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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2,000,989	1,442,670
Gross profit	850,157	590,712
Profit before tax	47,141	92,542
(Loss)/profit for the year	(210)	58,103
Non-IFRS Adjusted Net Profit	37,411	89,896
Non-IFRS Adjusted EBITDA	<u>319,196</u>	<u>299,464</u>

Consolidated Statement of Financial Position Highlights

	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	3,506,108	3,260,325
Total liabilities	1,366,296	1,586,690
Net assets	2,139,812	1,673,635
Total equity	<u>2,139,812</u>	<u>1,673,635</u>

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REVENUE	4	2,000,989	1,442,670
Cost of services provided		<u>(1,150,832)</u>	<u>(851,958)</u>
Gross profit		850,157	590,712
Other income and gains	4	39,903	53,491
Selling and marketing expenses		(284,855)	(151,951)
Administrative expenses		(203,076)	(162,912)
Research and development expenses		(231,533)	(133,129)
Finance costs	6	(92,252)	(92,772)
Share of profits and losses of an associate		1	(93)
Other expenses		<u>(31,204)</u>	<u>(10,804)</u>
PROFIT BEFORE TAX	5	47,141	92,542
Income tax expense	7	<u>(47,351)</u>	<u>(34,439)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(210)</u>	<u>58,103</u>
Attributable to:			
Owners of the Company		(7,818)	42,002
Non-controlling interests		<u>7,608</u>	<u>16,101</u>
		<u>(210)</u>	<u>58,103</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic			
— for (loss)/profit for the year (HK\$)	9	<u>(0.0035)</u>	<u>0.0198</u>
Diluted			
— for (loss)/profit for the year (HK\$)	9	<u>(0.0035)</u>	<u>0.0196</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(210)</u>	<u>58,103</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>(46,060)</u>	<u>(106,662)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(46,060)</u>	<u>(106,662)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(46,270)</u>	<u>(48,559)</u>
Attributable to:		
Owners of the Company	(50,730)	(60,580)
Non-controlling interests	<u>4,460</u>	<u>12,021</u>
	<u>(46,270)</u>	<u>(48,559)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		70,831	47,140
Investment properties	<i>10</i>	70,234	66,446
Right-of-use assets		13,014	20,129
Goodwill		1,170,392	1,184,396
Other intangible assets		436,696	388,056
Investment in associates		999	1,018
Financial assets at fair value through profit or loss	<i>11</i>	199,280	193,481
Deferred tax assets		86,615	93,785
Prepayments and deposits		2,485	1,951
Total non-current assets		<u>2,050,546</u>	<u>1,996,402</u>
CURRENT ASSETS			
Inventories		4,397	17,092
Trade receivables	<i>12</i>	1,057,247	686,151
Prepayments, other receivables and other assets		128,420	114,479
Tax recoverable		10,614	11,863
Pledged deposits		14,841	207,843
Cash and cash equivalents		240,043	226,495
Total current assets		<u>1,455,562</u>	<u>1,263,923</u>
CURRENT LIABILITIES			
Trade payables	<i>13</i>	450,875	279,691
Other payables and accruals		98,187	71,089
Interest-bearing borrowings		131,303	652,654
Lease liabilities		8,398	11,496
Tax payable		43,284	34,606
Convertible bonds	<i>14</i>	4,680	4,680
Total current liabilities		<u>736,727</u>	<u>1,054,216</u>
NET CURRENT ASSETS		<u>718,835</u>	<u>209,707</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,769,381</u>	<u>2,206,109</u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Convertible bonds	<i>14</i>	103,000	97,006
Interest-bearing borrowings		443,951	351,232
Lease liabilities		5,143	9,695
Deferred tax liabilities		<u>77,475</u>	<u>74,541</u>
Total non-current liabilities		<u>629,569</u>	<u>532,474</u>
Net assets		<u>2,139,812</u>	<u>1,673,635</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	441	417
Treasury shares		(32,604)	(79,893)
Equity component of convertible bonds	<i>14</i>	8,614	8,614
Reserves		<u>1,977,715</u>	<u>1,563,311</u>
		1,954,166	1,492,449
Non-controlling interests		<u>185,646</u>	<u>181,186</u>
Total equity		<u>2,139,812</u>	<u>1,673,635</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 year, the Group was principally engaged in providing Software as a Service (“SaaS”).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”) and International Accounting Standards (“IASs”) and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties under construction, financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been measured at fair value.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year’s financial statements.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

Upon the application of the amendments to IAS 12, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

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 year. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Mainland China	1,002,314	697,592
United States	982,777	740,031
Other countries/regions	<u>15,898</u>	<u>5,047</u>
Total revenue	<u><u>2,000,989</u></u>	<u><u>1,442,670</u></u>

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

(b) Non-current assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Mainland China	1,137,390	1,059,136
United States	618,163	625,977
Other countries/regions	<u>9,098</u>	<u>24,023</u>
	<u><u>1,764,651</u></u>	<u><u>1,709,136</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 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 year ended 31 December 2023 is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	<u><u>356,129</u></u>	<u><u>302,302</u></u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the year.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Rendering of services	<u>2,000,989</u>	<u>1,442,670</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Timing of revenue recognition		
Services transferred at a point of time	33,288	22,642
Services transferred overtime	<u>1,967,701</u>	<u>1,420,028</u>
	<u>2,000,989</u>	<u>1,442,670</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services	<u>4,712</u>	<u>2,409</u>

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Rendering of services

The performance obligation is satisfied over time as services are rendered and advance payments are sometimes received for certain services. For SaaS services, payment is generally due within 30 to 180 days.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	<u>3,710</u>	<u>4,712</u>
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income and gains		
Changes in fair value of investment properties	3,468	6,962
Changes in fair value of financial assets at FVTPL	7,006	17,039
Bank interest income	4,434	4,549
Foreign exchange gains	5,875	8,347
Government grants	18,927	13,991
Others	<u>193</u>	<u>2,603</u>
Total other income and gains	<u>39,903</u>	<u>53,491</u>

