



Vobile Group Limited  
阜博集團有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 3738



ANNUAL REPORT 2020

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Yangbin Bernard WANG (“Mr. Wang”)  
*(Chairman and Chief Executive Officer)*  
Mr. Michael Paul WITTE (“Mr. Witte”)

### NON-EXECUTIVE DIRECTORS

Mr. J David WARGO (“Mr. Wargo”)  
Mr. WONG Wai Kwan (“Mr. Wong”)  
Mr. Vernon Edward ALTMAN (“Mr. Altman”)  
*(retired on June 30, 2020)*

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN King Man Kevin (“Mr. Chan”)  
Mr. Charles Eric EESLEY (“Mr. Eesley”)  
Mr. Derek CHANG (“Mr. Chang”)  
*(appointed on June 30, 2020)*  
Mr. Alfred Tsai CHU (“Mr. Chu”)  
*(appointed on June 30, 2020)*  
Mr. James Alan CHIDDIX (“Mr. Chiddix”)  
*(retired on June 30, 2020)*

### COMPANY SECRETARY

Mr. HO Sai Hong Vincent (“Mr. Ho”)

### AUDIT COMMITTEE

Mr. CHAN King Man Kevin *(Chairperson)*  
Mr. Charles Eric EESLEY  
Mr. J David WARGO  
Mr. WONG Wai Kwan  
Mr. Alfred Tsai CHU *(appointed on June 30, 2020)*  
Mr. James Alan CHIDDIX *(retired on June 30, 2020)*

### REMUNERATION COMMITTEE

Mr. Derek CHANG *(Chairperson)*  
*(appointed on June 30, 2020)*  
Mr. Charles Eric EESLEY  
Mr. Yangbin Bernard WANG  
Mr. J David WARGO  
Mr. Alfred Tsai CHU *(appointed on June 30, 2020)*  
Mr. Vernon Edward ALTMAN *(retired on June 30, 2020)*  
Mr. James Alan CHIDDIX *(retired on June 30, 2020)*

### NOMINATION COMMITTEE

Mr. Yangbin Bernard WANG *(Chairperson)*  
Mr. CHAN King Man Kevin  
Mr. Charles Eric EESLEY  
Mr. Derek CHANG *(appointed on June 30, 2020)*  
Mr. J David WARGO *(appointed on June 30, 2020)*  
Mr. Vernon Edward ALTMAN *(retired on June 30, 2020)*  
Mr. James Alan CHIDDIX *(retired on June 30, 2020)*

### REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3712, 37/F  
Tower 2, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

### PRINCIPAL PLACE OF BUSINESS IN THE US

2880 Lakeside Drive, Suite 360  
Santa Clara, CA 95054  
United States

### PRINCIPAL PLACE OF BUSINESS IN THE PRC

10th Floor, Intelligent e-Valley B Building  
No. 482, Qianmo Road, Xixing Street  
Binjiang District, Hangzhou  
Zhejiang, PRC

### AUTHORIZED REPRESENTATIVES

Mr. HO Sai Hong Vincent  
Mr. WONG Wai Kwan

## CORPORATE INFORMATION

### AUDITOR

Ernst & Young  
22/F., CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

### LEGAL ADVISER

As to Hong Kong law:  
Freshfields Bruckhaus Deringer  
55th floor, One Island East  
Taikoo Place, Quarry Bay, Hong Kong

As to US law:  
Pillsbury Winthrop Shaw Pittman LLP  
2550 Hanover Street,  
Palo Alto, CA 94304-1115  
United States

As to PRC law:  
JunHe LLP  
20/F, China Resources Building  
8 Jianguomenbei Avenue  
Beijing, PRC

### PRINCIPAL BANKERS

Silicon Valley Bank  
The Hongkong and Shanghai Banking Corporation Limited  
Shanghai Pudong Development Bank Co., Ltd.

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54 Hopewell Centre  
183 Queen's Road East  
Hong Kong

### COMPANY WEBSITE

[www.vobilegroup.com](http://www.vobilegroup.com)

### STOCK CODE

3738



# CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS:

I want to thank our shareholders for your support and confidence in 2020.

It was a breakout year in many ways for the Group. We are extremely well positioned for 2021 and the years to come. The video entertainment industry is being transformed by several powerful forces:

First, the importance of online content protection continues to grow. For more than a decade, the Group has offered the best available technology solutions to identify pirated video content across the Internet. In doing so, we have built trusting relationships with the world's leading entertainment companies, including Hollywood movie studios, television networks and online platforms. The time-tested strong customer relationship is the bedrock for our continued growth.

Second, rightsholders have been increasingly focused on monetizing their content on the major media platforms, while those platforms are determined to attract premium content and are willing to share the advertising and subscription revenues to ensure great content is available to their users. Proper compensation for great content is win-win for the content rightsholders and the platforms. The Group's technology solutions help identify uploaded premium content, and through API integration with the major platforms, assess the appropriate revenue share based on content views. To protect and monetize content has become a major trend in China. The content producers, platform owners and regulatory agencies in China are all focused on protecting intellectual properties and compensating the rightsholders. The Group's revenues in China grew 832% in 2020 compared to 2019, making China the second largest market for the Group. We are expanding our Chinese operations rapidly and expecting a sustainable high growth rate in China in the foreseeable future.

Third, we believe copyright protection and monetization will be transformed by new technologies such as blockchain. The early success of the NBA Top Shot experiment shed light on the unlimited potential of blockchain technology applications such as non-fungible tokens (NFTs). In 2020, we welcomed the investment by Ant Group. Based on our business cooperation agreement, the Group became the online video and audio content protection technology supplier for the digital copyright service platform operated by Ant Blockchain and will provide online copyright management and monetization services for the platform overseas. In addition, the Group and Ant Blockchain will jointly explore the establishment of a global, decentralized copyright distribution and transaction platform.

The entire entertainment industry is undergoing structural transformation. While content distribution was historically separate from content creation (e.g., studios vs. theatres or cable TV operators), major content producers are launching direct-to-consumer ("DTC") subscription services such as Disney+, HBO Max, Discovery+ and many professional sports leagues. Protection of the content exclusivity and the integrity of the subscriber base is critical to the success of DTC business. It is essential that only paying subscribers have access to the exclusive premium content. With the forensic video watermarking patents and technologies we acquired in 2020, the Group built new solutions to allow the DTC operators to trace content leakage on session basis at the subscriber level. This enables timely detection and quick stop of any leak of DTC premium content. We are conducting a customer pilot test using our integrated DTC solutions, and we expect its success will be followed by wide adoption of our new service offerings in the future.

The Group is proud to have reached our 15th anniversary in 2020. During this period, the mobile internet has transformed the global entertainment industry. The Group's technology solutions have never been more important to our customers. The future of our content protection and monetization business is only limited by the boundless creativity of human beings. We are extremely excited about 2021 and beyond!



## CHAIRMAN'S STATEMENT

### THANK YOU

On behalf of the Board, I would like to thank all our employees, consultants, advisors and business partners for their outstanding efforts and excellent quality of services.

We will continue to expand our business according to our growth strategy and create significant value for all our stakeholders.

**Yangbin Bernard WANG**

*Chairman, Executive Director and Chief Executive Officer*

**Vobile Group Limited**

March 31, 2021



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW AND PROSPECT

Our mission remains to “Enable content owners and rightsholders to unleash the full potential of Direct-to-Consumer (“DTC”) entertainment business in the new era”.

The outbreak of COVID-19 has brought unprecedented challenges to all of us. During times of crisis, we have responded quickly to adapt our business operations according to local government policies and guidelines in each of the cities where we have offices and employees. We are pleased to have ensured our business continuity in spite of travel restrictions and working from home. The pandemic has accelerated the ongoing shift to the consumption of content via DTC distribution.

Our proprietary SaaS platforms help our content rightsholder clients reduce revenue loss from infringement and increase revenue growth via online and mobile distribution. During 2020, we completed the integration of the Rights ID and Channel ID businesses. As a result, we now own and operate the market-leading content monetization platform on YouTube and Facebook. This has significantly expanded the size and scope of our business and has helped to broaden both our sources of revenue and our customer base. In addition to our existing strong customer base of movie studios, television networks and other premium video content rightsholders, we now serve a broader sets of content owners whose Intellectual Property (“IP”) assets are featured on the social media platforms, including YouTube, Facebook, Instagram and SoundCloud.

We have an extensive technology portfolio and have continued to strengthen our technology capabilities through internal development and acquisitions of patents and technologies, such as the video watermarking patents and software from Verance Corporation.

We accelerated the expansion of our business in China and entered into strategic cooperation agreements with three leading industry participants:

- We entered into a business cooperation agreement with Ant Group Co., Ltd. We will be the online video and audio content protection technology supplier for a digital copyright service platform operated by AntChain and will provide online copyright management and monetization services for the platform overseas. In addition, we will jointly explore the establishment of a global, decentralized copyright distribution and transaction platform.
- We entered into a new media copyright management and monetization services agreement with Wasu Media Networks Co., Ltd., a leading digital content operator and comprehensive service provider in China.
- We entered into a strategic business collaboration agreement with Guangdong Advertising Group Co., Ltd., a leading provider of marketing services in China.

We launched the Rights ID business in Japan, signing Rights ID business collaboration agreements with NexTone Inc, AVEX Group, Yomiuri Telecasting Corporation (YTV) and the Japan Performing Arts Foundation (NBS) to provide audio-visual content online copyright management and monetization services.

We completed the allotment and issue of HK\$400 million shares to Antfin (Hong Kong) Holding Limited, an indirect wholly-owned subsidiary of Ant Group Co., Ltd. and the issue of HK\$100 million convertible bonds to Poly Platinum Enterprises Limited, a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Outlook

- (1) Major Studios Turning to 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 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.
- (2) 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 are focused on serving global premium content owners and rightsholders. Our clients include movie studios, television networks, record labels, DTC service providers, subscription video-on-demand content aggregators, sports leagues, toys and games companies. Generally speaking, they all have media entertainment businesses.

The success of media entertainment businesses 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 content protection platform is an 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 impact the number of subscribers for its DTC service, directly reducing its revenues. This will have a much bigger impact to the studio’s business compared to the 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 acquisition of Rights ID and Channel ID businesses helped scale 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.

We enjoy long-standing trusting relationships with premium content owners in the United States and other market markets and will continue to invest in developing advanced technologies, products and services to serve their needs. We are making significant efforts to expand our client base in Asia.

We continue to explore ways to grow our digital PPT business, namely transaction video on demand (TVOD) business. We remain optimistic on the potential revenue upside of our TVOD business in the long run.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenue Model for Product Offerings

We principally deliver our products and services using SaaS business model. Our primary sources of revenues can be categorized as:

- Transaction-based SaaS business — mainly consisting of a content monetization platform and transactional video on demand platform; and
- Subscription-based SaaS business — mainly consisting of content protection platform and content management platform.

## FINANCIAL REVIEW

	2020 US\$'000	2019 US\$'000 (Restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	<b>43,874</b>	18,781	<b>340,024</b>	145,553
Gross profit	<b>21,347</b>	13,452	<b>165,439</b>	104,253
Profit/(loss) before tax	<b>8,667</b>	(8,081)	<b>67,169</b>	(62,628)
Profit/(loss) for the year attributable to owners of the Company	<b>10,479</b>	(6,210)	<b>81,212</b>	(48,128)
Non-IFRS Adjusted EBITDA	<b>2,624</b>	(1,276)	<b>20,336</b>	(9,889)

## Non-IFRS Adjusted EBITDA

Adjusted EBITDA is earnings/(loss) before finance costs, finance revenues, income taxes, depreciation and amortization, equity settled share option expenses, and other one-off expenses. This is not an IFRS 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement and profit/(loss) before tax.

	2020 US\$'000	2019 US\$'000 (Restated)
Profit/(loss) before tax	8,667	(8,081)
Add:		
Depreciation and amortization	2,293	1,334
Loss on disposal of items of property, plant and equipment and other intangible assets	13	—
Equity-settled share compensation expense	3,096	147
Bank interest income	(27)	(119)
Finance costs	6,473	649
(Reversal of impairment)/impairment on financial assets	(31)	3
Transaction costs for proposed acquisition	—	4,791
Fair value change on other liabilities measured at FVTPL*	(17,860)	—
Adjusted EBITDA	2,624	(1,276)

\* As of December 31, 2019, the fair value of consideration amounted to US\$17,860,000. As the Acquired Business did not meet the earn-out criteria specified in the asset purchase agreement, the Company trued down the fair value of the contingent consideration payable accordingly.

## Revenue

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

	2020 US\$'000	2019 US\$'000
Subscription-based SaaS business	13,728	12,482
Transaction-based SaaS business	30,146	6,299
Total	43,874	18,781

Our revenue in 2020 amounted to approximately US\$43.9 million (equivalent to approximately HK\$340 million, representing an increase of approximately US\$25.1 million, or approximately 133.6% as compared with the revenue of 2019 of approximately US\$18.8 million (equivalent to approximately HK\$145.6 million). The increase was mainly attributed by the successful integration of the Rights ID and Channel ID businesses acquired from ZEFR, Inc. in November 2019 and improved productivity of the combined operation of our Group which significantly enhanced our product offering and contributed to the growth of our Group's transaction-based SaaS business.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit and gross profit margin

Our gross profit in 2020 amounted to approximately US\$21.3 million, representing an increase of approximately US\$7.8 million as compared to 2019 of approximately US\$13.5 million. The increase was mainly attributed by the successful integration of the Rights ID and Channel ID businesses acquired from ZEFR, Inc. in November 2019 and improved operational productivity of the combined operation of our Group.

Our gross profit margin decreased from 72% in 2019 to 49% in 2020 as revenue from certain product acquired from ZEFR, Inc. in November 2019 has a lower gross profit margin than the other products.

## Selling and marketing expenses

Our selling and marketing expenses in 2020 amounted to approximately US\$9.6 million, representing an increase of approximately US\$2.1 million as compared to 2019 of approximately US\$7.5 million. The increase was mainly due to the increase of sales and marketing initiatives during the year.

## Administrative expenses

Our administrative expenses in 2020 amounted to approximately US\$7.5 million, representing a decrease of approximately US\$3.6 million as compared to 2019 of approximately US\$11.1 million. The administrative expenses decreased as there were no extra-ordinary expenses during the year, such as transaction costs for acquisition.

