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 DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2019	2018
	US$'000	*US$'000*
Revenue	**18,781**	15,225
Gross profit	**13,452**	12,224
Loss before tax	**(8,061)**	(2,524)
Loss for the year attributable to owners of the Company	**(6,190)**	(2,502)

Consolidated Statement of Financial Position Highlights

	2019	2018
	US$'000	*US$'000*
Total assets	**115,971**	50,836
Total liabilities	**80,854**	7,003
Net assets	**35,117**	43,833
Total equity	**35,117**	43,833

The Board of Directors (the "Board") of Vobile Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended December 31, 2019, together with the comparative figures for the year ended December 31, 2018 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Notes	**2019** **US$'000**	2018 US$'000
REVENUE	*4*	**18,781**	15,225
Cost of services provided		**(5,329)**	(3,001)
Gross profit		**13,452**	12,224
Other income and gains	*4*	**328**	262
Selling and marketing expenses		**(7,456)**	(5,687)
Administrative expenses		**(11,093)**	(7,563)
Research and development expenses		**(2,501)**	(1,577)
Finance costs	*6*	**(649)**	—
Other expenses		**(142)**	(183)
LOSS BEFORE TAX	*5*	**(8,061)**	(2,524)
Income tax credit	*7*	**1,871**	22
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(6,190)**	(2,502)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(115)**	(565)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(115)**	(565)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(6,305)**	(3,067)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted loss for the year attributable to ordinary equity holders of the Company (US dollar)	*9*	**(0.0146)**	(0.0059)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Notes	2019	2018
		US$'000	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**378**	598
Right-of-use assets		**1,017**	—
Other intangible assets		**8,350**	5,340
Goodwill		**78,921**	13,622
Deferred tax assets		**4,265**	2,376
Prepayments		**37**	167
Total non-current assets		**92,968**	22,103
CURRENT ASSETS			
Trade receivables	*10*	**13,743**	8,156
Prepayments, other receivables and other assets		**4,080**	2,556
Tax recoverable		**355**	380
Cash and cash equivalents		**4,825**	17,641
Total current assets		**23,003**	28,733
CURRENT LIABILITIES			
Trade payables	*11*	**5,695**	2,618
Lease liabilities		**753**	—
Interest-bearing borrowings		**1,500**	—
Other payables and accruals		**6,306**	4,385
Total current liabilities		**14,254**	7,003
NET CURRENT ASSETS		**8,749**	21,730
TOTAL ASSETS LESS CURRENT LIABILITIES		**101,717**	43,833
NON-CURRENT LIABILITIES			
Lease liabilities		**240**	—
Interest-bearing borrowings		**48,500**	—
Other liabilities		**17,860**	—
Total non-current liabilities		**66,600**	—
Net assets		**35,117**	43,833
EQUITY			
Share capital		**42**	42
Treasury shares		**(2,558)**	—
Reserves		**37,633**	43,791
Total equity		**35,117**	43,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Vobile Group Limited was incorporated as an exempted company with limited liability in the Cayman Islands on July 28, 2016 under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is P.O. Box 472, 2nd Floor, 103 South Church Street, Harbour Place, George Town, Grand Cayman KY1-1106, 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. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

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 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's financial statements, the nature and impact of IFRS 16 is described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at January 1, 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognizing rental expenses under operating leases on a straight-line basis over the lease term commencing from January 1, 2019, the Group recognizes depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities as finance costs.

Impacts on transition

Lease liabilities at January 1, 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and included in interest-bearing borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before January 1, 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at January 1, 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Accounting for the leases of which the lease term ends within 12 months from the date of initial application in the same way as short-term leases, and including the cost associated with these leases within the disclosure of short-term lease expenses

The impacts arising from the adoption of IFRS 16 as at January 1, 2019 are as follows:

	Increase/ (decreased) *US$'000*
Assets	
Increase in right-of-use assets	1,796
Decrease in prepayments, other receivables and other assets	(36)
Increase in total assets	1,760
Liabilities	
Increase in lease liabilities	1,760

The lease liabilities as at January 1, 2019 reconciled to the operating lease commitments as at December 31, 2018 are as follows:

	US$'000
Operating lease commitments as at December 31, 2018	2,131
Weighted average incremental borrowing rate as at January 1, 2019	3.29%
Discounted operating lease commitments at January 1, 2019	2,064
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ended on or before December 31, 2019	(304)
Lease liabilities as at January 1, 2019	1,760

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the financial statements:

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after January 1, 2020
2 Effective for annual periods beginning on or after January 1, 2021
3 Effective for annual periods beginning on or after January 1, 2022
4 No mandatory effective date yet determined but available for adoption

The directors of the Group considered that the application of the above issued but not yet effective IFRSs will not have a material impact on the Group's consolidated financial results.

