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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 2022

FINANCIAL HIGHLIGHTS

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	556,120	319,481
Gross profit	230,185	163,707
Profit before tax	44,992	31,010
Profit for the period	29,145	23,065
Non-IFRS Adjusted Net Profit	50,031	35,865
Non-IFRS Adjusted EBITDA	<u>130,573</u>	<u>66,556</u>

Interim Condensed Consolidated Statement of Financial Position Highlights

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Total assets	3,180,295	1,770,150
Total liabilities	1,418,149	233,827
Net assets	1,762,146	1,536,323
Total equity	<u>1,762,146</u>	<u>1,536,323</u>

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2022 together with the comparative figures for the six months ended 30 June 2021 as set out below.

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE	4	556,120	319,481
Cost of services provided		<u>(325,935)</u>	<u>(155,774)</u>
Gross profit		230,185	163,707
Other income and gains	4	11,183	1,840
Selling and marketing expenses		(49,248)	(36,568)
Administrative expenses		(57,441)	(33,695)
Research and development expenses		(58,250)	(48,623)
Finance costs	6	(22,513)	(11,908)
Share of losses of associates		(145)	—
Other expenses		<u>(8,779)</u>	<u>(3,743)</u>
PROFIT BEFORE TAX	5	44,992	31,010
Income tax expense	7	<u>(15,847)</u>	<u>(7,945)</u>
PROFIT FOR THE PERIOD		<u>29,145</u>	<u>23,065</u>
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(46,919)</u>	<u>2,440</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		<u>(46,919)</u>	<u>2,440</u>
TOTAL COMPREHENSIVE LOSS/(INCOME) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(17,774)</u>	<u>25,505</u>

		Six months ended 30 June	
		2022	2021
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
	Owners of the parent	23,663	23,065
	Non-controlling interests	<u>5,482</u>	<u>—</u>
		<u>29,145</u>	<u>23,065</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
	Owners of the parent	(23,081)	25,505
	Non-controlling interests	<u>5,307</u>	<u>—</u>
		<u>(17,774)</u>	<u>25,505</u>
EARNINGS PER SHARE			
	Basic, profit for the period attributable to ordinary equity holders of the parent (HK\$)	9 0.0138	0.0124
	Diluted, profit for the period attributable to ordinary equity holders of the parent (HK\$)	9 <u>0.0126</u>	<u>0.0117</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		53,476	26,190
Investment properties	10	43,315	45,328
Right-of-use assets		23,793	23,239
Goodwill		1,215,368	607,297
Other intangible assets		362,057	111,449
Equity investments designated at fair value through other comprehensive income		10,708	—
Financial assets at fair value through profit or loss	11	187,180	48,316
Investment in associates		6,747	—
Deferred tax assets		87,457	83,603
Prepayments and deposits		<u>12,866</u>	<u>1,986</u>
Total non-current assets		<u>2,002,967</u>	<u>947,408</u>
CURRENT ASSETS			
Trade receivables	12	562,380	269,637
Prepayments, deposits and other receivables		170,323	50,877
Tax recoverable		6,921	5,363
Cash and cash equivalents		<u>437,704</u>	<u>496,865</u>
Total current assets		<u>1,177,328</u>	<u>822,742</u>
CURRENT LIABILITIES			
Trade payables	13	319,782	136,218
Other payables and accruals		63,587	25,709
Lease liabilities		11,239	9,473
Tax payable		<u>16,367</u>	<u>20,094</u>
Total current liabilities		<u>410,975</u>	<u>191,494</u>
NET CURRENT ASSETS		<u>766,353</u>	<u>631,248</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,769,320</u>	<u>1,578,656</u>

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	14	964,910	—
Lease liabilities		14,509	14,790
Deferred tax liabilities		27,755	27,543
		<u>1,007,174</u>	<u>42,333</u>
Total non-current liabilities		<u>1,007,174</u>	<u>42,333</u>
Net assets		<u>1,762,146</u>	<u>1,536,323</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		417	417
Treasury shares		(86,024)	(62,437)
Reserves		1,590,480	1,598,343
		<u>1,504,873</u>	<u>1,536,323</u>
Non-controlling interests		257,273	—
		<u>1,762,146</u>	<u>1,536,323</u>
Total equity		<u>1,762,146</u>	<u>1,536,323</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 2022 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 2021.

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 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
United States	327,790	250,913
Mainland China	225,681	66,382
Other countries/regions	<u>2,649</u>	<u>2,186</u>
	<u><u>556,120</u></u>	<u><u>319,481</u></u>

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

(b) Non-current assets

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
	Mainland China	1,049,435
United States	643,288	642,253
Other countries/regions	<u>18,152</u>	<u>26,021</u>
	<u><u>1,710,875</u></u>	<u><u>815,489</u></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 2022 is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	110,704	—*
Customer B	<u>66,664</u>	<u>—*</u>

* Revenue derived from these customers did not exceed 10% of the Group's revenue for the six months 30 June 2021.

