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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 30 JUNE 2021

FINANCIAL HIGHLIGHTS

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Revenue	319,481	167,459
Gross profit	163,707	84,008
Profit before tax	31,010	70,569
Profit for the period attributable to owners of the Company	23,065	73,717
Adjusted Net Profit/(Loss)	35,865	(1,727)
Non-IFRS Adjusted EBITDA	<u>66,556</u>	<u>25,225</u>

Interim Condensed Consolidated Statement of Financial Position Highlights

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Total assets	1,689,237	1,153,538
Total liabilities	226,108	364,672
Net assets	1,463,129	788,866
Total equity	<u>1,463,129</u>	<u>788,866</u>

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2021 together with the comparative figures for the six months ended 30 June 2020 as set out below.

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

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Restated)
REVENUE	4	319,481	167,459
Cost of services provided		<u>(155,774)</u>	<u>(83,451)</u>
Gross profit		163,707	84,008
Other income and gains	4	1,840	76,422
Selling and marketing expenses		(36,568)	(30,515)
Administrative expenses		(33,695)	(20,778)
Research and development expenses		(48,623)	(19,118)
Finance costs	6	(11,908)	(19,395)
Other expenses		<u>(3,743)</u>	<u>(55)</u>
PROFIT BEFORE TAX	5	31,010	70,569
Income tax (expense)/credit	7	<u>(7,945)</u>	<u>3,148</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>23,065</u>	<u>73,717</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>2,440</u>	<u>(2,222)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		<u>2,440</u>	<u>(2,222)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>25,505</u>	<u>71,495</u>
EARNINGS PER SHARE			
Basic, profit for the period attributable to ordinary equity holders of the parent (HK cents)	9	4.95	17.34
Diluted, profit for the period attributable to ordinary equity holders of the parent (HK cents)	9	<u>4.68</u>	<u>16.96</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021	31 December 2020	1 January 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		1,653	1,538	2,944
Right-of-use assets		27,459	22,424	7,916
Goodwill		604,795	603,820	606,526
Intangible assets		77,065	81,150	72,917
Equity investments designated at fair value through other comprehensive income		106	—	—
Financial assets at fair value through profit or loss	10	4,558	—	—
Deferred tax assets		57,301	62,242	33,211
Prepayments		<u>2,216</u>	<u>1,194</u>	<u>288</u>
Total non-current assets		<u>775,153</u>	<u>772,368</u>	<u>723,802</u>
CURRENT ASSETS				
Trade receivables	11	164,792	69,518	107,023
Prepayments, deposits and other receivables		62,219	47,942	31,774
Tax recoverable		1,348	1,348	2,764
Cash and cash equivalents		<u>685,725</u>	<u>262,362</u>	<u>37,576</u>
Total current assets		<u>914,084</u>	<u>381,170</u>	<u>179,137</u>
CURRENT LIABILITIES				
Trade payables	12	49,181	50,961	44,298
Other payables and accruals		45,702	38,706	49,165
Interest-bearing borrowings		—	—	11,681
Lease liabilities		<u>9,871</u>	<u>8,117</u>	<u>5,867</u>
Total current liabilities		<u>104,754</u>	<u>97,784</u>	<u>111,011</u>
NET CURRENT ASSETS		<u>809,330</u>	<u>283,386</u>	<u>68,126</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,584,483</u>	<u>1,055,754</u>	<u>791,928</u>

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Restated)	1 January 2020 <i>HK\$'000</i> (Restated)
NON-CURRENT LIABILITIES			
Convertible bonds	88,307	82,975	—
Interest-bearing borrowings	—	155,050	377,680
Lease liabilities	18,277	14,846	1,866
Deferred tax liabilities	14,770	14,017	—
Other liabilities	<u>—</u>	<u>—</u>	<u>139,080</u>
Total non-current liabilities	<u>121,354</u>	<u>266,888</u>	<u>518,626</u>
Net assets	<u>1,463,129</u>	<u>788,866</u>	<u>273,302</u>
EQUITY			
Share capital	379	359	332
Treasury shares	(14,968)	(21,984)	(19,990)
Equity component of convertible bonds	11,590	11,590	—
Reserves	<u>1,466,128</u>	<u>798,901</u>	<u>292,960</u>
Total equity	<u>1,463,129</u>	<u>788,866</u>	<u>273,302</u>