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 unauthorized 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***

	2019	2018
	US$'000	*US$'000*
United States	**17,353**	14,269
Japan	**1,250**	764
Mainland China	**158**	113
Others	**20**	79
	18,781	15,225

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

(b) ***Non-current assets***

Majority of significant non-current assets of the Group are located in the United States. Accordingly, no geographical information of segment assets is presented.

Information about major customer

During the years ended December 31, 2019 and 2018, there was no customer with whom transactions exceeded 10% of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the year.

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

	2019	2018
	US$'000	*US$'000*
Revenue from contracts with customers		
Rendering of services	**18,781**	15,225

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

	2019	2018
	US$'000	*US$'000*
Timing of revenue recognition		
Services transferred overtime	**18,781**	15,225

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

	2019	2018
	US$'000	*US$'000*
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services	**520**	567

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarized 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 days.

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

	2019	2018
	US$'000	*US$'000*
Within one year	**526**	520

	2019	2018
	US$'000	*US$'000*
Other income and gains		
Interest income	**119**	224
Foreign exchange gains	**99**	35
Others	**110**	3
	328	262

5. LOSS BEFORE TAX

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

	2019	2018
	US$'000	*US$'000*
Cost of services provided	**5,329**	3,001
Employee benefit expense (excluding Directors' and chief executive's remuneration):		
Wages and salaries	**6,945**	5,279
Equity-settled share option expense	**45**	86
Other benefits	**484**	393
Pension scheme contributions	**15**	15
	7,489	5,773
Depreciation of items of property, plant and equipment	**305**	262
Depreciation of right-of-use assets	**940**	—
Amortization of other intangible assets	**70**	—
Lease payments not included in the measurement of lease liabilities	**559**	—
Minimum lease payments under operating leases	**—**	1,108
Impairment of trade receivables, net	**3**	(13)
Research and development expenses	**2,501**	1,577
Auditor's remuneration	**293**	240
Other listing fees expensed off	**—**	377
Bank interest income	**(119)**	(224)
Foreign exchange differences, net	**(18)**	92

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	US$'000	*US$'000*
Interest on loans	**611**	—
Interest on lease liabilities	**38**	—
	649	—

7. INCOME TAX CREDIT

Income tax consists primarily of the United States, 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% (2018: 21%) for the year ended December 31, 2019. The income tax applicable to Hong Kong profits was provided at a statutory tax rate of 16.5% during the year ended December 31, 2019. 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 credit for the year are as follows:

	2019	2018
	US$'000	*US$'000*
Current — United States		
Charge for the year	**4**	(252)
Current — Hong Kong		
Charge for the year	**—**	1
Current — Japan		
Charge for the year	**14**	20
Deferred tax expenses from change in federal tax rate resulted from the U.S. Tax Cuts and Jobs Act ("TCJA")	**—**	492
Deferred tax expenses — Others	**(1,889)**	(283)
Total tax credit for the year	**(1,871)**	(22)

8. DIVIDENDS

The Board does not recommend payment of any dividend for the year ended December 31, 2019 (2018: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 424,874,536 (2018: 423,640,015) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended December 31, 2019 and 2018 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 calculations of loss per share attributable to ordinary equity holders of the Company for each of the years ended December 31, 2019 and 2018 are based on the following data:

	2019	2018
	US$'000	*US$'000*
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	**(6,190)**	(2,502)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**424,874,536**	423,640,015
Effect of dilution — Weighted average number of ordinary shares:	**9,567,595**	9,678,328
	434,442,131*	433,318,343*

* Because the diluted loss per share amount is decreased when taking share options into account, the share options 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 of US$6,190,000, and the weighted average number of ordinary shares of 424,874,536 in issue during the year.

