



Interim Report 2022

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yangbin Bernard WANG (“Mr. Wang”)
(Chairman and Chief Executive Officer)
Mr. MATSUZAWA Masaaki (“Mr. Matsuzawa”)

NON-EXECUTIVE DIRECTORS

Mr. Chan Ching Yan Daniel (“Mr. Chan”)
Mr. J David WARGO (“Mr. Wargo”)
Mr. WONG Wai Kwan (“Mr. Wong”)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Alfred Tsai CHU (“Mr. Chu”)
Mr. Charles Eric EESLEY (“Mr. Eesley”)
Mr. KWAN Ngai Kit (“Mr. Kwan”)

COMPANY SECRETARY

Mr. HO Sai Hong Vincent (“Mr. Ho”)

AUDIT COMMITTEE

Mr. KWAN Ngai Kit *(Chairperson)*
Mr. Alfred Tsai CHU
Mr. Charles Eric EESLEY
Mr. J David WARGO
Mr. WONG Wai Kwan

REMUNERATION COMMITTEE

Mr. Charles Eric EESLEY *(Chairperson)*
Mr. Alfred Tsai CHU
Mr. KWAN Ngai Kit
Mr. Yangbin Bernard WANG
Mr. J David WARGO

NOMINATION COMMITTEE

Mr. Alfred Tsai CHU *(Chairperson)*
Mr. Charles Eric EESLEY
Mr. KWAN Ngai Kit
Mr. Yangbin Bernard WANG
Mr. CHAN Ching Yan Daniel

REGISTERED OFFICE

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Grand Cayman KY1-1111
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PRINCIPAL PLACE OF BUSINESS IN THE US

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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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for Alumni Corporation of Zhejiang University
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AUTHORISED REPRESENTATIVES

Mr. HO Sai Hong Vincent
Mr. WONG Wai Kwan

CORPORATE INFORMATION

AUDITOR

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LEGAL ADVISERS

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55th floor, One Island East
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As to PRC law:
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PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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COMPANY WEBSITE

www.vobilegroup.com

STOCK CODE

3738

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECTS

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

Content protection and transaction have always been core to the value of the content industry, regardless of how distribution technologies and models have evolved. We provide technology services that are integral to the industry, and aim to maximise value for IP rights holders by offering:

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

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

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

Localised service capabilities in multiple regions. We have local, on the ground operations teams in major markets including US, China, Japan and Europe. We are able to provide differentiated products and solutions in each market through localised service and execution capabilities.

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

INDUSTRY ECOSYSTEM

Content protection and transaction have always been a core driver of value for the media and entertainment industry. Through out time, content distribution technologies and models have evolved — from physical film to cable, and ultimately to digital media. However, the core value proposition of the industry has never changed.

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

- It required complex processes and tremendous hardware investments to distribute content.
- Industry giants controlled the distribution process, pricing and revenue sharing rights, resulting in limited content being distributed.

MANAGEMENT DISCUSSION AND ANALYSIS

- IP was distributed through physical carriers such as DVD discs, and the carriers were often mistaken as valuable, while the real value lies within the IP rights.

In the digital era, the transaction of content is no longer constrained by physical limitations. It has returned the focus of true value to IP rights.

- Digital content and streaming platforms have become key drivers of internet traffic.
- Digital content asset transaction is the underlying form of all content revenues including but not limited to subscription, pay-per-view, advertising, e-commerce, etc.
- Industry giants lead the transformation of business models to direct to consumer, a key catalyst for the content transaction business.
- Without physical limitation and physical carriers such as film and discs, the industry is evolving into one where audiences directly pay for content — the foundation of digital content asset transaction.
- Improving efficiencies via technological services has become a critical competency in the rapid development of the digital content asset business.

Content protection is the prerequisite for content transaction. Today, the duplication of digital content is nearly costless, thus placing the up-most importance on content protection.

Digital content asset transaction has two main models: (1) pay-by-users and (2) pay by merchants.

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

By providing critical solutions for digital content asset protection and transaction, Vobile plays an important role in innovation and the development of the ecosystem.

