



Interim Report 2024

Vobile Group Limited Stock Code : 3738

Incorporated in the Cayman Islands with limited liability

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yangbin Bernard WANG (“Mr. Wang”)
(Chairman and Chief Executive Officer)
Mr. WONG Wai Kwan (“Mr. Wong”)

NON-EXECUTIVE DIRECTORS

Mr. TANG Yi Hoi Hermes (“Mr. Tang”) *(Vice-Chairman)*
Mr. Chan Ching Yan Daniel (“Mr. Chan”)
Mr. J David WARGO (“Mr. Wargo”)

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

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. CHAN Ching Yan Daniel
Mr. Charles Eric EESLEY
Mr. KWAN Ngai Kit
Mr. Yangbin Bernard WANG

REGISTERED OFFICE

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Cayman Islands

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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

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Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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Quarry Bay, Hong Kong

LEGAL ADVISERS

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Freshfields Bruckhaus Deringer
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As to US law:
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As to PRC law:
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24/F, HKRI Centre Two
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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
JPMorgan Chase Bank, N.A.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

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COMPANY WEBSITE

vobile.com

STOCK CODE

3738

BUSINESS REVIEW AND OUTLOOK

- The total revenue was HK\$1.2 billion, reflecting a YoY increase of 17.7% compared to HK\$1.0 billion in 1H 2023.
- The revenue from subscription services was HK\$545 million, reflecting a YoY increase of 16.8% compared to HK\$467 million in 1H 2023, accounting for about 46.2% of the revenue. The revenue from value-added services was HK\$635 million, reflecting a YoY increase of 18.5% compared to HK\$536 million in 1H 2023, accounting for about 53.8% of the revenue.
- The revenue in Mainland China was HK\$605 million, reflecting a YoY increase of 8.0% compared to HK\$560 million in 1H 2023. The revenue in the United States and other regions was HK\$576 million, reflecting a YoY increase of 30.1% compared to HK\$443 million in 1H 2023.
- The gross profit was HK\$504 million, reflecting a YoY increase of 28.3% compared to HK\$393 million in 1H 2023. The gross margin has achieved 42.7%, up 3.5 percentage points from 1H 2023.
- The profit for the period was HK\$46 million, reflecting a YoY increase of 36.5% compared to HK\$34 million in 1H 2023.
- The adjusted net profit was HK\$64 million, reflecting a YoY increase of 10.7% compared to HK\$58 million in 1H 2023.
- The Adjusted EBITDA was HK\$196 million, reflecting a YoY increase of 8.3% compared to HK\$181 million in 1H 2023.

COMPANY STRATEGY AND OUTLOOK

Generative Artificial Intelligence (GenAI) is rapidly emerging as a significant driver of global economic growth, with its technological advancements expected to bring about profound economic transformations. The widespread application has not only profoundly impacted text and image creation while making groundbreaking progress in the high-cost, complex fields of video and music production. It is transforming the ecosystem of the film, television, and music industries, driving simultaneous improvements in both the scale and quality of content while fostering an industry future that is more creative, diverse, and inclusive.

As GenAI expands future possibilities across different sectors, copyright issues have likewise emerged as a critical topic in industry development. The release of ChatGPT on November 30, 2022, and its emergence caused some investors to temporarily think that copyright would become worthless in the AI era, raising doubts about the long-term value of copyright protection and monetization services. In 2024, the volume and scale of infringement lawsuits from content owners against AI technology companies have grown substantially, presenting the swiftly advancing AI Large-scale model platforms need to tackle copyright issues. Throughout this period, the investors have acknowledged that copyright will hold greater significance in the era of GenAI, with the market reaching a consensus that data and copyrighted content require legal authorisation for use.

BUSINESS REVIEW AND OUTLOOK

Clear copyright attribution and equitable profit-sharing mechanisms are essential for the continuous growth of GenAI. They safeguard the rights of content creators while mitigating legal risks for AI companies and facilitating the large-scale, lawful commercialisation of the technology. Vobile's strategic layout emphasises high-quality development and sustainable growth. We have long been dedicated to the field of copyright protection, transaction, and monetization, accumulating significant advantages in technology, product services, and customer relationships. These key capabilities will be directly applied to new GenAI business contexts, presenting a significant opportunity for Vobile's development. We aim to play a crucial role in establishing an ecological balance between content rights holders and AI technology companies. By persistently driving technological innovation and upgrading our platform-based business, we seek to foster scalable and accelerated growth. Our goal is to emerge as a leader in the digital content asset transaction field in the era of GenAI.