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Rendering of services	<u>556,120</u>	<u>319,481</u>
Other income and gains		
Bank Interest income	1,411	513
Foreign exchange gains	1,904	506
Fair value gain on financial assets measured at FVTPL	30	—
Other	<u>7,838</u>	<u>821</u>
	<u>11,183</u>	<u>1,840</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of services provided	<u>325,935</u>	<u>155,774</u>
Employee benefit expense (including Directors' and chief executive's remuneration)		
Wages and salaries	77,846	52,885
Equity-settled share compensation expense	15,221	12,800
Directors' fee	1,331	1,320
Other benefits	2,974	1,251
Pension scheme contributions	<u>3,955</u>	<u>143</u>
	101,327	68,399
Depreciation of items of property, plant and equipment	2,182	700
Depreciation of right-of-use assets	5,777	5,125
Amortisation of intangible assets	34,554	4,692
Lease payments not included in the measurement of lease liabilities	1,115	586
Impairment/(reversal of impairment) of trade receivables	935	(43)
Research and development expenses	58,250	48,623
Auditor's remuneration	1,500	1,100
Fair value losses on financial assets at FVTPL, net	2,425	877
Share of losses of associates	145	—
Bank interest income (<i>Note 4</i>)	(1,411)	(513)
Foreign exchange differences, net	<u>1,991</u>	<u>2,255</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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings (including convertible bonds)	22,092	11,506
Nominal interest on lease liabilities	421	402
	<u>22,513</u>	<u>11,908</u>

7. INCOME TAX EXPENSE

Income tax consists primarily of United States, Mainland China, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group was charged at the federal tax rate of 21% (2020: 21%) for the period. The income tax applicable to profits arising in Hong Kong was provided at a statutory tax rate of 16.5% during the period. The income tax applicable to profits arising in Mainland China was provided at a statutory tax rate of 25% during the period except for certain subsidiaries of the Group in Mainland China, that were accredited as a “High and New Technology Enterprise” and entitled to a preferential rate of 15% in 2020 to 2023. 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current — United States		
Charge for the period	—	12
Current — Mainland China		
Charge for the period	14,089	2,164
Deferred tax expense	1,758	5,769
	<u>15,847</u>	<u>7,945</u>
Total tax expense for the period	<u>15,847</u>	<u>7,945</u>

8. DIVIDEND

The Board does not recommend payment of any dividend for the period ended 30 June 2022 (2021: 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 2,117,596,656 (2021: 1,862,497,008) in issue during the year, as adjusted to reflect the share subdivision, share allotment for consideration settlement, issue of shares and exercise of share options on 15 July 2021.

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 2022 and 2021 are based on the following data:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	29,145	23,065
Interest on convertible bonds	<u>—</u>	<u>7,699</u>
Profit attributable to ordinary equity holders of the Company before interest on convertible bond	<u>29,145</u>	<u>30,764</u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,117,596,656	1,862,497,008
Effect of dilution — Weighted average number of ordinary shares		
Share options	193,320,552	109,034,644
Convertible bonds	<u>—</u>	<u>152,602,432*</u>
Weighted average number of ordinary share options for the purpose of diluted earnings per share calculation	<u>2,310,917,208</u>	<u>2,124,134,084</u>

* The number of issued shares and the number of share interested increased due to the share subdivision of every one share of the Company with par value of US\$0.0001 of the Company into four subdivided shares of US\$0.000025 each on 15 July 2021. Therefore, the number of shares used in the calculation for the six months ended 30 June 2021 was adjusted.

* 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 1,971,531,652 in issue during the six months ended 30 June 2021 which excluded the interest on the convertible bonds of HK\$7,699,000 and the weighted average number of ordinary shares of 152,602,432 from convertible bonds.

10. INVESTMENT PROPERTIES

	<i>HK\$'000</i> (Unaudited)
Carrying amount at 1 January 2022	45,328
Additions	427
Exchange realignment	<u>(2,440)</u>
Carrying amount at 30 June 2022	<u><u>43,315</u></u>

The Group investment properties under construction amounted to HK\$43,315,000 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 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Unlisted investments, at fair value	46,224	48,316
Call option, at fair value	<u>140,956</u>	<u>—</u>
	<u><u>187,180</u></u>	<u><u>48,316</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 2023 and 2024.

12. TRADE RECEIVABLES

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables	563,434	269,756
Impairment	<u>(1,054)</u>	<u>(119)</u>
	<u><u>562,380</u></u>	<u><u>269,637</u></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 2022, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 90 days	330,194	244,708
91 to 180 days	172,331	21,198
181 to 365 days	59,721	3,708
Over 365 days	134	23
	<u>562,380</u>	<u>269,637</u>

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

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At beginning of period/year	119	54
Impairment of trade receivables, net	935	65
	<u>1,054</u>	<u>119</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 2022

	Current	Less than 3 months	Past due 3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.09%	0.41%	1.12%	6.85%	0.19%
Gross carrying amount (HK\$'000)	464,396	74,420	23,625	993	563,434
Expected credit losses (HK\$'000)	395	305	286	68	1,054

As at 31 December 2021

	Current	Less than 3 months	Past due 3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.04%	0.40%	5.56%	6.67%	0.04%
Gross carrying amount (HK\$'000)	265,980	3,728	18	30	269,756
Expected credit losses (HK\$'000)	101	15	1	2	119

13. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2022, based on the invoice date, is as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 90 days	174,231	89,870
91 to 180 days	98,924	36,666
Over 180 days	46,627	9,682
	<u>319,782</u>	<u>136,218</u>

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

14. INTEREST-BEARING BORROWINGS

On 2 April 2022, Vobile HK entered into a senior facility (the “Senior Facility”) agreement and a mezzanine facility (the “Mezzanine Facility”) agreement with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) as the arranger and agent for loan amount of US\$75 million and US\$52.5 million, respectively. The Senior Facility was drawn on 21 April 2022, bear interest at secured overnight financing rate plus three point seven five percent to five point seven five percent and is fully repayable on 29 September 2023. The Mezzanine Facility was drawn on 21 April 2022, bear interest at secured overnight financing rate plus nine percent and is fully repayable on 2 July 2024. The interest-bearing borrowings are secured by the shares, intellectual properties, trade receivables and bank balances of all material subsidiaries of the Group.