- The convenience of creating and consuming unauthorised contents via today's increasingly diversified distribution media greatly damages industry value proposition, and at the same time increases demands for Vobile's services.
- Building on top of our unparalleled protection capabilities, we are able to promote digital content asset transaction through multiple products and services that cover both pay-by-user and pay-by-merchant models.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

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

Non-IFRS Adjusted Net Profit

Adjusted Net Profit is earnings before equity settled share compensation expenses and other one-off expenses. This is not a IFRSs measure. Adjusted net profit is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors.

The following table sets forth a quantitative reconciliation of Adjusted Net Profit to its most directly comparable IFRS measurement and profit for the period attributable to owners of the Company.

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	29,145	23,065
Add:		
Equity-settled share compensation expense	15,221	12,800
Transaction costs for acquisition of subsidiaries	3,240	—
Fair value change on financial assets at FVTPL, net	2,425	—
Adjusted Net Profit	50,031	35,865

MANAGEMENT DISCUSSION AND ANALYSIS

Non-IFRS Adjusted EBITDA

Adjusted EBITDA is earnings before finance costs, finance revenues, income taxes, depreciation and amortisation, equity settled share compensation expenses, and other one-off expenses. This is not a IFRSs measure. Adjusted EBITDA is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation. Our Group has presented this item because our Group considers it an important supplemental measure of our Group's operational performance used by our Group's management as well as analysts or investors.

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit before tax	44,992	31,010
Add:		
Equity-settled share compensation expense	15,221	12,800
Finance costs	22,513	11,908
Depreciation and amortisation	42,513	10,517
Transaction costs for acquisition of subsidiaries	3,240	—
Fair value change on financial assets at FVTPL, net	2,425	877
Share of losses of associates	145	—
Impairment on financial assets	935	(43)
Interest income	(1,411)	(513)
Adjusted EBITDA	130,573	66,556

Revenue

The following table shows our revenue breakdown by product:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Subscription services	201,780	85,453
Value-added services	352,928	233,727
Others	1,412	301
Total revenue	556,120	319,481

MANAGEMENT DISCUSSION AND ANALYSIS

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

In the six months ended 30 June 2022, subscription services revenue was HK\$202 million, representing an increase of approximately HK\$117 million, or approximately 136% as compared with the subscription services revenue for the six months ended 30 June 2021, and accounted for 36% of our total revenues. Our subscription service mainly consists of content protection and channel management. Content protection service is based on the application of Vobile's VDNA (fingerprint) and watermark technologies. Channel management service is based on the partnership we have with distribution platforms, and we manage channels for our IP rights holder clients on these distribution platforms.

We offer a variety of value-added services that are designed to further realise IP rights values for our clients by providing additional IP revenue streams. During the six months ended 30 June 2022, value-added service revenue was HK\$353 million, representing an increase of 51% as compared with the value-added service revenue for the six months ended 30 June 2021, and accounted for 63% of total revenue. Our value-added service mainly consists of social media platform revenue-sharing monetization and revenue-sharing content distribution services.

Our business model is driven by our ability to serve additional contents, and to help generate more revenue for IP rights holder clients. In order to capture our future success, we would continue to enhance our ability to expand our content base, retain customers while increasing content penetration, offer more monetization channels to increase revenue for IP rights holders, develop new solutions to meet industry and client needs, enhance our ecosystem and partner relationships, expand content verticals, expand geographic coverage, and build with a focus on maximising long-term value.

Gross profit and gross profit margin

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

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

Selling and marketing expenses

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

Administrative expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development expenses

Our research and development expenses for the six months ended 30 June 2022 amounted to approximately HK\$58 million, representing an increase of approximately HK\$9 million, or approximately 20% as compared with the six months ended 30 June 2021 of HK\$49 million. The increase was mainly due to the increase of research and development activities in the current period and the increase in the headcount of our research and development department.

Finance costs

Finance costs mainly consisted of interest expenses on interest-bearing borrowings of approximately HK\$23 million (six months ended 30 June 2021: HK\$12 million) and interest expense on lease liabilities.

