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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 2022

FINANCIAL HIGHLIGHTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,442,670	686,528
Gross profit	590,712	348,771
Profit/(loss) before tax	92,542	(14,876)
Profit/(loss) for the year	58,103	(22,677)
Non-IFRS Adjusted Net Profit	89,896	63,600
Non-IFRS Adjusted EBITDA	<u>299,464</u>	<u>113,474</u>

Consolidated Statement of Financial Position Highlights

	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	3,260,325	1,770,150
Total liabilities	1,586,690	233,827
Net assets	1,673,635	1,536,323
Total equity	<u>1,673,635</u>	<u>1,536,323</u>

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	4	1,442,670	686,528
Cost of services provided		<u>(851,958)</u>	<u>(337,757)</u>
Gross profit		590,712	348,771
Other income and gains	4	53,491	5,516
Selling and marketing expenses		(151,951)	(97,862)
Administrative expenses		(162,912)	(128,840)
Research and development expenses		(133,129)	(111,840)
Finance costs	6	(92,772)	(20,174)
Share of losses of an associate		(93)	(108)
Other expenses		<u>(10,804)</u>	<u>(10,339)</u>
PROFIT/(LOSS) BEFORE TAX	5	92,542	(14,876)
Income tax expense	7	<u>(34,439)</u>	<u>(7,801)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>58,103</u>	<u>(22,677)</u>
Attributable to:			
Owners of the Company		42,002	(22,677)
Non-controlling interests		<u>16,101</u>	<u>—</u>
		<u>58,103</u>	<u>(22,677)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic			
— for profit/(loss) for the year (HK\$)	9	<u>0.0198</u>	<u>(0.0119)</u>
Diluted			
— for profit/(loss) for the year (HK\$)	9	<u>0.0196</u>	<u>(0.0119)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>58,103</u>	<u>(22,677)</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>(106,662)</u>	<u>12,706</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(106,662)</u>	<u>12,706</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(48,559)</u>	<u>(9,971)</u>
Attributable to:		
Owners of the Company	(60,580)	(9,971)
Non-controlling interests	<u>12,021</u>	<u>—</u>
	<u>(48,559)</u>	<u>(9,971)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		47,140	26,190
Investment properties	<i>10</i>	66,446	45,328
Right-of-use assets		20,129	23,239
Goodwill		1,184,396	607,297
Other intangible assets		388,056	111,449
Financial assets at fair value through profit or loss	<i>11</i>	193,481	48,316
Investment in associates		1,018	—
Deferred tax assets		93,785	83,603
Prepayments and deposits		1,951	1,986
Total non-current assets		<u>1,996,402</u>	<u>947,408</u>
CURRENT ASSETS			
Inventories		17,092	—
Trade receivables	<i>12</i>	686,151	269,637
Prepayments, other receivables and other assets		114,479	50,877
Tax recoverable		11,863	5,363
Pledged deposits		207,843	—
Cash and cash equivalents		226,495	496,865
Total current assets		<u>1,263,923</u>	<u>822,742</u>
CURRENT LIABILITIES			
Trade payables	<i>13</i>	279,691	136,218
Other payables and accruals		71,089	25,709
Lease liabilities		11,496	9,473
Tax payable		34,606	20,094
Interest-bearing bank borrowing		652,654	—
Convertible bonds	<i>14</i>	4,680	—
Total current liabilities		<u>1,054,216</u>	<u>191,494</u>
NET CURRENT ASSETS		<u>209,707</u>	<u>631,248</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,206,109</u>	<u>1,578,656</u>

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Convertible bonds	<i>14</i>	97,006	—
Interest-bearing borrowings		351,232	—
Lease liabilities		9,695	14,790
Deferred tax liabilities		74,541	27,543
		<u> </u>	<u> </u>
Total non-current liabilities		532,474	42,333
		<u> </u>	<u> </u>
Net assets		1,673,635	1,536,323
		<u> </u>	<u> </u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	417	417
Treasury shares		(79,893)	(62,437)
Equity component of convertible bonds	<i>14</i>	8,614	—
Reserves		1,563,311	1,598,343
		<u> </u>	<u> </u>
		1,492,449	1,536,323
Non-controlling interests		181,186	—
		<u> </u>	<u> </u>
Total equity		1,673,635	1,536,323
		<u> </u>	<u> </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.

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 financial statements.

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

	2022 HK\$'000	2021 HK\$'000
United States	740,031	515,209
Mainland China	697,592	166,161
Other countries/regions	<u>5,047</u>	<u>5,158</u>
	<u><u>1,442,670</u></u>	<u><u>686,528</u></u>

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

(b) Non-current assets

	2022 HK\$'000	2021 HK\$'000
Mainland China	1,059,136	147,215
United States	625,977	642,253
Other countries/regions	<u>24,023</u>	<u>26,021</u>
	<u><u>1,709,136</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 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 2022 is as follows:

