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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 2024

FINANCIAL HIGHLIGHTS

Interim Condensed Consolidated Statement of Profit or Loss Highlights

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	1,180,634	1,002,756
Gross profit	504,117	392,773
Profit before tax	69,832	45,135
Profit for the period	46,322	33,928
Non-IFRS Adjusted Net Profit	64,261	58,067
Non-IFRS Adjusted EBITDA	<u>196,306</u>	<u>181,333</u>

Interim Condensed Consolidated Statement of Financial Position Highlights

	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Total assets	3,721,191	3,506,108
Total liabilities	1,539,280	1,366,296
Net assets	2,181,911	2,139,812
Total equity	<u>2,181,911</u>	<u>2,139,812</u>

MANAGEMENT DISCUSSION AND ANALYSIS

- The total revenue was HK\$1.2 billion, reflecting a YoY increase of 17.7% compared to HK\$1.0 billion in 1H 2023.
- The revenue from subscription services was HK\$545 million, reflecting a YoY increase of 16.8% compared to HK\$467 million in 1H 2023, accounting for about 46.2% of the revenue. The revenue from value-added services was HK\$635 million, reflecting a YoY increase of 18.5% compared to HK\$536 million in 1H 2023, accounting for about 53.8% of the revenue.
- The revenue in Mainland China was HK\$605 million, reflecting a YoY increase of 8.0% compared to HK\$560 million in 1H 2023. The revenue in the United States and other regions was HK\$576 million, reflecting a YoY increase of 30.1% compared to HK\$443 million in 1H 2023.
- The gross profit was HK\$504 million, reflecting a YoY increase of 28.3% compared to HK\$393 million in 1H 2023. The gross margin has achieved 42.7%, up 3.5 percentage points from 1H 2023.
- The profit for the period was HK\$46 million, reflecting a YoY increase of 36.5% compared to HK\$34 million in 1H 2023.
- The adjusted net profit was HK\$64 million, reflecting a YoY increase of 10.7% compared to HK\$58 million in 1H 2023.
- The Adjusted EBITDA was HK\$196 million, reflecting a YoY increase of 8.3% compared to HK\$181 million in 1H 2023.

Company Strategy and Outlook

Generative Artificial Intelligence (GenAI) is rapidly emerging as a significant driver of global economic growth, with its technological advancements expected to bring about profound economic transformations. The widespread application has not only profoundly impacted text and image creation while making groundbreaking progress in the high-cost, complex fields of video and music production. It is transforming the ecosystem of the film, television, and music industries, driving simultaneous improvements in both the scale and quality of content while fostering an industry future that is more creative, diverse, and inclusive.

As GenAI expands future possibilities across different sectors, copyright issues have likewise emerged as a critical topic in industry development. The release of ChatGPT on November 30, 2022, and its emergence caused some investors to temporarily think that copyright would become worthless in the AI era, raising doubts about the long-term value of copyright protection and monetisation services. In 2024, the volume and scale of infringement lawsuits from content owners against AI technology companies have grown substantially, presenting the swiftly advancing AI Large-scale model platforms

need to tackle copyright issues. Throughout this period, the investors have acknowledged that copyright will hold greater significance in the era of GenAI, with the market reaching a consensus that data and copyrighted content require legal authorisation for use.

Clear copyright attribution and equitable profit-sharing mechanisms are essential for the continuous growth of GenAI. They safeguard the rights of content creators while mitigating legal risks for AI companies and facilitating the large-scale, lawful commercialisation of the technology. Vobile's strategic layout emphasises high-quality development and sustainable growth. We have long been dedicated to the field of copyright protection, transaction, and monetization, accumulating significant advantages in technology, product services, and customer relationships. These key capabilities will be directly applied to new GenAI business contexts, presenting a significant opportunity for Vobile's development. We aim to play a crucial role in establishing an ecological balance between content rights holders and AI technology companies. By persistently driving technological innovation and upgrading our platform-based business, we seek to foster scalable and accelerated growth. Our goal is to emerge as a leader in the digital content asset transaction field in the era of GenAI.

Our strategic growth priorities are:

1. Seize strategic opportunities in the GenAI era and expand service capabilities in the GenAI field.

Regardless of the evolution of content production and distribution driven by technological progress, IP is the core value of the film and television industry, and the protection and transaction of creative content is the foundation to support the value of the industry. In the era of GenAI, the scenarios for using copyrighted content become increasingly complex, leading to unprecedented emphasis on copyright management and content monetization.

Vobile's capabilities will enable both content owners and AI technology companies simultaneously. Vobile's long-term partners, including major content owners such as film studios, TV networks, and online content platforms, remain the most important stakeholders in this new wave of technological change. The deep mutual trust between us and these clients will enable a seamless transition of their partnership into the GenAI field. We will support content owners in managing the copyrights of premium content and training datasets, ensuring that their content usage is rewarded fairly and equitably. Simultaneously, we will offer solutions to AI technology companies to mitigate copyright disputes and litigation risks, while offering rights identification and transaction services for AI-generated content. This signifies that Vobile's business in the GenAI era will extend across all key stages of the digital content industry ecosystem, covering the entire industrial chain, and expanding the evolution of Vobile's core operations from UGC content monetization to the more critical realm of digital content asset transactions.