5. PROFIT BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of services provided	1,150,832	851,958
Employee benefit expense (including Directors' and chief executive's remuneration):		
Wages and salaries	190,274	185,278
Equity-settled share compensation expense	41,900	52,554
Directors' fee	3,122	2,787
Other benefits	17,955	22,080
Pension scheme contributions	<u>6,929</u>	<u>5,230</u>
	260,180	267,929
Depreciation of items of property, plant and equipment	9,489	6,523
Depreciation of right-of-use assets	11,898	11,887
Amortisation of other intangible assets	114,363	67,812
Lease payments not included in the measurement of lease liabilities	4,229	3,918
Impairment of trade receivables, net	10,866	684
Research and development expenses	231,533	133,129
Auditor's remuneration	4,600	4,530
Bank interest income	(4,434)	(4,549)
Changes in fair value of investment properties	(3,468)	(6,962)
Changes in fair value of financial assets at FVTPL	(7,006)	(17,039)
Foreign exchange differences, net	<u>2,777</u>	<u>(586)</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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on other borrowings (including convertible bonds)	91,476	91,911
Nominal interest on lease liabilities	<u>776</u>	<u>861</u>
	<u><u>92,252</u></u>	<u><u>92,772</u></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 is charged at the federal tax rate of 21% (2022: 21%) for the year ended 31 December 2023. The income tax applicable to profits arising in Hong Kong was provided at a statutory tax rate of 16.5% during the year ended 31 December 2023. The income tax applicable to profits arising in Mainland China was provided at a statutory tax rate of 25% during the year ended 31 December 2023 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 is 15%. 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 year are as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — United States		
Charge for the year	3,352	1,607
Current — Mainland China		
Charge for the year	33,885	40,237
Current — Japan		
Charge for the year	10	10
Deferred tax expenses/(credit)	<u>10,104</u>	<u>(7,415)</u>
Total tax expense for the year	<u><u>47,351</u></u>	<u><u>34,439</u></u>

8. DIVIDENDS

The Board does not recommend payment of any dividend for the year ended 31 December 2023 (2022: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 2,222,839,130 (2022: 2,117,596,656) in issue during the year, as adjusted to reflect the issue of shares and exercise of share options during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 in respect of a dilution as the impact of the share option scheme had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2022 is based on the profit for the year attributable to owners of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of (loss)/earnings per share attributable to owners of the Company for each of the years ended 31 December 2023 and 2022 are based on the following data:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/profit		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	(7,818)	42,002
Interest on convertible bonds	<u>10,644</u>	<u>3,923</u>
Profit attributable to owners of the Company before interest on convertible bond	<u><u>2,826*</u></u>	<u><u>45,925</u></u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	2,222,839,130	2,117,596,656
Effect of dilution — Weighted average number of ordinary shares:		
Share options	192,399,671	199,359,341
Convertible bonds	<u>21,992,481</u>	<u>21,992,481</u>
Weighted average number of ordinary share options for the purpose of diluted (loss)/earnings per share calculation	<u><u>2,437,231,282*</u></u>	<u><u>2,338,948,478</u></u>

* Because the diluted loss per share amount is decreased when taking share options and convertible bonds into account, the share options and convertible bonds had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss for the year attributable to owners of the Company of HK\$7,818,000, and the weighted average number of ordinary shares of 2,222,839,130 in issue during the year.

10. INVESTMENT PROPERTIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Carrying amount at 1 January	66,446	45,328
Additions	1,778	17,466
Net gain from a fair value adjustment	3,468	6,962
Exchange realignment	<u>(1,458)</u>	<u>(3,310)</u>
Carrying amount at 31 December	<u><u>70,234</u></u>	<u><u>66,446</u></u>

The Group's investment properties consist of commercial properties in the Mainland China, the investment properties under construction amounted to HK\$64,125,000 which will be held under leasehold interests to earn rentals and for capital appreciation after completion are measured using the fair value model, and are classified and accounted for as investment properties. The fair value as at 31 December 2023 assessed by the third-party amounted to HK\$70,234,000. In determining the fair value of the relevant investment properties, the Group engages in independent professional property valuers to perform the valuation. The management works closely with the independent professional property valuers to establish the appropriate valuation techniques and inputs to the model. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management reports the valuation report and findings to the Board of Directors of the Group yearly to explain the cause of fluctuations in the fair value of the investment properties.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unlisted investments, at fair value	62,266	58,669
Call option, at fair value	<u>137,014</u>	<u>134,812</u>
	<u><u>199,280</u></u>	<u><u>193,481</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 2024.

12. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	1,068,916	686,954
Impairment	<u>(11,669)</u>	<u>(803)*</u>
	<u><u>1,057,247</u></u>	<u><u>686,151</u></u>

* As a results of the identification of fair values of the identifiable assets and liabilities of Particle Technology as at the date of acquisition, the loss allowance for impairment of trade receivables amount to HK\$14,124,000 was netted against the gross trade receivables.

The Group's trading terms with its debtors are usually 10 to 180 days. The Group always recognises lifetime expected credit losses ("ECL") for all trade receivables and measures the lifetime ECL on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

An ageing analysis of the current trade receivables as at 31 December 2023, based on the invoice date and net of loss allowance, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	1,033,610	676,358
Over 1 year	<u>23,637</u>	<u>9,793</u>
	<u><u>1,057,247</u></u>	<u><u>686,151</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of year	803	119
Impairment of trade receivables, net	<u>10,866</u>	<u>684</u>
At end of year	<u><u>11,669</u></u>	<u><u>803</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 31 December 2023

	Current	Past due			Total
		Less than 1 year	1 to 2 years	Over 2 years	
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

As at 31 December 2022

	Current	Past due			Total
		Less than 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.03%	0.12%	4.69%	0.00%	0.12%
Gross carrying amount (HK\$'000)	525,931	150,748	10,275	—	686,954
Expected credit losses (HK\$'000)	146	175	482	—	803

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:

	2023	2022
	HK\$'000	HK\$'000
Within 1 year	<u>450,875</u>	<u>279,691</u>

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

14. CONVERTIBLE BONDS

On 16 August 2022, the Company issued convertible bonds in the aggregate principal amount of HK\$117,000,000, with an initial conversion price of HK\$5.32 per Share, to the Bondholder. 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 on the three years from the issue date. The annual effective interest rate of the debt component is 10.69%.

