)
Profit/(loss) for the period attributable to owners of the Company	**9,500**	(1,111)	**73,625**	(8,610)
Non-IFRS Adjusted EBITDA	**3,253**	450	**25,211**	3,488

Non-IFRS Adjusted EBITDA

Adjusted EBITDA is earnings before finance costs, finance revenues, income taxes, depreciation and amortization, equity settled share option expenses, and other one-off expenses. This is not a IFRSs measure. Adjusted EBITDA is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors.

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement and profit/(loss) before tax.

	Six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) before tax	**9,094**	(1,433)
Add:		
Depreciation and amortization	**1,372**	709
Equity-settled share option expense	**20**	106
Interest income	**(2)**	(92)
Finance costs	**2,499**	23
Impairment of trade receivables	**10**	58
Transaction costs for proposed acquisition	**—**	1,079
Fair value change on other liabilities measured at FVTPL	**(9,740)**	—
Adjusted EBITDA	**3,253**	450

Revenue

The following table shows our revenue breakdown by subscription-based SaaS business and transaction-based SaaS business:

	Six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Subscription-based SaaS business	**7,472**	6,299
Transaction-based SaaS business	**14,103**	1,773
Total revenue	**21,575**	8,072

Our revenue for the six months ended June 30, 2020 amounted to approximately US$21.6 million (equivalent to approximately HK$167.2 million), representing an increase of approximately US$13.5 million, or approximately 167.3% as compared with the revenue for the six months ended June 30, 2019 of approximately US$8.1 million (equivalent to approximately HK$62.6 million). The increase was mainly attributed by the successful integration of the Rights ID and Channel ID businesses acquired from ZEFR, Inc. in November 2019 and improved operation productivity of the combined operation of the Group which significantly enhanced our product offering and especially towards the growth of the Group's transaction-based SaaS business.

Gross profit and gross profit margin

Our gross profit for the six months ended June 30, 2020 amounted to approximately US$10.8 million, representing an increase of approximately US$4.2 million, or approximately 64.3% as compared with the six months ended June 30, 2019. The increase was mainly attributed by the successful integration of the Rights ID and Channel ID businesses acquired from ZEFR, Inc. in November 2019 and improved operation productivity of the combined operation of the Group.

Our gross profit margin decreased from approximately 81.6% for the six months ended June 30, 2019 to approximately 50.2% for the six months ended June 30, 2020 as revenue from certain product acquired from ZEFR, Inc. in November 2019 has a lower gross profit margin than the other products.

Selling and marketing expenses

Our selling and marketing expenses for the six months ended June 30, 2020 amounted to approximately US$3.9 million, representing an increase of approximately US$0.3 million, or approximately 7.6% as compared with the six months ended June 30, 2019. The increase was mainly due to the increase of sales and marketing initiatives in the current period.

Administrative expenses

Our administrative expenses for the six months ended June 30, 2020 amounted to approximately US$2.7 million, representing an decrease of approximately US$0.7 million, or approximately 20.8% as compared with the six months ended June 30, 2019. The administrative expenses decreased as there is no extra-ordinary expenses, such as transaction costs for acquisition, incurred during the six months ended June 30, 2019.

Research and development expenses

Our research and development expenses for the six months ended June 30, 2020 amounted to approximately US$2.5 million, representing an increase of approximately US$1.5 million, or approximately 146.4% as compared with the six months ended June 30, 2019. The increase was mainly due to the increase of headcount as a result of the acquisition of the Rights ID and Channel ID businesses from ZEFR, Inc. in November 2019.

Other income and gains

Other income mainly consisted of income on fair value change on other liabilities measured at FVTPL of approximately US$9.7 million.

Finance costs

Finance costs mainly consisted of interest expenses on interest-bearing borrowings of approximately US$2.4 million (six months ended June 30, 2019: Nil) and interest expense on lease liabilities.

Income tax credit

Our income tax credit mainly comprised of deferred tax credit resulted from increase of unutilized tax losses in the United States.

Profit/(loss) for the period attributable to owners of the Company

The profit attributable to owners of the Company for the six months ended June 30, 2020 amounted to approximately US$9.5 million, representing an increase of approximately US$10.6 million as compared to the loss attributable to owners of the Company for the six months ended June 30, 2019 of approximately US$1.1 million. The profit was mainly attributed by increased productivity of the Group and the recognition of income from the fair value change on other liabilities measured at FVTPL.