Vobile has proactively undertaken substantial technological reserves and strategic positioning in preparation for the future. Our R&D center in Florida, USA, has been operating for three years and has made significant progress across multiple technological fields. Particularly in the areas of content rights identification and watermarking technology innovation, the application scenarios and

commercialisation capabilities are rapidly expanding. It is foreseeable that Vobile's service capabilities and business scale will grow significantly in the era of GenAI, further strengthening our competitive advantage and leading position in the digital content protection and transaction sector, achieving leapfrog development.

2. Scalable growth through developing platform-based business to serve more content owners, including the small-to-medium creators.

The rapid development of GenAI will produce a large volume of high-quality creative content while also increasing the influence of small and medium-sized content owners within the ecosystem. These creators will be a crucial driving force for the growth of creator economy and they are key service targets of Vobile's vision to "Make Creative Content More Valuable". These creators urgently need more efficient, cost-effective, and transparent monetization services. The maturation of GenAI and Web3 technologies offers Vobile a prime opportunity to upgrade from tool-based services to platform-based services.

We will achieve scalable customer acquisition and service delivery by building a platform ecosystem. By leveraging Web3 technology, we aim to establish more transparent rules, lower-cost rights identification mechanisms, and a better attribution mechanism. Enhancing content distribution through digital asset transactions promotes the sustainable development of the ecosystem. Vobile is committed to achieving the boundless and efficient global distribution of digital content assets through connecting global platforms. With the ongoing enhancement of digital content transaction infrastructure, Vobile will greatly broaden the range and scale of its services, offering content creators more diverse and effective solutions.

3. Seizing opportunities in the digital economy's development and promoting in the digital trade ecosystem.

A new wave of technological revolution and industrial transformation is on the rise, offering significant opportunities for digital trade through the growth of the global digital economy. Therefore, data is regarded as a new productivity, and its value is being increasingly emphasized. Both the "AI Factory" concept in the West and China's "New Quality Productive Forces" underscore the critical role of data. Our business and data resources not only support the company's leading position in digital content protection and transactions but also provide a solid foundation for actively participating in the innovative development of digital cultural trade. By deeply engaging in the construction of the digital trade ecosystem, Vobile is committed to enhancing the efficiency of value creation through data resources, thereby contributing to the prosperity and development of the digital economy.

We are currently deeply involved in the construction of regional copyright ecosystems, playing a significant role in various digital infrastructure projects in Mainland China and Hong Kong. With its strong foundation in technology and resources, Vobile has secured a leading position in digital

cultural trade, especially in building regional digital trade platforms and promoting the global reach of Chinese content, thereby expanding its business scope and reinforcing its competitive edge.

Vobile is currently at a critical juncture for achieving leapfrog development, as the digital content industry is flourishing at an unprecedented pace, with various new technologies and sectors emerging rapidly. Moving forward, we will continue to solidify our global leadership in the industry, seize opportunities presented by major industry transformations, and lead in technological innovation and business expansion. We remain fully committed to realising the vision and mission of “Making Creative Content More Valuable”.

Our Business

The industry environment is constantly evolving. Vobile provides comprehensive digital content rights and transaction solutions for customers with IP as the core, ensuring that the rights of creators are fully respected and protected. Vobile implements a high-quality development strategy, prioritising the development of high-value businesses and focusing on strategic key areas. We seize the key development opportunities of GenAI and continuously upgrade our service capabilities based on the advantages accumulated in the field of copyright services for many years. During the reporting period, Vobile achieved a total revenue of HK\$1,181 million, representing a growth of approximately 17.1% YoY.

Subscription Services

A subscription-based business model has constantly provided long-term stable services to the world’s leading content providers and platforms. With our essential proprietary VDNA digital fingerprint and watermark technologies, we help content owners trace infringements and preserve timely and powerful evidence, and we charge subscription fees based on the scale of services provided to customers. At the same time, we provide content identification services and traceability capabilities for online video websites and platforms, empowering platform customers.

In the first half of 2024, our subscription business made significant progress. With the expansion of service capabilities to more copyright categories, the number of customers continues to grow, and the penetration rate of the content library steadily increases, achieving service coverage of copyright content in all categories. Vobile has strengthened its cooperation with important content providers, expanded the scope and types of services for large customer content libraries, and focused on expanding new content areas such as micro-dramas, e-commerce, music, audiobooks, podcasts, and images.

During the reporting period, Vobile constructed the “China Film All-Media Publishing and Marketing Platform Project” for top industry organisations. We have completed the first phase of the construction project for China Media Group and started testing operation. Through deepening cooperation with top short video platforms, we provided customers with full business coverage including short dramas,

novels, music, and sports events and provided copyright monitoring and protection services covering both on-site and off-site for large short video platforms and large music platforms through API service integration.

Based on the above progress, during the reporting period, Vobile has achieved a subscription service revenue of HK\$545 million, representing a YoY increase of about 16.8%, accounting for approximately 46.2% of total revenue. It is expected that with the increasing global focus on copyright, Vobile's expanding coverage of diverse content, and the growing demand from copyright platforms, our subscription services will continue to maintain a good development trend.