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 28 July 2016 under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, 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 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the disclosure requirement of Appendix 16 of the Listing Rules. Save for the change of presentation currency and adoption of new and revised IFRSs during the period as set out in notes 2.2 and 2.3, respectively, the accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the preparation of the annual financial statements for the year ended 31 December 2020.

2.2 Change in presentation currency

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

Having considered that the shares of the Company are listed on The Stock Exchange of Hong Kong Limited, the Board believes it is more appropriate to adopt HKD as its presentation currency for the Group’s consolidated financial statements. Furthermore, the Board considers that the Change of Presentation Currency enables the shareholders and potential investors of the Company to have a more accurate picture of the Group’s financial performance.

For the purpose of presenting the interim condensed consolidated financial statements of the Group in HKD, the assets and liabilities for the interim condensed consolidated statement of financial position are translated into HKD at the closing rate at the end of the reporting period. Income and expenses for the interim condensed consolidated statement of profit or loss and other comprehensive income are translated at the average exchange rates for the financial period. The share capital, the share premium and reserves are translated at the exchange rate at the date of transaction.

2.3 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 31 December 2020, 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform — Phase 2*

Amendments to IFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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 unauthorised 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 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
United States	250,913	161,568
Mainland China	66,382	303
Japan	1,898	5,203
Others	288	385
	<u>319,481</u>	<u>167,459</u>

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.

Information about major customers

During the six months ended 30 June 2021 and 30 June 2020, there was no customer with whom transactions exceeded 10% of the Group's revenue.

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 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
<i>Revenue from contracts with customers</i>		
Rendering of services	<u>319,481</u>	<u>167,459</u>
Other income and gains		
Bank Interest income	513	16
Foreign exchange gains	506	527
Fair value gain on other liabilities measured at FVTPL	—	75,599
Other	<u>821</u>	<u>280</u>
	<u>1,840</u>	<u>76,422</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Cost of services provided	<u>155,774</u>	<u>83,451</u>
Employee benefit expense (including Directors' and chief executive's remuneration)		
Wages and salaries	52,885	41,006
Equity-settled share compensation expense	12,800	161
Directors' fee	1,320	360
Other benefits	1,251	947
Pension scheme contributions	<u>143</u>	<u>85</u>
	68,399	42,559
Depreciation of items of property, plant and equipment	700	745
Depreciation of right-of-use assets	5,125	6,537
Amortisation of intangible assets	4,692	3,361
Lease payments not included in the measurement of lease liabilities	586	2,763
(Reversal of impairment)/impairment of trade receivables	(43)	78
Research and development expenses	48,623	19,118
Auditor's remuneration	1,100	955
Fair value losses on financial assets at FVTPL	877	—
Bank interest income (note 5)	(513)	(16)
Foreign exchange differences, net	<u>2,255</u>	<u>388</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Interest on borrowings (including convertible bonds)	11,506	18,797
Nominal interest on lease liabilities	<u>402</u>	<u>598</u>
	<u>11,908</u>	<u>19,395</u>

7. INCOME TAX EXPENSE/(CREDIT)

Income tax consists primarily of the United States, Mainland China, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group during the six months ended 30 June 2021 is at the federal tax rate of 21% (2020: 21%). The income tax applicable to profits arising in Mainland China was provided at a statutory tax rate of 25% during the six months ended 30 June 2021. No Hong Kong profits tax has been provided for as the Group has no assessable profits generated in Hong Kong for the period (2020: 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 expense/(credit) for the six months ended 30 June are as follows:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Restated)
Current — United States		
Charge for the period	12	—
Current — Mainland China		
Charge for the period	2,164	—
Current — Japan		
Charge for the period	—	16
Deferred tax expense/(credit)	<u>5,769</u>	<u>(3,164)</u>
Total tax expense/(credit) for the period	<u><u>7,945</u></u>	<u><u>(3,148)</u></u>