Income tax expense

Our income tax expense mainly comprised of deferred tax expense resulted from the utilisation of tax losses in the United States and tax expense in the Mainland China.

Profit for the period

The profit for the six months ended 30 June 2022 amounted to approximately HK\$29 million, representing an increase of approximately HK\$6 million, or approximately 26% as compared to the profit for the six months ended 30 June 2021 of approximately HK\$23 million.

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

Adjusted EBITDA

The Adjusted EBITDA for the six months ended 30 June 2022 amounted to approximately HK\$131 million, representing an increase of approximately HK\$64 million, or approximately 96%, as compared to the Adjusted EBITDA for the six months ended 30 June 2021 of approximately HK\$67 million. The substantial increase in Adjusted EBITDA was mainly attributed by the significant increase in revenue of the Group for the six months ended 30 June 2022, contributed by (a) continued growth in our business in the US; and (b) the expansion of our business in the Mainland China, driven by strategic and commercial partnerships.

Interim Condensed Consolidated Statement of Financial Position Highlights

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

MANAGEMENT DISCUSSION AND ANALYSIS

Goodwill

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

Intangible assets

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

Interest-bearing borrowings

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

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As of 30 June 2022, our cash and cash equivalents amounted to approximately HK\$438 million. As of 30 June 2022, our current assets amounted to approximately HK\$1,177 million of which approximately HK\$562 million was trade receivables and approximately HK\$438 million was cash and cash equivalents. Our current liabilities amounted to approximately HK\$411 million, of which approximately HK\$320 million was trade payables. As at 30 June 2022, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 2.9 as compared with 4.3 at 31 December 2021.

Significant investments, acquisitions and disposals

Except for the acquisition of Particle Technology in May 2022, we did not have any other significant investment and any material acquisition or disposal during the six months ended 30 June 2022. Please refer to the Company's announcements dated 17 December 2021, 17 January 2022 and 10 May 2022, and its circular dated 23 December 2021 on the respective websites of the Stock Exchange and the Company.

Capital expenditures

Our capital expenditures were primarily for expenditures for purchase of equipment. The amount of our capital expenditures for the six months ended 30 June 2022 was approximately HK\$10 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As of 30 June 2022 and the date of this announcement, we did not have (i) any material contingent liabilities or guarantees, (ii) any liabilities under acceptance trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantee material covenants, or other material contingent liabilities, or (iii) any material off-balance sheet arrangements.

Foreign exchange exposure

In light of the nature of our business, we are exposed to various foreign currencies, among which, USD and RMB are mostly used apart from HK\$. To minimise the impact of foreign currency rate volatility, we monitor foreign currency risk at operational level closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Gearing ratio

The Group monitors capital using gearing ratio, which is net external debt divided by the capital (equity attributable to owners of the Company) plus net debt. Net external debt includes interest-bearing borrowings, less cash and cash equivalents. As of 30 June 2022, our gearing ratio, calculated as net debt divided by the equity attributable to owners of the parent plus net debt, was 26%. As of 31 December 2021, our gearing ratio, was not applicable as our balance of cash and cash equivalents exceeded the balance of net external debt.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

CORPORATE GOVERNANCE HIGHLIGHTS

CORPORATE GOVERNANCE PRACTICE

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

During the six months ended 30 June 2022, the Company has applied the principles as set out in the CG Code which are applicable to the Company.

In the opinion of the Directors, during the six months ended 30 June 2022, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang is both our Chairman and Chief Executive Officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe Mr. Wang has been instrumental to our growth and business expansion since our establishment in 2005. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. After considering all the corporate governance measures that have been taken, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of Chairman and Chief Executive Officer.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the six months ended 30 June 2022. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

CORPORATE GOVERNANCE HIGHLIGHTS

REVIEW OF INTERIM REPORT

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022 and this interim report and was of the opinion that such interim results and this report had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

OTHER INFORMATION

INTERIM DIVIDEND

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

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, we employed a total of 546 staff (as at 31 December 2021: 293 staff). Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time.

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

The total remuneration cost incurred by the Group for the six months ended 30 June 2022 was approximately HK\$101 million (for the six months ended 30 June 2021: HK\$68 million).