## Research and development expenses

Our research and development expenses in 2020 amounted to approximately US\$6.8 million, representing an increase of approximately US\$4.3 million as compared to 2019 of approximately US\$2.5 million. The increase was mainly due to the increase of headcount as a result of the acquisition of the Rights ID and Channel ID businesses from ZEFR, Inc. in November 2019 and increase of research and development initiatives in 2020.

## Other income and gains

Other income mainly consisted of income on fair value change on other liabilities measured at FVTPL of approximately US\$17.9 million. As of December 31, 2019, the fair value of contingent consideration payable was US\$17,860,000. As the Acquired Business did not meet the earn-out criteria specified in the asset purchase agreement, the Company trued down the fair value of the contingent consideration payable.

## Finance costs

Finance costs mainly consisted of interest expense on convertible bonds and interest-bearing borrowings of approximately US\$6.4 million and interest expense on lease liabilities.

## Income tax credit

Our income tax credit for the year ended December 31, 2020 was mainly comprised of deferred tax credit of US\$2 million.

## Profit/(loss) for the year attributable to owners of the Company

The profit attributable to owners of the Company for 2020 amounted to approximately US\$10.5 million, representing an increase of approximately US\$16.7 million as compared to the loss attributable to owners of the Company for 2019 of approximately US\$6.2 million. The increase in profit was mainly attributed to the increased productivity of our Group and the recognition of income from the fair value change on other liabilities measured at FVTPL.

# MANAGEMENT DISCUSSION AND ANALYSIS

Basic earnings per share for 2020 was approximately US2.44 cents (equivalent to approximately HK\$18.91 cents), and diluted earnings per share for 2020 was approximately US2.37 cents (equivalent to approximately HK\$18.37 cents) (basic and diluted loss per share for 2019: US1.46 cents (equivalent to approximately HK\$11.32 cents)).

## Dividends

The Board does not recommend any payment of dividends for 2020 (2019: Nil).

## Consolidated Statement of Financial Position Highlights

	December 31,			
	2020 US\$'000	2019 US\$'000 (Restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Total assets	<b>148,795</b>	115,951	<b>1,153,161</b>	898,620
Total liabilities	<b>47,038</b>	80,854	<b>364,545</b>	626,618
Net assets	<b>101,757</b>	35,097	<b>788,617</b>	272,002
Total equity	<b>101,757</b>	35,097	<b>788,617</b>	272,002

## Goodwill

Our goodwill remained stable at approximately US\$77.9 million as at December 31, 2020. Goodwill is tested for impairment periodically and no impairment loss is considered necessary as at December 31, 2020.

## Intangible assets

Our intangible assets amounted to US\$10.5 million as at December 31, 2020, representing an increase of US\$1.1 million as compared to December 31, 2019 of US\$9.4 million. The increase was attributable to the acquisition of certain video watermarking patents and technologies from Verance Corporation in November 2020.

## Interest-bearing borrowings

The Board considers that the level of borrowings as at December 31, 2020 to be healthy and sustainable. As at December 31, 2020, our Group had convertible bonds and interest-bearing borrowings which amounted to approximately US\$10.7 million and US\$20 million, respectively.

The Board considers that the maturity profile of borrowings is in line with normal commercial practices. As at December 31, 2020, the convertible bonds are repayable in 2022 and the interest-bearing borrowings of our Group of US\$20 million repayable in 2024.

## Convertible bonds

On July 14, 2020, the Company issued two series of convertible bonds in the aggregate principal amount of HK\$100,000,000 to Poly Platinum Enterprises Limited, an investment holding company incorporated in British Virgin Islands with limited liability a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP. The Series One Convertible Bonds with principal amount of HK\$80,000,000 and has an initial conversion price of HK\$2.58 per Share. The Series Two Convertible Bonds with principal amount of HK\$20,000,000 and has an initial conversion price of HK\$2.80 per Share. Both Series One Convertible Bonds and Series Two Convertible Bonds are convertible into Shares. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 5% per annum, payable semi-annually in arrears, and will mature on the two years from the issue date.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

### Working Capital

As of December 31, 2020, our cash and cash equivalents amounted to approximately US\$33.8 million, representing an increase of US\$29 million as compared to 2019 of approximately US\$4.8 million. The increase was primarily due to the issue of convertible bonds on July 14, 2020 and proceeds from the allotment and issue of 28,901,734 Shares to Antfin (Hong Kong) Holding Limited on December 29, 2020. As of December 31, 2020, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 3.9 times as compared with 1.6 times as at December 31, 2019.

### Significant investments, acquisitions and disposal

Except for the acquisition of certain video watermarking patents and technologies from Verance Corporation in November 2020, we did not make significant investments.

We did not have any material disposal during 2020.

### Capital expenditures

Our capital expenditures primarily included purchases of property, plant and equipment, intangible assets and incurrence of development costs, which will be capitalized as intangible assets. The amount of our capital expenditures in 2020 was US\$1.5 million.

### Foreign exchange exposure

Our transactions are mainly settled in USD 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.

### Currency translation

Solely for convenience, this report contains translations of certain amounts denominated in USD into HKD. Unless otherwise specified, the translation of USD into HKD is based on the rate of US\$1.00: HK\$7.75.

No representation is made that any amounts in USD or HKD can be or could have been at the relevant dates converted at the above rates or any other rate or at all.

### 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 December 31, 2020, 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 (December 31, 2019: 56.3%).

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

As of December 31, 2020 and the date of this report, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, cash and cash equivalents, convertible bonds, 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 convertible bonds and subscription of shares

In July 2020, the Company completed the issue of two series of convertible bonds to Poly Platinum Enterprises Limited, a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP and raised net proceeds of approximately US\$11.6 million, which will be used for development and investment of content distribution related business and other business supporting short-form video platforms. As of December 31, 2020, the Company has utilized US\$2 million of the net proceeds. The Company will apply the remaining net proceeds for the purpose as disclosed in the announcement of the Company dated June 29, 2020. The Company intends to fully utilize the net proceeds from the issue of the two series of convertible bonds by December 31, 2021.

In December 2020, the Company completed the allotment and issuance of 28,901,734 Shares to Antfin (Hong Kong) Holding Limited, an indirect wholly-owned subsidiary of Ant Group Co., Ltd. and raised net proceed of approximately US\$49.7 million, which will be used for potential investment opportunities and general working capital of the Group. As of December 31, 2020, the Company has utilized US\$28.9 million of the net proceed. The Company will apply the remaining net proceeds for the purpose as disclosed in the announcement of the Company dated December 20, 2020. The Company intends to fully utilize the net proceeds from the allotment and issuance of 28,901,734 Shares by December 31, 2022.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2020.

## EVENTS AFTER THE REPORTING PERIOD

On March 18, 2021, the grant of 28,000,000 share options to Mr. Wang to subscribe for 28,000,000 Shares at an exercise price of HK\$20.00 per Share under the Post-IPO Share Option Scheme was approved by the Shareholders at the EGM on March 18, 2021. There are nine tranches of share options, each tranche will only vest and become exercisable by Mr. Wang subject and conditional upon the Company achieving one tranche of Market Capitalization Milestones and one tranche of Operational Milestones. The whole 28,000,000 share options in aggregate will become fully vested when the Market Capitalization of the Company on a Determination Date reaches at least US\$10 billion and the Company has achieved at least nine of the Operational Milestones in any combination.



## DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Yangbin Bernard WANG (“Mr. Wang”)**, aged 52, is an executive Director, the chairman of our Board and our chief executive officer. He is also the chairman of our nomination committee and a member of our remuneration committee. Being the founder of our Group, Mr. Wang joined our Group as the chief executive officer on May 20, 2005 when our first subsidiary Vobile, Inc. was established. He has been leading our Group for over 15 years, and has been responsible for corporate vision, product strategy and development, business development and operations of our Group since its founding. Mr. Wang obtained a Master of Science in Electrical Engineering from the University of Florida, Gainesville, United States in August 1993. He graduated with a Bachelor’s degree in Engineering from Zhejiang University in Hangzhou, Zhejiang Province, the PRC in July 1991.

**Mr. Michael Paul WITTE (“Mr. Witte”)**, alias Mike Witte, aged 62, is an executive Director since June 2017. He joined our Group on January 14, 2008 as our Executive Vice President of Business Development and Sales and is responsible for overseeing all sales and customer success of our content protection products in the US and other related business development activities, including sourcing new clients and managing and growing our existing client relationships, performing after-sales services and providing ongoing support to our customers, and manages our sales team in Silicon Valley. Mr. Witte has over ten years of experience in the SaaS business since joining our Group. Mr. Witte obtained a Bachelor of Arts majoring in English from the University of California in Santa Barbara, California, US in March 1982.

### NON-EXECUTIVE DIRECTORS

**Mr. J David WARGO (“Mr. Wargo”)**, aged 67, is a non-executive Director since January 2017. He is also a member of our audit committee, nomination committee and remuneration committee. In 1993, Mr. Wargo founded Wargo & Company, Inc., where he currently serves as President. Mr. Wargo has over 40 years of experience in the telecommunications, media, and technology industries. Since March 2015, Mr. Wargo has been a director of Liberty Broadband Corporation (NASDAQ: LBRDA). Since August 2014, Mr. Wargo has been a director of Liberty TripAdvisor Holdings, Inc. (NASDAQ: LTRPA). Since September 2008, he has been a director of Discovery Communications, Inc. (NASDAQ: DISCA). Since June 2005, Mr. Wargo has been a director of Liberty Global plc (NASDAQ: LBTYK). From May 2005 to September 2008, he served as a director of Discovery Holding Company. From August 2002 to June 2007, Mr. Wargo served as a director of OpenTV Corp. Since 2000, he has been a director of Strayer Education, Inc. (NASDAQ: STRA). Mr. Wargo graduated with a Masters in Management from the Sloan School of Management at the Massachusetts Institute of Technology, Cambridge, Massachusetts, United States in 1978, and a Masters in Engineering majoring in nuclear engineering in 1976. He has also obtained a Bachelor of Science majoring in Physics from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in 1976.

**Mr. WONG Wai Kwan (“Mr. Wong”)**, aged 53, is a non-executive Director since June 2017. He is also a member of our audit committee. Since July 2016, Mr. Wong has been the chief financial officer of ThinkTank Learning Holding Company. From December 2011 to June 2016, Mr. Wong served as the General Manager of the Financial Audit Department and the Managing Director of the Internal Audit Department of Shanghai Fosun High Technology (Group) Co., Ltd., a wholly-owned subsidiary of Fosun International Limited (Stock Code: 00656). From August 1992 to March 2000, Mr. Wong was employed by Ernst & Young and his last position was Manager in its Assurance Department. Mr. Wong has over 25 years of experience in finance, accounting, and financial management. Currently, Mr. Wong is an independent non-executive director of Starlight Culture Entertainment Group Limited (Stock Code: 01159) and Vision Fame International Holding Limited (Stock Code: 01315). Mr. Wong is a fellow member of Certified Practising Accountants (Australia), a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr. Wong graduated with a Master of Business Administration from Washington University in St. Louis, Missouri, United States in December 2009. He obtained a Bachelor of Arts with Honours in Accountancy from the City University of Hong Kong in Hong Kong in November 1992.

# DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHAN King Man Kevin (“Mr. Chan”)**, aged 41, is an independent non-executive Director since December 2017. He is also the chairman of our audit committee and a member of our nomination committee. Since April 2008, Mr. Chan has worked for Grant Thornton China, where he currently serves as partner and where he is a member of the Grant Thornton China Advisory Steering Committee and is also responsible for leading a transaction advisory team. From July 2007 to April 2008, Mr. Chan was a Manager in the Corporate Finance (Transaction Services) department at Grant Thornton Services LLP. Mr. Chan obtained a Bachelor of Science in Economics and Accounting with a Language from the University of Bristol in the United Kingdom in June 2001. Mr. Chan has been a member of the Institute of Chartered Accountants of Scotland since December 2005. He has been a China Chapter Board member with the Association for Corporate Growth since January 2016.

**Mr. Derek CHANG (“Mr. Chang”)**, aged 53, is an independent non-executive Director since June 2020. He is also the chairperson of our remuneration committee and a member of our nomination committee. Mr. Chang was the CEO of NBA China from April 2018 to April 2020. He spearheaded the NBA’s effort to expand its presence as the preeminent foreign sports league in the region while leading a staff based in the NBA’s Beijing, Shanghai, Taipei and Hong Kong offices. During Mr. Chang’s tenure, the NBA expanded its partnerships with Tencent, Alibaba, Weibo and Vivo and launched new partnerships with ByteDance and China Mobile Migu. Mr. Chang was employed by Scripps Networks Interactive from April 2013 to April 2018, where his last position was the Head of International Lifestyle Channels. From 2006 to 2013, Mr. Chang was Executive Vice President of Content Strategy and Development at DIRECTV where he oversaw all content acquisition and production. He previously held senior executive positions with Charter Communications, the YES Network and TCI Communications. He served on the board of directors of Liberty Media Corporation, which owns interests in a range of media and entertainment businesses that are attributed to three tracking stocks: the Liberty SiriusXM Group, the Braves Group and the Formula One Group. since March 2021 and ISOS Acquisition Corp., a bank check company since January 2021 and also served on the board of directors of Starz after its public spin-off in 2013. Mr. Chang graduated with a Master of Business Administration from Stanford University Graduate School of Business in 1994 and a Bachelor of Art in History from Yale University in 1989. He was named one of Cablefax Magazine’s “Top 100 Executives in Cable” and one of the “50 Most Influential People in Sports Business” by SportsBusiness Journal. Mr. Chang is also a member of the prominent Chinese American group, Committee of 100.

**Mr. Alfred Tsai CHU (“Mr. Chu”)**, aged 46, is an independent non-executive Director since June 2020. He is also a member of our audit committee and remuneration committee. Mr. Chu is the Founding Partner of Starlite Investment Group since 2010. From 2015 to 2017, Mr. Chu was a Partner of Yimei Capital. From 2010 to 2014, Mr. Chu was a Partner of IPV Capital. From 2006 to 2010, Mr. Chu was a Partner of Tiandi Capital. From 2006 to 2010, Mr. Chu was a Venture Partner of Panasonic Venture Capital. All of these firms are venture capital firms. Mr. Chu has over 20 years of experience in the finance industry. Mr. Chu graduated with a Master of Business Administration in Finance from the Wharton School of the University of Pennsylvania in 2006 and a Bachelor of Science in Business Administration from the University of California, Berkeley in 1996.