15. BUSINESS COMBINATION

On 9 May 2022, the Group acquired a 61.18% interest in Particle Technology. The acquisition was made as part of the Group’s strategy to embrace market opportunities to further consolidate its position as the leader in online video content protection and monetization, and to further realize market potentials in China with one of the best veteran teams in the industry with proven track record. The purchase consideration for the acquisition was in the form of cash with RMB854,107,561 (equivalent to approximately HK\$1,002,238,000) paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Particle Technology were as follows:

	Fair value recognised on acquisition <i>HK\$’000</i>
Property, plant and equipment	20,121
Right-of-use assets	5,558
Intangible assets	280,300
Equity investments designated at fair value through other comprehensive income	10,724
Investment in associates	6,903
Deferred tax assets	5,786
Other non-current assets	23,542
Trade receivables	274,146
Prepayments, other receivables and other assets	94,079
Financial assets at fair value through profit or loss	152,893
Cash and bank balances	47,708
Trade payables	(239,009)
Other payables and accruals	(22,716)
Tax payable	(4,886)
Lease liabilities	(6,045)
	<hr/>
Total identifiable net assets at fair value	649,104
Non-controlling interests	(251,966)
	<hr/>
	397,138
Goodwill on acquisition**	605,100
	<hr/>
Satisfied by cash	<u>1,002,238</u>

The Group incurred transaction costs of HK\$17,502,000 for this acquisition. Transaction costs of HK\$3,240,000 have been expensed and are included in administrative expenses in profit or loss in the six months ended 30 June 2022 and transaction costs of HK\$14,262,000 were expensed and included in administrative expenses in profit or loss for the year ended 31 December 2021.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition is as follows:

	<i>HK\$'000</i>
Cash consideration paid	1,002,238
Cash and bank balances acquired	<u>(47,708)</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	954,530
Transaction costs of the acquisition included in cash flows from operating activities for the six months ended 30 June 2022	<u>3,240</u>
	<u><u>957,770</u></u>

Since the acquisition, Particle Technology contributed HK\$108,531,000 to the Group's revenue and HK\$14,122,000 to the consolidated profit for the six months ended 30 June 2022. Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been HK\$754,869,000 and HK\$24,222,000, respectively.

16. EVENTS AFTER THE REPORTING PERIOD

On 16 August 2022, the Company issued convertible bonds in a total principal amount of HK\$117,000,000 to Lucion International Investment Limited with an initial conversion price of HK\$5.32 per share. For further details, please refer to the Company's announcements dated 1 August 2022 and 17 August 2022.

On 8 July 2022, a total of 7,320,000 share options to 18 employees to subscribe for shares are granted under the Post-IPO Share Option Scheme adopted on 8 December 2017. Each option shall entitle the holder to subscribe for one share of the Company upon exercise of such share option at an exercise price of HK\$5.00 per Share. On 8 July 2022, the Company granted Share Awards to seven Directors under the Share Award Plan for a total of 574,396 Shares. For further details, please refer to the Company's announcement dated 8 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECTS

We are a global leading SaaS provider of essential technology infrastructure for digital content asset protection and transaction. With nearly two decades of operational excellence, we have established a solid customer base with trusted long-term relationships, which include global premier content creators, rights holders and platforms, such as Hollywood film studios, television networks, streaming platforms, blockchain and NFT marketplaces.

Content protection and transaction holds the core value since the inception of content industry, no matter how distribution methodologies changed over time. We provide technology services that are integral to digital content protection and transactions and aim to maximize value for IP rights holders by offering:

Diversified IP management products and solutions. Centred around core technology capabilities, we offer diversified IP management products and services, including content protection, channel management, and various of value-added services. We not only serve global leading content creators and IP rights holders, but can also extend our services to numerous mid/small content creators through our platform partners.

Integrated technology backend. We offer leading IP rights tracking capabilities to our clients based on our industry-leading proprietary fingerprint and watermark technologies. The integrated underlying core technologies across all products and solutions significantly enhance efficiency and reliability.

Cloud computing and big data. From over 17 years of business operations, we have accumulated 10 million+ VDNA assets, the largest video DNA database authorized by IP rights holders. We have ever-increasing operation advantages from progressive AI learnings and algorithm optimization through numerous complex real-world business cases. Our cloud computing and big data capabilities also allow smooth interaction with platform clients

Localized service capabilities in multiple regions. We have operation coverage with local teams in major markets including US, China, Japan and Europe. We are able to provide differentiated products and solutions in each market through localized service and execution.

Essential infrastructure to the industry. With our diversified product solutions, integrated technology backend, cloud computing and big data, and localized service capabilities, we have become an indispensable IP rights management partner and essential technology infrastructure provider for major markets across the world.