10. TRADE RECEIVABLES

	2019	2018
	US$'000	*US$'000*
Trade receivables	**13,781**	8,191
Impairment	**(38)**	(35)
	13,743	8,156

The Group's trading terms with its debtors are usually 10 to 60 days. The Group always recognizes 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 December 31, 2019, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	US$'000	*US$'000*
Within 90 days	**9,655**	3,675
91 to 180 days	**1,110**	1,345
181 to 365 days	**818**	2,106
Over 365 days	**2,160**	1,030
	13,743	8,156

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

	2019	2018
	US$'000	*US$'000*
At beginning of year	**35**	48
Impairment losses, net	**3**	(13)
At end of year	**38**	35

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 December 31, 2019

		Past due			
	Current	**Less than 3 months**	**3 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	0.01%	0.05%	0.3%	1.1%	0.3%
Gross carrying amount (US$'000)	7,134	2,729	925	2,993	13,781
Expected credit losses (US$'000)	1	1	3	33	38

As at December 31, 2018

		Past due			
	Current	**Less than 3 months**	**3 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	0.01%	1.0%	1.1%	2.5%	0.4%
Gross carrying amount (US$'000)	5,020	1,075	2,047	49	8,191
Expected credit losses (US$'000)	—	11	23	1	35

11. 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:

	2019	2018
	US$'000	*US$'000*
Within 90 days	**5,579**	2,618
90 to 180 days	**116**	—
	5,695	2,618

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

12. BUSINESS COMBINATION

On July 19, 2019 (Hong Kong Time), the wholly-owned subsidiary of the Company, Vobile Inc., entered into an asset purchase agreement with ZEFR, Inc. pursuant to which Vobile Inc. agreed to buy all assets and business record of Rights ID and Channel ID business (the "Acquired Business").

The Group is a leading provider of online video content protection and monetization services, helping its content owner customers identify potentially infringing content and reduce infringement-induced revenue loss and increase their revenue by utilizing our content monetization platform to facilitate online video distribution using a revenue-sharing model. The Acquired Business is engaged in digital media rights management and monetization. The Group considered this acquisition as an excellent opportunity for the Group to embrace market opportunities to further consolidate its position as the leader in online video content protection and monetization. The acquisition brought in technology complementary, expanded monetization, as well as enhanced sales proposition for the Group.

The Acquired Business will enable the Group to further strengthen its competitive edge in providing monetization services. The Group will be able to expand its monetizing opportunities across rights-claimed content inventories on video and social media platforms, and will have greater depth of connection within their shared rights holder clients, and an enhanced sales position to offer newly cross sold rights holder clients. Accordingly, the acquisition extended the Group's Transaction-based SaaS Business, and the goodwill arose from the acquisition was allocated to the Transaction-based SaaS Business cash-generating unit.

The purchase consideration for the acquisition was in the form of cash, a secured subordinated note and an earn-out amount, with US$30,000,000 paid at the acquisition date, US$20,000,000 as a secured subordinated note, and the remaining as a consideration payable, ranging from Nil to US$40,000,000, depending on the revenue and EBITDA generated from the Acquired Business within the 12-month period after the acquisition has been completed.

On November 16, 2019 (Hong Kong Time), the acquisition was completed.

The fair values of the identifiable assets and liabilities of Acquired Business were as follows:

	Fair value recognized on acquisition *US$'000*
Property, plant and equipment	52
Intangible asset — Technology	2,509
Total identifiable net assets at fair value	2,561
Goodwill on acquisition**	65,299
Satisfied by cash consideration paid	30,000
Satisfied by a secured subordinated note	20,000
Contingent consideration*	17,860
	67,860

* As part of the purchase agreement, contingent consideration is payable, which is dependent on the amount of revenue and EBITDA of the Acquired Business during the 12-month period subsequent to the acquisition. The initial amount recognized was US$17,860,000 according to the profit forecast and the purchase agreement, which was determined using the probability-weighted payout approach and is within Level 3 fair value measurement. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

** Goodwill of US$65,299,000 recognized is expected to be deductible for income tax purposes under the US tax laws.

*** The Group incurred transaction costs of US$4,791,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

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

	US$'000
Cash consideration paid	(30,000)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents included in cash flows from investing activities	(30,000)
Transaction costs of the acquisition included in cash flows from operating activities	(4,791)
	(34,791)