Value-added Services

With the continuous development of our business and the diversification of customer needs, we are further providing diversified value-added services based on strengthening subscription services to help customers maximise the value of content. We enhance the penetration and profitability of customer content by providing diverse monetization solutions and earning revenue through revenue-sharing models. In 2024, we continued the trend of upgrading contracts with large content providers, achieving greater coverage of top-tier content and providing assurance for the growth of value-added services.

In the first half of 2024, Vobile deepened its cooperation with major social media platforms and actively explored ways to increase the profitability of content on the platforms. We have seen a significant increase in views of our content on Shorts, a short video platform under YouTube, further expanding our ability to monetize on social media. We also offer a more diverse range of monetization services, with the number of active assets continuing to increase. During the reporting period, Vobile not only enhanced its penetration into major content platforms' content libraries but also gathered high-quality micro-drama content to form an innovative product system, providing services for copyright protection and global dissemination of micro-dramas.

During the reporting period, the revenue from Vobile's value-added services was approximately HK\$635 million, representing an increase of approximately 18.5% compared to the same period last year, accounting for approximately 53.8% of total revenue. With the significant impact of technological innovation on the development of the digital content industry, the monetization methods for content are becoming more lightweight and diversified. We will continue to deploy innovative technologies and product services to provide content owner clients with a wider range of value-added service options.

Sustained Strong Growth in Our Major Business Regions

In 2024, we will continue the high quality growth strategy to respond to the impact of the economic environment and other factors, ensuring existing development and firmly laying out the future. During the reporting period, we continued to expand the scale and categories of digital content services in our main business areas, building the business foundation of the GenAI field, and successfully exploring business in new market areas. A stable business foundation and effective business innovation expansion allow us to constantly achieve excellent performance in a constantly changing industry environment.

In the United States market, Vobile maintains strong growth momentum, with our customer base and the number of active assets continuing to grow. We have further deepened our cooperation and partnership with major content providers, continuously improving the quantity and quality of their content management on social media platforms. We have completed technical testing of watermarking technology applications on a large global video platform and are further advancing commercial deployment. At the same time, Vobile deepened its cooperation with large music label clients, significantly increasing the number of managed music assets. During the reporting period, the revenue from the United States was HK\$572 million, representing a YoY growth of approximately 30.0%, and accounting for approximately 48.4% of the total revenue.

In Mainland China market, Vobile's performance and brand influence have achieved excellent growth. Through cooperation with China's largest television network client and short video platform, Vobile provided comprehensive copyright protection services for the broadcast and distribution of the 2024 Paris Olympic Games program. In terms of global distribution services, Vobile has helped Chinese content providers significantly increase the number of daily active viewers and enhance the international influence of content and brands by building a comprehensive media matrix and implementing localised operation strategies. In addition, the copyright protection and transaction platform that we have jointly built with our large broadcasting and television customers has entered the trial operation stage. During the reporting period, the revenue from Mainland China was HK\$605 million, representing a YoY growth of approximately 8.0%, accounting for approximately 51.2% of the total revenue.

In the Greater Bay Area of Guangdong, Hong Kong, and Macau, we grasp the trend of integrated development, increase our talent and investment deployment in the Greater Bay Area, deeply participate in building the IP Ecosystem in local regions, and play a key role in it.

In Japan and Europe, we strengthen our contact and cooperation with local IP rights holders by increasing our well-known music and animation company client base, becoming key trade organisations and association members in the region, and preparing for the subsequent scale landing of local business.

Research and Development

Vobile has effectively enhanced the efficiency of value delivery across the industry ecosystem by building the technology infrastructure for the protection and transaction of digital content assets. Currently, major content providers and AI large-scale model platforms are gradually reaching a consensus on copyright issues, and relevant legislation in major economies is also advancing rapidly. Vobile's ability to provide comprehensive copyright services to content providers will be key to ensuring the effective industry practice on copyrights.

We further strengthen our collaboration with the University of Florida, especially in the field of AI exploration. Vobile's founder Mr. Wang Yangbin was selected for the inaugural Hall of Fame for the Department of Electrical and Computer Engineering at the University of Florida, highlighting Vobile's outstanding achievements in the field of computer engineering. Vobile has an industry-leading

technology team and collaborates closely with renowned institutions worldwide, including the University of Florida, Zhejiang University, and the Hong Kong University of Science and Technology, to continuously enhance its technological capabilities. At the same time, we are in communication and collaboration with the world's leading chip companies and platform companies to jointly address the increasingly complex copyright challenges in the GenAI field.

Vobile has launched a diverse range of watermarking technology solutions and is fully prepared to enter the commercial application phase. Through commercial deployment, we can quickly integrate watermarking technology into our customers' existing streaming media workflows, providing a more efficient and cost-effective solution.

We continue to upgrade content identification and rights identification technology. We have significantly reduced the time for content rights identification by enhancing the application and deployment of AI algorithms. Meanwhile, through the expansion of the scale of real-time service for live content, we have further strengthened our content protection capabilities on social media platforms such as YouTube and Facebook, ensuring timely takedown of infringing content.