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 during the year have been split into the liability and equity components as follows:

	2023 HK\$'000	2022 HK\$'000
Liability component at 1 January	101,686	—
Nominal value of convertible bonds issued during the year	—	117,000
Equity component	—	(8,614)
Direct transaction costs attributable to the equity component	—	(706)
Direct transaction costs attributable to the liability component	—	(9,917)
	<hr/>	<hr/>
Liability component at the 1 January/issuance date	101,686	97,763
Interest expense	10,644	3,923
Interest paid	(4,446)	—
Exchange realignment	(204)	—
	<hr/>	<hr/>
Liability component at 31 December	107,680	101,686
Interest payable classified as current liabilities	(4,680)	(4,680)
	<hr/>	<hr/>
Non-current portion	103,000	97,006
	<hr/> <hr/>	<hr/> <hr/>

15. SHARE CAPITAL

	2023 HK\$'000	2022 HK\$'000
Issued and fully paid (US\$0.000025 per share):		
2,240,443,656 ordinary shares (2022: 2,117,596,656 ordinary shares)	441	417
	<hr/> <hr/>	<hr/> <hr/>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000	Number of treasury shares	Treasury shares HK\$'000
At 1 January 2022	2,117,596,656	417	26,085,418	(62,437)
Shares repurchased for share award plan (a)	—	—	12,566,000	(44,462)
Transferred during the year for share award plan (a)	—	—	(9,772,956)	27,006
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022 and 1 January 2023	2,117,596,656	417	28,878,462	(79,893)
Shares repurchased for share award plan (a)	—	—	450,000	(1,310)
Transferred during the year for share award plan (a)	—	—	(17,553,194)	48,599
Issue of shares (b)	114,127,000	22	—	—
Exercise of share options (c)	8,720,000	2	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	2,240,443,656	441	11,775,268	(32,604)
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Notes:

- (a) On 6 May 2019, the Board adopted a 10-year share award plan (the “Plan”) to incentivise, recognise and reward the contributions of certain eligible persons (“Eligible Persons”) to the growth and development of the Group.

Pursuant to the Plan, the ordinary shares of US\$0.000025 each in the capital of the Company will be acquired by the trustee at the cost of the Company and will be held in trust for the Eligible Persons before vesting. The total number of shares granted under the Plan shall be limited to 10% of the total issued share capital of the Company.

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

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

In 2023, 450,000 shares were purchased on behalf by the trustees and 17,553,194 shares (2022: 9,772,956 shares) were granted and transferred under the Plan.

- (b) On 7 February 2023, the Company completed the placement of 114,127,000 Shares to no less than six places at a subscription price of HK\$4.12 per Share.
- (c) In 2023, the subscription rights attaching to 8,600,000 and 120,000 share options were exercised at the subscription price of HK\$0.875 and US\$0.03125 per share, respectively, resulting in the issue of 8,720,000 shares for a total cash consideration, before expenses, of HK\$7,555,000. An amount of HK\$3,578,000 was transferred from the share compensation reserve to share capital upon the exercise of the share options.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECTS

Company Overview

Vobile Group is a leading global provider of digital content asset protection and transaction software as a service (SaaS). Vobile develops a series of software services based on its core patented VDNA fingerprinting and watermarking technologies to protect copyrights and increase distribution revenue for digital content asset owners, such as movie studios, TV networks, and streaming platforms. The Group is committed to empowering the digital culture industry with AI technologies and offers digital infrastructure service capabilities for digital asset protection and transaction related in the Web3 era. The Group provides customers with efficient professional solutions through subscription and value-added services.

Vobile continues to accumulate its core capabilities of digital content rights protection and transaction, and is committed to building the necessary technical infrastructure for the protection and transaction of digital content assets, and to enhance the effective delivery of the value of the industrial ecosystem. Creative content 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 chain. With the rise of generative AI technologies and its impact on content production and distribution, Vobile continues to strengthen our core competitiveness in the digital content rights protection and transaction field to support our clients to maintain the core value of their digital content assets in the ever-changing content era. We are committed to serving global content creators, and making creative content more valuable.

Industry Ecosystem

The emergence of new technologies has driven significant changes in various aspects of film and television content production and distribution. The circulation and monetization of digital content have evolved from limited distribution two decades ago to high-frequency interactive communication today. From professional institutions to individual creators, the participation of a more diverse range of creators has profoundly changed the production, distribution, and consumption patterns of the media and entertainment industry, unleashing immense industrial value.

In 2023, the global digital economy accelerated its development, especially generative AI, which demonstrated tremendous potential in leading technological innovation. The rise of new productive forces will push the prosperity of the digital content industry to new heights. It is foreseeable that the future will offer even richer participation opportunities in the content field and more supportive measures for diverse creators. Generative AI, while changing the ways content is created, will also significantly enhance personalized experiences and interactivity, accelerating the era of a booming creator economy.

By 2035, generative AI is expected to contribute nearly 90 trillion yuan to the global economy. As a frontier of global technological innovation, the North American region has encountered unprecedented opportunities with the emergence of generative AI. The development of this technology enables businesses to respond to market demands more quickly and accurately, drives innovation in personalized services, and introduces new growth areas and job opportunities to the economy. Establishing capabilities in R&D and the application of generative AI products in North America will be key to keeping pace with global development. In China, relevant departments and enterprises are vigorously advancing the construction of a modern industrial system, accelerating the development of new quality productive forces. Strategic emerging industries represented by generative AI are the main battleground of these new quality productive forces and a direction for breakthroughs in the next round of significant industrial innovations.

Vobile has seized the structural opportunity represented by the explosion of UGC (User-generated content), making thorough preparations for the advent of the generative AI era through continuous accumulation of core technological capabilities. The liberation of creative productivity by generative AI has resulted in a more complex content ecosystem on top of UGC, significantly increasing the market's demand for effective copyright management and rights identification mechanisms. Vobile's core capability in digital rights confirmation and our mature service model are expected to multitude of promising new services and application scenarios, thereby opening up substantial business growth potential. In this epoch-making opportunity, Vobile will play a more critical role in industry empowerment, helping our clients maintain the core value of their digital content assets amidst the continuously evolving landscape of content production and distribution.