Since the acquisition, the Acquired business contributed US$3,620,000 to the Group's revenue and US$88,000 to the consolidated profit for the year ended December 31, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECT

2019 has marked the history of global media entertainment industry with significant events: the launch of Disney Plus streaming service as well as the launch of Apple TV Plus service. It is also a significant year in the Group's history. On November 16, 2019 (Hong Kong time), we have completed a very substantial acquisition of the Rights ID and Channel ID businesses from ZEFR, Inc. in Los Angeles, California. This is the second acquisition we have completed since our IPO in 2018. The first one was the acquisition of IP-Echelon in Australia, which has been integrated successfully into our content protection business. It further bolstered our global leadership in digital video content protection market. We now are able to provide our clients, including top-tier film studios and television networks, with a broader range of services to effectively protect their most valuable IP assets from online piracy. The newly addition of Rights ID and Channel ID business immediately established our Group as the market-leading content monetization platform on YouTube and Facebook. This acquisition also significantly expands the size and scope of our business, helping to broaden and diversify both our sources of revenue and our customer base. In addition to our existing strong customer base of film studios, television networks and other premium video content rightsholders, we now serve a broader sets of content owners whose IP assets are featured on the social media platforms, including YouTube, Facebook, Instagram and SoundCloud. Our proprietary Software as a Service ("SaaS") platforms help our clients prevent revenue loss from infringement and increase revenue growth in on-line distribution.

In 2019, we made substantial investment in aggregating a large number of films and television episodes to enable our digital Pay Per Transaction ("PPT") business, namely transactional video on demand ("TVOD") business. We have entered into agreements as content supplier to major video platforms in China, such as Alibaba, iQiyi and Wasu. These platforms provide us a path to deliver our library of transactional video on demand titles to millions of consumers in China. We remain optimistic on the potential revenue upside of our TVOD business in the long run.

Industry Outlook

(1) Major Studios Turning to Direct-to-Consumer ("DTC") — An increasing number of consumers choose to discontinue their subscription of traditional pay television services, such as cable and satellite television delivered through system operator owned and controlled set top boxes, a trend known as "cord cutting". Content owners and content aggregators have been embroiled in a strategic land grab of direct relationships with consumers. A large number of consumers now only watch digital video programming through applications and services using over-the-top ("OTT") delivery technology built in the Smart TVs or a variety of digital video/gaming devices. This is forcing significant changes in content production, aggregation and distribution business model. Major studios and content owners are turning to the DTC model for a brighter future.

   (a) Content Aggregation — Top studios started to pull back their content from content aggregators in order to have unique content portfolios for their own DTC services. This put pressure on content aggregators to find other content owners to license from and develop their own original programming. For example, Netflix had historically shown great ability to aggregate top tier studio content in combination with its own original programming, which allowed them to build a very large subscriber base. Major studios had declining revenue of carriage fees from traditional pay television services due to cord cutting, while Netflix was building a highly valuable direct relationship with consumers in part using licensed studio content. A number of top studios announced to launch their own DTC services and discontinue their content licensing relationships with aggregators such as Netflix. Disney plus and HBO Max are the prime examples. Disney plus was launched on November 12, 2019 with a great success: 10 million subscribers on the first day.

(b) Content is King — In order to differentiate the service value proposition to existing and prospective subscribers, DTC service providers are committing billions of dollars to original content production with top tier content creators. Notably, Netflix spent about US$6 billion on original video content production in 2019, out of a total budget of US$15 billion for both original and licensed content. The original content production annual budgets for Apple TV Plus and Amazon Prime Video are expected to be around US$6 billion each. Major studios are also stepping up original content production for their own DTC services. In 2019, Disney spent US$1 billion on The Mandalorian and other original content to motivate consumers to sign up for the new Disney Plus service. Disney indicated this budget will grow to US$2.5 billion in 2020. HBO is anticipated to spend in similar range to Disney Plus in support of the upcoming launch of its DTC service HBO Max in 2020.