Through these technological upgrades and reserve, we have constantly enhanced the efficiency of content identification and the coverage capability of our services, making sufficient preparations for the increasingly complex copyright environment in the era of GenAI, and contributing to a healthier and more efficient industry ecosystem for content rights holders and AI technology companies.

FINANCIAL REVIEW

Interim Condensed Consolidated Statement of Profit or Loss Highlights

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue	1,180,634	1,002,756
Gross profit	504,117	392,773
Profit before tax	69,832	45,135
Profit for the period	46,322	33,928
Non-IFRS Adjusted Net Profit	64,261	58,067
Non-IFRS Adjusted EBITDA	<u>196,306</u>	<u>181,333</u>

Non-IFRS Adjusted Net Profit

Adjusted Net Profit is earnings before equity settled share compensation expenses, loss on derecognition of financial liabilities measured at amortised cost, fair value changes 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	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Profit for the period	46,322	33,928
Add:		
Equity-settled share compensation expense	17,524	18,156
Loss on derecognition of financial liabilities measured at amortised cost	—	6,195
Fair value change on financial assets at FVTPL, net	415	(212)
Adjusted Net Profit	<u>64,261</u>	<u>58,067</u>

Non-IFRS Adjusted EBITDA

Adjusted EBITDA is earnings before finance costs, finance revenues, income taxes, depreciation and amortisation, equity settled share compensation expenses, loss on derecognition of financial liabilities measured at amortised cost, fair value changes and other one-off or non-cash 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. Our Group has presented this item because our Group considers it an important supplemental measure of our Group's operational performance used by our 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit before tax	69,832	45,135
Add:		
Equity-settled share compensation expense	17,524	18,156
Finance costs	46,033	50,332
Depreciation and amortisation	65,244	60,671
Loss on derecognition of financial liabilities measured at amortised cost	—	6,195
Fair value change on financial assets at FVTPL, net	415	(212)
Share of profits and losses of associates	—	(1)
(Reversal of impairment)/impairment on trade receivables	(892)	3,879
Interest income	(1,850)	(2,822)
	<u>196,306</u>	<u>181,333</u>
Adjusted EBITDA		

Revenue

The following table shows our revenue breakdown by product:

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Subscription services	545,431	466,876
Value-added services	635,203	535,880
	<u>1,180,634</u>	<u>1,002,756</u>
Total revenue		

Our revenue for the six months ended 30 June 2024 amounted to approximately HK\$1,181 million, representing an increase of approximately HK\$178 million, or approximately 17.7% as compared with the revenue for the six months ended 30 June 2023 of approximately HK\$1,003 million. Our business model has two revenue streams: subscription services and value-added services.

In the six months ended 30 June 2024, subscription services revenue was approximately HK\$545 million, representing an increase of approximately HK\$78 million, or approximately 16.8% as compared with the subscription services revenue for the six months ended 30 June 2023 of approximately HK\$467 million, and accounted for 46.2% (six months ended 30 June 2023: 46.6%) of our total revenues. Our subscription service mainly consists of content protection and channel management. Content protection service is based on the application of Vobile's VDNA (fingerprint) and watermark technologies. Channel management service is based on the partnership we have with distribution platforms, and we manage channels for our IP rights holder clients on these distribution platforms.

We offer a variety of value-added services that are designed to further realise IP rights values for our clients by providing additional IP revenue streams. During the six months ended 30 June 2024, value-added service revenue was approximately HK\$635 million, representing an increase of 18.5%, as compared with the value-added services revenue for the six months ended 30 June 2023 of HK\$536 million, and accounted for 53.8% (six months ended 30 June 2023: 53.4%) of total revenue. Our value-added services mainly consists of monetization on social media platforms and monetization services for video-on-demand platforms.

Our business model is driven by our ability to serve additional contents, and to help generate more revenue for IP rights holder clients. We believe that our future success is dependent on many factors, including our ability to expand our content base, retain customers while increasing content penetration, offer more monetization channels to increase revenue for IP rights holders, develop new solutions to meet industry and client needs, enhance our ecosystem and partner relationships, expand content verticals, expand geographic coverage, and build with a focus on maximising long-term value.

Gross profit and gross profit margin

Our gross profit for the six months ended 30 June 2024 amounted to approximately HK\$504 million, representing an increase of approximately HK\$111 million, or approximately 28.3% as compared with the six months ended 30 June 2023 of HK\$393 million.

Our gross profit margin increased from 39.2% for the six months ended 30 June 2023 to 42.7% for the six months ended 30 June 2024.

Selling and marketing expenses

Our selling and marketing expenses for the six months ended 30 June 2024 amounted to approximately HK\$152 million, representing an increase of approximately HK\$36 million, or approximately 31.3% as compared with the six months ended 30 June 2023 of HK\$116 million. 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 2024 amounted to approximately HK\$94 million, representing an increase of approximately HK\$16 million, or approximately 19.3% as compared with the six months ended 30 June 2023 of HK\$78 million. The increase was mainly due to increase of administrative headcount of the Group.

Research and development expenses

Our research and development expenses for the six months ended 30 June 2024 amounted to approximately HK\$143 million, representing an increase of approximately HK\$48 million, or approximately 50% as compared with the six months ended 30 June 2023 of HK\$95 million. The increase was mainly due to the increase of research and development activities in the current period.