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

OTHER INFORMATION

PRE-IPO SHARE OPTION SCHEME

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

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

Notes:

- 1 The exercise price has been adjusted to reflect the effect of the Share Subdivision.
- 2 50% of the share options shall vest on the second anniversary of the date of grant and 50% shall vest in 24 equal monthly installments following the second anniversary.

OTHER INFORMATION

- 3 The share options have an exercise period of ten years and the vesting periods of ten years from the date of grant. All nine tranches of the 112,000,000 share options in aggregate will become fully vested when the Market Capitalisation of the Company on a Determination Date reaches at least US\$10 billion and the Company has achieved at least nine of the Operational Milestones in any combination. Please refer to the circular of the Company dated 1 March 2021 for further details.

The table below shows the Operational Milestones:

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

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

Cumulative Number of Operational Milestones Required to be Achieved	Market Capitalisation Milestone Vesting Condition comprised of Market Capitalisation of the Company on a Determination Date in Excess of		Number of vested Share Options in the Tranche
	US\$	HK\$	
One	2 billion	15.50 billion	3,111,111 Shares
Two	3 billion	23.25 billion	3,111,111 Shares
Three	4 billion	31.00 billion	3,111,111 Shares
Four	5 billion	38.75 billion	3,111,111 Shares
Five	6 billion	46.50 billion	3,111,111 Shares
Six	7 billion	54.25 billion	3,111,111 Shares
Seven	8 billion	62.00 billion	3,111,111 Shares
Eight	9 billion	69.75 billion	3,111,111 Shares
Nine	10 billion	77.50 billion	3,111,112 Shares

- 4 50% of the share options shall vest on the first anniversary of the date of grant and 50% shall vest in 12 equal monthly installments following the second anniversary.
- 5 20% of the share options shall vest on the first anniversary of the date of grant and 80% shall vest in 48 equal monthly installments following the second anniversary.
- 6 The closing price of the Shares on 11 January 2021, being the trading date immediately before the relevant date of the grant, was HK\$4.78 (adjusted to reflect the effect of the Share Subdivision).
- 7 The closing price of the Shares on 22 July 2021, being the trading date immediately before the relevant date of the grant, was HK\$8.30.
- 8 The weighted average closing price of the Shares immediately before the date of exercise by Mr. WONG Wai Kwan was HK\$8.25 (adjusted to reflect the effect of the Share Subdivision).
- 9 The weighted average closing price of the Shares immediately before the date of exercise by Mr. Michael Paul WITTE was HK\$6.63.
- 10 The weighted average closing price of the Shares immediately before the date of exercise by the participants was HK\$8.50 (adjusted to reflect the effect of the Share Subdivision).
- 11 The weighted average closing price of the Shares immediately before the date of exercise by the participants was HK\$8.58 (adjusted to reflect the effect of the Share Subdivision).

OTHER INFORMATION

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

As of 30 June 2022, 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	415,961,920	19.64%
Mr. Matsuzawa (note 3)	Beneficial owner	10,000,000	0.47%
Mr. Wargo	Beneficial owner	91,125,356	4.30%
Mr. Wong	Beneficial owner	2,444,000	0.12%
Mr. Chu	Beneficial owner	44,000	0.00%
Mr. Eesley	Beneficial owner	44,000	0.00%

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 31,200,000 Shares beneficially owned by him, 208,761,920 Shares held by him in his capacity as trustee and beneficiary of the JYW Trust, 32,000,000 Shares in his capacity as trustee and beneficiary of the YBW Trust, 32,000,000 Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and 112,000,000 Shares which may be issued pursuant to the exercise of options granted under the Post-IPO Share Option Scheme.
- (3) Mr. Matsuzawa is interested in 10,000,000 shares which may be issued pursuant to the exercise of options granted under the Post-IPO Share Option Scheme.

Save as disclosed above, as of 30 June 2022, 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.