(c) Evolving Movie Distribution Windows — Box office numbers climbed internationally, particularly in Europe and Asia Pacific, but stagnated in North America. The global box office revenue hit a record US$42.5 billion in 2019, despite the combined ticket sales in North America came in at US$11.4 billion, a 4% decline from 2018's historic US$11.9 billion, according to ComScore. China box office revenue rose 5.4% to a new record high of US$9.2 billion in 2019. Changes in movie distribution windows have been influenced by consumer use and wallet share of digital services. With major studios making strategic push of their DTC services, the change of windowing for movies will accelerate. The deployment of 5G networks and consumer adoption of ultra-high-definition television will enable a new era of digital day-and-date movie distribution.

(2) New Category of Short-Form Content — There has been a production quality gap for long-form movie and TV content produced by top tier studios and short-form user generated content typically created for and consumed on social video platforms, such as YouTube. An emerging category of short-form episodic video content with high production quality and optimized for viewing on a mobile device in a short time frame promises to eliminate the quality gap. A prime example is Quibi, which was founded in 2018 by DreamWorks co-founder Jeffrey Katzenberg and led by Meg Whitman, former CEO of Hewlett Packard and eBay. Quibi raised US$1 billion in funding from investors and major Hollywood studios, including Disney, NBCUniversal, Sony Pictures, WarnerMedia, ViacomCBS, Liberty Global and Alibaba. Quibi's content, called "Quick Bites", is made specifically to be only streamed on mobile devices and can be viewed in either horizontal or

vertical video. Instead of typical half-hour TV episodes or two-hour films, content on Quibi will be delivered in episode chapters of 10 minutes or less. Quibi plans to spend US$1.1 billion on commissioning original content in its first year, totaling 8,500 short-form episodes and including over 175 shows. If Quibi's business model proves to be successful, it could expand the wallet share of consumer spending on top-tier studio produced content.

(3) DTC Marketing on Social Video Platforms — Social video platforms, such as YouTube and Facebook, continue to represent a significant portion of viewers' time spent on-line, across all devices. Short clips of studio produced movie and television programming, often times fan favorite cut of these studio content, are popular on social video platforms and generating billions of views. Marketers of DTC video services are searching effective marketing tools to grow their subscriber base. Identifying the viewers of a brand studio's content on social video platforms can effectively locate its large fan base online. Reaching these identified viewers with targeted advertising can be a powerful marketing tool, including subscriber acquisition and retention.

Group Strategies

We remain focused on serving global premium content owners and rightsholders. Our clients include film studios, television networks, record labels, DTC service providers, subscription video-on-demand content aggregators, sports leagues, toys and games company. Generally speaking, they all have media entertainment businesses. The success of media entertainment business is highly dependent on the protection of IP rights in the entertainment products and services they created, and predominantly being consumed in digital format over internet nowadays. We firmly believe that our core business in content protection is the essential service for all media entertainment businesses and will become even more important over time. For example, the unauthorized distribution and access to movies and television episodes of a major studio will reduce the number of subscribers of its DTC service, therefore directly reduce its revenues. This will have a much bigger impact to the studio's business compared to the good old days when a significant amount of its revenues was guaranteed by output licensing deals. With the announced high-stakes investments in DTC services, the total investment in original content productions has been increasing dramatically over time. These developments require DTC service providers to devote substantial resources for content protection.

The successful acquisition of Rights ID and Channel ID business has transformed our Group into the premier provider of comprehensive solution in content protection and monetization. We are the only independent rights management provider that operates in collaboration and compliance with YouTube, Facebook, Instagram and SoundCloud. We have the best platform and expertise to identify, prioritize and maximize video monetization on social media platforms. The ability to reach viewers of specific video content on social media platforms and deliver targeted advertising messages gives us powerful tools for brand marketing and performance marketing. With the announced high-stakes DTC services, competition for eyeballs and fighting for subscriber growth will only intensify over time. By leveraging our Rights ID and Channel ID platforms, we can play an even more important role for marketers of DTC services — providing cost-effective marketing tools for subscriber acquisition and retention.

Content is king. Distribution is everywhere. We are poised to capitalize on the huge market opportunity in the coming years. We will continue to execute our strategic plan.