INDUSTRY ECOSYSTEM

Content protection and transaction business holds the core value since the inception of content industry. Content distribution methods evolve along with time and technologies — from physical film, to cable, and to digital media, but the core business value proposition of the industry has never changed.

During the first century of content industry development, content transaction was constrained by physical distribution limitations.

- It required complex process and tremendous hardware investments to distribute contents.
- Industry giants controlled the distribution, pricing and revenue sharing rights, and only limited contents were distributed to audiences.
- IP was contained within physical carriers and many times the physical carriers (DVD discs for example) were mistaken as valuable, while the real value lies within the IP rights.

In digital era, the transaction of contents is no longer constrained by physical limitations. It will return to its core — the value of IP rights.

- Digital content and streaming platforms become significant contributors to internet traffic
- Digital content asset transaction forms the basis for all content revenues including but not limited to subscription, pay-per-view, advertising, online shopping, etc.
- Industry giants lead the transformation of business model to directly connect with audiences, creating catalysts for content transaction business
- Without physical limitation and physical carriers, the methods of digital content asset transaction reflect the essence of the content industry — audiences directly pay for the contents
- Improving efficiency via technological services become the core competence in the rapid development of digital content asset transaction business

Content protection is the prerequisite for content transaction. Nowadays, digital media made the duplication of IP content nearly costless, and therefore the protection becomes more important.

Digital content asset transaction has two main models: pay-by-users model and pay-by-merchants model

- Pay-by-users: users pay to view and use the content and IP — this includes subscription, pay-per-view, and download
- Pay-by-merchants: merchants pay for the content and IP. Users can view the content for free and create traffic and potential purchasing — this includes advertising and online shopping

Vobile provides key solutions for digital content asset protection and transaction and plays important role in the ecosystem.

- The convenience of creating and consuming unauthorized contents via today's increasingly diversified distribution media greatly damages industry value proposition, and at the same time increases demand for Vobile's services

- Building on top of our unparalleled protection capabilities, we are able to promote digital content asset transaction through multiple products and services that cover both pay-by-user and pay-by-merchant models

FINANCIAL REVIEW

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

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue	556,120	319,481
Gross profit	230,185	163,707
Profit before tax	44,992	31,010
Profit for the period	29,145	23,065
Non-IFRS Adjusted Net Profit	50,031	35,865
Non-IFRS Adjusted EBITDA	<u>130,573</u>	<u>66,556</u>

Non-IFRS Adjusted Net Profit

Adjusted Net Profit is earnings 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	29,145	23,065
Add:		
Equity-settled share compensation expense	15,221	12,800
Transaction costs for acquisition of subsidiaries	3,240	—
Fair value change on financial assets at FVTPL, net	2,425	—
	<u> </u>	<u> </u>
Adjusted Net Profit	<u>50,031</u>	<u>35,865</u>

Non-IFRS Adjusted EBITDA

Adjusted EBITDA is earnings before finance costs, finance revenues, income taxes, depreciation and amortisation, equity settled share option expenses, and other one-off expenses. This is not a IFRSs measure. Adjusted EBITDA is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation. 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit before tax	44,992	31,010
Add:		
Equity-settled share compensation expense	15,221	12,800
Finance costs	22,513	11,908
Depreciation and amortisation	42,513	10,517
Transaction costs for acquisition of subsidiaries	3,240	—
Fair value change on financial assets at FVTPL, net	2,425	877
Share of losses of associates	145	—
Impairment on financial assets	935	(43)
Interest income	(1,411)	(513)
	<u>130,573</u>	<u>66,556</u>
Adjusted EBITDA	<u>130,573</u>	<u>66,556</u>

Revenue

The following table shows our revenue breakdown by product:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Subscription services	201,780	85,453
Add on services	352,928	233,727
Others	1,412	301
	<u>556,120</u>	<u>319,481</u>
Total revenue	<u>556,120</u>	<u>319,481</u>

Our revenue for the six months ended 30 June 2022 amounted to approximately HK\$556 million, representing an increase of approximately HK\$237 million, or approximately 74% as compared with the revenue for the six months ended 30 June 2021 of approximately HK\$319 million. Our business model has two revenue streams: subscription services and value-added services.

In the six months ended June 30, 2022, subscription services revenue was HK\$202 million, representing an increase of approximately HK\$117 million, or approximately 136% as compared with the subscription services revenue for the six months ended 30 June 2021, and accounted for 36% 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 realize IP rights values for our clients by providing additional IP revenue streams. During the six months ended June 30, 2022, value-added service revenue was HK\$353 million, representing an increase of 51% from 1H 2021, and accounted for 63% of total revenue. Our value-added service mainly consists of content monetization and revenue-sharing content distribution services.

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 maximizing long-term value.

Gross profit and gross profit margin

Our gross profit for the six months ended 30 June 2022 amounted to approximately HK\$230 million, representing an increase of approximately HK\$66 million, or approximately 41% as compared with the six months ended 30 June 2021 of HK\$164 million.

Our gross profit margin decreased from approximately 51.2% for the six months ended June 30, 2021 to approximately 41.4% for the six months ended June 30, 2022 as revenue from Particle Technology acquired by the Group in May 2022 yield lower gross profit margin than the other products.