Our Businesses

We are dedicated to offering comprehensive digital content rights and transaction solutions to our clients in an evolving industry environment, ensuring that creators' rights are fully respected and protected. Simultaneously, the Group implements a high-quality development strategy, prioritizing the allocation of resources to key areas of strategic importance. We aim to seize the development opportunities presented by generative AI, promote the implementation of copyright services in the AI field for major content owners, and provide our customers with systematic solutions in the era of generative AI. Additionally, we will grasp the opportunity to upgrade our business, accelerating our expansion from being service providers to becoming constructors of the industrial ecosystem.

Subscription Services

Our subscription-based business model ensures long-term and stable relationships with the world's top content owners and platforms. With our essential proprietary VDNA digital fingerprint and watermark technologies, we help content owners in tracing infringements and preserving timely and powerful evidence. This is achieved by charging a customized subscription service fee tailored to our clients' needs. Meanwhile, we provide content rights protection services to online video websites and platforms, empowering them to trace infringements under different scenarios for diverse content formats. Our main subscription service includes:

- For major content clients, Vobile offers comprehensive monitoring of video content across the internet for various types of content clients, including major film and television companies, audiovisual content rights holders, streaming platforms, and more. This service helps rights holders identify potential infringement risks and reduce revenue loss due to infringements. With our precise and efficient protection capabilities, our services cover a wide range of different media genres including movies, television, sports, music, live events, brands, literature, and commercial images, and more.
- In the process of establishing in-depth cooperation with platform customers, Vobile offers standardized services based on VDNA digital fingerprint and watermark technologies through API Arithmetic Service. This helps partners establish a complete copyright management system. API Arithmetic Service provides a safeguarding capacity for platform-level application ecosystems, serving as a crucial component in constructing the foundational infrastructure for the digital economy. Through in-depth cooperation with platform partners, Vobile has gained access to more diverse content creator groups, including small and medium-sized creators.
- After the acquisition of Particle Technology and the successful integration of businesses, we upgraded our capability to interface with mainstream content platforms in China. We provide user subscription services for online content platforms and leading global content providers on telecom operators, broadcast new media, and other video-on-demand platforms.

Through years of service experience and continuous optimization of technology, we continue to enhance our subscription service product matrix, ensuring comprehensive copyright protection for a broader range of content clients. In 2023, we carried out several technological service upgrades and product developments to optimize the client service experience. Vobile's intelligent data service tools are capable of conducting more detailed granular risk level assessments of infringement websites, more deeply and frequently assist customers' decision-making processes, and provide corresponding high-quality solutions. In 2023, Vobile extended its service capabilities to the broader copyright domains. Throughout the year, we have expanded new customers in the areas such as trademarks, literary works, commercial pictures, and provided intellectual property services for top international competitions. In addition to offering traditional live broadcasting and on-demand services, we have also ventured into other commercial monitoring areas, such as licensed merchandise protection and sponsorship stealth marketing, helping the event achieve great success.

For platform clients, in 2023, we continuously expanded the types of platform services, reaching out to more platform clients. And as a result of the clients' own growth, the scale of Vobile's API calls has continued to increase. We have deepened our cooperation with platform clients, not only providing services in the copyright protection domain but also bringing added value to clients in the field of content transaction and monetization.

Following the seamless integration with Vobile Group and Particle Technology, we have achieved several important advancements. We have newly expanded large UGC platforms as upstream content cooperation partners, achieving full content cooperation and implementations in key provinces cities in China. We have also reached content operation cooperation with large telecom operators' video base and have formed scalable revenue.

As the demand for copyright protection from content owners continues to grow, our subscription business has made exciting progress in key business regions. During the reporting period, Vobile Group has achieved a subscription service revenue of HK\$868 million, representing a year-on-year increase of about 58%, accounting for about 43% of the total revenue. It is expected that with the continuous increase in global copyright protection awareness, the ongoing expansion of our customer coverage, and the sustained increase in copyright owners' willingness to pay, our subscription services will continue to maintain strong certainty.

Value-added Services

We have established long-term relationships with global major content creators, TV networks, streaming platforms, and other content holders through our subscription services. With the continuous development of our business and the diverse demands of our clients, we leverage our IP protection technology to offer diverse value-added services and help them maximise the value of their IPs. We enhance the penetration rate and profitability of customer content by providing a variety of monetization solutions and generate revenue through a revenue-sharing model. In 2023, we continued to upgrade contracts with major content owners, achieving larger scale coverage of leading content providers' content libraries, which ensured the steady growth of our value-added services. Currently, our primary value-added services include:

- We offer comprehensive copyright management services for content clients on online content social platforms such as YouTube, Facebook, and Instagram, utilizing our core rights identification technology to assist clients in protecting their content and monetizing it.
- To address users' content distribution needs on Chinese video-on-demand platforms, such as IPTV, we can provide local resources and services to distribute the content to more than 120 platforms. By integrating the business capabilities of Particle Technology, Vobile was able to gather global premium content through strategic collaborations with leading platform content providers and film and television companies both locally and globally. This enables Vobile to aggregate high-quality global content and monetize it in various forms such as single points and integrated packages

across Chinese telecom operators, broadcast and new media platforms, and other paid film and television platforms. Revenue from content monetization is derived based on the activity level of content assets and their sales results.

- As our major clients explore and innovate within their businesses, we actively developed new products to continuously adapt to evolving needs. With increasing client interest in the digital asset field, such as Web3, we leveraged our own technology and R&D capabilities to actively support their exploration in new areas. We aim to establish industry-level copyright protection and transaction infrastructure for enterprise platforms in need, fully leveraging our expertise in digital asset protection and international platform monetization to provide customers with high-quality and innovative business support.