Business Model

The core of our business model is Software as a Service. Our business model can be categorized as:

- Subscription-based SaaS business — consisting of content protection platform, content measurement platform as well as Channel ID content management platform; and

- Transaction-based SaaS business — consisting of conventional Pay Per Transaction platform, transactional video on demand platform (a.k.a. digital Pay Per Transaction platform), advertising video-on-demand and Rights ID content monetization platform.

Product Offerings

Content Protection

Our content protection platforms consist primarily of VideoTracker and MediaWise products. VideoTracker monitors all video sharing sites, including UGC, P2P, search engines, cyber locker, hybrid, linking sites and live streaming. It identifies unauthorized use of rights holders' movies or television programming content, delivers DMCA notification and manages effective take-down of the copyright infringements. MediaWise enables publishers to manage digital media content to eliminate copyright infringements and helps build a better business.

Content Measurement

Our content measurement platforms consist primarily of TV Ad Tracking and Analysis products. TV Ad Tracking and Analysis identifies and tracks advertisement, logos, and graphics across broadcast channels to help brands interpret ad data and validate ad content runs.

Advertisers are increasingly focused on integrating their products directly into video content in order to capture the attention of their target audiences and utilize a data-driven approach to measure the effectiveness of their marketing spend.

Content Management and Monetization

Our content management platforms consist primarily of Channel ID products. Channel ID helps our clients manage their branded channels on YouTube. Channel ID also provides data analysis and optimization strategies to expand the reach of the channel and help better connect with its viewers and fans.

Our content monetization platforms consist primarily of Rights ID products. Rights ID offers a comprehensive rights management system that identifies, prioritizes and maximizes video monetization on social media platforms for media entertainment companies. It helps resolve the vast ownership and business rule complexities that these enterprise organizations face daily. Rights ID is the only independent rights management provider that operates in collaboration and compliance with YouTube, Facebook, Instagram and SoundCloud.

Pay Per Transaction

Our Pay Per Transaction platforms have successfully evolved from its roots in physical PPT business servicing video rental stores to digital distribution using revenue-sharing model with online video sites. We have aggregated a large number of high-quality films and television programming for our TVOD services, which is powered by our advanced measurement and auditing capabilities. Content owners and online video sites will benefit from the monetization of vast library content, while assuming little business risk because of our content protection and measurement capabilities.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2019	2018
	US$'000	*US$'000*
Revenue	**18,781**	15,225
Gross profit	**13,452**	12,224
Loss before tax	**(8,061)**	(2,524)
Loss for the year attributable to owners of the Company	**(6,190)**	(2,502)

Revenue

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

	2019	2018
	US$'000	*US$'000*
Subscription-based SaaS business		
Content Protection	**11,385**	10,002
Content Measurement	**1,097**	610
Subtotal	**12,482**	10,612
Transaction-based SaaS business		
— Conventional PPT	**615**	1,180
— Online PPT	**5,292**	3,433
— Content Management	**392**	—
Subtotal	**6,299**	4,613
Total	**18,781**	15,225
Businesses other than conventional PPT business	**18,166**	14,045
Conventional PPT	**615**	1,180
Total	**18,781**	15,225

Our revenue in 2019 totaled US$18.8 million, representing an increase of US$3.6 million as compared to 2018. The increase was mainly attributable to the increase in revenue contributed by the business acquired from ZEFR, Inc. in November 2019.

Gross Profit and Gross Profit Margin

Our gross profit in 2019 amounted to US$13.5 million, representing an increase of US$1.3 million as compared to 2018. This increase was resulted from a combination of our increased gross profit from our existing business and the increase in gross profit from the business acquired from ZEFR, Inc. in November 2019.

Our gross profit margin decreased from 80.3% in 2018 to 71.6% in 2019 as revenue from certain product acquired from ZEFR, Inc. in November 2019 are recognized on a gross basis which yield a lower gross profit margin than the other businesses.

Selling and Marketing Expenses

Our selling and marketing expenses in 2019 amounted to US$7.5 million, representing an increase of US$1.8 million as compared to 2018. The increase was mainly due to investment in our sales and business development activities for our TVOD business. In addition to our employees, we hired a team of consultants to accelerate content aggregation of film and television programming for our burgeoning TVOD business. We also made investment in sales and business development activities to establish partnerships with online video distribution platforms in China.