**Mr. Charles Eric EESLEY (“Mr. Eesley”)**, aged 41, is an independent non-executive Director since December 2017. He is also a member of our audit committee, a member of our remuneration committee and a member of our nomination committee. Mr. Eesley has over ten years of experience in education and research focusing on technology and entrepreneurship. Since 2009, Mr. Eesley has worked at Stanford University, and is currently an Associate Professor in the Department of Management Science and Engineering and is David T. Morgenthaler Faculty Fellow in the Stanford Technology Ventures Program. As part of the Stanford Technology Ventures Program, he conducts research on technology entrepreneurship, specifically the impact of institutions and university environment on high growth technology entrepreneurship. In September 2015, he was selected as a Schulze Distinguished Professor under the Schulze Distinguished Professorship Program by the Richard M. Schulze Family Foundation. Mr. Eesley obtained a Doctor of Philosophy in Management from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in June 2009 and a Bachelor of Science from Duke University in Durham, North Carolina, United States in May 2002.



## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. Timothy John ERWIN (“Mr. Erwin”)**, alias Tim Erwin, aged 52, is our Senior Vice President of Sales and Customer Relations. He joined our Group on February 1, 2015 as Senior Vice President of Sales and Customer Relations and is responsible for overseeing sales, operations and business development activities of our PPT business. Mr. Erwin has over 29 years of experience in sales and operations for media measurement for the entertainment and media industries. From July 1991 to February 2015, he worked at Rentrak, where his last position was Senior Vice President of Sales and Customer Relations.

**Mr. Benjamin Russell SMITH (“Mr. Smith”)**, alias Ben Smith, aged 45, is our Senior Vice President of Business Development. He joined our Group on February 1, 2014 as Senior Vice President of Business Development and is responsible for overseeing our ReClaim product sales and other related business development activities. From April 2012 to January 2014, Mr. Smith was the chief executive officer at Blayze Inc.. From September 2003 to October 2009 he served as Strategic Partner Development Senior Associate at Google Inc., where he acquired experience in business development. Mr. Smith graduated with a Bachelor of Arts, majoring in Political Science and minoring in Legal Studies from Beloit College in Beloit, Wisconsin, United States in December 1997.

**Mr. HO Sai Hong Vincent (“Mr. Ho”)**, aged 35, is our Financial Controller and company secretary since November 2016. He is responsible for overseeing overall accounting and financial reporting functions. Mr. Ho has over 10 years of experience in the auditing and accounting fields. From September 2008 to September 2015, Mr. Ho worked at the Assurance Department of Ernst & Young where he last served as Manager. Mr. Ho has been a member of the Hong Kong Institute of Certified Public Accountants since February 2012. He graduated with a Bachelor of Business Administration in Economics and Accounting from the Hong Kong University of Science and Technology in Hong Kong in May 2008.

The Directors present their report and the audited financial statements for the year ended December 31, 2020.

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Suite 3712, 37/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise of the provision of software as a service. The principal activities and other particulars of the subsidiaries of the Company are set out in note 1 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and the "Management Discussion and Analysis" set out on page 4 to 5 and pages 6 to 13 of this annual report, respectively. This discussion forms part of this directors' report.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out in the section headed "Five Year Financial Summary" on page 108 of this annual report. The summary does not form part of the audited financial statements.

## RESULTS AND DIVIDEND

The Group's loss for the year ended December 31, 2020 and the Group's financial position as at December 31, 2020 are set out in the financial statements on pages 40 to 107.

The Board does not recommend payment of any dividend in respect of the year ended December 31, 2020 (2019: Nil).

## SHARE CAPITAL, SHARE OPTION AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds are set out in note 26, 27 and 23 to the financial statements, respectively.

Details of the convertible bond agreements entered into during the year or subsisting at the end of the year are set out below:

On July 14, 2020, the Company issued two series of convertible bonds in the aggregate principal amount of HK\$100,000,000 to Poly Platinum Enterprises Limited, a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP. The Series One Convertible Bonds with principal amount of HK\$80,000,000 and has an initial conversion price of HK\$2.58 per Share. The Series Two Convertible Bonds with principal amount of HK\$20,000,000 and has an initial conversion price of HK\$2.80 per Share. Both Series One Convertible Bonds and Series Two Convertible Bonds are convertible into Shares. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 5% per annum, payable semi-annually in arrears, and will mature on the two years from the issue date.



# DIRECTORS' REPORT

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2020, except for the purchase of 970,000 shares on behalf by Tricor Trust (Hong Kong) Limited (formerly known as 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.

## DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's reserves available for distribution mainly represent the share premium account, retained profits, merger reserve and other reserves, amounted to approximately US\$106.8 million.

## CHARITABLE DONATIONS

During the year ended December 31, 2020, the Group made charitable donations totaling US\$100,000 (2019: Nil).

## MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 58.6% of the total revenue. The top five suppliers accounted for approximately 68.4% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 16.3% of the total revenue and the Group's largest supplier accounted for approximately 18.2% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

## DIRECTORS

The Directors during the year ended December 31, 2020 and up to the date of this report are:

### Executive Directors:

Mr. Yangbin Bernard WANG (*Chairman and Chief Executive Officer*)  
Mr. Michael Paul WITTE

### Non-executive Directors:

Mr. J David WARGO  
Mr. WONG Wai Kwan  
Mr. Vernon Edward ALTMAN (retired on June 30, 2020)

### Independent Non-executive Directors:

Mr. CHAN King Man Kevin  
Mr. Derek CHANG (appointed on June 30, 2020)  
Mr. Alfred Tsai CHU (appointed on June 30, 2020)  
Mr. Charles Eric EESLEY  
Mr. James Alan CHIDDIX (retired on June 30, 2020)

## APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a specific term. The non-executive Directors and independent non-executive Directors have been appointed for a term of 3 years. The term of appointment of each Director is subject to retirement by rotation and re-election at each AGM in accordance with the Articles and the Listing Rules.

Under the Articles, one-third of all Directors are subject to retirement by rotation and re-election at each AGM provided that every Director shall be subject to retirement at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he/she retires.

The Articles provide that any Director appointed by the Board, either to fill a casual vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Shareholders of the Company may, at any general meeting convened and held in accordance with the Articles, remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in the Articles or in any agreement between the Company and such Director.



# DIRECTORS' REPORT

## PERMITTED INDEMNITY PROVISION

Permitted indemnity provisions (as defined in section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the benefit of the Directors are currently in force and was in force during the year and at the date of this report.

## DIRECTORS' SERVICE AGREEMENTS

Each of the Directors has entered into a service agreement or letter of appointment with the Company for a term of three years, which may be terminated by either party by giving one-week written notice or otherwise in accordance with the terms of the service agreement.

Saved as disclosed above, none of the Directors proposed for re-election at the forthcoming AGM has a service contract or letter of appointment with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2020, the Group employed a total of 132 staff as compared to 144 staff as at December 31, 2019. 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. Particulars of the remuneration of employees of the Group during the year ended December 31, 2020 are set out in note 6 to the financial statements.

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

## EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year ended December 31, 2020 are set out in notes 8 and 9 to the financial statements.

## PRE-IPO SHARE OPTION SCHEME

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

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

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

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

Minimum exercise price for Pre-IPO Share Option: The exercise price per Share of a Pre-IPO Share Option shall not be less than 100% of the fair market value of a Share on the date of grant; provided, however that the exercise price per share of a Pre-IPO Share Option granted to an individual holding more than 10% of the voting power of our Company shall not be less than 110% of the fair market value of a share on the date of grant.

### (c) Lapse of Option or Right

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

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

The maximum number of Shares issuable upon exercise of all options to be granted under the Pre-IPO Share Option Scheme of the Company as from the adoption date of the Pre-IPO Share Option Scheme (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Pre-IPO Share Option Scheme or any other share option schemes of the Company) must not exceed 24,000,000 shares, representing 5.81% of all the Shares in issue as at January 4, 2018.

As at December 31, 2020, the outstanding share option granted under the Pre-IPO Share Option Scheme is 13,774,000 Shares, representing 3.00% of the issued share capital of the Company as at December 31, 2020.

### (e) Duration of the Pre-IPO Share Option Scheme

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

# DIRECTORS' REPORT

## Outstanding share options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as of December 31, 2020. For further details on the movement of the options during the year, please see note 27 to the financial statements.

Grantee	Position Held	Exercise Price	Number of Shares under the Pre-IPO Share Option Scheme	Date of Grant	Approximate Percentage
<b>Directors</b>					
Mr. Wang	Executive Director	US\$0.1375	8,000,000	April 25, 2017	1.74
Mr. Witte	Executive Director	US\$0.125	400,000	April 25, 2017	0.09
Mr. Wong	Non-executive Director	US\$0.125	600,000	April 25, 2017	0.13
Subtotal			9,000,000		1.96
<b>Senior Management</b>					
Mr. Erwin	Senior Vice President of Sales and Customer Relations	US\$0.125	800,000	April 25, 2017	0.17
Mr. Smith	Senior Vice President of Business Development	US\$0.125	400,000	April 25, 2017	0.09
Mr. Ho	Financial Controller and Company Secretary	US\$0.125	400,000	April 25, 2017	0.09
Subtotal			1,600,000		0.35
Other 19 employees and consultant		US\$0.125	3,174,000	April 25, 2017	0.69
Total			13,774,000		3.00

## POST-IPO SHARE OPTION SCHEME

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

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

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

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

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

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

### (c) Lapse of Option or Right

An option shall lapse forthwith (to the extent not already exercised) on the earliest of expiry of the exercise period and under the other provisions as set out in the Post-IPO Share Option Scheme.

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

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

As at December 31, 2020, the outstanding number of options available for issue under the Share Option Scheme is 28,067,453 Shares, representing 6.11% of the issued share capital of the Company.

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

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



# DIRECTORS' REPORT

## Outstanding share options

The table below shows details of the outstanding share options granted to all grantees under the Post-IPO Share Option Scheme as of December 31, 2020. For further details on the movement of the options during the year, please see note 27 to the financial statements.

Grantee	Exercise Price	Number of Shares under the Post-IPO Share Option Scheme	Date of Grant	Approximate Percentage
Kevin A. Mayer	HK\$4.08	2,000,000	September 9, 2020	0.44
3 business consultants	HK\$3.50	1,750,000	July 30, 2020	0.38
32 employees	HK\$3.50	9,500,000	July 30, 2020	2.07
Total		13,250,000		2.89

The closing price of the Company's Shares on July 29, 2020 and September 8, 2020, being the closing price of the Company's Shares on the date immediately before the date on which the options were granted, are HK\$3.25 and HK\$4.08, respectively.

## RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at December 31, 2020 are set out in note 2.5 to the financial statements.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of December 31, 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity	Number of Shares (note 1)	Approximate percentage of the issued share capital
Mr. Wang (note 2)	Beneficial owner; trustee of a trust; beneficiary of a trust	75,290,480	16.40%
Mr. Witte (note 3)	Beneficial owner	1,600,000	0.35%
Mr. Wargo	Beneficial owner	29,270,339	6.38%
Mr. Wong (note 4)	Beneficial owner	600,000	0.13%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Wang is a settlor, a trustee and a beneficiary of the JYW Trust. Mr. Wang and the JYW Trust are the settlors and Mr. Wang is the trustee and beneficiary of the YBW Trust. Mr. Wang is interested in 7,100,000 shares beneficially owned by him, 52,190,480 shares held by him in his capacity as trustee and beneficiary of the JYW Trust, 8,000,000 shares in his capacity as trustee and beneficiary of the YBW Trust and 8,000,000 shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.
- (3) Mr. Witte is interested in 1,200,000 shares beneficially owned by him and 400,000 shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.
- (4) Mr. Wong is interested in 600,000 shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

Save as disclosed above, as of December 31, 2020, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

# DIRECTORS' REPORT

## DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year ended December 31, 2020 was the Company, or any of its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures, of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2020, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares <sup>(1)</sup>	Approximate percentage of the issued share capital
Poly Platinum Enterprises Limited <sup>(2)</sup>	Beneficial owner	38,150,608 (L)	8.31
Greater Bay Area Homeland Development Fund (GP) Limited <sup>(2)</sup>	Interest in a controlled corporation	38,150,608 (L)	8.31
Greater Bay Area Homeland Investments Limited <sup>(2)</sup>	Interest in a controlled corporation	38,150,608 (L)	8.31
LU Jian	Beneficial owner	32,190,480 (L)	7.01
Navibell Venture Corp. <sup>(3)</sup>	Beneficial owner	30,365,000 (L)	6.61
Tricor Equity Trustee Limited <sup>(3)</sup>	Interest in a controlled corporation, Trustee of a trust	30,365,000 (L)	6.61
XIE Shihuang <sup>(3)</sup>	Interest in a controlled corporation	30,365,000 (L)	6.61
Antfin (Hong Kong) Holding Limited <sup>(4)</sup>	Beneficial owner	28,901,734 (L)	6.30
Hangzhou Yunqiang Enterprise Management Consulting Co., Ltd <sup>(4)</sup>	Interest in a controlled corporation	28,901,734 (L)	6.30
Ant Group Co., Ltd. <sup>(4)</sup>	Interest in a controlled corporation	28,901,734 (L)	6.30
Ma Yun <sup>(4)</sup>	Interest in a controlled corporation	28,901,734 (L)	6.30
Eric Xiandong Jing <sup>(4)</sup>	Person acting in concert	28,901,734 (L)	6.30
Simon Xiaoming Hu <sup>(4)</sup>	Person acting in concert	28,901,734 (L)	6.30
Fang Jiang <sup>(4)</sup>	Person acting in concert	28,901,734 (L)	6.30
China International Capital Corporation Limited <sup>(5)</sup>	Interest in a controlled corporation	26,263,000 (L)	5.72
		11,923,000 (S)	2.60

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the Letter "S" denotes the person's short position in the Shares.