	2022 HK\$'000	2021 HK\$'000
Customer A	302,302	210,408
Customer B	<u>141,001*</u>	<u>111,648</u>

* Revenue derived from this customer did not exceed 10% of the Group's revenue for the year ended 31 December 2022.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Rendering of services	<u>1,442,670</u>	<u>686,528</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Timing of revenue recognition		
Services transferred at a point of time	22,642	—
Services transferred overtime	<u>1,420,028</u>	<u>686,528</u>
	<u>1,442,670</u>	<u>686,528</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services	<u>2,409</u>	<u>395</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 other SaaS services, payment is generally due within 30 to 180 days.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	<u>4,712</u>	<u>2,409</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income and gains		
Changes in fair value of investment properties	6,962	447
Changes in fair value of financial assets at FVTPL	17,039	—
Bank interest income	4,549	1,615
Foreign exchange gains	8,347	3,070
Government grants	13,991	75
Others	<u>2,603</u>	<u>309</u>
	<u>53,491</u>	<u>5,516</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of services provided	851,958	337,757
Employee benefit expense (including Directors' and chief executive's remuneration):		
Wages and salaries	185,278	121,267
Equity-settled share compensation expense	52,554	67,387
Directors' fee	2,787	2,555
Other benefits	22,080	4,962
Pension scheme contributions	<u>5,230</u>	<u>1,112</u>
	267,929	197,283
Depreciation of items of property, plant and equipment	6,523	1,028
Depreciation of right-of-use assets	11,887	10,676
Amortisation of intangible assets	67,812	11,745
Lease payments not included in the measurement of lease liabilities	3,918	1,506
Impairment/(reversal of impairment) of trade receivables, net	684	65
Research and development expenses	133,129	111,840
Auditor's remuneration	4,530	3,580
Audit service fee for a proposed acquisition	—	3,200
Bank interest income	(4,549)	(1,615)
Changes in fair value of investment properties	(6,962)	(447)
Changes in fair value of financial assets at FVTPL	(17,039)	5,075
Foreign exchange differences, net	<u>(586)</u>	<u>(2,608)</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on other borrowings (including convertible bonds)	91,911	19,297
Nominal interest on lease liabilities	<u>861</u>	<u>877</u>
	<u><u>92,772</u></u>	<u><u>20,174</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% (2021: 21%) for the year ended 31 December 2022. 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 2022. 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 2022 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% 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 year are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current — United States		
Charge for the year	1,607	2,052
Current — Mainland China		
Charge for the year	40,237	13,572
Current — Japan		
Charge for the year	10	12
Deferred tax expenses	<u>(7,415)</u>	<u>(7,835)</u>
Total tax expense for the year	<u><u>34,439</u></u>	<u><u>7,801</u></u>

8. DIVIDENDS

The Board does not recommend payment of any dividend for the year ended 31 December 2022 (2021: Nil).

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 2,117,596,656 (2021: 1,913,425,080) 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 during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2021 in respect of a dilution as the impact of the share option scheme had an anti-dilutive effect on the basic earnings/(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 2022 and 2021 are based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic and diluted loss per share calculation	42,002	(22,677)
Interest on convertible bonds	<u>3,923</u>	<u>—</u>
Profit/(loss) attributable to owners of the Company before interest on convertible bond	<u><u>45,925</u></u>	<u><u>(22,677)</u></u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	2,117,596,656	1,913,425,080
Effect of dilution — Weighted average number of ordinary shares:		
Share options	199,359,341	199,618,465
Convertible bonds	<u>21,992,481</u>	<u>—</u>
Weighted average number of ordinary share options for the purpose of diluted earnings per share calculation	<u><u>2,338,948,478</u></u>	<u><u>2,113,043,545</u></u>

10. INVESTMENT PROPERTIES

HK\$'000

Carrying amount at 1 January 2021	—
Additions	44,881
Net gain from a fair value adjustment	<u>447</u>
Carrying amount at 31 December 2021 and 1 January 2022	45,328
Additions	17,466
Net gain from a fair value adjustment	6,962
Exchange realignment	<u>(3,310)</u>
Carrying amount at 31 December 2022	<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\$62,347,000 which will be held under leasehold interests to earn rentals after completion are measured using the fair value model, and are classified and accounted for as investment properties. The fair value as at 31 December 2022 assessed by the third-party amounted to HK\$66,446,000. 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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at fair value	58,669	48,316
Call option, at fair value	<u>134,812</u>	<u>—</u>
	<u><u>193,481</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. Details of the amounts of call option are disclosed in note 16 to the announcement.

12. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	686,954	269,756
Impairment	<u>(803)</u>	<u>(119)</u>
	<u>686,151</u>	<u>269,637</u>

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 2022, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	676,358	269,614
Over 1 year	<u>9,793</u>	<u>23</u>
	<u>686,151</u>	<u>269,637</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of year	119	54
Impairment/(reversal of impairment) of trade receivables, net	<u>684</u>	<u>65</u>
At end of year	<u>803</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 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

As at 31 December 2021

	Current	Past due			Total
		Less than 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.04%	0.48%	0.00%	0.00%	0.04%
Gross carrying amount (HK\$'000)	265,980	3,776	—	—	269,756
Expected credit losses (HK\$'000)	101	18	—	—	119

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:

	2022	2021
	HK\$'000	HK\$'000
Within 1 year	<u>279,691</u>	<u>136,218</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:

	2022	2021
	HK\$'000	HK\$'000
Liability component at 1 January	—	82,975
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 issuance date	97,763	—
Interest expense	3,923	15,490
Interest payable	—	(2,778)
Interest paid	—	(2,500)
Conversion of convertible bonds	—	(97,022)
Exchange realignment	—	3,835
	<hr/>	<hr/>
Liability component at 31 December	101,686	—
Interest payable classified as current liabilities	(4,680)	—
	<hr/>	<hr/>
Non-current portion	<u>97,006</u>	<u>—</u>