8. DIVIDEND

The Board does not recommend payment of any dividend for the period ended 30 June 2021 (2020: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 465,624,252 (2020: 425,103,765) in issue during the period, as adjusted to reflect the share allotment for consideration settlement, issue of shares and exercise of share options during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2021 in respect of a dilution as the impact of the share option scheme and convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of profit per share attributable to ordinary equity holders of the Company for each of the six months ended 30 June 2021 and 2020 are based on the following data:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Profit		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	23,065	73,717
Interest on convertible bonds	<u>7,699</u>	<u>—</u>
Profit attributable to ordinary equity holders of the Company before interest on convertible bond	<u>30,764</u>	<u>73,717</u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	465,624,252	425,103,765
Effect of dilution — Weighted average number of ordinary shares		
Share options	27,258,661	9,450,859
Convertible bonds	<u>38,150,608*</u>	<u>—</u>
Weighted average number of ordinary share options for the purpose of diluted earnings per share calculation	<u>531,033,521</u>	<u>434,554,624</u>

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the period of HK\$23,065,000 and the weighted average number of ordinary shares of 492,882,913 in issue during the period which is excluded from the interest on the convertible bonds of HK\$7,699,000 and the weighted average number of ordinary shares of 38,150,608 from convertible bonds.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Unlisted investments, at fair value	<u>4,558</u>	<u>—</u>

The above equity investments were classified as financial assets at FVTPL as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The above unlisted investments were asset management schemes managed by non-bank financial institutions.

11. TRADE RECEIVABLES

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Restated)
Trade receivables	164,803	69,572
Impairment	<u>(11)</u>	<u>(54)</u>
	<u>164,792</u>	<u>69,518</u>

The Group's trading terms with its debtors are usually 10 to 90 days. The Group always recognises lifetime ECLs 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 receivables balances. Trade receivables are unsecured and non-interest-bearing.

An ageing analysis of the current trade receivables as at 30 June 2021, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Restated)
Within 90 days	164,146	56,362
91 to 180 days	608	8,163
181 to 365 days	38	3,543
Over 365 days	<u>—</u>	<u>1,450</u>
	<u>164,792</u>	<u>69,518</u>

The movements in loss allowance for impairment of trade receivables are as follows:

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Restated)
At beginning of period	54	294
Reversal of impairment of trade receivables, net	<u>(43)</u>	<u>(240)</u>
At end of the period	<u>11</u>	<u>54</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity:

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2021

	Current	Less than 3 months	Past due 3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.005%	0.050%	0.450%	0.650%	0.007%
Gross carrying amount (HK\$'000)	159,809	4,823	143	28	164,803
Expected credit losses (HK\$'000)	8	2	1	—	11

As at 31 December 2020

	Current	Less than 3 months	Past due 3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.02%	0.04%	0.42%	0.62%	0.08%
Gross carrying amount (HK\$'000)	41,484	21,234	1,861	4,993	69,572
Expected credit losses (HK\$'000)	7	8	8	31	54

12. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2021, based on the invoice date, is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Restated)
Within 90 days	46,059	46,635
91 to 180 days	138	2,093
Over 180 days	2,984	2,233
	<u>49,181</u>	<u>50,961</u>

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

13. EVENTS AFTER THE REPORTING PERIOD

Pursuant to a shareholders' resolution passed at an extraordinary general meeting on 13 July 2021, the authorised and issued shares of the Company were subdivided on the basis that every one issued share is subdivided into four subdivided shares (the "Share Subdivision"). The Share Subdivision became effective on 15 July 2021.

On 23 July 2021, 18,300,000 share options were granted to Mr. MATSUZAWA Masaaki, an executive Director and four other employees under the Post-IPO Share Option Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECTS

We are a global SaaS player in content recognition, protection and monetization, providing media companies and brands the critical ability to control and maximise the value of their IP across the world's largest content distribution and social media platforms. Our clients span the spectrum of media companies and include movie studios, television networks, record labels, DTC service providers, subscription video on demand content aggregators and sports league.