Our strategic growth priorities are:

1. Seize strategic opportunities in the AIGC era and expand service capabilities in the AIGC field

Regardless of the evolution of content production and distribution driven by technological progress, IP is the core value of the film and television industry, and the protection and transaction of creative content is the foundation to support the value of the industry. In the era of GenAI, the scenarios for using copyrighted content become increasingly complex, leading to unprecedented emphasis on copyright management and content monetization.

Vobile's capabilities will enable both content owners and AI technology companies simultaneously. Vobile's long-term partners, including major content owners such as film studios, TV networks, and online content platforms, remain the most important stakeholders in this new wave of technological change. The deep mutual trust between us and these clients will enable a seamless transition of their partnership into the GenAI field. We will support content owners in managing the copyrights of premium content and training datasets, ensuring that their content usage is rewarded fairly and equitably. Simultaneously, we will offer solutions to AI technology companies to mitigate copyright disputes and litigation risks, while offering rights identification and transaction services for AI-generated content. This signifies that Vobile's business in the GenAI era will extend across all key stages of the digital content industry ecosystem, covering the entire industrial chain, and expanding the evolution of Vobile's core operations from UGC content monetization to the more critical realm of digital content asset transactions.

Vobile has proactively undertaken substantial technological reserves and strategic positioning in preparation for the future. Our R&D center in Florida, USA, has been operating for three years and has made significant progress across multiple technological fields. Particularly in the areas of content rights identification and watermarking technology innovation, the application scenarios and commercialisation capabilities are rapidly expanding. It is foreseeable that Vobile's service capabilities and business scale will grow significantly in the era of GenAI, further strengthening our competitive advantage and leading position in the digital content protection and transaction sector, achieving leapfrog development.

BUSINESS REVIEW AND OUTLOOK

2. Achieve large-scale development through platform-based business upgrades and expand services to small and medium-sized content owners

The rapid development of GenAI will produce a large volume of high-quality creative content while also increasing the influence of small and medium-sized content owners within the ecosystem. These creators will be a crucial driving force for the growth of creator economy and they are key service targets of Vobile's vision to "Make Creative Content More Valuable". These creators urgently need more efficient, cost-effective, and transparent monetization services. The maturation of GenAI and Web3 technologies offers Vobile a prime opportunity to upgrade from tool-based services to platform-based services.

We will achieve scalable customer acquisition and service delivery by building a platform ecosystem. By leveraging Web3 technology, we aim to establish more transparent rules, lower-cost rights identification mechanisms, and a better attribution mechanism. Enhancing content distribution through digital asset transactions promotes the sustainable development of the ecosystem. Vobile is committed to achieving the boundless and efficient global distribution of digital content assets through connecting global platforms. With the ongoing enhancement of digital content transaction infrastructure, Vobile will greatly broaden the range and scale of its services, offering content creators more diverse and effective solutions.

3. Capitalise on the opportunities of digital economy development and actively participate in building the digital trade ecosystem

A new wave of technological revolution and industrial transformation is on the rise, offering significant opportunities for digital trade through the growth of the global digital economy. Therefore, data is regarded as a new productivity, and its value is being increasingly emphasised. Both the "AI Factory" concept in the West and China's "New Quality Productive Forces" underscore the critical role of data. Our business and data resources not only support the company's leading position in digital content protection and transactions but also provide a solid foundation for actively participating in the innovative development of digital cultural trade. By deeply engaging in the construction of the digital trade ecosystem, Vobile is committed to enhancing the efficiency of value creation through data resources, thereby contributing to the prosperity and development of the digital economy.

We are currently deeply involved in the construction of regional copyright ecosystems, playing a significant role in various digital infrastructure projects in Mainland China and Hong Kong. With its strong foundation in technology and resources, Vobile has secured a leading position in digital cultural trade, especially in building regional digital trade platforms and promoting the global reach of Chinese content, thereby expanding its business scope and reinforcing its competitive edge.

Vobile is currently at a critical juncture for achieving leapfrog development, as the digital content industry is flourishing at an unprecedented pace, with various new technologies and sectors emerging rapidly. Moving forward, we will continue to solidify our global leadership in the industry, seize opportunities presented by major industry transformations, and lead in technological innovation and business expansion. We remain fully committed to realising the vision and mission of "Making Creative Content More Valuable".

BUSINESS REVIEW AND OUTLOOK

Our Business

The industry environment is constantly evolving. Vobile provides comprehensive digital content rights and transaction solutions for customers with IP as the core, ensuring that the rights of creators are fully respected and protected. Vobile implements a high-quality development strategy, prioritising the development of high-value businesses and focusing on strategic key areas. We seize the key development opportunities of GenAI and continuously upgrade our service capabilities based on the advantages accumulated in the field of copyright services for many years. During the reporting period, Vobile achieved a total revenue of HK\$1,181 million, representing a growth of approximately 17.1% YoY.