Finance costs

Finance costs mainly consisted of interest expenses on interest-bearing borrowings and convertible bonds of approximately HK\$46 million (six months ended 30 June 2023: HK\$50 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

The profit for the six months ended 30 June 2024 amounted to approximately HK\$46 million, representing an increase of approximately HK\$12 million, or approximately 36.5% as compared to the profit for the six months ended 30 June 2023 of approximately HK\$34 million.

Basic earnings per share for the six months ended 30 June 2024 was approximately HK\$0.0184 (six month ended 30 June 2023: HK\$0.0132), and diluted earnings per share for the six months ended 30 June 2024 was approximately HK\$0.0171 (six month ended 30 June 2023: HK\$0.0121).

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

Adjusted EBITDA

The Adjusted EBITDA for the six months ended 30 June 2024 amounted to approximately HK\$196 million, representing an increase of approximately HK\$15 million, or approximately 8.3%, as compared to the Adjusted EBITDA for the six months ended 30 June 2023 of approximately HK\$181 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 2024, 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 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Total assets	3,721,191	3,506,108
Total liabilities	1,539,280	1,366,296
Net assets	2,181,911	2,139,812
Total equity	<u>2,181,911</u>	<u>2,139,812</u>

Goodwill

Our goodwill amounted to approximately HK\$1,155 million as at 30 June 2024, remained stable as compared to 31 December 2023 of HK\$1,170 million. Goodwill is tested for impairment periodically and no impairment loss is considered necessary as at 30 June 2024.

Intangible assets

Our intangible assets amounted to approximately HK\$419 million as at 30 June 2024, representing a decrease of approximately HK\$18 million as compared to 31 December 2023. The decrease was mainly due to the amortisation of intangible assets.

Interest-bearing borrowings

As at 30 June 2024, the Group's interest-bearing borrowings consisted of (i) secured interest-bearing borrowings with carrying amount of HK\$412,203,000 (HK\$157,134,000 as current liabilities and HK\$255,069,000 as non-current liabilities), which bear interest at secured overnight financing rate plus seven percent and secured by the shares, intellectual property, trade receivables and bank balances of all material subsidiaries of the Group, and (ii) current unsecured interest-bearing borrowings with carrying amount of HK\$161,711,000 (31 December 2023: HK\$131,303,000), which bear interests at three point four five percent to four point eight percent (31 December 2023: three point five percent to four point eight percent).

Convertible bonds

On 16 August 2022, the Company issued convertible bonds in an aggregate principal amount of HK\$117,000,000 to Lucion International Investment Limited, an investment holding company incorporated in Hong Kong. The convertible bonds have an initial conversion price of HK\$5.32 per Share. The convertible bonds are convertible into shares of the Company. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 4% per annum, payable annually in arrears, and will mature in the three years from the issue date.

On 24 May 2024, the Company issued convertible bonds in an aggregate principal amount of HK\$159,997,200 to Poly Platinum Enterprises Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP. The convertible bonds have an initial conversion price of HK\$1.87 per Share. The convertible bonds are convertible into shares of the Company. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 3% per annum, payable annually in arrears, and will mature in the two years from the issue date.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As of 30 June 2024, our cash and cash equivalents and pledged deposits in aggregate amounted to approximately HK\$317 million. As of 30 June 2024, our current assets amounted to approximately HK\$1,717 million of which approximately HK\$1,211 million was trade receivables and approximately HK\$317 million was cash and cash equivalents and pledged deposits. Our current liabilities amounted to approximately HK\$944 million, of which approximately HK\$465 million was trade payables. As at 30 June 2024, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 1.8 as compared with 2.0 at 31 December 2023.

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2024 together with the comparative figures for the six months ended 30 June 2023 as set out below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
REVENUE	4	1,180,634	1,002,756
Cost of services provided		<u>(676,517)</u>	<u>(609,983)</u>
Gross profit		504,117	392,773
Other income and gains	4	6,844	10,788
Selling and marketing expenses		(152,462)	(116,153)
Administrative expenses		(93,646)	(78,468)
Research and development expenses		(142,902)	(95,290)
Finance costs	6	(46,033)	(50,332)
Share of profits and losses of associates		—	1
Other expenses		<u>(6,086)</u>	<u>(18,184)</u>
PROFIT BEFORE TAX	5	69,832	45,135
Income tax expense	7	<u>(23,510)</u>	<u>(11,207)</u>
PROFIT FOR THE PERIOD		<u>46,322</u>	<u>33,928</u>
Attributable to:			
Owners of the Company		41,474	29,163
Non-controlling interests		<u>4,848</u>	<u>4,765</u>
		<u>46,322</u>	<u>33,928</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic — for profit for the period (HK\$)	9	0.0184	0.0132
Diluted — for profit for the period (HK\$)	9	<u>0.0171</u>	<u>0.0121</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>46,322</u>	<u>33,928</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(39,267)</u>	<u>(69,115)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(39,267)</u>	<u>(69,115)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>7,055</u>	<u>(35,187)</u>
Attributable to:		
Owners of the Company	6,185	(33,763)
Non-controlling interests	<u>870</u>	<u>(1,424)</u>
	<u>7,055</u>	<u>(35,187)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		65,814	70,831
Investment properties	10	68,245	70,234
Right-of-use assets		23,765	13,014
Goodwill		1,155,202	1,170,392
Other intangible assets		418,942	436,696
Investment in associates		972	999
Financial assets at fair value through profit or loss	11	195,602	199,280
Deferred tax assets		73,985	86,615
Prepayments and deposits		<u>1,753</u>	<u>2,485</u>
Total non-current assets		<u>2,004,280</u>	<u>2,050,546</u>
CURRENT ASSETS			
Inventories		9,075	4,397
Trade receivables	12	1,210,789	1,057,247
Prepayments, deposits and other receivables		173,891	128,420
Tax recoverable		6,652	10,614
Pledged deposits		14,859	14,841
Cash and cash equivalents		<u>301,645</u>	<u>240,043</u>
Total current assets		<u>1,716,911</u>	<u>1,455,562</u>
CURRENT LIABILITIES			
Trade payables	13	465,057	450,875
Other payables and accruals		117,253	98,187
Interest-bearing borrowings	14	318,845	131,303
Lease liabilities		6,671	8,398
Tax payable		27,191	43,284
Convertible bonds	15	<u>9,480</u>	<u>4,680</u>
Total current liabilities		<u>944,497</u>	<u>736,727</u>
NET CURRENT ASSETS		<u>772,414</u>	<u>718,835</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,776,694</u>	<u>2,769,381</u>