The growth and health of the media and entertainment business is highly dependent on the protection of IP rights, which has become a larger issue for IP holders given the continued digitalisation and proliferation of content across an increasingly diverse array of distribution and social media platforms.

Our SaaS platforms currently provide the following solutions for our media and distribution clients and partners:

- Content Protection — VideoTracker
- Content Monetization — Rights ID and Channel ID

Content Protection

We provide critical content protection to ensure delivery of our client's audiovisual content to end consumer directly or across global content distribution and social media platforms, from ultra HD movie content to premium TV, and short form digital content to live events such as sports. For example, we offer video fingerprinting services on content libraries, allowing clients to choose which digital assets to actively track and manage. Customers can also choose to watermark content assets in order to trace and block the source of infringement. These solutions provide automated content recognition and is scalable on cloud infrastructure. We currently manage over 10 million video assets, conducting millions of video fingerprinting searches per day across over 290,000 websites globally.

Content Monetization

Taking the content protection solutions to the next level, for our fingerprint or watermark managed assets, we can also identify content on online platforms, and instead of taking down the content, enable our clients to have the option to capture incremental advertising revenues which we will analyse and claim from the platforms on behalf of clients. We are uniquely positioned to do so because of our proprietary technology as well as our API integration with our long-standing partnerships with key platforms such as YouTube and Facebook. We currently manage over 765,000 pieces of active content, resulting in over 175 million videos containing customer content claimed on YouTube, enabling 42 billion monthly managed content views for our IP owner clients and for YouTube. As a natural extension of our monetization solutions, we also provide a robust set of video optimisation, programming strategy, reporting and performance marketing services to IP holders, so that they can maximise value of their IP on platforms such as YouTube.

GROUP STRATEGY AND PROSPECTS

Our objective is to continue to play a critical role and provide a full suite of solutions for content rights holders so that they can maximise the value of their IP in a rapidly evolving consumer and technology landscape.

Our strategic growth priorities are:

1. Geographic Expansion in Mainland China
2. Solution/Product Enhancements
3. New Solutions/Product Development

Geographic Expansion in Mainland China

We have been focused on growing our customer base through expansion in priority new markets such as Mainland China. In the past six months, we have made significant strides in growing our business in Mainland China, building out the local team and capabilities, as well as drive strategic and commercial partnerships with Ant, Kauishou, Wasu Media, GIMC, MIGU, E-Surfing Media, China Sports and others.

As highlighted in our growth in revenues from our business in Mainland China, we are off to an encouraging start to our goal growing our presence and being a market leader. We also strongly believe that the enterprise solutions we are providing to our content owner and distribution clients will enable the growth of a healthy and equitable and sustainable ecosystem of domestic content creation, monetization and distribution.

The focus is to continue executing on our growth plans in Mainland China, and as we scale and drive momentum in these businesses, we will also look to other parts of Asia for continued growth opportunities.

Solution/Product Enhancements

We will continue to grow and build on our capabilities in content protection and monetization to better serve our clients. These enhancement and investment opportunities will continue to shape our business, and can span many areas of Vobile's value proposition. Illustratively, these investments may be new software to better address key content verticals, operations capabilities to real time manage sporting events, stronger customer support functions to drive client relationships, and enhanced analytical tools and functions so that our clients can optimise advertising wallet. We are always looking to improve our solutions and products which will ultimately drive value for our clients.

New Solutions/Product Development

In the rapidly evolving media and technology landscape, as our clients adapt to new technologies and business models, we see new opportunities to develop products and solutions with our clients. Two instructive examples of opportunities we have been cultivating:

- Direct To Consumer (“DTC”) Products
- Blockchain Products

With content producers going direct to consumers at an individual level, it is increasingly important for content producers to protect content while being seamlessly integrated within a user subscription access framework and experience. As a trusted, long-standing partner, we are already working with numerous clients, including leading DTC players, in providing IP protection services. Additionally, we are working to develop proprietary real time subscriber-level, session-based watermarking solutions, which are highly scalable to all subscribers globally. These solutions will be able to identify specific user accounts that leak exclusive content instantaneously.