The demand for Vobile's international monetization services continues to rise in the evolving streaming media landscape. The Group's contracts with major customers are continuously upgraded, significantly enhancing content management penetration with these clients. Additionally, in the China market, we systematically manage our clients' copyrights by building platforms for them, and have completed participation in and the construction of multiple projects. Simultaneously, there is a significant demand for Chinese content monetizing abroad. Vobile has currently established ongoing cooperation with several major Chinese content providers and is continuously expanding its service scope.

During the reporting period, Vobile Group has achieved a value-added services revenue of HK\$1,133 million, representing a year-on-year increase of about 27%, accounting for about 57% of the total revenue. With the ongoing development of the digital content industry, we will continue to introduce new products and technologies while further enhancing its service capabilities. The continued expansion of value-added services and the product lineup will reliably support the ongoing growth in Vobile's performance.

Sustained Strong Growth in Our Major Business Regions

The year 2023 was an essential stage for Vobile to seize significant development opportunities and continuously achieve business leaps and upgrades. During the reporting period, we actively responded to the impacts of the economic environment and other factors, ensuring existing development while firmly planning for the future. During this year, we achieved larger scale content coverage of leading providers' content libraries, effectively expanding the depth and breadth of cooperation with clients. The scale and variety of digital content services continued to expand, and content management coverage for international large-scale brand clients was strengthened. Meanwhile, we seized the trend of innovation acceleration and integrated development in the Greater Bay Area, increasing our talent and investment deployment in the area. We have deeply participated in the construction of the regional copyright ecosystem and played a key role in it. A solid business foundation and highly effective business innovation and expansion have allowed us to achieve outstanding performance in the constantly changing industry environment, continuing to consolidate our leadership position in the industry. During the reporting period, Vobile achieved a total revenue of HK\$2,001 million, representing an annual growth of approximately 39%. The adjusted EBITDA for the year reached HK\$319 million, reflecting a year-on-year increase of about 7%.

The North American market continues to exhibit robust performance, with both the number of our clients and the volume of active assets we manage on social media platforms experiencing growth. In 2023, the revenue in this region was HK\$983 million, representing a year-on-year growth of about 33%, and accounting for about 49% of the total revenue. During this performance period, we continued to maintain stable cooperation with the world's leading content providers. The excellent performance of the top global streaming platforms proved that audiences still maintain a high enthusiasm for paying for premium content, reaffirming the position of quality content as a core competitive element of streaming platforms. Our services provide essential protection for the exclusivity of streaming content, which is significant for consolidating the competitiveness of streaming platforms. At the same time, we enhanced our capability to monitor copyright infringement of live streaming content on social platforms, deepening our cooperation with relevant clients. The coverage of content management for international large-scale brand clients was also strengthened in 2023, and we continued to secure orders in the music copyright domain. Undoubtedly, Vobile has become an even more important partner for content providers, by helping them reach more users on social media platforms, thereby extending the content lifecycle and unlocking greater value. Large content provider clients have significantly increased their exposure and monetization on YouTube after upgrading their full content library contracts with us. On emerging short video platforms, such as YouTube Shorts, we have also actively expanded and implemented our business. During this performance period, the high-quality services consistently provided by Vobile have earned the ongoing trust of core clients and won the recognition of many new clients.

The Chinese market continues to grow strongly. In 2023, the regional revenues amounted to approximately HK\$1,002 million, representing a year-on-year growth of approximately 44% and accounting for approximately 50% of the total revenue. In China, we continue to demonstrate our technological advantages and ample resources, as well as our strong practical initiative and innovation capabilities, to accelerate the implementation of our sophisticated copyright protection and monetization business models. In 2023, Vobile expanded into commercial areas such as international competitions, licensed merchandise protection, and sponsor-based stealth marketing, resulting in a continuous expansion of its brand effect. At the same time, we assisted major Chinese content providers in monetizing content on international social media platforms. By leveraging the API model, Vobile expanded our coverage of small and medium-sized creators, assisting in the construction of a new IP literary transaction platform. Additionally, Vobile actively follows the latest industry development trends, exploring new business development in the digital economy, and making significant progress in innovative business areas such as content digitization, digital content transaction, and technology services for platform clients, continuously enhancing our industry influence. Vobile actively participates in the construction of data-element management platforms, applying rights identification technology to the digital management of Chinese media industry.

Research and Development

Vobile enhances the efficient transfer of value within the industrial ecosystem by developing essential technical infrastructure to protect and transact digital content assets. Currently, major content owners and large-scale model operators are increasingly agreeing on how to use copyrighted content properly. At the same time, legislation in major economic regions is quickly evolving to support these agreements. Offering dependable technical services to these major content owners is crucial for maintaining the effectiveness of these rules. Built on deep mutual trust and real business demands formed over years of partnership with major content owners, Vobile ventured into the AI field in 2020. Leveraging our growing strengths in rights identification, we now offer comprehensive and systematic solutions in the generative AI era, continuing to safeguard the value of precious content assets and opening up greater business opportunities.

Vobile has established solid industrial resources and set up a new R&D and operation center to strengthen exploration and cooperation in the application of technologies such as AI with the University of Florida, known as a leader in interdisciplinary AI research. This includes developing AI technologies for digital content rights protection and solutions. The University of Florida is one of the most renowned institutions in the AI field in the United States, boasting advanced technological facilities and a rich talent pool. Additionally, the University of Florida has recruited a team of hundreds of professionals in AI-related fields across various specialties, with tens of thousands of students taking AI courses, ensuring a robust reserve of talent. The operations center has been put into use, and the collaboration will support Vobile in advancing technology and product development in AI-related areas.

We have gradually optimized business process efficiency through large model product enhancements. By integrating multimodal large language model capabilities, we have improved the efficiency of text reasoning and understanding in content machine review scenarios. Additionally, in the content export business, we have significantly enhanced the efficiency of workflows such as automatic identification of video subtitles and multilingual translation through the integration of AI tools, effectively improving the efficacy of content monetization business.