Selling and marketing expenses

Our selling and marketing expenses for the six months ended 30 June 2022 amounted to approximately HK\$49 million, representing an increase of approximately HK\$12 million, or approximately 35% as compared with the six months ended 30 June 2021 of HK\$37 million. The increase was mainly due to the increase of sales and marketing initiatives during the period and the acquisition of Particle Technology by the Group.

Administrative expenses

Our administrative expenses for the six months ended 30 June 2022 amounted to approximately HK\$57 million, representing an increase of approximately HK\$23 million, or approximately 70% as compared with the six months ended 30 June 2021 of HK\$34 million. The increase was mainly due to increase of administrative headcount; and the acquisition of Particle Technology by the Group.

Research and development expenses

Our research and development expenses for the six months ended 30 June 2022 amounted to approximately HK\$58 million, representing an increase of approximately HK\$9 million, or approximately 20% as compared with the six months ended 30 June 2021 of HK\$49 million. 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.

Finance costs

Finance costs mainly consisted of interest expenses on interest-bearing borrowings of approximately HK\$23 million (six months ended 30 June 2021: HK\$12 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 2022 amounted to approximately HK\$29 million, representing an increase of approximately HK\$6 million, or approximately 26% as compared to the profit for the six months ended 30 June 2021 of approximately HK\$23 million.

Basic earnings per share for the six months ended 30 June 2022 was approximately HK\$0.0138 (six month ended 30 June 2021: HK\$0.0124), and diluted earnings per share for the six months ended 30 June 2022 was approximately HK\$0.0126 (six month ended 30 June 2021: HK\$0.0117).

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

Adjusted EBITDA

The Adjusted EBITDA for the six months ended 30 June 2022 amounted to approximately HK\$131 million, representing an increase of approximately HK\$64 million, or approximately 96%, as compared to the Adjusted EBITDA for the six months ended 30 June 2021 of approximately HK\$67 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 2022, 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 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Total assets	3,180,295	1,770,150
Total liabilities	1,418,149	233,827
Net assets	1,762,146	1,536,323
Total equity	<u>1,762,146</u>	<u>1,536,323</u>

Goodwill

Our goodwill amounted to approximately HK\$1,215 million as at 30 June 2022, representing an increase of approximately HK\$608 million as compared to 31 December 2021 of HK\$607 million. The increase was mainly contributed by the acquisition of Particle Technology. Goodwill is tested for impairment periodically and no impairment loss is considered necessary as at 30 June 2022.

Intangible assets

Our intangible assets amounted to approximately HK\$362 million as at 30 June 2022, representing an increase of approximately HK\$251 million as compared to 31 December 2021. The increase was mainly contributed by the acquisition of Particle Technology.

Interest-bearing borrowings

On 2 April 2022, Vobile HK entered into a senior facility (the “Senior Facility”) agreement and a mezzanine facility (the “Mezzanine Facility”) agreement with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) as the arranger and agent for loan amount of US\$75 million and US\$52.5 million, respectively. The Senior Facility was drawn on 21 April 2022, bear interest at secured overnight financing rate plus three point seven five percent to five point seven five percent and is fully repayable on 29 September 2023. The Mezzanine Facility was drawn on 21 April 2022, bear interest at secured overnight financing rate plus nine percent and is fully repayable on 2 July 2024. The interest-bearing borrowings are secured by the shares, intellectual properties, trade receivables and bank balances of all material subsidiaries of the Group.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As of 30 June 2022, our cash and cash equivalents amounted to approximately HK\$438 million. As of 30 June 2022, our current assets amounted to approximately HK\$1,177 million of which approximately HK\$562 million was trade receivables and approximately HK\$438 million was cash and cash

equivalents. Our current liabilities amounted to approximately HK\$411 million, of which approximately HK\$320 million was trade payables. As at 30 June 2022, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 2.9 as compared with 4.3 at 31 December 2021.

Significant investments, acquisitions and disposals

Except for the acquisition of Particle Technology in May 2022, we did not have any other significant investment and any material acquisition or disposal during the six months ended 30 June 2022. Please refer to the Company's announcements dated 17 December 2021 and 17 January 2022, and its circular dated 23 December 2021 on the respective websites of the Stock Exchange and the Company.

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 2022 was approximately HK\$10 million.

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

As of 30 June 2022 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

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 2022, our gearing ratio, calculated as net debt divided by the equity attributable to owners of the parent plus net debt, was 26%. As of 31 December 2021, 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 and placement of shares

In July 2020, the Company completed the issue of two series of convertible bonds to Poly Platinum Enterprises Limited and raised net proceeds of approximately HK\$90 million. As at 31 December 2021, the Company had fully utilised the net proceeds as intended. The table below sets out the details of actual usage of the net proceeds as at 31 December 2021.

Intended use of proceeds	Unutilised proceeds brought forward as at 1 January 2021 <i>(HK\$ million)</i>	Net proceeds utilised during the year ended 31 December 2021 <i>(HK\$ million)</i>	Unutilised net proceeds as at 31 December 2021 <i>(HK\$ million)</i>	Expected timeline of full utilisation
Development and investment of content distribution related business and other business supporting short-form video platforms	74	74	—	N/A
	<u>74</u>	<u>74</u>	<u>—</u>	

In December 2020, the Company completed the allotment and issuance of 28,901,734 Shares (before the Share Subdivision) to Antfin (Hong Kong) Holding Limited, an indirect wholly-owned subsidiary of Ant Group Co., Ltd. and raised net proceeds of approximately HK\$387 million. As at 31 December 2021, the Company had fully utilised the net proceeds as intended. The table below sets out the details of actual usage of the net proceeds as at 31 December 2021.