In addition to DTC specific new products and solutions, we are currently working with, to develop IP protection and monetization services for blockchain related content and the evolving blockchain ecosystem. Research and development have been underway over the past several months, and products and solutions center around identifying and protecting audiovisual content on non-fungible tradeable tokens (“NFT”) within the blockchain framework and ecosystem. While this NFT space is still in its infancy, with growth rate assumptions difficult to estimate, we do believe that NFTs will play an important role as a new asset for IP holders to monetize, and perhaps more importantly, provides IP holders an invaluable means to engage with fans and promote the underlying content.

FINANCIAL REVIEW

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Revenue	319,481	167,459
Gross profit	163,707	84,008
Profit before tax	31,010	70,569
Profit for the period attributable to owners of the Company	23,065	73,717
Adjusted Net Profit/(Loss)	35,865	(1,727)
Non-IFRS Adjusted EBITDA	<u>66,556</u>	<u>25,225</u>

Adjusted Net Profit

Adjusted Net Profit/(Loss) is earnings/(loss) before equity settled share option expenses and other one-off expenses. This is not a IFRSs measure. Adjusted Net Profit 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 Net Profit to its most directly comparable IFRS measurement and profit for the period attributable to owners of the Company.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Profit for the period attributable to owners of the Company	23,065	73,717
Add/(less):		
Equity-settled share compensation expense	12,800	155
Fair value change on other liabilities measured at FVTPL	<u>—</u>	<u>(75,599)</u>
Adjusted Net Profit/(Loss)	<u>35,865</u>	<u>(1,727)</u>

Non-IFRS Adjusted EBITDA

Adjusted EBITDA is earnings before finance costs, finance revenues, income taxes, depreciation and amortisation, equity settled share compensation 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 before tax.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Profit before tax	31,010	70,569
Add:		
Equity-settled share compensation expense	12,800	155
Finance costs	11,908	19,395
Depreciation and amortisation	10,517	10,643
Fair value losses on financial assets at FVTPL	877	—
Impairment of trade receivables	(43)	78
Interest income	(513)	(16)
Fair value change on other liabilities measured at FVTPL	—	(75,599)
Adjusted EBITDA	<u>66,556</u>	<u>25,225</u>

Revenue

The following table shows our revenue breakdown by product:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Content Monetization	233,727	112,691
Content Protection	73,791	41,078
Others	11,963	13,690
Total revenue	<u>319,481</u>	<u>167,459</u>

Our revenue for the six months ended 30 June 2021 amounted to approximately HK\$319 million, representing an increase of approximately HK\$152 million, or approximately 90.8% as compared with the revenue for the six months ended 30 June 2020 of approximately HK\$167 million. The increase was mainly attributed by (a) continued growth in our business in the US; and (b) the expansion of our business in the Mainland China, driven by strategic and commercial partnerships.

Gross profit and gross profit margin

Our gross profit for the six months ended 30 June 2021 amounted to approximately HK\$164 million, representing an increase of approximately HK\$80 million, or approximately 94.9% as compared with the six months ended 30 June 2020.

Our gross profit margin remained stable at 51.2% for the six months ended 30 June 2021 as compared to 50.2% for the six months ended 30 June 2020.

Selling and marketing expenses

Our selling and marketing expenses for the six months ended 30 June 2021 amounted to approximately HK\$37 million, representing an increase of approximately HK\$6 million, or approximately 19.8% as compared with the six months ended 30 June 2020. The increase was mainly due to the increase of sales and marketing initiatives during the period.

Administrative expenses

Our administrative expenses for the six months ended 30 June 2021 amounted to approximately HK\$34 million, representing an increase of approximately HK\$13 million, or approximately 62.2% as compared with the six months ended 30 June 2020. The increase was mainly due to the increase of equity-settled share compensation expenses during the period.