Basic earnings per share for the six months ended June 30, 2020 was approximately US2.23 cents (equivalent to approximately HK$17.3 cents), and diluted earnings per share for the six months ended June 30, 2020 was approximately US2.19 cents (equivalent to approximately HK$17.0 cents) (basic and diluted loss per share for the six months ended June 30, 2019: US0.26 cent (equivalent to approximately HK$2.0 cents)). The Board does not recommend any payment of dividends for the period ended June 30, 2020 (six months ended June 30, 2019: Nil).

Adjusted EBITDA

The Adjusted EBITDA for the six months ended June 30, 2020 amounted to approximately US$3.3 million (equivalent to approximately HK$25.2 million), representing an increase of approximately US$2.8 million, or approximately 622.9%, as compared to the Adjusted EBITDA for the six months ended June 30, 2019 of approximately US$0.5 million (equivalent to approximately HK$3.5 million). The profit was mainly attributed by the successfully integration of the Rights ID and Channel ID products acquired from ZEFR, Inc. in November 2019 and increased operation productivity of the combined operation of the Group.

Interim condensed consolidated statement of financial position highlights

	June 30, 2020	December 31, 2019	**June 30, 2020**	December 31, 2019
	US$'000	*US$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Total assets	**117,205**	115,971	**908,339**	898,775
Total liabilities	**71,505**	80,854	**554,164**	626,618
Net assets	**45,700**	35,117	**354,175**	272,157
Total equity	**45,700**	35,117	**354,175**	272,157

Goodwill

Our goodwill remained stable at approximately US$78.9 million as at June 30, 2020. Goodwill is tested for impairment periodically and no impairment loss is considered necessary as at June 30, 2020.

Intangible assets

Our intangible assets amounted to approximately US$7.9 million as at June 30, 2020, representing a decrease of approximately US$0.4 million as compared to December 31, 2019. The decrease was due to the amortization expenses on intangible assets during the six months ended June 30, 2020.

Interest-bearing borrowings

The Board considers that the level of borrowings at June 30, 2020 to be healthy and sustainable. As at June 30, 2020, the Group had interest-bearing borrowings which amounted to approximately US$49.3 million.

The Board considers that the maturity profile of borrowings is in line with normal commercial practices. As at June 30, 2020, the Group had interest-bearing borrowings of approximately US$1.9 million repayable within one year, approximately US$2.6 million repayable in the second year and approximately US$3.0 million repayable in the third year, approximately US$21.8 million in the fourth year and approximately US$20.0 million in the fifth year.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As of June 30, 2020, our cash and cash equivalents amounted to approximately US$6.8 million. As of June 30, 2020, our current assets amounted to approximately US$22.3 million of which approximately US$9.9 million was trade receivables and approximately US$6.8 million was cash and cash equivalents. Our current liabilities amounted to approximately US$22.1 million, of which approximately US$6.2 million was trade payables. As at June 30, 2020, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 1.01 as compared with 1.61 at December 31, 2019.

Significant investments, acquisitions and disposals

During the six months ended June 30, 2020, we did not have any significant investment and any material acquisition or disposal.

Capital expenditures

Our capital expenditures were primarily for expenditures for purchase of property, plant and equipment. The amount of our capital expenditures for the six months ended June 30, 2020 was approximately US$15,000.

Contingent liabilities, off balance sheet commitments and arrangements and pledge of assets

Except for the interest-bearing borrowings of approximately US$29.3 million which is secured by all assets of LRC Oregon Inc., Vobile Holding, Inc., Vobile Home Entertainment LLC and Vobile, Inc., collectively as the guarantor, as collateral, as of June 30, 2020 and the date of this announcement, we did not have (i) any material contingent liabilities or guarantees, (ii) any liabilities under acceptance trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantee material covenants, or other material contingent liabilities, (iii) any material off-balance sheet arrangements, or (iv) any unutilized banking facilities.

Foreign exchange exposure

Our transactions are mainly settled in United States dollars and Hong Kong dollars and therefore have minimal exposure to foreign exchange risk. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will monitor such risk closely on an ongoing basis.