		30 June	31 December
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Convertible bonds	<i>15</i>	250,670	103,000
Interest-bearing borrowings	<i>14</i>	255,069	443,951
Lease liabilities		17,436	5,143
Deferred tax liabilities		71,608	77,475
		<u>594,783</u>	<u>629,569</u>
Total non-current liabilities		<u>594,783</u>	<u>629,569</u>
Net assets		<u>2,181,911</u>	<u>2,139,812</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		447	441
Treasury shares		(2,411)	(32,604)
Equity component of convertible bonds		17,546	8,614
Reserves		1,979,813	1,977,715
		<u>1,995,395</u>	<u>1,954,166</u>
Non-controlling interests		186,516	185,646
		<u>186,516</u>	<u>185,646</u>
Total equity		<u>2,181,911</u>	<u>2,139,812</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 2024 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the disclosure requirement of Appendix 16 of the Listing Rules. 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 2023. The interim condensed consolidated financial information are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) 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 31 December 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendment to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Mainland China	604,797	560,038
United States	571,780	439,789
Other countries/regions	4,057	2,929
	<u>1,180,634</u>	<u>1,002,756</u>

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

(b) Non-current assets

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
	Mainland China	1,092,044
United States	627,144	618,163
Other countries/regions	15,505	9,098
	<u>1,734,693</u>	<u>1,764,651</u>

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue derived from sales to major customers, including sales to a group of entities which are known to be under common control with those customers, which accounted for 10% or more of the Group's revenue for the six months ended 30 June 2024 is as follows:

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	180,929	160,658
Customer B	<u>134,623</u>	<u>101,937</u>

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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Rendering of services	<u>1,180,634</u>	<u>1,002,756</u>
Other income and gains		
Bank Interest income	1,850	2,822
Foreign exchange gains	1,493	120
Fair value gain on financial assets measured at FVTPL	—	212
Other	<u>3,501</u>	<u>7,634</u>
	<u>6,844</u>	<u>10,788</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of services provided	<u>676,517</u>	<u>609,983</u>
Employee benefit expense (including Directors' and chief executive's remuneration)		
Wages and salaries	96,287	90,784
Equity-settled share compensation expense	17,524	18,156
Directors' fee	1,798	1,509
Other benefits	5,982	6,100
Pension scheme contributions	<u>3,455</u>	<u>3,237</u>
	125,046	119,786
Depreciation of items of property, plant and equipment	7,860	6,860
Depreciation of right-of-use assets	6,693	5,325
Amortisation of intangible assets	50,691	48,486
Lease payments not included in the measurement of lease liabilities	376	1,336
(Reversal of impairment)/impairment of trade receivables	(892)	3,879
Research and development expenses	142,902	95,290
Auditor's remuneration	2,271	2,265
Bank interest income (<i>Note 4</i>)	(1,850)	(2,822)
Loss on derecognition of financial liabilities measured at amortised cost	—	6,195
Changes in fair value of financial assets at FVTPL, net	415	(212)
Foreign exchange differences, net	<u>2,850</u>	<u>7,658</u>

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings (including convertible bonds)	45,689	50,014
Nominal interest on lease liabilities	<u>344</u>	<u>318</u>
	<u>46,033</u>	<u>50,332</u>

7. INCOME TAX EXPENSE

Income tax represents primarily United States, Mainland China, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group is charged at the federal tax rate of 21% (2023: 21%) for the six months ended 30 June 2024. The income tax applicable to profits arising in Hong Kong was provided at a statutory tax rate of 16.5% (2023: 16.5%) during the six months ended 30 June 2024. 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 2024 except for certain subsidiaries of the Group in Mainland China, that were accredited as “High and New Technology Enterprises” and entitled to a preferential rate is 15% in three years respectively. 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 for the six months ended 30 June are as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current — United States		
Charge for the period	31	797
Current — Mainland China		
Charge for the period	16,032	13,443
Deferred tax expense	<u>7,447</u>	<u>(3,033)</u>
Total tax expense for the period	<u>23,510</u>	<u>11,207</u>

8. DIVIDEND

The Board does not recommend payment of any dividend for the period ended 30 June 2024 (2023: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 2,252,048,052 (2023: 2,210,092,429) in issue during the period.