Research and development expenses

Our research and development expenses for the six months ended 30 June 2021 amounted to approximately HK\$49 million, representing an increase of approximately HK\$30 million, or approximately 154.3% as compared with the six months ended 30 June 2020. The increase was mainly due to the increase of research and development activities in the current period and the increase in the headcount of our research and development department from 45 for the six months ended 30 June 2020 to 81 for the six months ended 30 June 2021.

Other income and gains

For the six months ended 30 June 2020, other income mainly consisted of income on fair value change on other liabilities measured at FVTPL of approximately HK\$76 million (six months ended 30 June 2021: Nil).

Finance costs

Finance costs mainly consisted of interest expenses on interest-bearing borrowings of approximately HK\$12 million (six months ended 30 June 2020: HK\$19 million) and interest expense on lease liabilities.

Income tax expense

Our income tax expense mainly comprised of deferred tax expense resulted from the utilisation of tax losses in the United States and tax expense in the Mainland China.

Profit for the period attributable to owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2021 amounted to approximately HK\$23 million, as compared to the profit attributable to owners of the Company for the six months ended 30 June 2020 of approximately HK\$74 million.

Basic earnings per share for the six months ended 30 June 2021 was approximately HK4.95 cents (six month ended 30 June 2020: HK17.34 cents), and diluted earnings per share for the six months ended 30 June 2021 was approximately HK4.68 cents (six month ended 30 June 2020: HK16.96 cents). The Board does not recommend any payment of dividends for the period ended 30 June 2021 (six months ended 30 June 2020: Nil).

Adjusted EBITDA

The Adjusted EBITDA for the six months ended 30 June 2021 amounted to approximately HK\$67 million, representing an increase of approximately HK\$42 million, or approximately 163.8%, as compared to the Adjusted EBITDA for the six months ended 30 June 2020 of approximately HK\$25 million. The substantial increase in Adjusted EBITDA was mainly attributed by the significant increase in revenue of the Group for the six months ended 30 June 2021, contributed by (a) continued growth in our business in the US; and (b) the expansion of our business in the Mainland China, driven by strategic and commercial partnerships.

Interim condensed consolidated statement of financial position highlights

	30 June 2021	31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Total assets	1,689,237	1,153,538
Total liabilities	226,108	364,672
Net assets	1,463,129	788,866
Total equity	<u>1,463,129</u>	<u>788,866</u>

Goodwill

Our goodwill remained stable at approximately HK\$605 million as at 30 June 2021. Goodwill is tested for impairment periodically and no impairment loss is considered necessary as at 30 June 2021.

Intangible assets

Our intangible assets amounted to approximately HK\$77 million as at 30 June 2021, representing a decrease of approximately HK\$4 million as compared to 31 December 2020. The decrease was mainly due to the amortisation expenses on intangible assets during the six months ended 30 June 2021.

Convertible bonds

On 14 July 2020, the Company issued two series of convertible bonds in the aggregate principal amount of HK\$100 million to Poly Platinum Enterprises Limited, an investment holding company incorporated in British Virgin Islands with limited liability a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP. The Series One Convertible Bonds with principal amount of HK\$80 million and has an initial conversion price of HK\$2.58 per Share. The Series Two Convertible Bonds with principal amount of HK\$20 million and has an initial conversion price of HK\$2.80 per Share. Both Series One Convertible Bonds and Series Two Convertible Bonds are convertible into Shares. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 5% per annum, payable semi-annually in arrears, and will mature on the two years from the issue date.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As of 30 June 2021, our cash and cash equivalents amounted to approximately HK\$686 million. As of 30 June 2021, our current assets amounted to approximately HK\$914 million of which approximately HK\$165 million was trade receivables and approximately HK\$686 million was cash and cash equivalents. Our current liabilities amounted to approximately HK\$105 million, of which approximately HK\$49 million was trade payables. As at 30 June 2021, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 8.7 as compared with 3.9 at 31 December 2020.