- (2) Poly Platinum Enterprise Limited is wholly owned by Greater Bay Area Homeland Development Fund LP, which is managed by Greater Bay Area Development Fund Management Limited. Greater Bay Area Homeland Development Fund (GP) Limited is the general partner of Greater Bay Area Homeland Development Fund LP. Greater Bay Area Homeland Development Fund (GP) Limited is in turn wholly owned by Greater Bay Area Homeland Investments Limited as at December 31, 2020. Under the SFO, Greater Bay Area Homeland Development Fund (GP) Limited and Greater Bay Area Homeland Investments Limited are deemed to be interested in the Shares held by Poly Platinum Enterprise Limited.
- (3) Navibell Venture Corp. is wholly owned by Tricor Equity Trustee Limited. Xie Shihuang is a trustee and a beneficiary of The XIE Family Trust which is the beneficiary of Equity Trustee Limited.
- (4) The 28,901,734 Shares are held by Antfin (Hong Kong) Holding Limited. Antfin (Hong Kong) Holding Limited is wholly-owned by Hangzhou Yunqiang Enterprise Management Consulting Co., Ltd., which is in turn wholly-owned by Ant Group Co., Ltd. Ant Group Co., Ltd. is owned as to approximately 20.66% by Hangzhou Junao Equity Investment Partnership (Limited Partnership) and approximately 29.86% by Hangzhou Junhan Equity Investment Partnership (Limited Partnership), which are both wholly-owned by Hangzhou Yunbo Investment Consultancy Co., Ltd, which is in turn owned as to 34% by Ma Yun. Pursuant to the concert party agreement executed by Mr. Ma Yun, Mr. Eric Xiandong Jing, Mr. Simon Xiaoming Hu and Ms. Fang Jiang, each of them is a party acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, each of Mr. Eric Xiandong Jing, Mr. Simon Xiaoming Hu and Ms. Fang Jiang is deemed to be interested in 28,901,734 shares held by Mr. Ma Yun under the SFO.
- (5) China International Capital Corporation Hong Kong Securities Limited, a wholly-owned subsidiaries of China International Capital Corporation Limited hold the long position of 26,263,000 Shares. CICC Financial Trading Limited holds the short position of 11,923,000 Shares.

Save as disclosed above, as of December 31, 2020, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

Save as disclosed in this report, no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or as at December 31, 2020.

### **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2020.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at December 31, 2020, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### **CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the independent non-executive Directors during the reporting period namely, Mr. Chan, Mr. Chang, Mr. Chu and Mr. Eesley, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them were independent during the year ended December 31, 2020.



# DIRECTORS' REPORT

## DEED OF NON-COMPETITION

Pursuant to the deed of non-competition dated June 20, 2017 entered into by VideoMobile Co., Ltd. ("VideoMobile") in favor of the Company, VideoMobile has undertaken that VideoMobile and its subsidiaries shall not carry on, engage, invest, participate or otherwise be interested in any business offering Software as a Service solutions to content owners as described in our prospectus date December 19, 2017 that was or intended to be carried on by the Group, in any part of the world (the "Restricted Business"). It is confirmed that VideoMobile and its subsidiaries had complied with the deed of non-competition and did not carry on, engage, invest, participate or otherwise be interested in any Restricted Business during the year ended December 31, 2020. Relying on this confirmation, the independent non-executive Directors are satisfied that the Deed of Non-competition was fully complied with by VideoMobile during the year ended December 31, 2020.

## CONTINUING CONNECTED TRANSACTIONS

There was no connected transaction during the year ended December 31, 2020.

## CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 29 to 39 of this annual report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this report on the websites of the Company and the Stock Exchange.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the Directors' knowledge, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this report.

## AUDITOR

Ernst & Young retires and a resolution for Ernst & Young's reappointment as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

**Yangbin Bernard WANG**

*Chairman, Executive Director and Chief Executive Officer*

Hong Kong, March 31, 2021

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to formulate its business strategies and policies, and to enhance its transparency and accountability.

During the year ended December 31, 2020, the Company has applied the principles as set out in the CG Code which are applicable to the Company.

In the opinion of the Directors, during the year ended December 31, 2020, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, details of which are set out in the paragraph headed "Chairman and Chief Executive Officer" of this report.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 December 31, 2020. 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.

## BOARD OF DIRECTORS

### Composition of the Board of Directors

As at the date of this report, the Board consisted of eight members comprising two executive Directors; two non-executive Directors and four independent non-executive Directors. The composition of the Board is as follows:

#### Executive Directors:

Mr. Yangbin Bernard WANG (*Chairman and Chief Executive Officer*)  
Mr. Michael Paul WITTE

#### Non-executive Directors:

Mr. J David WARGO  
Mr. WONG Wai Kwan

#### Independent Non-executive Directors:

Mr. CHAN King Man Kevin  
Mr. Derek CHANG  
Mr. Alfred Tsai CHU  
Mr. Charles Eric EESLEY



# CORPORATE GOVERNANCE REPORT

The biographical details of all current Directors and senior management of the Company are set out on pages 14 to 16 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed “Directors and Senior Management” on pages 14 to 16 of this annual report, there are no financial, business, family or other material or relevant relationships among the members of the Board and/or the senior management during the reporting period.

## Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yangbin Bernard WANG is both our Chairman and Chief Executive Officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe Mr. Wang is instrumental to our growth and business expansion since our establishment in 2005. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. In addition, the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information. In addition, under the supervision of the Board which is comprised of two executive Directors, two non-executive Director and four independent non-executive Directors as at the date of this report, 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.

## Independent Non-executive Directors

During the year ended December 31, 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

## NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors, non-executive Directors and independent non-executive Directors is appointed under a service contract for a term of three years which is determinable either party by giving one week's written notice to the other party.

In accordance with the Articles, all Directors are subject to retirement by rotation and re-election at an AGM at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting and any Director appointed by the Board as an addition to the Board shall hold office until the next following AGM after his/her appointment and they will be subject to re-election at such meeting.

# CORPORATE GOVERNANCE REPORT

## Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

## Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate CPD to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses.



# CORPORATE GOVERNANCE REPORT

The Directors and senior management have also reviewed the performance of the Company and the sales strategy of the industry and have also discussed the market condition of the industry. All the Directors received from time to time CPD and updates relating to Director's duties and regulatory and business development relevant to the Company and their CPD record for the year ended December 31, 2020 is received and summarized as follows.

<b>Executive Directors:</b>	<b>Type of training<sup>(1)</sup></b>
Mr. Yangbin Bernard WANG	A and B
Mr. Michael Paul WITTE	A and B
<b>Non-executive Directors:</b>	
Mr. J David WARGO	A and B
Mr. WONG Wai Kwan	A and B
Mr. Vernon Edward ALTMAN (retired on June 30, 2020)	A and B
<b>Independent Non-executive Directors:</b>	
Mr. CHAN King Man Kevin	A and B
Mr. Derek CHANG	A and B
Mr. Alfred Tsai CHU	A and B
Mr. Charles Eric EESLEY	A and B
Mr. James Alan CHIDDIX (retired on June 30, 2020)	A and B

(1) Type of training

A Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B Reading relevant news alerts, newspapers, journals, magazines and relevant publications

## BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, the remuneration committee and the nomination committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website ([www.vobilegroup.com](http://www.vobilegroup.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information" in this report.

### Audit Committee

As at the date of this annual report, the Audit Committee comprises two non-executive Directors, being Mr. J David WARGO and Mr. WONG Wai Kwan and three independent non-executive Directors, being Mr. CHAN King Man Kevin, Mr. Alfred Tsai CHU and Mr. Charles Eric EESLEY. The chairman of the Audit Committee is Mr. CHAN King Man Kevin. The terms of reference of the Audit Committee are available on the respective websites of the Stock Exchange and the Company.

The primary duties of the audit committee are to review, supervise, and assist our Board in providing an independent view of, our financial reporting processes, and internal control and risk management systems, as well as to oversee the audit process, review our annual and interim financial statements, provide advice and comments to the Board on matters related to corporate governance, and perform other duties and responsibilities as assigned by our Board from time to time.

# CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the year ended December 31, 2020 to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of work.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors during the year ended December 31, 2020.

## Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprises an executive Director, being Mr. Yangbin Bernard WANG, a non-executive Director, being Mr. J David WARGO and three independent non-executive Directors, being Mr. Derek CHANG, Mr. Alfred Tsai CHU and Mr. Charles Eric EESLEY. The chairman of the Remuneration Committee is Mr. Derek CHANG. The terms of reference of the Remuneration Committee are available on the respective websites of the Stock Exchange and the Company.

The primary duties of the remuneration committee are to (i) develop and review the policies the structure of the remuneration for our Directors and senior management; (ii) evaluate the performance of, and make recommendations on the remuneration packages and long-term incentive compensation or equity plans for, our Directors and senior management; and (iii) evaluate and make recommendations on employee benefit arrangements.

The Remuneration Committee held two meetings during the year ended December 31, 2020 to determine the remuneration packages of Executive Directors and senior management and to review and make recommendation to the Board on the remuneration policy and structure of the Company, and other related matters.

Details of the fees and other emoluments paid or payable to the Directors and the details of the remuneration by band of the members of the senior management (excluding Directors) for the year ended December 31, 2020 are set out in details in notes 8 and 9 to the audited financial statements contained in this report.

## Nomination Committee

As at the date of this annual report, the Nomination Committee comprises an executive Director, being Mr. Yangbin Bernard WANG, a non-executive Director, being Mr. J David WARGO and three independent non-executive Directors, being Mr. CHAN King Man Kevin, Mr. Derek CHANG and Mr. Charles Eric EESLEY. The chairman of the Nomination Committee is Mr. Yangbin Bernard WANG. The terms of reference of the Nomination Committee are available on the respective websites of the Stock Exchange and the Company.

The primary functions of the nomination committee are to make recommendations to our Board in relation to the appointment and removal of Directors and senior management, and on matters of succession planning.

The duties and authorities of the Nomination Committee are contained in its terms of reference, which fully comply with code provision A.5.2 of the CG Code and are available on the websites of the Stock Exchange and the Company.



# CORPORATE GOVERNANCE REPORT

The Nomination Committee has formulated and set out its nomination policy in its terms of reference. The objective of the nomination policy is to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's businesses. To ensure changes to the Board composition can be managed without undue disruption, a formal, considered and transparent procedure is in place for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

Before making recommendation to the Board, the criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company, character, qualifications, experience, independence and contribution to the diversity of the Board and ability to effectively carry out the Board's responsibilities. Further details of the selection criteria and the procedure are set out in the terms of reference of the Nomination Committee.

The Board adopts a Board diversity policy which sets out its approach to achieve and maintain its diversity through consideration of a number of measurable objectives including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge, reputation and gender, as well as other attributes and strengths that are required for the Company's business from time to time. In assessing the Board composition, the nomination committee would take into account various aspects set out in the Board diversity policy. The nomination committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held two meetings during the year ended December 31, 2020 to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the AGM. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

## Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

# CORPORATE GOVERNANCE REPORT

## ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and AGM of the Company held during the year ended December 31, 2020 is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
<b>Executive Directors</b>					
Mr. Yangbin Bernard WANG	11/11	N/A	4/4	2/2	1/1
Mr. Michael Paul WITTE	11/11	N/A	N/A	N/A	1/1
<b>Non-executive Directors</b>					
Mr. J David WARGO	11/11	2/2	2/2	1/1	1/1
Mr. WONG Wai Kwan	11/11	2/2	N/A	N/A	1/1
Mr. Vernon Edward ALTMAN (retired on June 30, 2020)	3/4	N/A	2/2	1/1	1/1
<b>Independent Non-executive Directors</b>					
Mr. CHAN King Man Kevin	11/11	2/2	2/2	2/2	1/1
Mr. Derek CHANG (appointed on June 30, 2020)	6/7	N/A	2/2	1/1	1/1
Mr. Alfred Tsai CHU (appointed on June 30, 2020)	7/7	1/1	2/2	N/A	1/1
Mr. Charles Eric EESLEY	6/7	2/2	4/4	2/2	1/1
Mr. James Alan CHIDDIX (retired on June 30, 2020)	4/4	1/1	2/2	1/1	1/1

During the year, apart from the Board meetings, consents and/or approvals of the Board were also obtained by way of written resolutions on a number of matters/transactions. The Chairman of the Board met all the independent non-executive Directors without the presence of the other Directors after the Board meeting held on March 31, 2021 in compliance with code provision A.2.7 of the CG Code.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" on pages 40 to 44 of this annual report.



# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATION

An analysis of the remuneration that should be paid to the external auditor of the Company, Ernst & Young, for the audit of the year ended December 31, 2020 and non-audit services is set out below:

Service Category	Fee Paid/Payable US\$'000
Audit services of annual report	316
Non-audit services	63

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining an effective risk management and internal control systems and reviewing their effectiveness to safeguard the Company's assets and the interests of Shareholders. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

In order to achieve effective and efficient operations and reliable financial reporting and compliance with applicable laws and regulations, the Company has adopted various internal control rules and procedures, including the following:

- To adopt the internal control management measures, which sets out the procedures for effective implementation of internal control measures.
- To engage external professional advisers as necessary and work with our legal teams to conduct review to ensure that all registrations, licenses, permits, filings and approvals are valid and that the renewals of such documents are made in a timely manner.

The Board has engaged an external professional service firm as its risk management and internal control review adviser (the "Adviser") to conduct the annual review of the risk management and internal control systems for the year ended December 31, 2020 as there is no internal audit function within the Group and the Directors considered it to be more cost effective to appoint external independent professionals to perform internal audit functions for the Group. The Directors will continue to review at least annually the need for an internal audit function. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

## SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### Convening an Extraordinary General Meeting by Shareholders

Under Article 12.3 of the Articles, any two or more shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may at all times have the right, by a written requisition to the Board or the company secretary of the Company, to require the convening of an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 42 days after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

### Putting Forward Proposals at General Meetings

The Board is not aware of any provisions allowing the shareholders of the Company to put forward proposals at general meetings of the Company under the Articles and the Companies Law of the Cayman Islands Law. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Detailed procedures for shareholders to propose a person for election as a director of the Company are published on the Company's website.