Subscription Services

A subscription-based business model has constantly provided long-term stable services to the world's leading content providers and platforms. With our essential proprietary VDNA digital fingerprint and watermark technologies, we help content owners trace infringements and preserve timely and powerful evidence, and we charge subscription fees based on the scale of services provided to customers. At the same time, we provide content identification services and traceability capabilities for online video websites and platforms, empowering platform customers.

In the first half of 2024, our subscription business made significant progress. With the expansion of service capabilities to more copyright categories, the number of customers continues to grow, and the penetration rate of the content library steadily increases, achieving service coverage of copyright content in all categories. Vobile has strengthened its cooperation with important content providers, expanded the scope and types of services for large customer content libraries, and focused on expanding new content areas such as micro-dramas, e-commerce, music, audiobooks, podcasts, and images.

During the reporting period, Vobile constructed the "China Film All-Media Publishing and Marketing Platform Project" for top industry organisations. We have completed the first phase of the construction project for China Media Group and started testing operation. Through deepening cooperation with top short video platforms, we provided customers with full business coverage including short dramas, novels, music, and sports events and provided copyright monitoring and protection services covering both on-site and off-site for large short video platforms and large music platforms through API service integration.

Based on the above progress, during the reporting period, Vobile has achieved a subscription service revenue of HK\$545 million, representing a YoY increase of about 16.8%, accounting for approximately 46.2% of total revenue. It is expected that with the increasing global focus on copyright, Vobile's expanding coverage of diverse content, and the growing demand from copyright platforms, our subscription services will continue to maintain a good development trend.

Value-added Services

With the continuous development of our business and the diversification of customer needs, we are further providing diversified value-added services based on strengthening subscription services to help customers maximise the value of content. We enhance the penetration and profitability of customer content by providing diverse monetization solutions and earning revenue through revenue-sharing models. In 2024, we continued the trend of upgrading contracts with large content providers, achieving greater coverage of top-tier content and providing assurance for the growth of value-added services.

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, Vobile deepened its cooperation with major social media platforms and actively explored ways to increase the profitability of content on the platforms. We have seen a significant increase in views of our content on Shorts, a short video platform under YouTube, further expanding our ability to monetize on social media. We also offer a more diverse range of monetization services, with the number of active assets continuing to increase. During the reporting period, Vobile not only enhanced its penetration into major content platforms' content libraries but also gathered high-quality micro-drama content to form an innovative product system, providing services for copyright protection and global dissemination of micro-dramas.

During the reporting period, the revenue from Vobile's value-added services was approximately HK\$635 million, representing an increase of approximately 18.5% compared to the same period last year, accounting for approximately 53.8% of total revenue. With the significant impact of technological innovation on the development of the digital content industry, the monetization methods for content are becoming more lightweight and diversified. We will continue to deploy innovative technologies and product services to provide content owner clients with a wider range of value-added service options.

Sustained Strong Growth in Our Major Business Regions

In 2024, we will continue the high quality growth strategy to respond to the impact of the economic environment and other factors, ensuring existing development and firmly laying out the future. During the reporting period, we continued to expand the scale and categories of digital content services in our main business areas, building the business foundation of the GenAI field, and successfully exploring business in new market areas. A stable business foundation and effective business innovation expansion allow us to constantly achieve excellent performance in a constantly changing industry environment.

In the United States market, Vobile maintains strong growth momentum, with our customer base and the number of active assets continuing to grow. We have further deepened our cooperation and partnership with major content providers, continuously improving the quantity and quality of their content management on social media platforms. We have completed technical testing of watermarking technology applications on a large global video platform and are further advancing commercial deployment. At the same time, Vobile deepened its cooperation with large music label clients, significantly increasing the number of managed music assets. During the reporting period, the revenue from the United States was HK\$572 million, representing a YoY growth of approximately 30.0%, and accounting for approximately 48.4% of the total revenue.

In Mainland China market, Vobile's performance and brand influence have achieved excellent growth. Through cooperation with China's largest television network client and short video platform, Vobile provided comprehensive copyright protection services for the broadcast and distribution of the 2024 Paris Olympic Games program. In terms of global distribution services, Vobile has helped Chinese content providers significantly increase the number of daily active viewers and enhance the international influence of content and brands by building a comprehensive media matrix and implementing localised operation strategies. In addition, the copyright protection and transaction platform that we have jointly built with our large broadcasting and television customers has entered the trial operation stage. During the reporting period, the revenue from Mainland China was HK\$605 million, representing a YoY growth of approximately 8.0%, accounting for approximately 51.2% of the total revenue.