15. SHARE CAPITAL

	2022 HK\$'000	2021 HK\$'000
Issued and fully paid (US\$0.000025 per share):		
2,117,596,656 ordinary shares (2021: 2,117,596,656)	<u>417</u>	<u>417</u>

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 2021	459,104,556	359	8,840,000	(21,984)
Exercise of share options before Share Subdivision (a)	9,497,000	8	—	—
Issue of shares before Share Subdivision (b)	21,500,000	17	—	—
Shares repurchased for share award scheme before the Share Subdivision (c)	—	—	900,000	(26,787)
Transferred for share award scheme before the Share Subdivision (c)	—	—	(3,073,155)	7,643
Immediately before the Share Subdivision	490,101,556	384	6,666,845	(41,128)
Effect of the Share Subdivision (d)	<u>1,470,304,668</u>	<u>—</u>	<u>20,000,535</u>	<u>—</u>
Immediately after the Share Subdivision	1,960,406,224	384	26,667,380	(41,128)
Shares repurchased for share award scheme after the Share Subdivision (c)	—	—	4,744,000	(32,657)
Transferred for share award scheme before the Share Subdivision (c)	—	—	(5,325,962)	11,348
Exercise of share options after the Share Subdivision (a)	4,588,000	3	—	—
Share converted from convertible bonds after the Share Subdivision (e)	<u>152,602,432</u>	<u>30</u>	<u>—</u>	<u>—</u>
At 31 December 2021 and 1 January 2022	2,117,596,656	417	26,085,418	(62,437)
Shares repurchased for share award scheme (c)	—	—	12,566,000	(44,461)
Transferred during the year for share award scheme (c)	—	—	(9,772,956)	27,005
At 31 December 2022	<u>2,117,596,656</u>	<u>417</u>	<u>28,878,462</u>	<u>(79,893)</u>

Notes:

- (a) In 2021, before the Share Subdivision, the subscription rights attaching to 4,597,000 and 4,900,000 share options were exercised at the subscription price of US\$0.125 per share and HK\$3.5 per share, respectively, resulting in the issue of 9,497,000 shares for a total cash consideration, before expenses, of US\$718,000 and HK\$17,150,000 respectively. After the Share Subdivision, the subscription rights attaching to 4,588,000 share options were exercised at the subscription price of US\$0.03125 per share, resulting in the issue of 4,588,000 shares for a total cash consideration, before expenses, of US\$143,000. An amount of HK\$33,533,000 was transferred from the share compensation reserve to share capital upon the exercise of the share options.
- (b) On 28 May 2021, the Company completed the allotment and issuance of 21,500,000 Shares to no less than six placees at a subscription price of HK\$30.30 per Share (before the Share Subdivision, equivalent to HK\$7.575 per Share after the Share Subdivision).
- (c) On 6 May 2019, the Board adopted a 10-year share award scheme (the “Scheme”) to incentivise, recognise and reward the contributions of certain eligible persons (“Eligible Persons”) to the growth and development of the Group.

Pursuant to the Scheme, 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 Scheme shall be limited to 10% of the total issued share capital of the Company.

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

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

In 2022, 9,772,956 shares were granted and transferred under the Scheme.

- (d) The number of issued shares increased due to the Share Subdivision of every one share of par value of US\$0.0001 of the Company into four subdivided shares of US\$0.000025 each was effective on 15 July 2021.
- (e) On 14 July 2020, the Company issued Series One Convertible Bonds and Series Two Convertible Bonds for principal amount of HK\$80,000,000 and HK\$20,000,000. On 31 December 2021, the bondholder converted Series One Convertible Bonds and Series Two Convertible Bonds into 152,602,432 shares with conversion price were HK\$0.65 per share and HK\$0.70 per share respectively.

16. 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 realise 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\$966,851,812) paid at the acquisition date. The Group has elected to measure the non-controlling interest in Particle Technology at the non-controlling interest's proportionate share of its identifiable net assets.

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	20,555
Right-of-use assets	4,952
Intangible assets	257,989
Investment in associates	1,111
Deferred tax assets	6,116
Trade receivables	253,557
Inventories	7,391
Prepayments, other receivables and other assets	271,966
Financial assets at fair value through profit or loss	14,081
Cash and bank balances	47,703
Trade payables	(166,052)
Other payables and accruals	(227,711)
Tax payable	(158)
Lease liabilities	(4,059)
Interest bearing bank borrowings	(1,181)
Deferred tax liabilities	(50,347)
	<hr/>
Total identifiable net assets at fair value	435,913
Non-controlling interests	(169,165)
Call options	130,154
	<hr/>
	396,902
Goodwill on acquisition	569,950
	<hr/>
Satisfied by cash	966,852
	<hr/> <hr/>

The purchase agreement contains three call options. The initial amount recognised for the call options was HK\$130,154,000 and subsequent fair value gains was HK\$4,769,000 which was determined using the discounted cash flow model and is within Level 3 fair value measurement.

Significant unobservable valuation inputs for the fair value measurement of the call options are as follows:

	2022	As at acquisition date
Discount rate	15.3%	14.9%
Terminal growth rate	2%	2%

A significant increase (decrease) in the profit before tax of Particle Technology would result in a significant increase (decrease) in the fair value of the call options. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the call options.