Intended use of proceeds	Unutilised proceeds brought forward as at 1 January 2021 <i>(HK\$ million)</i>	Net proceeds utilised during the year ended 31 December 2021 <i>(HK\$ million)</i>	Unutilised net proceeds as at 31 December 2021 <i>(HK\$ million)</i>	Expected timeline of full utilisation
Potential investment opportunities	13	13	—	N/A
General working capital	149	149	—	N/A
	<u>162</u>	<u>162</u>	<u>—</u>	

In May 2021, the Company completed the placement of 21,500,000 Shares and raised net proceeds of approximately HK\$630 million. As at 31 December 2021, the Company has utilised HK\$249 million of the net proceeds as intended. As at 30 June 2022, the Company has utilised HK\$178 million of the net proceeds as intended. The table below sets out the details of actual usage of the net proceeds as at 31 December 2021.

Intended use of proceeds	Initial intended allocation <i>(HK\$ million)</i>	Net proceeds utilised	Unutilised net proceeds as at	Net proceeds utilised	Unutilised net proceeds as at	Expected timeline of full utilisation
		during the year ended 31 December 2021 <i>(HK\$ million)</i>	31 December 2021 <i>(HK\$ million)</i>	during the six months ended 30 June 2022 <i>(HK\$ million)</i>	30 June 2022 <i>(HK\$ million)</i>	
Investment in technology	284	112	172	53	119	On or before 31 December 2022
Global expansion of the Group's customers	221	91	130	46	84	On or before 31 December 2022
General corporate purposes	125	46	79	79	—	On or before 31 December 2022
	<u>630</u>	<u>249</u>	<u>381</u>	<u>178</u>	<u>203</u>	

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, we employed a total of 546 staff (as at 31 December 2021: 293 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 2022 was approximately HK\$101 million (for the six months ended 30 June 2021: HK\$68 million).

Pre-IPO Share Option Scheme

The following is a summary of all the principal terms of the Pre-IPO Share Option Scheme.

(a) Purpose of the Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to offer to employees, Directors (i.e. a member of the Board who is not an employee), consultants or advisers who perform bona fide services for, our Company or its subsidiary the opportunity to acquire equity in our Company through awards of Pre-IPO Share Option Scheme.

(b) *Exercise Price and Purchase Price of the Pre-IPO Share Option Scheme*

The Board shall determine the amount of the purchase price in its sole discretion; provided, however, that to the extent a share option consists of newly issued Shares, the Board shall require the recipient to furnish consideration having a value not less than the par value of such Shares.

The exercise price of share options is determined at the time of grant by the Board (or its duly authorised committee(s)) in its absolute discretion, but in any event shall not be less than 100% of the fair market value of a Share on the date of grant; provided, however that the exercise price per Share of a Pre-IPO Share Option granted to an individual holding more than 10% of the voting power of our Company shall not be less than 110% of the fair market value of a Share on the date of grant.

There is no maximum number of Shares to be purchased by each participant under the Pre-IPO Share Option Scheme. The period within which the options must be exercised and the minimum period for which the options must be held before they can be exercised (i.e. the vesting period) will be specified by the Board (or its duly authorised committee(s)) at the time of the offer of grant. No amount is payable on acceptance of an option.

(c) *Lapse of Option or Right*

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(d) *Duration of the Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme has been terminated upon the listing of the Company on the Stock Exchange, and no further options may thereafter be granted and no further Shares may thereafter be awarded or sold.

Post-IPO Share Option Scheme

The following is a summary of all the principal terms of the Post-IPO Share Option Scheme.

(a) *Purpose of the Post-IPO Share Option Scheme*

The purposes of the Post-IPO Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisers of our Group and to promote the success of the business of our Group.

(b) *Exercise Price and Purchase Price of the Post-IPO Share Option Scheme*

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board and shall be not less than the greater of:

- (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant;
- (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of the Shares.

The amount payable for the acceptance of an option shall be the sum of HK\$1.00 or its then equivalent in US dollars, or such other amount set by the Board at the time the option is granted, which shall be paid upon acceptance of the offer of such option. The minimum period for which the options must be held before they can be exercised (i.e. the vesting period) will be specified by the Board (or its duly authorised committee(s)) at the time of the offer of grant.

(c) *Lapse of Option or Right*

An option may be exercised in whole or in part by the participant at any time during the exercise period, which will be specified by the Board (or its duly authorised committee(s)) at the time of the offer of grant but shall not exceed 10 years from the date of grant. An option shall lapse forthwith (to the extent not already exercised) on the earliest of expiry of the exercise period and under the other provisions as set out in the Post-IPO Share Option Scheme.

(d) *Total Number of Shares Available for Issue under the Post-IPO Share Option Scheme*

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of our Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of our Company from time to time. The total number of Shares issued and to be issued upon the exercise of the options granted to each eligible person (including exercised, cancelled and outstanding options) under the Post-IPO Share Option Share in any 12-month period shall not exceed 1% of the relevant class of securities of our Company in issue.