The calculations of earnings per share attributable to owners of the Company for each of the six months ended 30 June 2024 and 2023 are based on the following data:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	41,474	29,163
Interest on convertible bonds	<u>6,442</u>	<u>5,227</u>
Profit attributable to owners of the Company before interest on convertible bond	<u>47,916</u>	<u>34,390</u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,252,048,052	2,210,092,429
Effect of dilution — Weighted average number of ordinary shares		
Share options	169,515,604	198,716,685
Convertible bonds	<u>39,856,657</u>	<u>21,992,481</u>
Weighted average number of ordinary share options for the purpose of diluted earnings per share calculation	<u>2,461,420,313</u>	<u>2,430,801,595</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\$41,474,000 (2023: HK\$29,163,000) and the weighted average number of ordinary shares of 2,421,563,656 (2023: 2,408,809,114) in issue during the six months ended 30 June 2024 which excluded the interest on the convertible bonds of HK\$6,442,000 (2023: HK\$5,227,000) and the weighted average number of ordinary shares of 39,856,657 (2023: 21,992,481) from convertible bonds.

10. INVESTMENT PROPERTIES

	<i>HK\$'000</i> (Unaudited)
Carrying amount at 1 January 2024	70,234
Exchange realignment	<u>(1,989)</u>
Carrying amount at 30 June 2024	<u><u>68,245</u></u>

The Group's investment properties under construction amounting to HK\$68,245,000 which will be held under leasehold interests to earn rentals after completion are measured using the fair value model, and are classified and accounted for as investment properties.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Call option, at fair value	133,322	137,014
Other unlisted investments, at fair value	<u>62,280</u>	<u>62,266</u>
	<u><u>195,602</u></u>	<u><u>199,280</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. The above call option is a derivative financial instrument which allow the Group, at the Group's discretion, to acquire the remaining 38.82% in Particle Technology at consideration of RMB542 million in steps in 2025.

12. TRADE RECEIVABLES

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Trade receivables	1,221,566	1,068,916
Impairment	<u>(10,777)</u>	<u>(11,669)</u>
	<u><u>1,210,789</u></u>	<u><u>1,057,247</u></u>

The Group's trading terms with its debtors are usually 10 to 180 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 the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 1 year	1,175,507	1,033,610
Over 1 year	<u>35,282</u>	<u>23,637</u>
	<u><u>1,210,789</u></u>	<u><u>1,057,247</u></u>

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
At beginning of period/year	11,669	803
(Reversal of impairment)/impairment of trade receivables, net	<u>(892)</u>	<u>10,866</u>
At end of the period/year	<u><u>10,777</u></u>	<u><u>11,669</u></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 2024

	Current	Less than 1 year	Past due 1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.09%	9.94%	25.00%	100%	0.88%
Gross carrying amount (HK\$'000)	1,127,285	92,428	1,710	143	1,221,566
Expected credit losses (HK\$'000)	1,019	9,187	428	143	10,777

As at 31 December 2023

	Current	Less than 1 year	Past due 1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.08%	4.71%	19.46%	100%	1.09%
Gross carrying amount (HK\$'000)	946,250	92,423	29,348	895	1,068,916
Expected credit losses (HK\$'000)	714	4,349	5,711	895	11,669

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 1 year	<u>465,057</u>	<u>450,875</u>

The trade payables are non-interest-bearing and are normally settled on within 1 year terms.

14. INTEREST-BEARING BORROWINGS

As at 30 June 2024, the Group's interest-bearing borrowings consisted of (i) secured interest-bearing borrowings with carrying amount of HK\$412,203,000 (HK\$157,134,000 as current liabilities and HK\$255,069,000 as non-current liabilities), which bear interest at secured overnight financing rate plus seven percent and secured by the shares, intellectual property, trade receivables and bank balances of all material subsidiaries of the Group, and (ii) current unsecured interest-bearing borrowings with carrying amount of HK\$161,711,000 (31 December 2023: HK\$131,303,000), which bear interests at three point four five percent to four point eight percent (31 December 2023: three point five percent to four point eight percent).

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Analysed into		
Bank loans repayable:		
Within one year or on demand	318,845	131,303
In the second year	255,069	195,204
In the third year	<u>—</u>	<u>248,747</u>
Total	<u>573,914</u>	<u>575,254</u>

15. CONVERTIBLE BONDS

On 16 August 2022, the Company issued convertible bonds in an aggregate principal amount of HK\$117,000,000 to Lucion International Investment Limited, an investment holding company incorporated in Hong Kong. The convertible bonds have an initial conversion price of HK\$5.32 per Share. The convertible bonds are convertible into shares of the Company. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 4% per annum, payable annually in arrears, and will mature in the three years from the issue date. The annual effective interest rate of the debt component is 10.69%.