Administrative Expenses

Our administrative expenses in 2019 amounted to US$11.1 million, representing an increase of US$3.5 million as compared to 2018. The increase was mainly due to the incurrence of transaction costs of US$4.8 million for our acquisition of business from ZEFR, Inc. in November 2019.

Research and Development Expenses

Our research and development expenses in 2019 amounted to US$2.5 million, representing an increase of US$0.9 million as compared to 2018. The increase was mainly due to the increase of headcount as a result from the acquisition of business from ZEFR, Inc.

Income Tax Credit

Our income tax credit for the year ended December 31, 2019 was mainly comprised of deferred tax credit of US$1.9 million.

Loss for the Year Attributable to Owners of the Company

The loss attributable to owners of the Company for 2019 amounted to US$6.2 million, representing an increase of US$3.7 million as compared to 2018. The increase was mainly due to the incurrence of transaction costs of US$4.8 million for acquiring business from ZEFR, Inc. in 2019 and increased sales and marketing initiatives to aggregate content for our TVOD business and establish TVOD distribution partnerships.

Basic and diluted loss per share for 2019 is approximately US$0.0146 (2018: approximately US$0.0059).

Dividends

The Board does not recommend any payment of dividends for 2019 (2018: nil).

Consolidated Statement of Financial Position Highlights

	2019	2018
	US$'000	*US$'000*
Total assets	**115,971**	50,836
Total liabilities	**80,854**	7,003
Net assets	**35,117**	43,833
Total equity	**35,117**	43,833

Goodwill

Our goodwill amounted to US$78.9 million as at December 31, 2019, representing an increase of US$65.3 million as compared to December 31, 2018. The increase was attributable to the acquisition of business from ZEFR, Inc. in November 2019.

Intangible Assets

Our intangible assets amounted to US$8.3 million as at December 31, 2019, representing an increase of US$3.0 million as compared to December 31, 2018. The increase was attributable to the acquisition of business from ZEFR, Inc. in November 2019.

Interest-bearing borrowings

The Board considers that the level of borrowings at December 31, 2019 to be healthy and sustainable. As at December 31, 2019, the Group had interest-bearing borrowings which amounted to approximately US$50 million.

The Board considers that the maturity profile of borrowings is in line with normal commercial practices. As at December 31, 2019, the Group had interest-bearing borrowings of US$1.5 million repayable within one year, US$2.3 million repayable in the second year and US$3.0 million repayable in the third year, US$23.2 million in the fourth year and US$20 million in the fifth year.

LIQUIDITY AND FINANCIAL RESOURCES

Working Capital

As of December 31, 2019, our cash and cash equivalents amounted to US$4.8 million, representing a decrease of US$12.8 million. The decrease was primarily due to cash payments related to the incurrence of transaction costs for acquiring business from IP-Echelon and ZEFR, Inc. As of December 31, 2019, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 1.6 times as compared with 4.1 times as at December 31, 2018.

Significant Investments, Acquisitions and Disposal

Except for the acquisition of business from ZEFR, Inc. in November 2019 we did not make significant investments. For details, please refer to the announcements dated November 18, 2019 on the respective websites of the Hong Kong Stock Exchange and the Company.

We did not have any material disposal during 2019.

Capital Expenditures

Our capital expenditures primarily included purchases of property, plant and equipment and incurrence of development costs, which will be capitalized as intangible assets. The amount of our capital expenditures in 2019 was US$0.7 million.

Foreign exchange exposure

Our transactions are mainly settled in United States dollars and therefore we have minimal exposure to foreign exchange risk. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will monitor such risk closely on an ongoing basis.

Gearing ratio

The Group monitors capital using gearing ratio, which is net external debt divided by the capital (equity attributable to owners of the Company) plus net debt. Net debt includes interest-bearing borrowings, less cash and cash equivalents. As of December 31, 2019, our gearing ratio, calculated as net debt divided by the capital (equity attributable to owners of the Company) plus net debt, was 56.3% as compared to 0% as of December 31, 2018.

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

Except for the interest-bearing borrowings of US$30 million which is secured by all assets of LRC Oregon Inc., Vobile Holding, Inc., Vobile Home Entertainment LLC and Vobile, Inc., collectively as the guarantor, as collateral, as of December 31, 2019 and the date of this announcement, we did not have (i) any material contingent liabilities or guarantees, (ii) any liabilities under acceptance trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantee material covenants, or other material contingent liabilities, (iii) any material off-balance sheet arrangements, or (iv) any unutilized banking facilities.