OTHER INFORMATION

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the six months ended 30 June 2022 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 30 June 2022, 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 ⁽¹⁾	Approximate percentage of the issued share capital
Poly Platinum Enterprises Limited ⁽²⁾	Beneficial owner	176,464,432	8.33
Greater Bay Area Homeland Development Fund (GP) Limited ⁽²⁾	Interest in a controlled corporation	176,464,432	8.33
Greater Bay Area Homeland Investments Limited ⁽²⁾	Interest in a controlled corporation	176,464,432	8.33
LU Jian	Beneficial owner	128,761,920	6.08
Antfin (Hong Kong) Holding Limited ⁽³⁾	Beneficial owner	115,606,936	5.46
Hangzhou Yunqiang Enterprise Management Consulting Co., Ltd ⁽³⁾	Interest in a controlled corporation	115,606,936	5.46
Ant Group Co., Ltd. ⁽³⁾	Interest in a controlled corporation	115,606,936	5.46
Ma Yun ⁽³⁾	Interest in a controlled corporation	115,606,936	5.46
Eric Xiandong Jing ⁽³⁾	Person acting in concert	115,606,936	5.46
Simon Xiaoming Hu ⁽³⁾	Person acting in concert	115,606,936	5.46
Fang Jiang ⁽³⁾	Person acting in concert	115,606,936	5.46
Navibell Venture Corp. ⁽⁴⁾	Beneficial owner	108,884,000	5.14
Tricor Equity Trustee Limited ⁽⁴⁾	Interest in a controlled corporation, Trustee of a trust	108,884,000	5.14
XIE Shihuang ⁽⁴⁾	Interest in a controlled corporation	108,884,000	5.14

OTHER INFORMATION

Notes:

- (1) All interests stated are long positions.
- (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 30 June 2022. 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) The 115,606,936 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 115,606,936 shares held by Mr. Ma Yun under the SFO.
- (4) 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.

Save as disclosed above, as of 30 June 2022, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE	4	556,120	319,481
Cost of services provided		(325,935)	(155,774)
Gross profit		230,185	163,707
Other income and gains	4	11,183	1,840
Selling and marketing expenses		(49,248)	(36,568)
Administrative expenses		(57,441)	(33,695)
Research and development expenses		(58,250)	(48,623)
Finance costs	6	(22,513)	(11,908)
Share of losses of associates		(145)	—
Other expenses		(8,779)	(3,743)
PROFIT BEFORE TAX	5	44,992	31,010
Income tax expense	7	(15,847)	(7,945)
PROFIT FOR THE PERIOD		29,145	23,065
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(46,919)	2,440
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		(46,919)	2,440
TOTAL COMPREHENSIVE LOSS/(INCOME) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(17,774)	25,505
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		23,663	23,065
Non-controlling interests		5,482	—
		29,145	23,065
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		(23,081)	25,505
Non-controlling interests		5,307	—
		(17,774)	25,505
EARNINGS PER SHARE			
Basic, profit for the period attributable to ordinary equity holders of the parent (HK\$)	9	0.0138	0.0124
Diluted, profit for the period attributable to ordinary equity holders of the parent (HK\$)	9	0.0126	0.0117

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	53,476	26,190
Investment properties	11	43,315	45,328
Right-of-use assets		23,793	23,239
Goodwill		1,215,368	607,297
Other intangible assets		362,057	111,449
Equity investments designated at fair value through other comprehensive income		10,708	—
Financial assets at fair value through profit or loss	12	187,180	48,316
Investment in associates		6,747	—
Deferred tax assets		87,457	83,603
Prepayments and deposits		12,866	1,986
Total non-current assets		2,002,967	947,408
CURRENT ASSETS			
Trade receivables	13	562,380	269,637
Prepayments, deposits and other receivables		170,323	50,877
Tax recoverable		6,921	5,363
Cash and cash equivalents		437,704	496,865
Total current assets		1,177,328	822,742
CURRENT LIABILITIES			
Trade payables	14	319,782	136,218
Other payables and accruals		63,587	25,709
Lease liabilities		11,239	9,473
Tax payable		16,367	20,094
Total current liabilities		410,975	191,494
NET CURRENT ASSETS		766,353	631,248
TOTAL ASSETS LESS CURRENT LIABILITIES		2,769,320	1,578,656