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 year ended 31 December 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	966,852
Cash and bank balances acquired	<u>(47,703)</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	919,149
Transaction cost of the acquisition included in cash flows from operating activities for the year ended 31 December 2021	14,262
Transaction costs of the acquisition included in cash flows from operating activities for the year ended 31 December 2022	<u>3,240</u>
	<u><u>936,651</u></u>

Since the acquisition, Particle Technology contributed HK\$424,417,000 to the Group's revenue and HK\$41,480,000 to the consolidated profit for the year ended 31 December 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\$1,659,537,000 and HK\$47,925,000, respectively.

17. EVENTS AFTER THE REPORTING PERIOD

Completion of placing of new shares

On 7 February 2023, an aggregate of 114,127,000 new Shares have been allotted and issued to no less than six places at the subscription price of HK\$4.12 per Share. The placing shares represent approximately 5.11% of the issued share capital of the Company as enlarged by the placing. The net proceeds to the Group from the placing are approximately HK\$463,653,000. The Group intends to use the net proceeds for repayment of interest-bearing borrowings in order to further position the balance sheet for strategic growth and financial flexibility. Please refer to the Company's announcements dated 31 January 2023 and 8 February 2023 for further details.

Silicon Valley Bank incident

The Board noted that the Silicon Valley Bank ("SVB") was closed on 10 March 2023 by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. The Group took necessary measures timely to minimize potential impact of the situation. As of the date of this announcement, the Group holds less than US\$250,000 (equivalent to approximately HK\$1,962,500) total cash balance in aggregate across multiple accounts with SVB. Because SVB is an FDIC-insured bank, deposits are insured up to at least US\$250,000 per depositor, per FDIC-insured bank, per ownership category. As a result, the Group has no risk of any potential loss of its cash deposits at SVB. Please refer to the Company's announcement dated 13 March 2023 for additional information.

Repayment of interest-bearing borrowings

On 29 March 2023, the Group has drawn an interest-bearing borrowings of US\$60,000,000 (equivalent to approximately HK\$471,000,000) from a multi-national financial institution and the Group's interest-bearing borrowing of HK\$1,003,886,000 as at 31 December 2022 had been fully repaid, mainly by utilising the proceeds from the placing of new shares on 7 February 2023 and proceeds from the financing on 29 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

1. Company Overview

Vobile Group Limited 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 also offers digital infrastructure services for digital asset protection and transaction related in the Web 3 era. The Group provides customers with efficient professional solutions through business models of subscription services and value-added services.

Based on the accumulated core capabilities of digital rights identification, Vobile aims to build the essential technology infrastructure for digital content assets protection and transaction, promoting efficient value distribution across the ecosystem. We believe the protection and transaction of creative content have always been core to the value of the content industry, regardless of how distribution technologies and models have evolved. We provide technology and services that are integral to the industry, making creative content more valuable.

2. Industry Ecosystem

Over the past two decades, the digital content industry evolved from limited content distribution to interactive digital media distribution, and the demand for digital rights identification has been increasing due to the need for the protection of creative content and IP monetization. Given the context, Vobile has gradually developed its digital content asset protection and transaction capabilities based on the core capability of digital rights identification. Our product portfolio expanded from film and television content protection and distribution to the identification and monetization of diversified digital content, and services for emerging digital assets in the future.

Within the trillion-dollar digital economy landscape, Vobile has always been focused on the digital content sector, with its robust economic value of IP and rapidly evolving digitalization and economic models. According to a PwC report on the digital economy, the total market size of the global entertainment and media industry grew by 10.4% in 2021, far exceeding the overall growth of the global economy. In 2022, the industry is expected to grow by 7.3% YoY to reach US\$2.5 trillion with a CAGR of 4.6% to 2026. This developed and still growing ecosystem provides a positive environment for Vobile's continuous growth.

In the next five years, digital content is likely to gradually enter the “data element” stage, and the “data element” will become a new driver to facilitate significant innovation and productivity. In China, the digital economy has been highlighted as a core component of national strategy, and “data element” a key catalyst for economic growth. This provides Vobile a unique opportunity since we have been developing digital rights identification capabilities as a cored business since our founding, and the accurate identification of asset rights is the prerequisite for the sustainable

development our industry. We anticipate that in the evolution and rapid development of “data elements”, every digital asset and “data elements” will create needs for rights identification. Rights identification provides the prerequisite for every transaction. Therefore, Vobile is a critical and unique player in this ecosystem, with tremendous business opportunities.

Given the unprecedented opportunity, Vobile will play a more critical role in the ecosystem to empower the industry. As an independent third party in the industry, Vobile will continue to promote the distribution of digital assets in the ecosystem. With the continuous improvement of data service capability, Vobile will further deepen our penetration in client and content coverage and promote us as an essential participant in building the data-driven ecosystem.

3. Our Businesses

Currently, our SaaS platform provides customers and partners with subscriptions and a variety of value-added products and services:

Subscription Services

Our subscription-based business model ensures long-term and stable relationships with the world’s top content platforms and holders, by providing IP protection services for content clients and platform clients. With our essential proprietary VDNA digital fingerprint and watermark technologies, we provide content rights identification and infringement filtering services to online video websites and platforms, empowering them to trace infringements under different scenarios for diverse content formats. We not only help content parties to trace infringements but also preserve timely and powerful evidence, by charging a customized subscription service fee according to our client’s needs.