Environmental, Social and Governance Responsibilities

In 2023, Vobile places high importance on and continues to actively fulfill its corporate social responsibilities. We cooperate with Po Leung Kuk, a well-known charitable organization in Hong Kong, delivering care to vulnerable groups in all walks of life, and creating a society united in health and disability, intergenerational harmony, and mutual love. The Group leverages our professional strengths and industry resource advantages to collaborate with institutions. We organize multiple forums and panel discussions on intellectual property and digital culture-related topics, disseminating industry knowledge, building communication platforms, and effectively promoting industry construction and development. In Hong Kong, we participated in organizing the “Technology Innovation and Youth Opportunities-2023 Shanghai-Hong Kong-Macao Youth Economic Development Forum” event, fostering exchanges between the regions and promoting innovation in technology and youth development.

Meanwhile, Vobile actively collaborates with public welfare organizations to promote digital learning among children in rural areas and the grassroots level children. This is achieved by donating digital teaching equipment and learning software, enabling these children to benefit from the educational opportunities digitalization offers. Such efforts contribute to building a more caring, loving, and empathetic society by supporting disadvantaged children. Leveraging our connections with content creators, Vobile supported a number of writers and artists in 2023. The Group organized several influential arts and cultural events in Hong Kong to foster exchanges between cultural and creative industries across various regions. By providing technical support to non-profit charitable cultural organization, we actively promote the exploration of new forms of integration between culture, art, and technology, boosting the development of Hong Kong's cultural and creative industries. By joining industry organizations, we actively participate in promoting social development and construction in related fields, creating an innovative and inclusive industry development environment.

STRATEGY AND PROSPECTS

Regarding the core strategy for the Group's future development, Vobile decisively chooses a high-quality development path, concentrating resources on business modules with significant potential for sustainable growth, and focusing on areas with opportunities for leap-forward development. We believe these key strategic initiatives will usher Vobile into a new phase of development.

Our strategic growth priorities are:

1. Seizing the Major Opportunities of Generative AI to Drive Industry Transformation and Implement New Business Models for Copyrighted Content

Vobile strongly believes that, regardless of changes in the content production and distribution landscape, creative content will always remain the core value of the film and television industry. Protecting and transacting creative content is fundamental to supporting industrial value chain. In the era of generative AI, large content owners that Vobile has cooperated deeply with and served for many years, such as film production companies, TV stations and online content platforms, are still the most important stakeholders. As generative AI unleashes creative productivity, a high-quality corpus copyright database is one of the cornerstones of industry development. These content owners have been clients of Vobile for many years and have built a deep level of trust. Vobile's accumulated understanding of the industry, technical capabilities, service models, and operational experience will continue to be the key value-assurance capabilities most needed by content owners in the era of generative AI.

The industrial roles of our clients and Vobile ourselves have not changed. As the scale of content rapidly expands and rights usage scenarios become more complex, the copyright protection and monetization industry is poised for rapid expansion. In the era of generative AI, the foundation of creator economy with copyright as the core requires more effective copyright management and rights identification mechanisms. Technology plays a crucial role in copyright management, establishing rules, and maintaining order within the new ecosystem. Digital rights identification

technology enables the automation of the copyright management process possible and serves as the foundation for building a transparent transaction and revenue sharing mechanism. This provides more equitable returns for content owners and copyright holders.

Ensuring the rights and interests of content creators is crucial for building a healthy development ecosystem for the media and entertainment industry in the era of generative AI, which has always been a core value of Vobile. We aim to seize the significant development opportunities presented by generative AI, promote the implementation of copyright services in the AI field for major content owners, and provide our customers with systematic solutions in the era of generative AI. We aim to play a key role in creating a win-win ecosystem for all parties involved and unlock new spaces for development.

In the past few years, Vobile has made significant strides in forward-looking technical preparations and strategic planning. Our R&D and operations center in Florida, the United States, has been put into operation. This will enable us to consolidate our technological advantages further and enhance our infrastructure capabilities in the generative AI era. It ensures our ongoing ability to offer customers dependable services for identification and monetization, while protecting the rights of creators. Moreover, in response to the dramatic increase in content volume and the growing demand for efficient monetization, Web3 has emerged as a powerful tool for enhancing dissemination and distribution efficiency. Vobile and its partners are actively exploring copyright service solutions tailored for small and medium-sized content owners. By fostering the integration of AIGC and Web3 service capabilities, we aim to continuously enhance our service coverage and capabilities.

2. Seizing the Opportunities of the Concentrated Construction Period for Data Management Platforms, Deeply Engaging in the Construction of Regional Copyright Ecosystem

China has proposed improvements to the basic data system and is actively promoting the development, openness, and circulation of data. This initiative aims to enhance the use of data across various application scenarios, thereby empowering economic development. Vobile, as a natural participant in the data market, stands out particularly in the digital content industry due to its higher degree of digitization. Meanwhile, Vobile has the world's largest film and television genome repository authorized by copyright owners. Leveraging rich and multi-dimensional data, Vobile can fully empower the creator economy. The Group is deeply involved in developing the regional copyright ecosystem and aims to maximise the value of audio-visual data, enhance the productivity of content creators, and stimulate creative value.

Furthermore, the merging of cultural and trade attributes has significantly elevated the importance of contemporary cultural trade, making “Cultural Export” a key strategy that various countries actively promote. The “high-quality content + IP” strategy has significantly boosted the international popularity of Chinese culture in recent years, opening up a new trending track. For instance, with the trend of more online literature becoming video-based, short-form videos have surged onto the global scene, maintaining high levels of popularity. As the monetization and transaction of micro-short drama content steadily advances, an increasing number of content

creators are shifting their focus to the international distribution and copyright management of the content. This shift has carved out new commercial opportunities for Vobile. As a leading company in the protection and transaction of digital content assets, Vobile has a comprehensive data management infrastructure and the expertise to monetize content across global social media platforms. Through the accumulation of technology and resources, Vobile has carved out a leading position in the field of digital cultural trade.

Compared to the Chinese market, short videos have a more relaxed regulatory environment internationally, with a vast user base and greater growth potential. Vobile boasts long-term collaborative relationships with major global social media platforms and a continuous, vast content traffic pool, giving us significant advantages in the protection and monetization of film and television content. As more manufacturers focus on exporting short-form videos, this will drive capacity enhancement, diversification of themes, and market scale. Combined with Vobile's strategy for cultural export, supporting the international expansion of short-form videos is also an important direction for the Group's development.