On 24 May 2024, the Company issued convertible bonds in an aggregate principal amount of HK\$159,997,200 to Poly Platinum Enterprises Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP. The convertible bonds have an initial conversion price of HK\$1.87 per Share. The convertible bonds are convertible into shares of the Company. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 3% per annum, payable annually in arrears, and will mature in the two years from the issue date. The annual effective interest rate of the debt component is 3.49%.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued have been split into the liability and equity components as follows:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Liability component at 1 January	107,680	101,686
Nominal value of convertible bonds issued during the period/year	159,997	—
Equity component	(8,932)	—
Direct transaction costs attributable to the equity component	(299)	—
Direct transaction costs attributable to the liability component	(5,056)	—
	<hr/>	<hr/>
Liability component at the issuance date	253,390	101,686
Interest expense	6,442	10,644
Interest paid	—	(4,446)
Exchange realignment	318	(204)
	<hr/>	<hr/>
Liability component at end of period/year	260,150	107,680
Portion classified as current liabilities	(9,480)	(4,680)
	<hr/>	<hr/>
Non-current portion	<u>250,670</u>	<u>103,000</u>

OTHER INFORMATION

Significant investments, acquisitions and disposals

During the six months ended 30 June 2024, we did not have any other significant investment and any material acquisition or disposal.

Capital expenditures

Our capital expenditures were primarily for expenditures for purchase of equipment and intangible assets. The amount of our capital expenditures for the six months ended 30 June 2024 was approximately HK\$50 million.

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

As of 30 June 2024 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

In light of the nature of our business, we are exposed to various foreign currencies, among which, USD and RMB are mostly used apart from HK\$. To minimise the impact of foreign currency rate volatility, we monitor foreign currency risk at operational level closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Gearing ratio

Our 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 convertible bonds and interest-bearing borrowings, less cash and cash equivalents. As of 30 June 2024, our gearing ratio, calculated as net debt divided by the equity attributable to owners of the Company plus net debt, was 21% as compared with 18% as at 31 December 2023.

Use of proceeds from issue of convertible bonds and placement of shares

On 24 May 2024, the Company issued convertible bonds in the aggregate principal amount of HK\$160 million, raised net proceeds of HK\$155 million. As at 30 June 2024, the Company has utilised HK\$116 million of the net proceeds as intended. The table below sets out the details of actual usage of the net proceeds as at 30 June 2024.

Intended use of proceeds	Initial intended allocation <i>(HK\$ million)</i>	Net proceeds utilised	Unutilised net	Net proceeds utilised	Unutilised net	Expected timeline of full utilisation
		during the year ended 31 December 2023 <i>(HK\$ million)</i>	proceeds as at 31 December 2023 <i>(HK\$ million)</i>	during the six months ended 30 June 2024 <i>(HK\$ million)</i>	proceeds as at 30 June 2024 <i>(HK\$ million)</i>	
Development and investment of AIGC related business	116	—	116	—	116	31 December 2025
Repayment of interest- bearing borrowings	39	—	39	39	—	31 December 2025
	<u>155</u>	<u>—</u>	<u>155</u>	<u>39</u>	<u>116</u>	

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2024, we employed a total of 566 staff (as at 31 December 2023: 578 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 2024 was approximately HK\$125 million (for the six months ended 30 June 2023: HK\$120 million).

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

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 2024, 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 2024, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for code provision C.2.1. Code provision C.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yangbin Bernard 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 is 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. In addition, the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information. In addition, under the supervision of the Board which is comprised of two executive Directors, two non-executive Director and three independent non-executive Directors as at the date of this announcement, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders. 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 2024. 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 2024, 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 one non-executive Director, namely, Mr. J David WARGO. The chairman of the Audit Committee is Mr. KWAN Ngai Kit. Mr. KWAN Ngai Kit has appropriate professional qualifications and experience in financial matters. The main responsibilities of the Audit Committee is for reviewing and supervising the financial reporting process and internal control system of the Group.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2024 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 Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.vobilegroup.com). The Company will publish the 2024 interim report containing all the information as required by the Listing Rules and make 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:

“AIGC”	artificial intelligence generated content
“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

“EBITDA”	earnings before interest, tax, depreciation and amortisation
“FVTPL”	fair value through profit or loss
“GenAI”	generative artificial intelligence
“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
“Particle Technology”	Hangzhou Particle Culture Technology Co., Ltd. and its subsidiaries and Hangzhou New Particle Culture Technology Co., Ltd. and its subsidiaries
“PRC” or “China”	the People’s Republic of China. For the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“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
“RMB” or “Renminbi”	the lawful currency of the PRC
“SaaS”	Software as a Service
“Share(s)”	ordinary share(s) of US\$0.000025 each in the share capital of the Company

“Share Award Plan”	The share award plan adopted by the Company on 6 May 2019, as amended from time to time
“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, 30 August 2024

As at the date of this announcement, the board of directors of the Company comprises Mr. Yangbin Bernard WANG and Mr. WONG Wai Kwan as executive directors; Mr. CHAN Ching Yan Daniel, Mr. J David WARGO and Mr. TANG Yi Hoi Hermes as non-executive directors; and 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.