Financial Instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, cash and cash equivalents, interest-bearing borrowings, trade payables, other payables excluding non-financial liabilities, contingent consideration payable and other non-current liabilities.

We manage such exposure to ensure appropriate measures are implemented on a timely and effective manner.

Use of Proceeds from IPO

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on January 4, 2018. The net proceeds received by the Company from the global offering amounted to US$21.3 million after deducting underwriting commissions and all related expenses. The net proceeds received from the global offering will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company.

As announced by the Company on September 30, 2019 and October 9, 2019, the Board resolved to change the proposed use of unutilized net proceeds of US$7.8 million from the global offering of the shares of the Company which was intended to be used for implementing sales and marketing initiatives, upgrade and enhance our infrastructure and facility, expand existing offices and geographic coverage and general working capital to acquisition of businesses or assets. Please refer to the announcements of the Company dated September 30, 2019 and October 9, 2019 for details.

As of December 31, 2019, the entire amount of US$21.3 million of proceeds were fully utilized.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2019, we employed a total of 144 staff (as at December 31, 2018: 71 staff). Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time.

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2019.

EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of novel coronavirus ("COVID-19") continues to spread around the world. The operating infrastructure of our SaaS platforms is based on cloud computing platforms provided by multiple vendors. We have taken measures including work from home to ensure our business continuity. As for digital video industry impact from COVID-19, the shelter in place and equivalent public health social distancing initiatives may lead to an increase in DTC service utilization and social video platform consumption as home bound individuals are looking for entertainment options to fill their days and evenings during this public health crisis. With the government mandated closure of movie theatres, some major studios chose to go with digital day and date release of new movies that are not able to make their theatrical box office debuts while movie theatres remain closed. It is unclear when the social distancing restriction will end and whether there will be any long-term effect on consumer behaviors in the future. Depending on the subsequent development of COVID-19, changes in macro-economic conditions may have material impact on the business and financial of the Group, which could not be fully assessed at the time of this announcement. We will continue to monitor the COVID-19 situation and assess any impact on the business and financial conditions of the Group and adapt our operating plan accordingly.

PUBLICATION OF ANNUAL REPORT

The 2019 annual report of the Company and the notice of the annual general meeting will be dispatched to the shareholders of the Company and published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.vobilegroup.com) in due course.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to formulate its business strategies and policies, and to enhance its transparency and accountability. The Company has applied the principles as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules") 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 Code during the year ended December 31, 2019, 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. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decisionmaking for our Group. After considering all the corporate governance measures that have been taken, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of Chairman and Chief Executive Officer.

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 December 31, 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (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 December 31, 2019. 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 December 31, 2019, except for the purchase of 7,870,000 shares on behalf by Acheson Limited, a wholly-owned subsidiary of Tricor Holdings Limited, as the trustee of the share award plan adopted by the Group on May 6, 2019, 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. CHAN King Man Kevin, Mr. James Alan CHIDDIX and Mr. Charles Eric EESLEY, and two non- executive Directors, namely, Mr. J David WARGO and Mr. WONG Wai Kwan. The chairman of the Audit Committee is Mr. CHAN King Man Kevin.

The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2019 and has recommended for the Board's approval thereof.

SCOPE OF WORK ON THE RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position as at December 31, 2019 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in this results announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the 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 dispatch in due course to the Shareholders the 2019 annual report containing all the information as required by the Listing Rules and publish it on the above websites.

By Order of the Board
Vobile Group Limited
Yangbin Bernard Wang
Chairman, Executive Director
and Chief Executive Officer

Hong Kong, March 31, 2020

As at the date of this announcement, the Board comprises Mr. Yangbin Bernard WANG and Mr. Michael Paul WITTE as executive Directors; Mr. Vernon Edward ALTMAN, Mr. J David WARGO and Mr. WONG Wai Kwan as non-executive Directors; and Mr. CHAN King Man Kevin, Mr. James Alan CHIDDIX and Mr. Charles Eric EESLEY as independent non-executive Directors.