As at 31 December 2021, the total number of Shares available for grant under the Post-IPO Share Option Scheme is 166,315,020 (after pro-rata adjustments upon the Share Subdivision), representing approximately 7.85% of the issued share capital of the Company as at 31 December 2021 and as at the date of the annual report 2021. As at 30 June 2022, the total number of Shares available for grant under the Post-IPO Share Option Scheme is 166,315,020, representing approximately 7.85% of the issued share capital of the Company as at 30 June 2022.

(f) *Duration of the Post-IPO Share Option Scheme*

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the adoption date of the Post-IPO Share Option Scheme.

Outstanding share options

Pre-IPO Share Option Scheme

As at 1 January 2021, there were outstanding 13,774,000 Shares (representing approximately 3.00% of the then issued share capital of the Company) underlying options granted pursuant to the Pre-IPO Share Option Scheme. During the year ended 31 December 2021, the Company did not grant any options pursuant to the Pre-IPO Share Option Scheme to any directors, member of the senior management or employees of the Group. As at 31 December 2021, there were outstanding 32,120,000 Shares (after pro-rata adjustments upon the Share Subdivision and representing approximately 1.52% of the then issued share capital of the Company) underlying options granted pursuant to the Pre-IPO Share Option Scheme.

Post-IPO Share Option Scheme

As at 1 January 2021, there were outstanding 13,250,000 Shares (representing approximately 2.89% of the then issued share capital of the Company) underlying options granted pursuant to the Post-IPO Share Option Scheme. During the year ended 31 December 2021, 46,300,000 options were granted pursuant to the Post-IPO Share Option Scheme to directors, member of the senior management or employees of the Group. As at 31 December 2021, there were outstanding 163,700,000 Shares (after pro-rata adjustments upon the Share Subdivision and representing approximately 7.73% of the then issued share capital of the Company) underlying options granted pursuant to the Post-IPO Share Option Scheme.

Details of the options granted pursuant to the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme to the grantees are set at below:

Name of Grantee	Date of grant	Vesting period	Exercise period	Exercise price per share after the Share Subdivision ¹	No. of share options												
					Outstanding as at 1 January 2021	Granted before the Share Subdivision	Exercised before the Share Subdivision	Outstanding immediately before the Share Subdivision	Effect of the Share Subdivision	Granted after the Share Subdivision	Exercised after the Share Subdivision	Expired/lapsed/ cancelled during the year	Outstanding as at 31 December 2021	Granted during the six months ended 30 June 2022	Exercised during the six months ended 30 June 2022	Expired/ lapsed/ cancelled during the six months ended 30 June 2022	Outstanding as at 30 June 2022
Directors																	
Mr. Wang	25 April 2017	Four years from date of grant ²	25 April 2019 to 25 April 2027	US\$0.0344	8,000,000	—	—	8,000,000	32,000,000	—	—	—	32,000,000	—	—	—	32,000,000
	12 January 2021	Ten years from date of grant ³	12 January 2021 to 12 January 2031	HK\$5.00	—	28,000,000	—	28,000,000	112,000,000	—	—	—	112,000,000	—	—	—	112,000,000
Mr. Matsuzawa	23 July 2021	Five years from date of grant ⁶	23 July 2022 to 23 July 2032	HK\$8.70	—	—	—	—	—	10,000,000 ⁷	—	—	10,000,000	—	—	—	10,000,000
Mr. Wong	25 April 2017	Four years from date of grant ²	25 April 2019 to 25 April 2027	US\$0.0313	600,000	—	(600,000) ⁸	—	—	—	—	—	—	—	—	—	—
Mr. Witte	25 April 2017	Four years from date of grant ²	25 April 2019 to 25 April 2027	US\$0.0313	400,000	—	—	400,000	1,600,000	—	(1,600,000) ⁹	—	—	—	—	—	—
Sub-total					9,000,000	28,000,000	(600,000)	36,400,000	145,600,000	10,000,000	(1,600,000)	—	154,000,000	—	—	—	154,000,000
Employees																	
Other employees	25 April 2017	Four years from date of grant ²	25 April 2019 to 25 April 2027	US\$0.0313	4,174,000	—	(3,397,000)	777,000	3,108,000	—	(2,988,000)	—	120,000	—	—	—	120,000
Other employees	30 July 2020	Two years from date of grant ⁴	30 July 2022 to 30 July 2032	HK\$0.875	9,500,000	—	—	9,500,000	38,000,000	—	(15,600,000)	—	22,400,000	—	—	—	22,400,000
Other employees	23 July 2021	Five years from date of grant ⁵	23 July 2022 to 23 July 2032	HK\$8.70	—	—	—	—	—	8,300,000	—	—	8,300,000	—	—	(3,300,000)	5,000,000
Sub-total					13,674,000	—	(3,397,000)¹⁰	10,277,000	41,108,000	8,300,000⁷	(18,588,000)¹⁰	—	30,820,000	—	—	(3,300,000)	30,820,000
Consultants																	
Consultants	25 April 2017	Four years from date of grant ²	25 April 2019 to 25 April 2027	US\$0.0313	600,000	—	(600,000)	—	—	—	—	—	—	—	—	—	—
Consultants	30 July 2020	Two years from date of grant ⁴	30 July 2022 to 30 July 2032	HK\$0.875	1,750,000	—	—	1,750,000	7,000,000	—	(4,000,000)	—	3,000,000	—	—	—	3,000,000
Kevin A. Mayer	9 September 2020	Two years from date of grant ⁴	9 September 2021 to 9 September 2031	HK\$1.02	2,000,000	—	—	2,000,000	8,000,000	—	—	—	8,000,000	—	—	—	8,000,000
Sub-total					4,350,000	—	(600,000)¹¹	3,750,000	15,000,000	—	(4,000,000)¹¹	—	11,000,000	—	—	—	11,000,000
Total					27,024,000	28,000,000	(4,597,000)	50,427,000	201,708,000	18,300,000	(24,188,000)	—	195,820,000	—	—	(3,300,000)	192,520,000