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	15	964,910	—
Lease liabilities		14,509	14,790
Deferred tax liabilities		27,755	27,543
Total non-current liabilities		1,007,174	42,333
Net assets		1,762,146	1,536,323
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	417	417
Treasury shares		(86,027)	(62,437)
Reserves		1,590,483	1,598,343
Non-controlling interests		1,504,873	1,536,323
		257,273	—
Total equity		1,762,146	1,536,323

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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	Non-Controlling Interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	417	(62,437)	1,414,421	2,916	199,151	34,718	10,471	(63,334)	1,536,323	—	1,536,323
Profit for the period	—	—	—	—	—	—	—	23,663	23,663	5,482	29,145
Exchange differences related to foreign operations	—	—	—	—	—	—	(46,744)	—	(46,744)	(175)	(46,919)
Total comprehensive loss for the period	—	—	—	—	—	—	(46,744)	23,663	(23,081)	5,307	(17,774)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	251,966	251,966
Equity-settled share compensation arrangements	—	—	—	—	—	15,221	—	—	15,221	—	15,221
Shares repurchased under share award scheme	—	(23,590)	—	—	—	—	—	—	(23,590)	—	(23,590)
As at 30 June 2022 (Unaudited)	417	(86,027)	1,414,421	2,916	199,151	49,939	(36,273)	(39,671)	1,504,873	257,273	1,762,146

	Attributable to owners of the Company										
	Share capital	Treasury shares	Equity component of convertible bonds	Share premium*	Merger reserve*	Other reserve*	Share compensation reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021	359	(21,984)	11,590	610,933	2,916	199,151	28,793	(2,235)	(40,657)	788,866	
Profit for the period	—	—	—	—	—	—	—	—	23,065	23,065	
Exchange differences related to foreign operations	—	—	—	—	—	—	—	2,440	—	2,440	
Total comprehensive income for the period	—	—	—	—	—	—	—	2,440	23,065	25,505	
Issue of shares	20	—	—	637,545	—	—	(1,607)	—	—	635,958	
Equity-settled share compensation arrangements	—	7,016	—	9,732	—	—	(3,948)	—	—	12,800	
As at 30 June 2021 (Unaudited)	379	(14,968)	11,590	1,258,210	2,916	199,151	23,238	205	(17,592)	1,463,129	

* These reserve accounts comprise the consolidated reserves of HK\$1,590,483,000 and HK\$1,466,128,000 in the consolidated statements of financial position as at 30 June 2022 and 2021, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	44,992	31,010
Adjustments for:		
Interest Income	(1,411)	(513)
Finance costs	22,513	11,908
Depreciation of items of property, plant and equipment	2,182	700
Depreciation of right-of-use assets	5,777	5,125
Amortisation of other intangible assets	34,554	4,692
(Reversal of impairment)/impairment of trade receivables	935	(43)
Share of losses of associates	145	—
Equity-settled share compensation expense	15,221	12,800
Fair value losses on financial assets at FVTPL	2,425	877
	127,333	66,556
Increase in trade receivables	(19,532)	(95,231)
Increase in prepayments, deposits and other receivables	(32,015)	(15,299)
Decrease in trade payables	(55,445)	(1,780)
Increase in other payables and accruals	15,162	3,452
Cash generated from/(used in) operations	35,503	(42,302)
Interest received	1,411	513
Interest paid	—	(402)
Overseas taxes (paid)/refunded	(23,488)	(254)
Net cash flows from/(used in) operating activities	13,426	(42,445)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(10,233)	(850)
Additions of investment properties	(427)	—
Acquisition of subsidiaries	(954,530)	—
Purchases of equity investments designated at fair value through other comprehensive income	—	(106)
Purchases of financial assets at FVTPL	—	(5,435)
Disposal of financial assets at FVTPL	11,717	—
Net cash flows used in investing activities	(953,473)	(6,391)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	—	635,958
Proceeds from interest-bearing borrowings	962,855	—
Purchase of shares held under share award scheme	(23,590)	—
Repayment of interest-bearing borrowings	—	(155,050)
Interest paid	(3,203)	(6,174)
Principle portion of lease payments	(5,845)	(4,975)
Net cash flows from financing activities	930,217	469,759
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,830)	420,923
Cash and cash equivalents at beginning of period	496,865	262,362
Effect of foreign exchange rate changes, net	(49,331)	2,440
CASH AND CASH EQUIVALENTS AT END OF PERIOD	437,704	685,725
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	241,543	485,542
Time deposits with original maturity of less than three months when acquired	196,161	200,183
Cash and cash equivalents as stated in the statement of cash flows	437,704	685,725

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 July 2016 under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the period, the Group was principally engaged in providing Software as a Service ("SaaS").