In the Greater Bay Area of Guangdong, Hong Kong, and Macau, we grasp the trend of integrated development, increase our talent and investment deployment in the Greater Bay Area, deeply participate in building the IP Ecosystem in local regions, and play a key role in it.

In Japan and Europe, we strengthen our contact and cooperation with local IP rights holders by increasing our well-known music and animation company client base, becoming key trade organisations and association members in the region, and preparing for the subsequent scale landing of local business.

BUSINESS REVIEW AND OUTLOOK

Research and Development

Vobile has effectively enhanced the efficiency of value delivery across the industry ecosystem by building the technology infrastructure for the protection and transaction of digital content assets. Currently, major content providers and AI large-scale model platforms are gradually reaching a consensus on copyright issues, and relevant legislation in major economies is also advancing rapidly. Vobile's ability to provide comprehensive copyright services to content providers will be key to ensuring the effective industry practice on copyrights.

We further strengthen our collaboration with the University of Florida, especially in the field of AI exploration. Vobile's founder Mr. Yangbin Wang was selected for the inaugural Hall of Fame for the Department of Electrical and Computer Engineering at the University of Florida, highlighting Vobile's outstanding achievements in the field of computer engineering. Vobile has an industry-leading technology team and collaborates closely with renowned institutions worldwide, including the University of Florida, Zhejiang University, and the Hong Kong University of Science and Technology, to continuously enhance its technological capabilities. At the same time, we are in communication and collaboration with the world's leading chip companies and platform companies to jointly address the increasingly complex copyright challenges in the GenAI field.

Vobile has launched a diverse range of watermarking technology solutions and is fully prepared to enter the commercial application phase. Through commercial deployment, we can quickly integrate watermarking technology into our customers' existing streaming media workflows, providing a more efficient and cost-effective solution.

We continue to upgrade content identification and rights identification technology. We have significantly reduced the time for content rights identification by enhancing the application and deployment of AI algorithms. Meanwhile, through the expansion of the scale of real-time service for live content, we have further strengthened our content protection capabilities on social media platforms such as YouTube and Facebook, ensuring timely takedown of infringing content.

Through these technological upgrades and reserve, we have constantly enhanced the efficiency of content identification and the coverage capability of our services, making sufficient preparations for the increasingly complex copyright environment in the era of GenAI, and contributing to a healthier and more efficient industry ecosystem for content rights holders and AI technology companies.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Interim Condensed Consolidated Statement of Profit or Loss Highlights

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	1,180,634	1,002,756
Gross profit	504,117	392,773
Profit before tax	69,832	45,135
Profit for the period	46,322	33,928
Non-IFRS Adjusted Net Profit	64,261	58,067
Non-IFRS Adjusted EBITDA	196,306	181,333

Non-IFRS Adjusted Net Profit

Adjusted Net Profit is earnings before equity settled share compensation expenses, loss on derecognition of financial liabilities measured at amortised cost, fair value changes 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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Profit for the period	46,322	33,928
Add:		
Equity-settled share compensation expense	17,524	18,156
Loss on derecognition of financial liabilities measured at amortised cost	—	6,195
Fair value change on financial assets at FVTPL, net	415	(212)
Adjusted Net Profit	64,261	58,067

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, loss on derecognition of financial liabilities measured at amortised cost, fair value changes and other one-off or non-cash 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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Profit before tax	69,832	45,135
Add:		
Equity-settled share compensation expense	17,524	18,156
Finance costs	46,033	50,332
Depreciation and amortisation	65,244	60,671
Loss on derecognition of financial liabilities measured at amortised cost	—	6,195
Fair value change on financial assets at FVTPL, net	415	(212)
Share of profits and losses of associates	—	(1)
(Reversal of impairment)/impairment on trade receivables	(892)	3,879
Interest income	(1,850)	(2,822)
Adjusted EBITDA	196,306	181,333

Revenue

The following table shows our revenue breakdown by product:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Subscription services	545,431	466,876
Value-added services	635,203	535,880
Total revenue	1,180,634	1,002,756

MANAGEMENT DISCUSSION AND ANALYSIS

Our revenue for the six months ended 30 June 2024 amounted to approximately HK\$1,181 million, representing an increase of approximately HK\$178 million, or approximately 17.7% as compared with the revenue for the six months ended 30 June 2023 of approximately HK\$1,003 million. Our business model has two revenue streams: subscription services and value-added services.