We continue to improve our subscription services to provide comprehensive copyright protection to content customers from streaming, torrent, and user-generated content sites to NFT marketplaces. With the precision and efficiency of our protection ability, we are able to serve different types of content platforms across various content portfolios, such as movies, live events, sports, music and etc. Since 2021, we implemented a new protection business model in China by empowering the content platforms through our APIs. This helps us to quickly expand our local service and business scale coverage, accessing more content owners in Chin.

Meanwhile, as our clients expand into proprietary streaming platforms, we saw an increase in the demand for relevant IP protection and developed customized direct-to-consumer (“DTC”) protection solutions to help our clients address more demographics. In 2022, the revenue from Vobile’s subscription services was approximately HK\$ 549 million, representing an increase of approximately 166.8 % as compared to 2021, accounting for 38.1% of the total revenue.

Value-added Services

We have established long-term relationships with major Hollywood studios, TV networks, streaming platforms, and other content holders through our subscription services. With the growth of most important global clients, we leverage our IP protection technology to drive diverse value-added services and help them maximize the value of their IPs. Through enhancing our coverage of clients' content assets and expanding our portfolio of value-added services, we continue to monetize our client's creative content and reclaim revenue on more different platforms. For example:

- As our clients distribute their content on mainstream social media platforms, such as YouTube, Instagram, and Facebook, Vobile identifies and monetizes instances of user-uploaded IP on these platforms through proprietary claiming technology and services and expanding the influence of our clients' IPs.
- If our clients distribute their content on video-on-demand platforms, such as IPTV and OTT platforms in China, Vobile could provide local resources and services to distribute the content to over 120 platforms
- With the upgrade of exploration and innovation of major clients, Vobile also actively works side by side with them to develop our portfolio to address their evolving needs. As clients are exploring unique ways to engage with their customers through NFT and Web 3.0, Vobile will leverage our industrial advantages and resources to create new products for them. As our clients experiment with blockchain solutions to distribute content and market their IPs to unique demographics, we could utilize our research and development capabilities to support their transformation.

During the reporting period, the revenue from Vobile's value-added services was approximately HK\$892 million, representing an increase of 85.6% as compared with the revenue of our content protection services in 2021. We envision our service and product portfolio will continue to grow as the digital content industry grows.

Sustained strong growth in our major business regions

In the challenging year of 2022, Vobile was able to achieve total revenue of HK\$1,443 million, with an annual growth rate of about 110.1%. The adjusted EBITDA for the year was HK\$299 million, representing an annual increase of approximately 163.9%. Revenue from China reached approximately HK\$698 million and increased by about 319.8% per year, accounting for about 48.4% of the total revenue. The strong combination of Particle Technology and Vobile has become an important catalyst and greatly enhanced Vobile's execution and implementation of our strategy in China.

During the year, Vobile established new partnerships with leading content providers and content platforms in China as the synergies of powerful content distribution and edge computing business gradually took effect. We continued our solid performance in the US market, with the regional

revenues amounting to approximately HK \$740 million in 2022, representing a year-on-year growth of approximately 43.6% and a share of total revenues of approximately 51.3%. During the period, we continued to work steadily with leading content providers around the world and consistently provided them with quality services. The consistent and strong client stickiness in our business demonstrates the continued trust and the recognition our client's place in Vobile's products and services.

Completed the Acquisition and Integration of Particle

After the completion of the acquisition, Vobile Group and Particle Technology rapidly integrated the team, product, technology, operation, and other aspects to jointly promote technology and product innovation and enhance the development in the China market.

On the technology level, Vobile and Particle Technology integrated our technology and capabilities to provide industry solutions and serve digital content platforms. By developing and improving our product portfolio, we aim to enhance the competitiveness of our products across the board. Regarding content platform expansion, we developed cooperation with various major internet video platforms, radio and television operators to connect more featured content targeting the younger Gen Z demographic. We also developed new products and launched the converged video cloud service, "Sunshine Network", and deepened our partnerships with major telecom operators to further improve the product offerings and enhance our converged video services competitiveness.

4. Research and Development

We continue to reiterate core patented technologies such as VDNA and watermarks, and improve the precision and accuracy of infringement identification. At the same time, to catch up with the trend of Web 3.0 and Artificial Intelligence development, Vobile is working with major partners to carry out technology research and development, exploring new applications and technologies such as blockchain and artificial intelligence in the protection and transaction of digital content assets, rights identification, and transaction platforms, deepening our technological advantages and increasing our competitive advantage.

5. Environmental, Social and Governance Responsibilities

Vobile has always emphasized and actively fulfilled its corporate social responsibilities. In 2022, Vobile devotedly promoted social welfare. As a year-round sponsor of Hong Kong's leading charity, Po Leung Kuk, Vobile is committed to providing concern and care for minorities, creating a harmonic society for the disabled, the elderly and the young, as well as promoting post-pandemic societal development.

At the same time, Vobile leveraged our resources and strengths to actively participate in cultural and technological universal education. We participated in charity projects in cooperation with organizations, including the Zhejiang Women's and Children's Foundation, China Resources

Group, and the Hong Kong Federation of Education Workers, to popularize the concept of Web3. We led thousands of students of all ages to experience the brand-new digital culture and create through technology, encouraging more teenagers and adolescents to participate in innovations.

Strategy and Prospects

Vobile's mission is to make creative content more valuable. We aim to provide a full suite of solutions for content rights holders to maximize the value of their IPs. In the continuous process of business promotion and value creation, Vobile will play an increasingly critical role in the development of the digital content ecosystem.