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the disclosure requirement of Appendix 16 of the Listing Rules. Save for the change of presentation currency and adoption of new and revised IFRSs during the period as set out in notes 2.2 and 2.3, respectively, the accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the preparation of the annual financial statements for the year ended 31 December 2021.

2.2 Changes In Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3
Amendments to IAS 16
Amendments to IAS 37
Annual Improvements to IFRSs 2018–2020

Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, Illustrative Examples
accompanying IFRS 16, and IAS 41

The new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group had only one reportable operating segment, which was offering SaaS to help content owners protect their content from unauthorised use, measure the viewership of their content, and monetize their content during the period. Since this is the only reportable operating segment of the Group, no further operating segment analysis is presented.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
United States	327,790	250,913
Mainland China	225,681	66,382
Other countries/regions	2,649	2,186
	556,120	319,481

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

(b) Non-current assets

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

The non-current asset information of continuing operations above is based on the locations of the assets and excludes investment in associates, financial instruments and deferred tax assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

3. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

Revenue derived from sales to major customers, including sales to a group of entities which are known to be under common control with those customers, which accounted for 10% or more of the Group's revenue for the six months ended 30 June 2022 is as follows:

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

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the period.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

5. PROFIT BEFORE TAX

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on borrowings (including convertible bonds)	22,092	11,506
Nominal interest on lease liabilities	421	402
	22,513	11,908

7. INCOME TAX EXPENSE

Income tax consists primarily of United States, Mainland China, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group was charged at the federal tax rate of 21% (2021: 21%) for the period. The income tax applicable to profits arising in Hong Kong was provided at a statutory tax rate of 16.5% during the period. The income tax applicable to profits arising in Mainland China was provided at a statutory tax rate of 25% during the period except for certain subsidiaries of the Group in Mainland China, that were accredited as a "High and New Technology Enterprise" and entitled to a preferential rate of 15% in 2020 to 2023. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The major components of income tax expense for the six months ended 30 June are as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current — United States		
Charge for the period	—	12
Current — Mainland China		
Charge for the period	14,089	2,164
Deferred tax expense	1,758	5,769
Total tax expense for the period	15,847	7,945

8. DIVIDENDS

The Board does not recommend payment of any dividend for the period ended 30 June 2022 (2021: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,117,596,656 (2021: 1,862,497,008) in issue during the year, as adjusted to reflect the share subdivision, share allotment for consideration settlement, issue of shares and exercise of share options on 15 July 2021.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2021 in respect of a dilution as the impact of the share option scheme and convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of profit per share attributable to ordinary equity holders of the Company for each of the six months ended 30 June 2022 and 2021 are based on the following data:

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

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

** Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the period of HK\$23,065,000 and the weighted average number of ordinary shares of 1,971,531,652 in issue during the six months ended 30 June 2021 which excluded the interest on the convertible bonds of HK\$7,699,000 and the weighted average number of ordinary shares of 152,602,432 from convertible bonds.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Carrying amount at 1 January	26,190	1,538
Additions	10,233	25,852
Acquisition of subsidiaries	20,121	—
Disposals	(35)	—
Depreciation provided during the period/year	(2,182)	(1,028)
Exchange realignment	(851)	(172)
Carrying amount at 30 June/31 December	53,476	26,190

11. INVESTMENT PROPERTIES

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

The Group investment properties under construction amounted to HK\$43,315,000 will be held under leasehold interests to earn rentals after completion are measured using the fair value model, and are classified and accounted for as investment properties.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Unlisted investments, at fair value	46,224	48,316
Call option, at fair value	140,956	—
	187,180	48,316