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

### Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suite 3712, 37/F, Tower Two,  
Times Square,  
1 Matheson Street,  
Causeway Bay, Hong Kong  
(For the attention of the Board of Directors/Company Secretary)

Email: [ir@vobilegroup.com](mailto:ir@vobilegroup.com)



# CORPORATE GOVERNANCE REPORT

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the shareholder(s) may be disclosed as required by law.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an ongoing dialogue with shareholders and in particular, through annual general meetings and other general meetings. At annual general meetings, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles. An up to date version of the Articles is available on the websites of the Company and the Stock Exchange.

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

## DIVIDEND POLICY

Pursuant to Code provision E.1.5 of the CG Code, the Company has adopted a dividend policy as set forth below:

Following completion of the global offering, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board will review our Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our financial results;
- Shareholders' interests;
- general business conditions, strategies and future expansion needs;
- the Group's capital requirements;
- the payment by its subsidiaries of cash dividends to the Company;
- possible effects on liquidity and financial position of the Group;
- other factors the Board may deem relevant.

Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition and position, the amount of distributable profits, our Articles, the Companies Law of the Cayman Islands Law, applicable laws and regulations and other factors that our Directors deem relevant. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

## **COMPANY SECRETARY**

Mr. Ho Sai Hong Vincent, aged 35, is the financial controller and company secretary of our Company. He has complied with requirements set out in Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the year ended December 31, 2020.



# INDEPENDENT AUDITOR'S REPORT



**Ernst & Young**  
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## To the shareholders of Vobile Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Vobile Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 45 to 107, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of goodwill</i></p> <p>As at December 31, 2020, the goodwill amounted to US\$77,887,000, of which US\$71,104,000 and US\$6,783,000 were allocated to the Transaction-based SaaS Business cash-generating unit ("CGU") and Peer to peer network technology CGU, respectively.</p> <p>The recoverable amounts of both CGUs (the Transaction-based SaaS Business and the Peer to Peer Network Technology) have been determined based on a value-in-use calculation using five-year cash flow projections approved by senior management. This process involves management to estimate a projected number of viewership on videos, and a projected amount of advertisement inserted on videos, the expected future market demand as a result of changes in current market conditions and technology, and the latest invoice prices. An assessment was made at the end of the reporting period.</p> <p>We focused on this area because it requires a high level of management judgement and the amount involved is significant.</p> <p>Related disclosures are included in notes 2.4, 2.5, 3 and 15 to the consolidated financial statements.</p>	<p>We obtained an understanding of the process in place in the impairment assessment of goodwill.</p> <p>We discussed with management and assessed the allocation of goodwill to different CGUs;</p> <p>We involved our internal specialists to evaluate the assumptions and methodologies used by the management of the Group, such as the pre-tax discount rate and terminal growth rate. We discussed with internal specialists regarding their valuation results.</p> <p>We assessed the recoverable amount of goodwill by reviewing the operating cash flows of the cash generating unit, management's forecasts, and the underlying assumptions.</p> <p>We also focused on the adequacy of the Group's disclosures concerning those assumptions to which the outcome of the impairment test is most sensitive, such as the revenue growth rate, gross profit margin and the discount rate. They have the most significant effect on the determination of the recoverable amount of goodwill. We assessed the sufficiency of the sensitivity analysis performed by the Directors of the Company.</p>



# INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p><i>Recognition of deferred tax assets</i></p> <p>The balance of deferred tax assets as at December 31, 2020 amounted to US\$8,029,000. Deferred tax assets had been provided for the losses available for offsetting against future taxable profits and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The Group had tax losses and unutilized deduction arising in the United States of US\$17,126,000 as at December 31, 2020 that will expire in twenty years for offsetting against future taxable profits. The deferred tax assets were calculated at a composite statutory tax rate of 27.94%, which consisted of a federal income tax rate and multiple state income tax rates. The assessment of future taxable income and the recognition of deferred tax assets requires judgement and estimates such as forecasted profits and the impact of potential future tax reforms on the deferred tax asset amounts and was therefore significant to our audit.</p> <p>Related disclosures are included in notes 2.5, 3 and 25 to the consolidated financial statements.</p>	<p>We obtained an understanding of the deferred tax asset calculation and performed substantive audit procedures on the recognition of deferred tax balances based on local tax regulations, and on the analysis of the recoverability of the deferred tax assets.</p> <p>We evaluated the Group's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on budgets and plans, principally by performing sensitivity analyses and evaluating and testing the key assumptions used to determine the amounts recognized.</p> <p>We also involved our internal specialists to support us in these procedures in order to assess the accuracy of the deferred tax asset recognition.</p>

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



## INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

March 31, 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2020

	Notes	2020 US\$'000	2019 US\$'000 (Restated)
<b>REVENUE</b>	5	<b>43,874</b>	18,781
Cost of services provided		<b>(22,527)</b>	(5,329)
Gross profit		<b>21,347</b>	13,452
Other income and gains	5	<b>18,377</b>	328
Selling and marketing expenses		<b>(9,638)</b>	(7,498)
Administrative expenses		<b>(7,505)</b>	(11,071)
Research and development expenses		<b>(6,768)</b>	(2,501)
Finance costs	7	<b>(6,473)</b>	(649)
Other expenses		<b>(673)</b>	(142)
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>8,667</b>	(8,081)
Income tax credit	10	<b>1,812</b>	1,871
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>10,479</b>	(6,210)
<b>OTHER COMPREHENSIVE INCOME/LOSS</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>465</b>	(115)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>		<b>465</b>	(115)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>10,944</b>	(6,325)
<b>EARNINGS/(LOSS) PER SHARE</b>			
Basic, profit/(loss) for the year attributable to ordinary equity holders of the Company (US cents)	12	<b>2.44</b>	(1.46)
Diluted, profit/(loss) for the year attributable to ordinary equity holders of the Company (US cents)	12	<b>2.37</b>	(1.46)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

	Notes	2020 US\$'000	2019 US\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	198	378
Right-of-use assets	14(a)	2,892	1,017
Goodwill	15	77,887	77,887
Other intangible assets	16	10,468	9,364
Deferred tax assets	25	8,029	4,265
Prepayments	18	154	37
<b>Total non-current assets</b>		<b>99,628</b>	92,948
<b>CURRENT ASSETS</b>			
Trade receivables	17	8,967	13,743
Prepayments, other receivables and other assets	18	6,184	4,080
Tax recoverable		174	355
Cash and cash equivalents	19	33,842	4,825
<b>Total current assets</b>		<b>49,167</b>	23,003
<b>CURRENT LIABILITIES</b>			
Trade payables	20	6,574	5,695
Other payables and accruals	21	4,991	6,306
Interest-bearing borrowings	22	—	1,500
Lease liabilities	14(b)	1,047	753
<b>Total current liabilities</b>		<b>12,612</b>	14,254
<b>NET CURRENT ASSETS</b>		<b>36,555</b>	8,749
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>136,183</b>	101,697
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	23	10,703	—
Interest-bearing borrowings	22	20,000	48,500
Lease liabilities	14(b)	1,915	240
Deferred tax liabilities	25	1,808	—
Other liabilities	24	—	17,860
<b>Total non-current liabilities</b>		<b>34,426</b>	66,600
<b>Net assets</b>		<b>101,757</b>	35,097
<b>EQUITY</b>			
Share capital	26	46	42
Treasury shares	26	(2,815)	(2,558)
Equity component of convertible bonds	23	1,496	—
Reserves	28	103,030	37,613
<b>Total equity</b>		<b>101,757</b>	35,097

Yangbin Bernard WANG

Director

WONG Wai Kwan

Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2020

	Attributable to owners of the Company									
	Equity component of			Share premium*	Merger reserve*	Other reserve*	Share compensation reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total equity
	Share capital	Treasury shares	convertible bonds							
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
As at January 1, 2020	42	(2,558)	—	27,192	376	25,686	610	(655)	(15,576)	35,117
Retrospective adjustments of business combination (note 2.4)	—	—	—	—	—	—	—	—	(20)	(20)
At 1 January 2020 (as restated)	42	(2,558)	—	27,192	376	25,686	610	(655)	(15,596)	35,097
Profit for the year	—	—	—	—	—	—	—	—	10,479	10,479
Exchange differences related to foreign operations	—	—	—	—	—	—	—	465	—	465
Total comprehensive income for the year	—	—	—	—	—	—	—	465	10,479	10,944
Issue of shares	3	—	—	49,940	—	—	—	—	—	49,943
Equity component of convertible bonds issued	—	—	1,496	—	—	—	—	—	—	1,496
Share allotment for consideration settlement	1	—	—	1,437	—	—	—	—	—	1,438
Shares repurchased under share award scheme	—	(257)	—	—	—	—	—	—	—	(257)
Equity-settled share compensation arrangements	—	—	—	—	—	—	3,096	—	—	3,096
As at December 31, 2020	46	(2,815)	1,496	78,569	376	25,686	3,706	(190)	(5,117)	101,757

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2020

	Attributable to owners of the Company								
	Share capital	Treasury shares	Share premium*	Merger reserve*	Other reserve*	Share compensation reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at January 1, 2019 (as previously reported)	42	—	27,192	376	25,686	463	(540)	(9,386)	43,833
Loss for the year (restated)	—	—	—	—	—	—	—	(6,210)	(6,210)
Exchange differences related to foreign operations	—	—	—	—	—	—	(115)	—	(115)
Total comprehensive loss for the year (restated)	—	—	—	—	—	—	(115)	(6,210)	(6,325)
Shares repurchased	—	(2,558)	—	—	—	—	—	—	(2,558)
Equity-settled share compensation arrangements	—	—	—	—	—	147	—	—	147
As at December 31, 2019 (restated)	42	(2,558)	27,192	376	25,686	610	(655)	(15,596)	35,097

\* These reserve accounts comprise the consolidated other reserves of US\$103,030,000 (2019: US\$37,613,000 (restated)) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2020

	Notes	2020 US\$'000	2019 US\$'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		8,667	(8,081)
<b>Adjustments for:</b>			
Finance costs	7	6,473	649
Interest income	5	(27)	(119)
Depreciation of items of property, plant and equipment	13	180	305
Depreciation of right-of-use assets	14(a)	1,382	940
Loss on disposal of items of property, plant and equipment and other intangible asset	13,16	13	—
Amortization of other intangible assets	16	731	90
(Reversal of impairment)/ impairment losses on financial assets		(31)	3
Equity-settled share compensation expense	27	3,096	147
Fair value gain on other liabilities measured at FVTPL	24	(17,860)	—
		2,624	(6,066)
Decrease/(increase) in trade receivables		4,807	(5,590)
Increase in prepayments and other assets		(2,868)	(967)
Decrease/(increase) in deposits and other receivables		647	(427)
(Decrease)/increase in other payables		(2,457)	1,310
Increase in trade payables		879	3,077
Cash generated from/(used in) operations		3,632	(8,663)
Interest received		27	119
Interest paid		(110)	(38)
Overseas taxes refunded		37	7
Net cash flows from/(used in) operating activities		3,586	(8,575)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(5)	(33)
Purchases of items of other intangible assets		(1,450)	(571)
Acquisition of a business		—	(30,000)
Net cash flows used in investing activities		(1,455)	(30,604)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of convertible bonds	23	11,585	—
Issue of shares		49,943	—
New loans	22	—	30,000
Purchase of shares held under the share award scheme	26	(257)	(2,558)
Interest paid		(3,562)	—
Repayment of interest-bearing borrowings		(30,000)	—
Principal portion of lease payments	29(b)	(1,288)	(964)
Net cash flows from financing activities		26,421	26,478
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year	19	4,825	17,641
Effect of foreign exchange rate changes, net		465	(115)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>33,842</b>	<b>4,825</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		27,393	3,638
Time deposits with original maturity of less than three months when acquired		6,449	1,187
Cash and cash equivalents as stated in the statement of cash flows	19	33,842	4,825

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 1. CORPORATE AND GROUP 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 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 is principally engaged in providing Software as a Service ("SaaS").

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Vobile, Inc. ("Vobile US")*	United States May 20, 2005	—	—	100%	SaaS
Vobile Japan, Inc. ("Vobile Japan")*	Japan September 5, 2009	JPY20,000,000	99.75%	—	SaaS
Vobile Group (HK) Limited ("Vobile Hong Kong")	Hong Kong December 18, 2014	HK\$1,000,000	100%	—	SaaS
Vobile Canada Inc. ("Vobile Canada")*	Canada January 30, 2015	—	100%	—	SaaS
LRC Oregon Inc. ("LRC")*	United States June 30, 1997	—	—	100%	—
Vobile Home Entertainment LLC ("Vobile LLC")*	United States January 29, 2015	US\$1	—	100%	—
Hangzhou Vobile Technology Co. LTD. ("Vobile Hangzhou")***	PRC/Mainland China February 8, 2018	RMB200,000,000	—	100%	SaaS
Vobile Australia PTY., LTD. ("Vobile Australia")**	Australia October 23, 2018	AUD1	—	100%	SaaS
Guangzhou Vobile Technology Co. LTD. ("Vobile Guangzhou")***	PRC/Mainland China March 25, 2019	RMB50,000,000	—	100%	SaaS
Vobile Holding, Inc. ("Vobile Holding")*	United States November 1, 2019	US\$0.01	100%	—	SaaS

Note:

\* As at the date of this report, no audited financial statements of Vobile US, Vobile Japan, Vobile Canada, LRC, Vobile Holding and Vobile LLC have been prepared since the date of incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 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.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended December 31, 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>2</sup></i>
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
Amendments to IAS 1	<i>Disclosure of Accounting Policies<sup>3</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>3</sup></i>
IFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>3, 5</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract<sup>2</sup></i>
<i>Annual Improvements to IFRSs 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2021

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2022

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.4 PRIOR YEAR RESTATEMENT

### 2.4.1 Restatement of prior years' financial statements as a result of finalized purchase price allocation of the acquisition of the Acquired Business from ZEFR, Inc.

In November 2019, the Group acquired the Acquired Business from ZEFR, Inc. 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 contingent 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.

The assessment of the fair values of the identifiable assets and liabilities of the Acquired Business was still undergoing and the information of the fair values of the identifiable assets and liabilities was provisional as at December 31, 2019.

During the year, the Group finalized the assessment of the identifiable assets and liabilities of the Acquired Business and the Group retrospectively adjusted the provisional amounts at the acquisition date to reflect new information obtained about the facts and circumstances that existed at the acquisition date.

The comparative information as at December 31, 2019 and comparative information for the year ended December 31, 2019 have been restated in the consolidated statements.