Our strategic growth priorities are:

1. *The demand for digital rights identification services for content transaction and distribution continues to explode.*

The breakthroughs in Internet communication technology have promoted a revolutionary change in the dissemination of information. The production and consumption of digital content experienced explosive growth, which has brought a significant growing demand of digital content rights identification and transactions.

During the evolvement of the digital content industry from limited content distribution to interactive media distribution, Vobile has always been building its core technical capabilities in digital rights identification, which can effectively improve the efficiency of digital content distribution and lower the distribution barriers. The capabilities protect the rights of creative content owners and enable creative content to achieve a greater realization of value.

More importantly, the high level of industry digitalization has resulted in changes in business models, and the direct-to-customer (DTC) model has demonstrated stronger competitiveness. In comparison to the traditional business model, the DTC model breaks through many original limitations and more closely connects the producers with the consumers. The DTC model was first proven in the e-commerce industry as brand owners accelerate and complete the transactions of a large number of goods efficiently through the DTC business model, thus making e-commerce a nonnegligible part of the global economy. We believe the DTC model has the same potential in the digital content industry. By reducing the intermediaries, the DTC model will drive more efficient content distribution and transactions for more creative content, further activating the creative economy. Vobile will play an essential role as a service provider in digital content rights identification and transaction infrastructure based on our core capabilities.

In the last few years, the rapid rise of streaming media has proven the DTC business model as an industry trend. Streaming media has continuously attracted and acquired more traditional TV users given its advantages such as convenience, content diversity, and more options. Vobile's technology and services can ensure the exclusivity of content distribution to avoid loss of viewers, which is critical to the revenue protection and customer retention of DTC platforms.

Based on Vobile's core technology, we provide customers with one-stop digital content rights identification and transaction solutions of digital rights identification, and will steadily complete its transformation into a service provider of digital content rights identification and transaction infrastructure. By evolving with the industry simultaneously, Vobile empowers ecosystem development and continues to satisfy our clients' emerging demands, opening up a greater opportunity.

2. The fast development of China's digital culture industry creates an increasingly favourable industrial environment

In China, the digital content industry is also developing vigorously, with a prosperous content production ecosystem and a large content consumption demand. The demand for digital content rights identification, distribution, transaction, and monetization is becoming more and more urgent. Vobile has quickly identified emerging market opportunities and will continue to capture those.

In January 2022, the Chinese State Council released the *Plan for Development of the Digital Economy* during the "14th Five-Year". The plan stressed the importance of the digital economy as a national strategy. Within the year, the implementation of a series of policies was accelerated to support the development of the Chinese digital economy. "Data element" is regarded as the core for digital economy development regarding the dominant value of data in driving productivity. In December of the same year, the issue of the Twenty Data Measures established the fundamental structure of the data infrastructure system for the first time and provided a long-term blueprint for the development of "data elements" and the empowerment of economic development. These policies have created a favorable environment for the development of the industry and proved that Vobile's strategy in digital content assets is a historical choice, demonstrating Vobile's unique foresight in strategic development.

According to ICD's forecast for the scale of data in China, the country would be the fastest growing region in terms of data volume, with the increase in internet users and the rate of digital infrastructure penetration. The expected increase rate is 30% per year, from 7.6 ZB (approximately 23.4% of the global share) in 2018 to 48.6 ZB (approximately 27.8% of the global share) in 2025, and China would become the largest data region in the world.

However, the value of the data itself is limited. Only by ongoing distribution, aggregation, and processing of data, the value of data could be realized. Vobile will be benefited from data rights protection, profit distribution, and other potential opportunities brought by it. As a leading player in digital content assets transaction and monetization, Vobile is equipped with outstanding service capabilities to build the digital infrastructure required for data management. Vobile also has rich service experience in rights identification, data management, and digital asset distribution to maximize the value of customers' digital rights and protect them from infringements. Especially in the area of digital content transactions, we will continue to explore and empower content transaction platforms with our essential technologies and to innovate new monetization models of

content transaction and licensing based on IP derivative work. Vobile hopes to provide a new technology service and business model to connect industry stakeholders including content owners, content transaction platforms, creators, and monetization platforms.

Vobile enjoys an inherited advantage to participate in the data elements industry given that we have the world's largest VDNA database authorized by content owners. Based on rich multi-dimensional data, we will empower creator platforms. We aim to maximize the value of audiovisual data and to improve the productivity of content creators. With support from policies and accelerated industrial development, Vobile will better grasp the unprecedented opportunity and continue to explore business innovations while achieving our own leap and upgrade.

3. Drive Cutting Edge Product Development Adaption to Emerging Technologies and Platforms

As the world gradually moves towards the era of Web 3, an immense spectrum of information, data, and digital assets will be distributed more rapidly and freely with minimal costs. Thus, content creators will face new production and distribution landscapes and business models, as well as new value distribution policies. Faced with the new and evolving landscape, Vobile will continue to establish partnerships and serve the world's leading content creators and stand at the forefront of pioneering applications of Web 3 technologies to refine technical algorithms and strengthen business adaptability. Together with our clients, Vobile is exploring and developing new applications and possibilities of digital asset protection and transaction in Web 3 based on the valuable mutual trust established with creators, so as to strengthen Vobile's digital infrastructure service. We seek to upgrade creators' service experience, help the industry's innovation and development, and maximize digital content assets' value.