The above equity investments were classified as financial assets at FVTPL as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The above unlisted investments were asset management schemes managed by non-bank financial institutions. The above call option is a derivative financial instrument which allow the Group, at the Group's discretion, to acquire the remaining 38.82% in Particle Technology at consideration of RMB542 million in steps in 2023 and 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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13. TRADE RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	563,434	269,756
Impairment	(1,054)	(119)
	562,380	269,637

The Group's trading terms with its debtors are usually 10 to 90 days. The Group always recognises lifetime ECLs for all trade receivables and measures the lifetime ECL on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are unsecured and non-interest-bearing.

An ageing analysis of the current trade receivables as at 30 June 2022, based on the invoice date and net of loss allowance, is as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

13. TRADE RECEIVABLES (Continued)

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity:

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2022

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

As at 31 December 2021

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

14. TRADE PAYABLES

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

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

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

15. INTEREST-BEARING BORROWINGS

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16. SHARE CAPITAL

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Issued and fully paid (US\$0.000025 per share): 2,117,596,656 ordinary shares	417	417

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

	Number of shares in issue	Share capital HK\$'000	Treasury shares HK\$'000
At 31 December 2021	2,117,596,656	417	(62,437)
Shares repurchased for share award scheme (a)	—	—	(23,590)
At 30 June 2022	2,117,596,656	417	(86,027)

Notes:

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

Pursuant to the Scheme, the ordinary shares of US\$0.0001 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.

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

	HK\$'000	Number of shares
At 1 January 2022	62,437	26,085,418
Purchased during the period	23,590	5,609,000
At 30 June 2022	86,027	31,694,418

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

17. BUSINESS COMBINATION

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

17. BUSINESS COMBINATION (Continued)

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

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

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

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

18. RELATED PARTY TRANSACTIONS

Outstanding balances with related parties:

As at 30 June 2022, there were no outstanding balances with related parties.

19. EVENTS AFTER THE REPORTING PERIOD

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information were approved and authorised for issue by the board of Directors on 31 August 2022.

DEFINITIONS

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

“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“Company”	Vobile Group Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“Determination Date”	a date on which the exercisability of the Share Options is determined, which shall be a day on which the Stock Exchange is open for trading
“Directors”	the directors of the Company
“DTC”	direct-to-consumer
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“FVTPL”	fair value through profit or loss
“Group”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“IP”	Intellectual property
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Capitalisation Milestone”	the milestones for exercisability of the tranches of the share options comprising the achievement of increases in Market Capitalisation of the Company on a Determination Date in nine US\$1 billion increments
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Matsuzawa”	Mr. MATSUZAWA Masaaki

DEFINITIONS

“Mr. Wang”	Mr. Yangbin Bernard WANG
“Mr. Witte”	Mr. Michael Paul WITTE
“Mr. Wong”	Mr. WONG Wai Kwan
“Operational Milestones”	the vesting criteria for a tranche of the share option relating to annual revenue of the Company on a Determination Date or annual adjusted EBITDA of the Company on a Determination Date
“Particle Technology”	Hangzhou Particle Culture Technology Co., Ltd. (formerly known as Particle Culture Technology Group (Hangzhou) Co., Ltd.) and its subsidiaries and Hangzhou New Particle Culture Technology Co., Ltd. and its subsidiaries
“Pre-IPO Share Option Scheme”	the share option scheme of the Company adopted on 30 December 2016
“Post-IPO Share Option Scheme”	the share option scheme of the Company adopted on 8 December 2017
“PRC” or “China”	the People’s Republic of China. For the purposes of this annual report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“RMB” or “Renminbi”	the lawful currency of the PRC
“SaaS”	Software as a Service
“Share(s)”	ordinary share(s) of US\$0.000025 each in the share capital of the Company
“Share Award Plan”	The share award plan of the Company adopted by the Company on 6 May 2019, as amended from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD” or “US\$”	the lawful currency of the United States
“Vobile HK”	Vobile Group (HK) Limited, a wholly owned subsidiary of the Company