Gearing ratio

The Group monitors capital using gearing ratio, which is net external debt divided by the capital (equity attributable to owners of the Company) plus net debt. Net debt includes interest-bearing borrowings, less cash and cash equivalents. As of June 30, 2020, our gearing ratio, calculated as net debt divided by the capital (equity attributable to owners of the Company) plus net debt, was 48.2% as compared to 56.3% as of December 31, 2019.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2020, we employed a total of 137 staff (as at June 30, 2019: 70 staff). Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time.

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

The total remuneration cost incurred by the Group for the six months ended June 30, 2020 was approximately US$5.6 million (for the six months ended June 30, 2019: US$4.1 million).

The Company also adopted a Pre-IPO Share Option Scheme and a Post-IPO Share Option Scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2020.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to formulate its business strategies and policies, and to enhance its transparency and accountability.

During the six months ended June 30, 2020, the Company has applied the principles as set out in the CG Code which are applicable to the Company.

In the opinion of the Directors, during the six months ended June 30, 2020, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang is both our Chairman and Chief Executive Officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe Mr. Wang has been instrumental to our growth and business expansion since our establishment in 2005. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. After considering all the corporate governance measures that have been taken, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of Chairman and Chief Executive Officer.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the six months ended June 30, 2020. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

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

During the six months ended June 30, 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

On July 14, 2020, the Company issued two series of convertible bonds in the aggregate principal amount of HK$100,000,000 to Poly Platinum Enterprises Limited, an investment holding company incorporated in British Virgin Islands with limited liability. The first series of convertible bonds is for an aggregate principal amount of HK$80,000,000 and has an initial conversion price of HK$2.58 per share; the second series of convertible bonds is for an aggregate principal amount of HK$20,000,000 and has an initial conversion price of HK$2.80 per share. The first series of convertible bonds and the second series of convertible bonds are both convertible into shares of the Company.

On July 30, 2020, a total of 11,250,000 options to subscribe for shares are granted under the post-IPO share option scheme which adopted on December 8, 2017. Each option shall entitle the holder to subscribe for one share of the Company upon exercise of such option at an exercise price of HK$3.50 per share.

REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors, namely, Mr. CHAN King Man Kevin, Mr. Alfred Tsai CHU and Mr. Charles Eric EESLEY, and two non-executive Directors, namely, Mr. J David WARGO and Mr. WONG Wai Kwan. The chairman of the Audit Committee is Mr. CHAN King Man Kevin.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2020 and was of the opinion that the preparation of such interim results had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the HKEx (www.hkexnews.hk) and the Company (www.vobilegroup.com). The interim report for the six months ended June 30, 2020 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the corporate governance code as set out in Appendix 14 to the Listing Rules

"Company"	Vobile Group Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company
"DTC"	direct-to-consumer
"EBITDA"	earnings before interest, tax, depreciation and amortization
"FVTPL"	fair value through profit or loss
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Wang"	Mr. Yangbin Bernard WANG
"OTT"	over-the-top
"PPT"	Pay Per Transaction
"Pre-IPO Share Option Scheme"	the share option scheme of the Company adopted on December 30, 2016
"Post-IPO Share Option Scheme"	the share option scheme of the Company adopted on December 8, 2017
"SaaS"	Software as a Service
"Share(s)"	ordinary share(s) of US$0.0001 each in the share capital of the Company
"Share Award Scheme"	the share award scheme adopted by the Company on May 6, 2019, as amended from time to time

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TVOD"	transactional video-on-demand
"US$" or "USD"	the lawful currency of the United States

By Order of the Board
Vobile Group Limited
Yangbin Bernard Wang
Chairman, Executive Director and Chief Executive Officer

Hong Kong, August 28, 2020

As at the date of this announcement, the Board comprises Mr. Yangbin Bernard WANG and Mr. Michael Paul WITTE as executive Directors; Mr. J David WARGO and Mr. WONG Wai Kwan as non-executive Directors; and Mr. CHAN King Man Kevin, Mr. Derek CHANG, Mr. Alfred Tsai CHU and Mr. Charles Eric EESLEY as independent non-executive Directors.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in the future. Underlying these forward-looking statements are a lot of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.