The development of virtual assets ("VA") in Hong Kong also presents significant development opportunities. Earlier, Hong Kong Financial Services and the Treasury Bureau published a policy statement on the development of virtual assets in Hong Kong and the Hong Kong Government is positive and open to service providers engaged in the virtual asset industry worldwide. There are also a large number of premier content companies in the virtual reality industry. The relevant policy support from Hong Kong Government will further confirm the value of Vobile in digital asset infrastructure, especially with its capability in digital content rights identification, and unleash the potential of digital content value.

In terms of the AIGC area, which has received widespread market attention, human creativity is still the main subject protected by copyright law for a foreseeable period of time. The industry has begun to address the risks associated with AIGC's copyright infringements of human original content. The infrastructure service capabilities provided by Vobile are necessary. At the same time, the development of AIGC has also promoted the explosive growth of creative content, bringing more industry opportunities to Vobile. In addition, we are actively carrying out exploration and research in related fields with industry-leading partners.

4. *Expand Product Portfolio for Value-added Services and New Products Enhancements*

We are fully leverage our leading technology and operational experiences in serving our global IP customers. By partnering with industry partners, we aim to build a one-stop service platform to distribute Chinese IPs globally, providing a full suite of services to enable the distribution and growth of Chinese IP and culture to be shared globally. Vobile aims to empower small and medium-sized individual creators and content creation platforms in China to build a global content distribution ecosystem for Chinese IP.

Globally, leading social media platforms such as YouTube have started to explore different digital content business models, such as e-commerce, short videos, and live-stream commerce, in addition to advertising. These innovations, coupled with the vast amount of content being created, will drive new possibilities for Vobile's existing and future suite of products and services. Vobile is actively engaged with major platforms and committed to cultivating new products and value-added services in order to maintain our position as cutting-edge solutions providers for clients and platforms.

With the end of the pandemic in sight, we are confident and well-positioned for continuous growth in 2023 and beyond. We will continue strengthening our standing as a global industry leader and continue to navigate the profound and exciting changes in the industry, fully embracing our vision and mission of “making creative content more valuable”.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,442,670	686,528
Gross profit	590,712	348,771
Profit/(loss) before tax	92,542	(14,876)
Profit/(loss) for the year	58,103	(22,677)
Non-IFRS Adjusted Net Profit	89,896	63,600
Non-IFRS Adjusted EBITDA	<u>299,464</u>	<u>113,474</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.

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year	58,103	(22,677)
Add/(less):		
Equity-settled share compensation expense	52,554	67,387
Transaction costs for acquisition of subsidiaries	3,240	14,262
Changes in fair value of investment properties	(6,962)	(447)
Changes in fair value of financial assets at FVTPL	(17,039)	5,075
Adjusted Net Profit	<u>89,896</u>	<u>63,600</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/(loss) before tax.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss) before tax	92,542	(14,876)
Add/(less):		
Depreciation and amortisation	86,222	23,449
Equity-settled share compensation expense	52,554	67,387
Bank interest income	(4,549)	(1,615)
Finance costs	92,772	20,174
Impairment on financial assets	684	65
Transaction costs for acquisition of subsidiaries	3,240	14,262
Changes in fair value of investment properties	(6,962)	(447)
Changes in fair value of financial assets at FVTPL	(17,039)	5,075
Adjusted EBITDA	<u>299,464</u>	<u>113,474</u>

Revenue

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Subscription services	549,005	205,786
Value-added services	892,107	480,742
Others	1,558	—
Total revenue	<u>1,442,670</u>	<u>686,528</u>

Our revenue in 2022 amounted to approximately HK\$1,443 million, representing an increase of approximately HK\$756 million, or approximately 110.1% as compared with the revenue of 2021 of approximately HK\$687 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 2022 amounted to approximately HK\$591 million, representing an increase of approximately HK\$242 million as compared to 2021 of approximately HK\$349 million. Our gross profit margin decreased from 50.8% in 2021 to 40.9% in 2022. The decrease in gross profit margin was mainly due to the acquisition of Particle Technology during the year which yield a lower gross profit margin than the other businesses.

Selling and marketing expenses

Our selling and marketing expenses in 2022 amounted to approximately HK\$152 million, representing an increase of approximately HK\$54 million as compared to 2021 of approximately HK\$98 million. The increase was mainly due to the increase of sales and marketing initiatives during the year.

Administrative expenses

Our administrative expenses in 2022 amounted to approximately HK\$163 million, representing an increase of approximately HK\$34 million as compared to 2021 of approximately HK\$129 million. The increase was mainly due to the incurrence of transaction costs for the acquisition of Particle Technology and the additional administrative expenses from Particle Technology following the completion of acquisition during the year.

Research and development expenses

Our research and development expenses in 2022 amounted to approximately HK\$133 million, representing an increase of approximately HK\$21 million as compared to 2021 of approximately HK\$112 million. The increase was mainly due to the increase of research and development activities in the current year.

Other income and gains

In 2022, other income mainly consisted of fair value gain on investment properties and financial assets at FVTPL. In 2021, other income mainly consisted of bank interest income.

Finance costs

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

Income tax expense

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

Profit/(loss) for the year

The profit for 2022 amounted to approximately HK\$58 million, representing an increase of profit of approximately HK\$81 million as compared to the loss for 2021 of approximately HK\$23 million. The increase in profit was mainly attributable to the continued growth in our business in the US and the expansion of our business in the Mainland China, driven by strategic and commercial partnerships.