### 2.4.2 Quantitative impact on the consolidated financial statements

- i. Restated consolidated statement of comprehensive income for the year ended December 31, 2019

	As previously reported US\$'000	Effect of prior year adjustments US\$'000	As restated US\$'000
Selling and marketing expenses	7,456	42	7,498
Administrative expenses	11,093	(22)	11,071
Total comprehensive loss for the year	6,190	20	6,210

- ii. Restated consolidated statement of financial position as at December 31, 2019

	As previously reported US\$'000	Effect of prior year adjustments US\$'000	As restated US\$'000
<b>Non-current assets</b>			
Goodwill	78,921	(1,034)	77,887
Other intangible assets	8,350	1,014	9,364

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Business combinations and goodwill

Business combinations (other than business combinations under common control) are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets (Continued)

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computer equipment	20%
Leasehold improvements	Over the shorter of lease terms and 20%
Furniture and fixtures	20%–33%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (other than goodwill) (Continued)

#### Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Offices: 2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### (b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### Group as a lessee (Continued)

##### (b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

##### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of offices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

#### Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

#### Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

#### Simplified approach (Continued)

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

For other receivables, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, interest-bearing borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of interest-bearing borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, lease liabilities and interest-bearing borrowings.

#### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

#### Financial liabilities at amortized cost (interest-bearing borrowings)

After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

#### Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

### Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general policy for provisions above; and (ii) the amount initially recognized less, when appropriate, the amount of income recognized in accordance with the policy for revenue recognition.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

#### Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

#### (a) Rendering of services

Revenue from the rendering of services is recognized over time or at a point in time with reference to the detailed terms of transactions as stipulated in the contracts entered into with its customers and counterparties.

#### Services revenue

Revenue on the rendering of services comprises the subscription-based SaaS business and the transaction-based SaaS business.

The subscription-based SaaS business is provided on a subscription basis, and a monthly subscription fee is charged to customers. Revenue generated from subscription fees is recognized over the subscription period on a straight-line basis.

The transaction-based SaaS business generates revenue from the Conventional PPT platform, the Online PPT platform, Rights ID and Channel ID.

Revenue from the Conventional PPT platform is recognized when the relevant transaction occurs as determined and verified by the Conventional PPT platform, including, in some cases, the processing fees for each of the DVD units shipped, and the end-of-term (end-of-lease) fee on each DVD unit shipped to a video store.

Revenue from the Online PPT platform, Rights ID and Channel ID are recognized when the relevant services are rendered.

#### Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payments (Continued)

The cost of equity-settled transactions with employees and consultants for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### Other employee benefits

#### Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other employee benefits (Continued)

#### Pension scheme (Continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

### Foreign currencies

These financial statements are presented in US dollars ("US\$"), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than the US\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US\$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US\$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US\$ at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2020 was US\$77,887,000 (2019: US\$77,887,000). Further details are given in note 15 to the financial statements.

#### Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### Provision for expected credit losses on trade receivables (Continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements.

#### Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses at December 31, 2020 was US\$4,785,000 (2019: US\$4,277,000). Further details are contained in note 25 to the financial statements.

#### Useful lives of property, plant and equipment and intangible assets

The Group determines the estimated useful lives and related depreciation/amortization charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation/amortization charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

#### Development costs

Development costs are capitalized in accordance with the accounting policy for research and development costs as disclosed in note 2.5 to the financial statements. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At December 31, 2020, the best estimate of the carrying amount of capitalized development costs was US\$6,239,000 (2019: US\$5,846,000). Further details are disclosed in note 16 to the financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 4. 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

	2020 US\$'000	2019 US\$'000
United States	41,278	17,353
Japan	1,039	1,250
Mainland China	1,472	158
Others	85	20
	<b>43,874</b>	18,781

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

#### (b) Non-current assets

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

### Information about major customers

Revenue derived from sales to major customers, including sales to a group of entities which are known to be under common control with those customers, which accounted for 10% or more of the Group's revenue for the year ended December 31, 2020 is as follows:

	2020 US\$'000	2019 US\$'000
Customer A	7,152	742
Customer B	6,431	1,762
Customer C	5,894	666

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the year.

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

	2020 US\$'000	2019 US\$'000
<i>Revenue from contracts with customers</i>		
Rendering of services	<b>43,874</b>	18,781

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	2020 US\$'000	2019 US\$'000
<b>Timing of revenue recognition</b>		
Services transferred overtime	<b>43,874</b>	18,781

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:

	2020 US\$'000	2019 US\$'000
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services	<b>526</b>	520

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 5. REVENUE AND OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

#### (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:

	2020 US\$'000	2019 US\$'000
Within one year	51	526
<b>Other income and gains</b>		
Fair value gain on other liabilities measured at FVTPL*	17,860	—
Bank interest income	27	119
Foreign exchange gains	382	99
Others	108	110
	<b>18,377</b>	328

\* As of December 31, 2019, the fair value of contingent consideration amounted to US\$17,860,000. As the Acquired Business did not meet the earn-out criteria specified in the asset purchase agreement, the Company trued down the fair value of the contingent consideration payable accordingly.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 6. PROFIT/(LOSS) BEFORE TAX

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

	2020 US\$'000	2019 US\$'000 (Restated)
Cost of services provided	<b>22,527</b>	5,329
Employee benefit expense (excluding Directors' and chief executive's remuneration (note 8):		
Wages and salaries	<b>10,649</b>	6,945
Equity-settled share compensation expense	<b>3,071</b>	45
Other benefits	<b>310</b>	484
Pension scheme contributions	<b>19</b>	15
	<b>14,049</b>	7,489
Depreciation of items of property, plant and equipment (note 13)	<b>180</b>	305
Depreciation of right-of-use assets (note 14)	<b>1,382</b>	940
Amortization of other intangible assets (note 16)	<b>731</b>	90
Lease payments not included in the measurement of lease liabilities	<b>364</b>	559
(Reversal of impairment)/impairment of trade receivables, net	<b>(31)</b>	3
Research and development expenses	<b>6,768</b>	2,501
Auditor's remuneration	<b>316</b>	293
Bank interest income (note 5)	<b>(27)</b>	(119)
Foreign exchange differences, net	<b>(74)</b>	(18)

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 US\$'000	2019 US\$'000
Interest on other borrowings (including convertible bonds)	<b>6,363</b>	611
Nominal interest on lease liabilities	<b>110</b>	38
	<b>6,473</b>	649

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Certain of the Directors received remuneration from the subsidiaries now comprising the Group for their appointment as Directors of these subsidiaries. The remuneration of each of these Directors as recorded in the financial statements of the subsidiaries is set out below:

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 US\$'000	2019 US\$'000
Fees	134	90
Other emoluments:		
Salaries, allowances and benefits in kind	630	632
Equity-settled share compensation expense	25	102
	<b>789</b>	824

During the year, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the then ultimate holding company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above Directors' and chief executive's remuneration disclosures.

### (a) Independent non-executive Directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 US\$'000	2019 US\$'000
Mr. Chan King Man Kevin	15	15
Mr. Derek Chang	8	—
Mr. Alfred Tsai Chu	8	—
Mr. Charles Eric Eesley	15	15
Mr. James Alan Chiddix	8	15
	<b>54</b>	45

Mr. James Alan Chiddix retired as the Group's independent non-executive director on June 30, 2020. There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

### (b) Executive Directors, non-executive Directors and the chief executive

	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Equity- settled share compensation expense US\$'000	Total US\$'000
<b>2020</b>				
Executive Directors:				
— Mr. Yangbin Bernard Wang*	—	350	22	372
— Mr. Michael Paul Witte	—	280	1	281
	—	630	23	653
Non-executive Directors:				
— Mr. J David Wargo	15	—	—	15
— Mr. Wong Wai Kwan	65	—	2	67
	80	630	25	735
<b>2019</b>				
Executive Directors:				
— Mr. Yangbin Bernard Wang*	—	350	90	440
— Mr. Michael Paul Witte	—	282	5	287
	—	632	95	727
Non-executive Directors:				
— Mr. Vernon Edward Altman	15	—	—	15
— Mr. J David Wargo	15	—	—	15
— Mr. Wong Wai Kwan	15	—	7	22
	45	632	102	779

\* Mr. Yangbin Bernard Wang is also the chief executive officer of the Company.

Mr. Vernon Edward Altman retired as the Group's non-executive director on June 30, 2020. There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to any of the persons who are Directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two Directors (2019: two), details of whose remuneration are set out in note 8(b) above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a Director nor chief executive of the Group are as follows:

	2020 US\$'000	2019 US\$'000
Salaries, allowances and benefits in kind	835	621
Equity-settled share compensation expense	—	9
	<b>835</b>	<b>630</b>

The number of non-Director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$1,500,001 to HK\$2,500,000	3	2
HK\$2,500,001 to HK\$3,000,000	—	—
	<b>3</b>	<b>3</b>

During the prior years, share options were granted to a non-Director and non-chief executive highest paid employee in respect of the services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-Director and non-chief executive highest paid employees' remuneration disclosures.

## 10. INCOME TAX CREDIT

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% (2019: 21%) for the year ended December 31, 2020. The income tax applicable to profits arising in Hong Kong was provided at a statutory tax rate of 16.5% during the year ended December 31, 2020. The income tax applicable to profits arising in Mainland China was provided at a statutory tax rate of 25% during the year ended December 31, 2020. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 10. INCOME TAX CREDIT (Continued)

The major components of income tax credit for the year are as follows:

	2020 US\$'000	2019 US\$'000
Current — United States		
Charge for the year	4	4
Current — Mainland China		
Charge for the year	136	—
Current — Hong Kong		
Charge for the year	1	—
Current — Japan		
Charge for the year	3	14
Deferred tax expenses — Others (note 25)	(1,956)	(1,889)
<b>Total tax credit for the year</b>	<b>(1,812)</b>	<b>(1,871)</b>

A reconciliation of the U.S. federal statutory income tax rate of 21.0% (2019: 21.0%) to the Group's effective tax rate is as follows:

	2020 US\$'000	2019 US\$'000 (Restated)
Profit/(loss) before tax	8,667	(8,081)
Tax at the U.S. federal statutory income tax rate	1,820	(1,697)
U.S. state income taxes, net of federal benefit	(174)	(420)
Different tax rates for other jurisdictions	441	165
Expenses not deductible for tax	11	30
Income not subject to tax	(3,751)	—
Additional deductible allowance for research and development costs	(545)	(119)
Others	386	170
<b>Tax credit at the Group's effective tax rate</b>	<b>(1,812)</b>	<b>(1,871)</b>

## 11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended December 31, 2020 (2019: Nil).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 428,634,022 (2019: 424,874,536) in issue during the year, as adjusted to reflect the 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 December 31, 2020 and 2019 in respect of a dilution as the impact of the share option scheme and convertible bonds outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculations of profit/(loss) per share attributable to ordinary equity holders of the Company for each of the years ended December 31, 2020 and 2019 are based on the following data:

	2020 US\$'000	2019 US\$'000 (Restated)
<b>Profit/(loss)</b>		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	10,479	(6,210)
Interest on convertible bonds	935*	—
Profit/(loss) attributable to ordinary equity holders of the Company before interest on convertible bond	11,414	(6,210)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	428,634,022	424,874,536
Effect of dilution — Weighted average number of ordinary shares:		
Share options	14,027,942	9,567,595
Convertible bonds	17,720,228*	—
	460,382,192	434,442,131**

\* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the year of US\$10,479,000, and the weighted average number of ordinary shares of 428,634,022 in issue during the year which is excluded from the interest on the convertible bonds of US\$935,000 and the weighted average number of ordinary shares of 17,720,228 from convertible bonds.

\*\* Because the diluted loss per share amount is increased when taking share options into account, the share options had an anti-dilutive effect on 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\$6,210,000, and the weighted average number of ordinary shares of 424,874,536 in issue during the year.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 13. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment US\$'000	Leasehold improvements US\$'000	Furniture and fixtures US\$'000	Motor vehicles US\$'000	Total US\$'000
<b>December 31, 2020</b>					
At January 1, 2020					
Cost	1,059	509	213	145	1,926
Accumulated depreciation	(968)	(364)	(170)	(46)	(1,548)
Net carrying amount	91	145	43	99	378
At January 1, 2020, net of accumulated depreciation	91	145	43	99	378
Additions	3	—	2	—	5
Disposals	(5)	—	—	—	(5)
Depreciation provided during the year	(38)	(98)	(14)	(30)	(180)
At December 31, 2020, net of accumulated depreciation	51	47	31	69	198
At December 31, 2020:					
Cost	1,018	509	215	145	1,887
Accumulated depreciation	(967)	(462)	(184)	(76)	(1,689)
Net carrying amount	51	47	31	69	198
<b>December 31, 2019</b>					
At January 1, 2019					
Cost	1,001	509	186	145	1,841
Accumulated depreciation	(846)	(232)	(148)	(17)	(1,243)
Net carrying amount	155	277	38	128	598
At January 1, 2019, net of accumulated depreciation	155	277	38	128	598
Additions	6	—	27	—	33
Acquisition of a business	52	—	—	—	52
Depreciation provided during the year	(122)	(132)	(22)	(29)	(305)
At December 31, 2019, net of accumulated depreciation	91	145	43	99	378
At December 31, 2019:					
Cost	1,059	509	213	145	1,926
Accumulated depreciation	(968)	(364)	(170)	(46)	(1,548)
Net carrying amount	91	145	43	99	378

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for office rental used in its operations. Leases of offices generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Offices US\$'000
As at January 1, 2019	1,760
Additions	197
Depreciation charge	(940)
As at December 31, 2019 and January 1, 2020	1,017
Additions	3,257
Depreciation charge	(1,382)
As at December 31, 2020	2,892

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 Lease liabilities US\$'000	2019 Lease liabilities US\$'000
Carrying amount at January 1	993	1,760
New leases	3,257	197
Accretion of interest recognized during the year	110	38
Payments	(1,398)	(1,002)
Carrying amount at December 31	2,962	993
Analyzed into:		
Current portion	1,047	753
Non-current portion	1,915	240

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 14. LEASES (Continued)

### The Group as a lessee (Continued)

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	2020 US\$'000	2019 US\$'000
Nominal interest on lease liabilities	110	38
Depreciation charge of right-of-use assets	1,382	940
Expense relating to short-term leases and other leases with remaining lease terms ended on or before December 31 (included in administrative expenses)	364	559
<b>Total amount recognized in profit or loss</b>	<b>1,856</b>	1,537

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

## 15. GOODWILL

	2020 US\$'000	2019 US\$'000 (Restated)
As at January 1	77,887	13,622
Acquisition of a business	—	64,265
Impairment	—	—
<b>As at December 31</b>	<b>77,887</b>	77,887

### Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Transaction-based SaaS Business cash-generating unit ("TBS CGU"); and
- Peer to Peer Network Technology cash-generating unit ("P2P CGU").