Significant investments, acquisitions and disposals

During the six months ended 30 June 2021, 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 equipment. The amount of our capital expenditures for the six months ended 30 June 2021 was approximately HK\$0.8 million.

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

As of 30 June 2021 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, or (iii) any material off-balance sheet arrangements.

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.

Unless otherwise specified, conversions of HKD into USD in this announcement are based on the exchange rate of US\$1.00 = HK\$7.76 for illustration purpose only. No representation is made that any amounts in HKD or USD can be or could have been converted at the relevant dates at the above rate or any other rates at all.

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 external debt includes interest-bearing borrowings, less cash and cash equivalents. As of 30 June 2021 and 31 December 2020, our gearing ratio, was not applicable as our balance of cash and cash equivalents exceeded the balance of net external debt.

Use of proceeds from issue of convertible bonds, subscription of shares and placing of shares

In July 2020, the Company completed the issue of two series of convertible bonds to Poly Platinum Enterprises Limited, a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP and raised net proceeds of approximately HK\$90 million, which will be used for development and investment of content distribution related business and other business supporting short-form video platforms. As of 30 June 2021, the Company has utilised HK\$67 million of the net proceeds. The Company will apply the remaining net proceeds for the purpose as disclosed in the announcement of the Company dated 29 June 2020. The Company intends to fully utilise the net proceeds from the issue of the two series of convertible bonds by 31 December 2021.

In December 2020, the Company completed the allotment and issuance of 28,901,734 Shares to Antfin (Hong Kong) Holding Limited, an indirect wholly-owned subsidiary of Ant Group Co., Ltd. and raised net proceed of approximately HK\$388 million, which will be used for potential investment opportunities and general working capital of the Group. As of 30 June 2021, the Company has utilised HK\$379 million of the net proceed. The Company will apply the remaining net proceeds for the purpose as disclosed in the announcement of the Company dated 20 December 2020. The Company intends to fully utilise the net proceeds from the allotment and issuance of 28,901,734 Shares by 31 December 2021.

In May 2021, the Company completed the placement of 21,500,000 Shares and raised net proceeds of approximately HK\$631 million. As of 30 June 2021, the Company has not utilised any of the net proceed. The Company will apply the net proceeds for the purpose as disclosed in the announcement of the Company dated 21 May 2021. The Company intends to fully utilise the net proceeds from the placement of 21,500,000 Shares by 31 December 2022.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, we employed a total of 202 staff (as at 31 December 2020: 132 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 30 June 2021 was approximately HK\$68 million (for the six months ended 30 June 2020: HK\$43 million).

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

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 30 June 2021, 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 30 June 2021, 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 30 June 2021. 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 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors, namely, Mr. KWAN Ngai Kit, 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. KWAN Ngai Kit.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2021 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 30 June 2021 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:

“Ant”	螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.), a joint stock limited liability company incorporated in the People's Republic of China on October 19, 2000, and its subsidiaries
“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 amortisation
“FVTPL”	fair value through profit or loss
“Group”	the Company and its subsidiaries
“HKD” or “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
“IP”	Intellectual property
“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
“Pre-IPO Share Option Scheme”	the share option scheme of the Company adopted on 30 December 2016
“Post-IPO Share Option Scheme”	the share option scheme of the Company adopted on 8 December 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 Plan”	The share award plan of the Company adopted on 6 May 2019, and where appropriate, includes all amendments thereto
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD” or “US\$”	the lawful currency of the United States

By Order of the Board
Vobile Group Limited
Yangbin Bernard Wang
Chairman

Hong Kong, 31 August 2021

As at the date of this announcement, the Board comprises Mr. Yangbin Bernard WANG and Mr. MATSUZAWA Masaaki as executive directors; Mr. J David WARGO and Mr. WONG Wai Kwan as non-executive directors; and Mr. CHAN King Man Kevin, Mr. Alfred Tsai CHU, Mr. Charles Eric EESLEY and Mr. KWAN Ngai Kit 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 realised 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.