Basic earnings per share for 2022 was approximately HK\$0.0198 (basic loss per share for 2021: HK\$0.0119) and diluted earnings per share for 2022 was approximately HK\$0.0196 (diluted loss per share for 2021: HK\$0.0119).

Dividends

The Board does not recommend any payment of dividends for 2022 (2021: nil).

Consolidated Statement of Financial Position Highlights

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total assets	3,260,325	1,770,150
Total liabilities	1,586,690	233,827
Net assets	1,673,635	1,536,323
Total equity	1,673,635	1,536,323

Goodwill

Our goodwill amounted to HK\$1,184 million as at 31 December 2022, representing an increase of HK\$577 million as compared to 31 December 2021 of HK\$607 million. Goodwill is tested for impairment periodically and no impairment loss is considered necessary as at 31 December 2022. The increase was attributable to the acquisition of Particle Technology.

Intangible assets

Our intangible assets amounted to HK\$388 million as at 31 December 2022, representing an increase of HK\$277 million as compared to 31 December 2021 of HK\$111 million. The increase was attributable to the acquisition of Particle Technology.

Interest-bearing borrowings

On 2 April 2022, Vobile HK entered 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.

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.

LIQUIDITY AND FINANCIAL RESOURCES

Working capital

As of 31 December 2022, our cash and cash equivalents and pledged deposits in aggregate amounted to approximately HK\$434 million, representing a decrease of HK\$63 million as compared to 2021 of approximately HK\$497 million. As of 31 December 2022, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 1.2 times as compared with 4.3 times as at 31 December 2021.

Significant investments, acquisitions and disposal

We did not have any significant investment nor material disposal during 2022.

Capital expenditures

In 2022, our capital expenditures primarily included purchases of property, plant and equipment, investment properties and intangible assets. The amount of our capital expenditures in 2022 was 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.

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 2022, our gearing ratio, calculated as net debt divided by the equity attributable to owners of the Company plus net debt, was

31%. As of 31 December 2021, our gearing ratio, calculated as net debt divided by the capital (equity attributable to owners of the Company) plus net debt, was not applicable as our balance of cash and cash equivalents exceeded the balance of net external debt.

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

As of 31 December 2022, we did not have (i) any material contingent liabilities or guarantees, (ii) any liabilities under acceptance trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantee material covenants, or other material contingent liabilities, (iii) any material off- balance sheet arrangements, or (iv) any unutilised banking facilities.

Use of proceeds from convertible bonds and subscription of shares

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 31 December 2022, 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 2022.

Intended use of proceeds	Initial intended allocation (HK\$ million)	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 (HK\$ million)	31 December 2021 (HK\$ million)	during the year ended 31 December 2022 (HK\$ million)	31 December 2022 (HK\$ million)	
Investment in technology	284	112	172	172	—	N/A
Global expansion of the Group's customers	221	91	130	130	—	N/A
General corporate purposes	125	46	79	79	—	N/A
	<u>630</u>	<u>249</u>	<u>381</u>	<u>381</u>	<u>—</u>	

On 16 August 2022, the Company issued convertible bonds in the aggregate principal amount of HK\$117,000,000, raised a net proceeds of HK\$106 million. As at 31 December 2022, the Company has utilised HK\$84 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 2022.

Intended use of proceeds	Initial intended allocation (HK\$ million)	Net proceeds utilised		Expected timeline of full utilisation
		during the year ended 31 December 2022 (HK\$ million)	Unutilised net proceeds as at 31 December 2022 (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	On or before 31 December 2023
General working capital	<u>37</u>	<u>37</u>	<u>—</u>	N/A
	<u>106</u>	<u>84</u>	<u>22</u>	

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, we employed a total of 572 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 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 2022.

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 2022, 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 2022.

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 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 year ended 31 December 2022, except for the purchase of 12,566,000 shares on behalf by the trustees of the Share Award Plan, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

On 7 February 2023, an aggregate of 114,127,000 new Shares have been allotted and issued to no less than six places at the subscription price of HK\$4.12 per Share. For further details, please refer to the Company's announcements dated 31 January 2023 and 8 February 2023.

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 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 annual results of our Group for the year ended 31 December 2022 and has recommended for the Board's approval thereof.

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 2022 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 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 despatch in due course to the Shareholders the 2022 annual report containing all the information as required by the Listing Rules and publish it on the above websites.

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 14 to the Listing Rules
“Company”	Vobile Group Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and the Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“FVTPL”	fair value through profit or loss
“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 10 to the Listing Rules
“Mr. Wang”	Mr. Yangbin Bernard WANG
“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
“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

“Series One Convertible Bonds”	the convertible bonds in the principal amount of HK\$80,000,000 issued by the Company on 14 July 2020
“Series Two Convertible Bonds”	the convertible bonds in the principal amount of HK\$20,000,000 issued by the Company on 14 July 2020
“Share(s)”	ordinary share(s) of US\$0.000025 each (before the Share Subdivision: US\$0.0001 each) in the share capital of the Company
“Share Award Plan”	the share award plan of the Company adopted on 6 May 2019, and where appropriate, includes all amendments thereto
“Share Subdivision”	the authorised and issued shares of the Company were subdivided on the basis that every one issued share is subdivided into four subdivided shares pursuant to a shareholders’ resolution passed at an extraordinary general meeting on 13 July 2021
“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, 31 March 2023

As at the date of this announcement, the Board 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.