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 15. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	TBS CGU		P2P CGU		Total	
	2020 US\$'000	2019 US\$'000 (Restated)	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000 (Restated)
Carrying amount of goodwill	<b>71,104</b>	71,104	<b>6,783</b>	6,783	<b>77,887</b>	77,887

#### Transaction-based SaaS Business cash-generating unit

The Group purchased the Conventional PPT business on January 31, 2015, with knowledge of its declining trend, and made the acquisition not for its value as a stand-alone business but rather its value as a facilitator of the Group's nascent Online PPT business. Accordingly, the Group considered the Conventional PPT business an integral part of the Transaction-based SaaS Business cash-generating unit in the impairment assessment of goodwill.

The Group purchased the Acquired Business on November 16, 2019. The acquisition brought in technology complementary, expanded monetization, as well as enhanced sales proposition for the Group. The Acquired Business and the original Transaction-based SaaS Business share similar customer base. Management has restructured the businesses after the acquisition. The Acquired Business share the operating, server, administration and research and development resources with the original transaction-based business's team and as a result, the Transaction-based SaaS Business CGU is enlarged with the Acquired Business. After the restructuring, businesses within this CGU share similar technologies and are able to provide diversified monetization service offerings. Accordingly, the Group considered the Acquired Business as an integral part of the Transaction-based SaaS Business cash-generating unit in the impairment assessment of goodwill.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using five-year cash flow projections approved by senior management. An assessment was made at the end of the year.

Key assumptions used in the calculation are as follows:

	2020	2019
Revenue (% compound growth rate)	<b>9%</b>	10%
Gross margin (% of revenue)	<b>42%</b>	43%
Terminal growth rate	<b>3%</b>	3%
Pre-tax discount rate	<b>14%</b>	17%



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 15. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

#### Transaction-based SaaS Business cash-generating unit (Continued)

Revenue — the basis used to determine the budgeted revenue is based on the historical data and management's expectation of the future market. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes the number of contracts signed and the progress of business under negotiation.

Gross margin — The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budget year for each product, increased for expected efficiency improvements, and expected market development.

Terminal growth rate — The terminal growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rate — The pre-tax discount rate used is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies in the technology industry.

If the pre-tax discount rate rose to 19% or the gross profit margin decreased to 33% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonably possible changes in other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2020

Based on the impairment assessment conducted by the Group utilizing the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary.

The values assigned to the key assumptions on market development of related services and discount rates are consistent with external information sources.

#### Peer to peer network technology cash-generating unit

The Group acquired the business from IP-Echelon on November 19, 2018, to solidify its leadership position in content protection globally and strengthen its ability to provide comprehensive solutions against any emerging threats of content piracy online. The acquisition also enables the Group to implement its plan to proactively expand geographic coverage internationally.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using five-year cash flow projections approved by senior management. An assessment was made at the end of the year.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 15. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

Peer to Peer Network Technology cash-generating unit (Continued)

Key assumptions used in the calculation are as follows:

	2020	2019
Revenue (% compound growth rate)	4%	8%
Gross margin (% of revenue)	83%	83%
Terminal growth rate	3%	3%
Pre-tax discount rate	14%	17%

If the pre-tax discount rate rose to 20% or the terminal growth rate decreased to -4% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonably possible changes in other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2020.

Based on the impairment assessment conducted by the Group utilizing the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary.

The values assigned to the key assumptions on market development of related services and discount rates are consistent with external information sources.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 16. OTHER INTANGIBLE ASSETS

	Deferred development costs US\$'000	Software US\$'000	Technology US\$'000	Customer relationship US\$'000	Total US\$'000
<b>December 31, 2020</b>					
Cost at January 1, 2020, net of accumulated amortization	5,846	61	1,809	1,648	9,364
Additions	—	14	1,436	—	1,450
Disposal	—	(8)	—	—	(8)
Amortization provided during the year	—	(13)	(380)	(338)	(731)
Exchange realignment	393	—	—	—	393
At December 31, 2020	6,239	54	2,865	1,310	10,468
At December 31, 2020					
Cost	6,239	175	3,289	1,690	11,393
Accumulated amortization	—	(121)	(424)	(380)	(925)
Net carrying amount	6,239	54	2,865	1,310	10,468
<b>December 31, 2019 (restated)</b>					
Cost at January 1, 2019, net of accumulated amortization	5,323	17	—	—	5,340
Additions	523	48	1,853	1,690	4,114
Amortization provided during the year	—	(4)	(44)	(42)	(90)
At December 31, 2019	5,846	61	1,809	1,648	9,364
At December 31, 2019					
Cost	5,846	172	1,853	1,690	9,561
Accumulated amortization	—	(111)	(44)	(42)	(197)
Net carrying amount	5,846	61	1,809	1,648	9,364

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 17. TRADE RECEIVABLES

	2020 US\$'000	2019 US\$'000
Trade receivables	8,974	13,781
Impairment	(7)	(38)
	<b>8,967</b>	13,743

The Group's trading terms with its debtors are usually 10 to 60 days. The Group always recognizes lifetime ECLs for all trade receivables and measures the lifetime ECL on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are unsecured and non-interest-bearing.

An ageing analysis of the current trade receivables as at December 31, 2020, based on the invoice date and net of loss allowance, is as follows:

	2020 US\$'000	2019 US\$'000
Within 90 days	7,270	9,655
91 to 180 days	1,053	1,110
181 to 365 days	457	818
Over 365 days	187	2,160
	<b>8,967</b>	13,743

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

	2020 US\$'000	2019 US\$'000
At beginning of year	38	35
(Reversal of impairment)/impairment of trade receivables, net	(31)	3
At end of year	7	38

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 17. TRADE RECEIVABLES (Continued)

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, 2020

	Current	Past due			Total
		Less than 3 months	3 to 6 months	Over 6 months	
Expected credit loss rate	0.02%	0.04%	0.42%	0.62%	0.08%
Gross carrying amount (US\$'000)	5,351	2,739	240	644	8,974
Expected credit losses (US\$'000)	1	1	1	4	7

As at December 31, 2019

	Current	Past due			Total
		Less than 3 months	3 to 6 months	Over 6 months	
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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 US\$'000	2019 US\$'000
Prepayments	6,008	3,140
Deposits and other receivables	330	977
	<b>6,338</b>	4,117
Portion classified as current assets	<b>(6,184)</b>	(4,080)
Non-current portion	<b>154</b>	37

Other receivables and other assets mainly represent rental deposits and deposits with suppliers. The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default. The Group has thereby concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the rates for other receivables and other assets. Since other receivables and other assets are related to receivables which are still in current and the payment is not due, the expected credit loss rates of deposits and other receivables are assessed to be minimal.

## 19. CASH AND CASH EQUIVALENTS

	2020 US\$'000	2019 US\$'000
Cash and bank balances	27,393	3,638
Time deposits	6,449	1,187
	<b>33,842</b>	4,825
Denominated in HK\$	29,217	1,070
Denominated in US\$	3,725	2,747
Denominated in RMB	31	463
Denominated in JPY	776	519
Denominated in AU\$	85	13
Denominated in CA\$	8	13
Cash and bank balances	<b>33,842</b>	4,825

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits earn interest at deposit rates proposed by the banks. The bank balances are deposited with creditworthy banks with no recent history of default.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 19. CASH AND CASH EQUIVALENTS (Continued)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

## 20. 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:

	2020 US\$'000	2019 US\$'000
Within 90 days	6,016	5,579
91 to 180 days	270	116
Over 180 days	288	—
	<b>6,574</b>	5,695

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

## 21. OTHER PAYABLES AND ACCRUALS

	2020 US\$'000	2019 US\$'000
Other payables	3,420	3,177
Accruals	698	1,758
Contract liabilities	51	526
Payroll and welfare accruals	822	845
	<b>4,991</b>	6,306

Other payables are non-interest-bearing and repayable on demand.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 22. INTEREST-BEARING BORROWINGS

On November 16, 2019, the Company entered into a credit agreement with ACCEL-KKR Credit Partners SPV, LLC as the agent for a total loan amount of US\$30 million. This loan is executed in relation to the acquisition of the Acquired Business that was completed on November 16, 2019. According to the loan payment schedule, US\$1.5 million will be repaid in full before December 31, 2020 and is classified as current liabilities, while the remaining balance of US\$28.5 million with maturity ranging from 2021 to 2023 is classified as non-current liabilities. This loan is secured by all assets of LRC, Vobile Holding, Vobile LLC and Vobile US, collectively as the guarantor as collateral. This loan bears interest at the London Inter-Bank Offered Rate plus eight to nine percent. The total loan amount of US\$30 million was repaid in 2020.

A secured subordinated note of US\$20 million has been executed and delivered in relation to the acquisition of the Acquired Business, to satisfy part of the purchase consideration with ZEFR, Inc. as the Seller of the Acquired Business. This secured subordinated note bears interest at eight percent and matures in 2024.

As at December 31, 2020, except for the convertible bonds which details are further explained in note 23, the Group's interest-bearing borrowings of US\$20 million are repayable in 2024.

## 23. CONVERTIBLE BONDS

On July 14, 2020, the Company issued two series of convertible bonds in the aggregate principal amount of HK\$100,000,000 to Poly Platinum Enterprises Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP. The Series One Convertible Bonds with principal amount of HK\$80,000,000 have an initial conversion price of HK\$2.58 per Share. The Series Two Convertible Bonds with principal amount of HK\$20,000,000 have an initial conversion price of HK\$2.80 per Share. Both Series One Convertible Bonds and Series Two Convertible Bonds are convertible into Shares of the Company. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 5% per annum, payable semi-annually in arrears, and will mature on the two years from the issue date. The annual effective interest rate of the debt component is 18.54%.

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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 23. CONVERTIBLE BONDS (Continued)

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

	2020 US\$'000	2019 US\$'000
Nominal value of convertible bonds issued during the year	12,769	—
Equity component	(1,496)	—
Direct transaction costs attributable to the liability component	(1,184)	—
Liability component at the issuance date	10,089	—
Interest expense	614	—
Liability component at December 31	10,703	—

## 24. OTHER LIABILITIES

The other liabilities represent the contingent consideration payable for the acquisition of business from ZEFR, Inc. in 2019. As the Acquired Business did not meet the earn-out criteria specified in the asset purchase agreement, the Company trued down the fair value of the contingent consideration payable.

## 25. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

### Deferred tax liabilities

	Tax deduction of goodwill US\$'000
At December 31, 2019 and January 1, 2020	—
Deferred tax charged to profit or loss during the year (note 10)	1,808
At December 31, 2020	1,808

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 25. DEFERRED TAX (Continued)

### Deferred tax assets

	Losses available for offsetting against future taxable profits US\$'000	Depreciation allowance in excess of related depreciation US\$'000	Research and development costs US\$'000	Tax deduction of goodwill US\$'000	Others US\$'000	Total US\$'000
At January 1, 2019	2,418	43	931	(579)	(437)	2,376
Deferred tax credited/(charged) to profit or loss during the year (note 10)	1,859	(469)	105	(9)	403	1,889
At December 31, 2019 and January 1, 2020	4,277	(426)	1,036	(588)	(34)	4,265
Deferred tax credited/(charged) to profit or loss during the year (note 10)	508	641	448	588	1,579	3,176
At December 31, 2020	<b>4,785</b>	<b>215</b>	<b>1,484</b>	<b>—</b>	<b>1,545</b>	<b>8,029</b>

As at December 31, 2020, deferred tax assets related to Vobile US have been calculated at a composite statutory tax rate of 27.94%, which consisted of a federal income tax rate of 21% and multiple state income tax rates.

Deferred tax assets had been provided for the losses available for offsetting against future taxable profits. The Group had tax losses and unutilized deduction arising in the United States of US\$17,126,000 as at December 31, 2020 (2019: US\$15,367,000), that will expire in twenty years from December 31, 2020 for offsetting against future taxable profits.

## 26. SHARE CAPITAL

	2020 US\$'000	2019 US\$'000
Issued and fully paid (US\$0.0001 per share): 459,104,556 ordinary shares (2019: 424,874,536)	<b>46</b>	42

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 26. SHARE CAPITAL (Continued)

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

	Number of shares in issue	Share capital US\$'000	Treasury shares US\$'000
At January 1, 2019	424,874,536	42	—
Shares repurchased for share award scheme (a)	—	—	(2,558)
At December 31, 2019, and January 1, 2020	424,874,536	42	(2,558)
Shares repurchased for share award scheme (a)	—	—	(257)
Share allotment for consideration settlement (b)	5,214,953	1	—
Exercise of share options (c)	113,333	—	—
Issue of shares (d)	28,901,734	3	—
At December 31, 2020	459,104,556	46	(2,815)

Notes:

- (a) On May 6, 2019 and January 29, 2020, the Board adopted a 10-year share award scheme (the "Scheme") to incentivize, recognize 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\$0.0001 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.

At December 31, 2020, 3,078,555 shares were granted under the Scheme but no share was exercised.

Movements of shares held under the Scheme during the year are as follows:

	2020	
	US \$'000	Number of shares
At January 1	2,558	7,870,000
Purchased during the year	257	970,000
At December 31	2,815	8,840,000

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 26. SHARE CAPITAL (Continued)

Notes: (Continued):

- (b) On June 23, 2020, the Group issued 5,214,953 shares by share allotment for consideration settlement at a price of HK\$2.14 per share.
- (c) The subscription rights attaching to 113,333 share options were exercised at the subscription price of US\$0.125 per share (note 27), resulting in the issue of 113,333 shares for a total cash consideration, before expenses, of US\$14,000. An amount of US\$14,000 was transferred from the share compensation reserve to share capital upon the exercise of the share options.
- (d) On December 29, 2020, the Company completed the allotment and issuance of 28,901,734 Shares to Antfin (Hong Kong) Holding Limited, an indirect wholly-owned subsidiary of Ant Group Co., Ltd.

### Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the financial statements.

## 27. SHARE OPTION SCHEME

The Company operates a Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme for the purpose of providing additional incentive to eligible participants of the Group and to promote the success of the Group's operations. Eligible participants of the Pre-IPO Share Option Scheme include employees, Directors, consultants and advisers of the Group, and they could exercise with prices of no less than 100% of the fair value of a share on the date of grant. The Pre-IPO Share Option Scheme became effective on December 30, 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Post-IPO Share Option Scheme became effective on December 8, 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Any options granted to a participant who is a Director, chief executive or substantial shareholder of the Company or any of their respective associates under the Scheme shall be approved by the independent non-executive Directors of the Company and in the event that the proposed participant is an independent non-executive Director of the Company, the vote of such independent non-executive director shall not be counted for the purpose of approving such grant.

The following share options were outstanding under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme during the year:

	2020		2019	
	Weighted average exercise price US\$ per share	Number of options '000	Weighted average exercise price US\$ per share	Number of options '000
At January 1	0.1317	14,464	0.1317	14,976
Granted during the year	0.4629	13,250	—	—
Exercised during the year	0.1250	(113)	—	—
Forfeited during the year	0.1317	(577)	0.1317	(512)
At December 31	0.2941	27,024	0.1317	14,464

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 27. SHARE OPTION SCHEME (Continued)

The weighted average share price at the date of exercise for share options exercised during the year was US\$0.1250 per share (2019: Nil).

The exercise prices and exercise periods of the share options outstanding as at December 31, 2020 and 2019 are as follows:

### 2020

Number of options '000	Exercise price US\$ per share	Exercise period
13,774	0.1317	April 25, 2019 to April 25, 2027
11,250	0.4516	July 30, 2022 to July 30, 2030
1,000	0.5265	September 9, 2021 to September 9, 2030
1,000	0.5265	September 9, 2022 to September 9, 2030

### 2019

Number of options '000	Exercise price US\$ per share	Exercise period
14,464	0.1317	April 25, 2019 to April 25, 2027

During the year, 113,333 shares were exercised under the Pre-IPO Share Option Scheme and 13,250,000 shares were granted under the Post-IPO Share Option Scheme. The fair value of share options granted during the year was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

The fair value of the share options granted on July 30, 2020 was US\$2,409,000, US\$0.2141 each.

	2020
Dividend yield (%)	0.0%
Expected volatility (%)	50.88%
Risk-free interest rate (%)	0.805%
Weighted average share price (HK\$ per share)	3.500

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 27. SHARE OPTION SCHEME (Continued)

The fair value of the share options Tranche No. 1 and Tranche No. 2 granted on September 9, 2020 were US\$248,000, US\$0.2477 each and US\$266,000, US\$0.2657 each, respectively.

	2020
Dividend yield (%)	0.0%
Expected volatility (%)	56.73%
Risk-free interest rate (%)	0.915%
Weighted average share price (HK\$ per share)	4.080

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

## 28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 47 and 48 of the financial statements.

### Merger reserve

The merger reserve represents those reserves arising from the reorganization for the purpose of listing. Details of the movements in the merger reserve are set out in the consolidated statement of changes in equity.

### Other reserve

The other reserve of the Group represents certain assignments and share-based payments under the share option scheme made by the Then Ultimate Holding Company on behalf of the Group.

## 29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US\$3,257,000 (2019: US\$197,000) and US\$3,257,000 (2019:US\$197,000), respectively, in respect of lease arrangements for offices.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Changes in liabilities arising from financing activities

2020

	Other borrowings US\$'000	Lease liabilities US\$'000	Convertible bonds US\$'000
At January 1, 2020	30,611	993	—
Changes from financing cash flows	(30,611)	(1,288)	11,585
Equity component of convertible bonds	—	—	(1,496)
New leases	—	3,257	—
Interest expense	—	110	614
Interest paid classified as operating cash flows	—	(110)	—
At December 31, 2020	—	2,962	10,703

2019

	Other borrowings US\$'000	Lease liabilities US\$'000
At January 1, 2019	—	1,760
Changes from financing cash flows	30,000	(964)
New leases	—	197
Interest expense	611	38
Interest paid classified as operating cash flows	—	(38)
At December 31, 2019	30,611	993

### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 US\$'000	2019 US\$'000
Within operating activities	110	38
Within financing activities	1,288	964
	1,398	1,002

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 30. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities at the end of the reporting period (2019: Nil).

## 31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at December 31, 2020 are as follows:

### Financial assets — loans and receivables

	2020 US\$'000	2019 US\$'000
Trade receivables	8,967	13,743
Financial assets included in prepayments, other receivables and other assets	330	977
Cash and cash equivalents	33,842	4,825
	<b>43,139</b>	19,545

### Financial liabilities — financial liabilities at amortized cost

	2020 US\$'000	2019 US\$'000
Trade payables	6,574	5,695
Interest-bearing borrowings	20,000	50,000
Lease liabilities	2,962	993
Convertible bonds	10,703	—
Financial liabilities included in other payables and accruals	4,118	5,780
	<b>44,357</b>	62,468

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Convertible bonds	10,703	—	11,551	—
Other liabilities	—	17,860	—	17,860
	10,703	17,860	11,551	17,860

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, other liabilities and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments. The carrying amount of interest-bearing borrowings approximate fair value become variable interest rate terms stick to the market interest rate.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the convertible bonds and interest bearing borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing borrowings as at December 31, 2020 were assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

There is no significant unobservable input as at December 31, 2020.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy

No asset or liability was measured at fair value as at December 31, 2020.

The following tables illustrated the fair value measurement hierarchy of the Group's financial instruments for 2019:

Liabilities measured at fair value:

#### As at December 31, 2019

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Other liabilities	—	—	17,860	17,860

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and transfers out of US\$17,860,000 of Level 3 for financial liabilities (2019: Nil).

The movements in fair value measurements in Level 3 during the year are as follows:

	Other liabilities US\$'000
At December 31, 2019 and January 1, 2020	17,860
Trued down out of level 3	(17,860)
At December 31, 2020	—

Liabilities for which fair values are disclosed:

#### As at December 31, 2020

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Convertible bonds	—	—	11,551	11,551

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing borrowings, convertible bonds and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarized below.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss after tax and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss after tax US\$'000
<b>2020</b>		
United States dollar	100	—
United States dollar	(100)	—
<b>2019</b>		
United States dollar	100	165
United States dollar	(100)	(43)

### Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval from management.

### Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at December 31, 2020. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at December 31, 2020

	12-month ECLs	Lifetime ECLs			Total US\$'000
	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	Simplified approach US\$'000	
Trade receivables*	—	—	—	8,967	8,967
Financial assets included in prepayments, other receivables and other assets — Normal**	330	—	—	—	330
Cash and cash equivalents — not yet past due	33,842	—	—	—	33,842
	<b>34,172</b>	—	—	<b>8,967</b>	<b>43,139</b>

As at December 31, 2019

	12-month ECLs	Lifetime ECLs			Total US\$'000
	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	Simplified approach US\$'000	
Trade receivables*	—	—	—	13,743	13,743
Financial assets included in prepayments, other receivables and other assets — Normal**	995	—	—	—	995
Cash and cash equivalents — not yet past due	4,825	—	—	—	4,825
	<b>5,820</b>	—	—	<b>13,743</b>	<b>19,563</b>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

The credit risk of the Group’s other financial assets, which mainly comprise cash and restricted deposits, other receivables and amounts due from and to related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. In addition, trade and bills receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debt is not significant.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

#### Maximum exposure and year-end staging (Continued)

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

#### 2020

	On demand US\$'000	Within 1 year US\$'000	Over 1 year US\$'000	Total US\$'000
Trade payables	—	6,574	—	6,574
Interest-bearing borrowings	—	1,820	26,411	28,231
Lease liabilities	—	1,142	2,028	3,170
Convertible bonds	323	645	13,226	14,194
Financial liabilities included in other payables and accruals	4,118	—	—	4,118
	<b>4,441</b>	<b>10,181</b>	<b>41,665</b>	<b>56,287</b>

#### 2019

	On demand US\$'000	Within 1 year US\$'000	Over 1 year US\$'000	Total US\$'000
Trade payables	—	5,695	—	5,695
Interest-bearing borrowings	—	1,500	48,500	50,000
Lease liabilities	—	753	240	993
Financial liabilities included in other payables and accruals	5,780	—	—	5,780
	<b>5,780</b>	<b>7,948</b>	<b>48,740</b>	<b>62,468</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and December 31, 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest bearing borrowings and convertible bonds less cash and cash equivalents. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	As at December 31, 2020 US\$'000	As at December 31, 2019 US\$'000
Interest-bearing borrowings	20,000	50,000
Convertible bonds, the liability component	10,703	—
Less: Cash and cash equivalents	(33,842)	(4,825)
Net debt	(3,139)	45,175
Equity	101,757	35,097
Net debt and equity	98,618	80,272
Gearing ratio	N/A	56%

As at December 31, 2020, the Group's cash and cash equivalents exceeded the financial liabilities. As such, no gearing ratio as at December 31, 2020 was presented.

## 34. EVENTS AFTER THE REPORTING PERIOD

On March 18, 2021, the grant of 28,000,000 share options to Mr. Wang to subscribe for 28,000,000 Shares at an exercise price of HK\$20.00 per Share under the Post-IPO Share Option Scheme was approved by the Shareholders at the EGM on March 18, 2021. There are nine tranches of share options, each tranche will only vest and become exercisable by Mr. Wang subject and conditional upon the Company achieving one tranche of Market Capitalization Milestones and one tranche of Operational Milestones. The whole 28,000,000 share options in aggregate will become fully vested when the Market Capitalization of the Company on a Determination Date reaches at least US\$10 billion and the Company has achieved at least nine of the Operational Milestones in any combination.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 US\$'000	2019 US\$'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	10,068	536
<b>CURRENT ASSETS</b>		
Prepayment	2	356
Due from subsidiaries	85,872	43,230
Cash and cash equivalents	19,611	167
<b>Total current assets</b>	<b>105,485</b>	43,753
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	795	23
<b>NET CURRENT LIABILITIES</b>	<b>104,690</b>	43,730
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>114,757</b>	44,266
<b>NON-CURRENT LIABILITIES</b>		
Convertible bond	10,703	—
<b>Net assets</b>	<b>104,055</b>	44,266
<b>EQUITY</b>		
Share capital	46	42
Treasury shares	(2,815)	(2,558)
Reserves (note)	106,824	46,782
<b>Total equity</b>	<b>104,055</b>	44,266

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Other reserve US\$'000	Convertible bonds US\$'000	Share compensation reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
Balance at January 1, 2019	47,320	—	463	(997)	46,786
Loss for the year	—	—	—	(151)	(151)
Equity-settled share compensation arrangement	—	—	147	—	147
At December 31, 2019 and January 1, 2020	47,320	—	610	(1,148)	46,782
Loss for the year	—	—	—	(1,490)	(1,490)
Issue of shares	55,503	—	—	—	55,503
Equity component of convertible bonds issued	—	1,496	—	—	1,496
Share allotment for consideration settlement	1,437	—	—	—	1,437
Equity-settled share compensation arrangement	—	—	3,096	—	3,096
At December 31, 2020	104,260	1,496	3,706	(2,638)	106,824

## 36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of Directors on March 31, 2021.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	2020 US\$'000	Year ended December 31,			
		2019 US\$'000 (Restated)	2018 US\$'000	2017 US\$'000	2016 US\$'000
<b>Results</b>					
Revenue	<b>43,874</b>	18,781	15,225	15,666	16,794
Profit/(loss) before tax	<b>8,667</b>	(8,081)	(2,524)	(782)	3,974
Income tax credit/(expense)	<b>1,812</b>	1,871	22	(1,764)	(1,136)
Profit/(loss) for the year attributable to owners of the Company	<b>10,479</b>	(6,210)	(2,502)	(2,546)	2,838

## CONSOLIDATED ASSETS AND LIABILITIES

	2020 US\$'000	As at December 31,			
		2019 US\$'000 (Restated)	2018 US\$'000	2017 US\$'000	2016 US\$'000
Total assets	<b>148,795</b>	115,951	50,836	24,593	25,083
Total liabilities	<b>47,038</b>	80,854	7,003	5,157	3,321
Total equity	<b>101,757</b>	35,097	43,833	19,436	21,762

## DEFINITIONS

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

“Acquired Business”	the Rights ID and Channel ID business
“Adviser”	internal control review adviser
“AGM”	annual general meeting
“Articles”	the Company’s articles of association
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“Company”	Vobile Group Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“Convertible Bonds”	the Series One Convertible Bonds and the Series Two Convertible Bonds
“CPD”	continuous professional development
“Determination Date”	a date on which the exercisability of the Share Options is determined, which shall be a day on which the Stock Exchange is open for trading
“Directors”	the directors of the Company
“DTC”	direct-to-consumer
“EBITDA”	earnings before interest, tax, depreciation and amortization
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Capitalization of the Company on a Determination Date”	the lower of the six-month market capitalization of the Company on the Determination Date or the thirty-day market capitalization on the Determination Date
“Market Capitalization Milestone”	the milestones for exercisability of the tranches of the share options comprising the achievement of increases in Market Capitalization of the Company on a Determination Date in nine US\$1 billion increments
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules



## DEFINITIONS

“Operational Milestones”	the vesting criteria for a tranche of the share option relating to annual revenue of the Company on a Determination Date or annual adjusted EBITDA of the Company on a Determination Date
“OTT”	over-the-top
“PPT”	Pay Per Transaction
“PRC” or “China”	the People’s Republic of China. For the purposes of this annual report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“Pre-IPO Share Option Scheme”	the share option scheme of the Company adopted on December 30, 2016
“Post-IPO Share Option Scheme”	the share option scheme of the Company adopted on December 8, 2017
“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 July 14, 2020
“Series Two Convertible Bonds”	the convertible bonds in the principal amount of HK\$20,000,000 issued by the Company on July 14, 2020
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on May 6, 2019, as amended from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TVOD”	transactional video-on-demand
“US\$” or “USD”	the lawful currency of the United States