Currently, Vobile has been deeply involved in many major infrastructure projects in China and plays an important role in building a regional copyright ecosystem. Moving forward, Vobile will continue to improve digital infrastructure construction and large-scale service capabilities, strengthen the management of data elements, provide effective value delivery for creators and platforms, and accelerate the implementation of cultural digitization.

3. Building Infrastructure-Level Service Capabilities to Enhance Service Scale Based on Continuous Accumulation of Comprehensive Advantages

As the industrial environment improves and the demand for high-quality digital content production and consumption grows, Vobile has leveraged the comprehensive advantages in technology, products, and customer base. Vobile is progressively transitioning from being solely a copyright service provider to developing infrastructure-level content protection and monetization capabilities. Vobile has gradually built an IP transaction infrastructure ecosystem that connects content creators with content consumers, further enhancing the scale and efficiency of services.

By leveraging new technologies such as blockchain and AI, the IP transaction infrastructure built by Vobile will offer a more transparent, secure, and efficient transaction environment, facilitating direct communication and interaction between content creators and content consumers. This is not only the optimal solution in the foreseeable era of high-frequency transactions but also helps to reinvigorate the innovative vitality of the entire digital content ecosystem. By leveraging a high-frequency transaction model with backward ledgering, Vobile will help high-quality content achieve more comprehensive distribution and monetization. Content creators will be able to earn revenue based on the actual consumption of their content, thereby being motivated to produce higher quality and more attractive content. Content consumers will also be able to pay fees based on their actual consumption and usage, making the content consumption model fairer and more reasonable.

In the long term, as the IP transaction infrastructure continues to improve, Vobile will expand the service content and scale exponentially, providing content creators with a wide variety of creative element choices and more convenient monetization opportunities. By building an infrastructure-level service ecosystem, Vobile will better grasp the development opportunities of the digital content industry, fostering a more positive digital industry ecosystem.

Now is an important time for Vobile to again achieve a significant growth. The digital content industry is advancing at an unprecedented pace, with new technologies and opportunities emerging rapidly. We understand the significance of this huge opportunity and are fully confident in future development to capitalize on it. We will continue to strengthen our global leading position in the industry with profound changes, and to pursue our vision and mission of “making creative content more valuable”.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2,000,989	1,442,670
Gross profit	850,157	590,712
Profit before tax	47,141	92,542
(Loss)/profit for the year	(210)	58,103
Non-IFRS Adjusted Net Profit	37,411	89,896
Non-IFRS Adjusted EBITDA	<u>319,196</u>	<u>299,464</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.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year	(210)	58,103
Add/(less):		
Equity-settled share compensation expense	41,900	52,554
Transaction costs for acquisition of subsidiaries	—	3,240
Loss on derecognition of financial liabilities measured at amortised cost	6,195	—
Changes in fair value of investment properties	(3,468)	(6,962)
Changes in fair value of financial assets at FVTPL	(7,006)	(17,039)
Adjusted Net Profit	<u>37,411</u>	<u>89,896</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 (loss)/profit before tax.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit before tax	47,141	92,542
Add/(less):		
Depreciation and amortisation	135,750	86,222
Equity-settled share compensation expense	41,900	52,554
Bank interest income	(4,434)	(4,549)
Finance costs	92,252	92,772
Impairment on financial assets	10,866	684
Transaction costs for acquisition of subsidiaries	—	3,240
Loss on derecognition of financial liabilities measured at amortised cost	6,195	—
Changes in fair value of investment properties	(3,468)	(6,962)
Changes in fair value of financial assets at FVTPL	(7,006)	(17,039)
Adjusted EBITDA	<u>319,196</u>	<u>299,464</u>

Revenue

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Subscription services	868,458	549,005
Value-added services	<u>1,132,531</u>	<u>893,665</u>
Total revenue	<u><u>2,000,989</u></u>	<u><u>1,442,670</u></u>

Our revenue in 2023 amounted to approximately HK\$2,001 million, representing an increase of approximately HK\$558 million, or approximately 39% as compared with the revenue of 2022 of approximately HK\$1,443 million. The increase was mainly attributed by (a) continued growth in our business in the US; and (b) the expansion of our business in the Mainland China, driven by strategic and commercial partnerships.

Gross profit and gross profit margin

Our gross profit in 2023 amounted to approximately HK\$850 million, representing an increase of approximately HK\$259 million as compared to 2022 of approximately HK\$591 million. Our gross profit margin increased from 40.9% in 2022 to 42.5% in 2023.

Selling and marketing expenses

Our selling and marketing expenses in 2023 amounted to approximately HK\$285 million, representing an increase of approximately HK\$133 million as compared to 2022 of approximately HK\$152 million. The increase was mainly due to the increase of sales and marketing initiatives during the year and full year inclusion of sales and marketing expenses incurred by Particle Technology as the acquisition of Particle Technology was completed in May 2022.

Administrative expenses

Our administrative expenses in 2023 amounted to approximately HK\$203 million, representing an increase of approximately HK\$40 million as compared to 2022 of approximately HK\$163 million. Administrative expenses increased as the acquisition of Particle Technology was completed in May 2022 and full year of administrative expenses were included in the profit or loss in 2023.

Research and development expenses

Our research and development expenses in 2023 amounted to approximately HK\$232 million, representing an increase of approximately HK\$99 million as compared to 2022 of approximately HK\$133 million. The increase was mainly due to the increase of research and development activities in the current year for new products development to capture strategic growth opportunities.

Other income and gains

Other income mainly consisted of government grant, fair value gain on investment properties and financial assets at FVTPL.

Finance costs

Finance costs mainly consisted of interest expense on convertible bonds and interest-bearing borrowings of approximately HK\$91 million (2022: HK\$92 million) and interest expense on lease liabilities of approximately HK\$1 million (2022: HK\$1 million).

Income tax expense

Our income tax expense mainly comprised of tax expense in the Mainland China and deferred tax expense.