Notes:

- The exercise price has been adjusted to reflect the effect of the Share Subdivision.
- 50% of the share options shall vest on the second anniversary of the date of grant and 50% shall vest in 24 equal monthly installments following the second anniversary.
- The share options have an exercise period of ten years and the vesting periods of ten years from the date of grant. All nine tranches of the 112,000,000 share options in aggregate will become fully vested when the Market Capitalization of the Company on a Determination Date reaches at least US\$10 billion and the Company has achieved at least nine of the Operational Milestones in any combination. Please refer to the circular of the Company dated 1 March 2021 for further details.

The table below shows the Operational Milestones:

Operational Milestone comprised of Annual Revenue of the Company on a Determination Date in Excess of	Operational Milestone comprised of Annual Adjusted EBITDA of the Company on a Determination Date on Excess of
US\$50 Million	US\$10 Million
US\$75 Million	US\$15 Million
US\$100 Million	US\$20 Million
US\$125 Million	US\$25 Million
US\$150 Million	US\$30 Million
US\$175 Million	US\$35 Million
US\$200 Million	US\$40 Million
US\$225 Million	US\$45 Million
US\$250 Million	US\$50 Million

The table below shows the vesting conditions for each Tranche of the Share Options:

Cumulative Number of Operational Milestones Required to be Achieved	Market Capitalization Milestone Vesting Condition comprised of Market Capitalization of the Company on a Determination Date in Excess of		Number of vested Share Options in the Tranche
	<i>US\$</i>	<i>HK\$</i>	
One	2 billion	15.50 billion	3,111,111 Shares
Two	3 billion	23.25 billion	3,111,111 Shares
4	50% of the share options shall vest on the first anniversary of the date of grant and 50% shall vest in 12 equal monthly installments following the second anniversary.		
5	20% of the share options shall vest on the first anniversary of the date of grant and 80% shall vest in 48 equal monthly installments following the second anniversary.		
6	The closing price of the Shares on 11 January 2021, being the trading date immediately before the relevant date of the grant, was HK\$4.78 (adjusted to reflect the effect of the Share Subdivision).		
7	The closing price of the Shares on 22 July 2021, being the trading date immediately before the relevant date of the grant, was HK\$8.30.		
8	The weighted average closing price of the Shares immediately before the date of exercise by Mr. WONG Wai Kwan was HK\$8.25 (adjusted to reflect the effect of the Share Subdivision).		
9	The weighted average closing price of the Shares immediately before the date of exercise by Mr. Michael Paul WITTE was HK\$6.63.		
10	The weighted average closing price of the Shares immediately before the date of exercise by the participants was HK\$8.50 (adjusted to reflect the effect of the Share Subdivision).		

11 The weighted average closing price of the Shares immediately before the date of exercise by the participants was HK\$8.58 (adjusted to reflect the effect of the Share Subdivision).

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 2022, 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 2022, 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 2022. 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 2022, 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 2022 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 2022 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
“Determination Date”	a date on which the exercisability of the Share Options is determined, which shall be a day on which the Stock Exchange is open for trading
“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
“Market Capitalisation Milestone”	the milestones for exercisability of the tranches of the share options comprising the achievement of increases in Market Capitalisation of the Company on a Determination Date in nine US\$1 billion increments
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Matsuzawa”	Mr. MATSUZAWA Masaaki
“Mr. Wang”	Mr. Yangbin Bernard WANG
“Mr. Witte”	Mr. Michael Paul WITTE
“Mr. Wong”	Mr. WONG Wai Kwan
“Operational Milestones”	the vesting criteria for a tranche of the share option relating to annual revenue of the Company on a Determination Date or annual adjusted EBITDA of the Company on a Determination Date
“Particle Technology”	Hangzhou Particle Culture Technology Co., Ltd. (formerly known as Particle Culture Technology Group (Hangzhou) Co., Ltd.) and its subsidiaries and Hangzhou New Particle Culture Technology Co., Ltd. and its subsidiaries
“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
“PRC” or “China”	the People’s Republic of China. For the purposes of this annual report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“RMB” or “Renminbi”	the lawful currency of the PRC
“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 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
“Vobile HK”	Vobile Group (HK) Limited, a wholly owned subsidiary of the Company

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

Hong Kong, 31 August 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. Yangbin Bernard WANG and Mr. MATSUZAWA Masaaki as executive directors; Mr. CHAN Ching Yan Daniel, Mr. J David WARGO and Mr. WONG Wai Kwan 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.