(Loss)/profit for the year

The loss for 2023 amounted to approximately HK\$0.2 million (2022: profit of approximately HK\$58 million). Basic loss per share for 2023 was approximately HK\$0.0035 (basic earnings per share for 2022: HK\$0.0198) and diluted loss per share for 2023 was approximately HK\$0.0035 (diluted earnings per share for 2022: HK\$0.0196).

Dividends

The Board does not recommend any payment of dividends for 2023 (2022: nil).

Consolidated Statement of Financial Position Highlights

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	3,506,108	3,260,325
Total liabilities	1,366,296	1,586,690
Net assets	2,139,812	1,673,635
Total equity	2,139,812	1,673,635

Goodwill

Our goodwill amounted to HK\$1,170 million as at 31 December 2023 (31 December 2022: HK\$1,184 million). Goodwill is tested for impairment periodically and no impairment loss is considered necessary as at 31 December 2023.

Intangible assets

Our intangible assets amounted to HK\$437 million as at 31 December 2023, representing an increase of HK\$49 million as compared to 31 December 2022 of HK\$388 million.

Interest-bearing borrowings

As at 31 December 2023, the Group's interest-bearing borrowings consisted of non-current interest-bearing borrowings with carrying amount of HK\$443,951,000, 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 current interest-bearing borrowings with carrying amount of HK\$131,303,000, which are unsecured, bear interests at three point five percent to four point eight percent. HK\$131,303,000 is repayable within one year, HK\$195,204,000 is repayable on or before 29 March 2025 and HK\$248,747,000 is repayable on or before 29 March 2026.

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.

LIQUIDITY AND FINANCIAL RESOURCES

Working capital

As of 31 December 2023, our cash and cash equivalents and pledged deposits in aggregate amounted to approximately HK\$255 million, representing a decrease of HK\$179 million as compared to 2022 of approximately HK\$434 million. As of 31 December 2023, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 2.0 times as compared with 1.2 times as at 31 December 2022.

Significant investments, acquisitions and disposal

We did not have any significant investment nor material disposal during 2023.

Capital expenditures

In 2023, our capital expenditures primarily included purchases of property, plant and equipment, investment properties and intangible assets. The amount of our capital expenditures in 2023 was HK\$212 million (2022: HK\$123 million).

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. The Company did not use any financial instruments for hedging purposes for the year.

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 31 December 2023, our gearing ratio, calculated as net debt divided by the equity attributable to owners of the Company plus net debt, was 18% (31 December 2022: 31%).

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

As of 31 December 2023, 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.

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

On 16 August 2022, the Company issued convertible bonds in the aggregate principal amount of HK\$117 million, raised net proceeds of HK\$106 million. As at 31 December 2023, 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 2023.

Intended use of proceeds	Initial intended allocation (HK\$ million)	Net proceeds		Net proceeds		Expected timeline of full utilisation
		utilised during the year ended 31 December 2022 (HK\$ million)	Unutilised net proceeds as at 31 December 2022 (HK\$ million)	utilised during the year ended 31 December 2023 (HK\$ million)	Unutilised net proceeds as at 31 December 2023 (HK\$ million)	
Investment in technology relating to (i) digital asset protection and digital asset transactions, and/or (ii) software as a service (SaaS) relating to YouTube shopping	69	47	22	22	—	N/A
General working capital	37	37	—	—	—	N/A
	<u>106</u>	<u>84</u>	<u>22</u>	<u>22</u>	<u>—</u>	

On 7 February 2023, the Company completed the placement of 114,127,000 Shares (the “Placing Shares”) with an aggregate nominal value of approximately US\$2,853.18 and raised net proceeds of approximately HK\$464 million (the “Placing”). The Placing Shares were allotted and issued to no less than six placees (“Placees”) at the subscription price of HK\$4.12 per Placing Share representing a discount of approximately 11.0% to the closing price of HK\$4.63 per Share as quoted on the Stock Exchange on 30 January 2023, being the last trading day immediately prior to the date of the Placing Agreement. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Placees and their respective ultimate beneficial owners is independent of the Company and its connected persons, and none of the Placees and their respective ultimate beneficial owners has become a substantial shareholder of the Company as a result of the Placing. The net price raised per Placing Share upon completion of the Placing was approximately HK\$4.06.

The Board considers that it is in the interests of the Company to raise equity funding through the Placing so as to broaden its Shareholder base, strengthen the capital base and enhance the financial position and net assets base of the Group for its long-term development and growth. As at 31 December 2023, 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 2023.

Intended use of proceeds	Initial intended allocation (HK\$ million)	Net proceeds		Expected timeline of full utilisation
		utilised during the year ended 31 December 2023 (HK\$ million)	Unutilised net proceeds as at 31 December 2023 (HK\$ million)	
Repayment of interest-bearing borrowings	464	464	—	N/A
	<u>464</u>	<u>464</u>	<u>—</u>	

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, we employed a total of 578 staff (as at 31 December 2022: 572 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 of the Company 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

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 our Group to formulate its business strategies and policies, and to enhance its transparency and accountability. 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, the Company has complied with all applicable code provisions as set out in the CG Code during the year ended 31 December 2023, 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. 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. The 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 our 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 four 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.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2023.

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 year ended 31 December 2023. 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 year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Alfred Tsai CHU, Mr. Charles Eric EESLEY and Mr. KWAN Ngai Kit, and one non-executive Directors, namely, Mr. J David WARGO. The chairman of the Audit Committee is Mr. KWAN Ngai Kit.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2023 and was of the opinion that the preparation of such annual 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.

SCOPE OF WORK ON THE RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of our Group's consolidated statement of financial position as at 31 December 2023 and consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this results announcement have been agreed by our Group's auditors, Ernst & Young, to the amounts set out in our Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual 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 2023 annual report containing all the information as required by the Listing Rules and publish it on the above websites in due course.

DEFINITIONS

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

“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“Bondholder”	Lucion International Investment Limited, a company incorporated under the laws of Hong Kong with limited liability
“CG Code”	the corporate governance code as set out in Appendix C1 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
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	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 C3 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
“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 of the Company adopted on 6 May 2019, and where appropriate, includes all amendments thereto
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “USD”	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, 25 March 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.