In the six months ended 30 June 2024, subscription services revenue was approximately HK\$545 million, representing an increase of approximately HK\$78 million, or approximately 16.8% as compared with the subscription services revenue for the six months ended 30 June 2023 of approximately HK\$467 million, and accounted for 46.2% (six months ended 30 June 2023: 46.6%) 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 2024, value-added service revenue was approximately HK\$635 million, representing an increase of 18.5%, as compared with the value-added services revenue for the six months ended 30 June 2023 of HK\$536 million, and accounted for 53.8% (six months ended 30 June 2023: 53.4%) of total revenue. Our value-added services mainly consists of monetization on social media platforms and monetization services for video-on-demand platforms.

Our business model is driven by our ability to serve additional contents, and to help generate more revenue for IP rights holder clients. We believe that our future success is dependent on many factors, including 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 2024 amounted to approximately HK\$504 million, representing an increase of approximately HK\$111 million, or approximately 28.3% as compared with the six months ended 30 June 2023 of HK\$393 million.

Our gross profit margin increased from 39.2% for the six months ended 30 June 2023 to 42.7% for the six months ended 30 June 2024.

Selling and marketing expenses

Our selling and marketing expenses for the six months ended 30 June 2024 amounted to approximately HK\$152 million, representing an increase of approximately HK\$36 million, or approximately 31.3% as compared with the six months ended 30 June 2023 of HK\$116 million. The increase was mainly due to the increase of sales and marketing initiatives during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Our administrative expenses for the six months ended 30 June 2024 amounted to approximately HK\$94 million, representing an increase of approximately HK\$16 million, or approximately 19.3% as compared with the six months ended 30 June 2023 of HK\$78 million. The increase was mainly due to increase of administrative headcount of the Group.

Research and development expenses

Our research and development expenses for the six months ended 30 June 2024 amounted to approximately HK\$143 million, representing an increase of approximately HK\$48 million, or approximately 50% as compared with the six months ended 30 June 2023 of HK\$95 million. The increase was mainly due to the increase of research and development activities in the current period.

Finance costs

Finance costs mainly consisted of interest expenses on interest-bearing borrowings and convertible bonds of approximately HK\$46 million (six months ended 30 June 2023: HK\$50 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 2024 amounted to approximately HK\$46 million, representing an increase of approximately HK\$12 million, or approximately 36.5% as compared to the profit for the six months ended 30 June 2023 of approximately HK\$34 million.

Basic earnings per share for the six months ended 30 June 2024 was approximately HK\$0.0184 (six month ended 30 June 2023: HK\$0.0132), and diluted earnings per share for the six months ended 30 June 2024 was approximately HK\$0.0171 (six month ended 30 June 2023: HK\$0.0121).

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

Adjusted EBITDA

The Adjusted EBITDA for the six months ended 30 June 2024 amounted to approximately HK\$196 million, representing an increase of approximately HK\$15 million, or approximately 8.3%, as compared to the Adjusted EBITDA for the six months ended 30 June 2023 of approximately HK\$181 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 2024, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim condensed consolidated statement of financial position highlights

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Total assets	3,721,191	3,506,108
Total liabilities	1,539,280	1,366,296
Net assets	2,181,911	2,139,812
Total equity	2,181,911	2,139,812

Goodwill

Our goodwill amounted to approximately HK\$1,155 million as at 30 June 2024, remained stable as compared to 31 December 2023 of HK\$1,170 million. Goodwill is tested for impairment periodically and no impairment loss is considered necessary as at 30 June 2024.

Intangible assets

Our intangible assets amounted to approximately HK\$419 million as at 30 June 2024, representing a decrease of approximately HK\$18 million as compared to 31 December 2023. The decrease was mainly due to the amortisation of intangible assets.

Interest-bearing borrowings

As at 30 June 2024, the Group's interest-bearing borrowings consisted of (i) secured interest-bearing borrowings with carrying amount of HK\$412,203,000 (HK\$157,134,000 as current liabilities and HK\$255,069,000 as non-current liabilities), which bear interest at secured overnight financing rate plus seven percent and secured by the shares, intellectual property, trade receivables and bank balances of all material subsidiaries of the Group, and (ii) current unsecured interest-bearing borrowings with carrying amount of HK\$161,711,000 (31 December 2023: HK\$131,303,000), which bear interests at three point four five percent to four point eight percent (31 December 2023: three point five percent to four point eight percent).

Convertible bonds

On 16 August 2022, the Company issued convertible bonds in an aggregate principal amount of HK\$117,000,000 to Lucion International Investment Limited, an investment holding company incorporated in Hong Kong. The convertible bonds have an initial conversion price of HK\$5.32 per Share. The convertible bonds are convertible into shares of the Company. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 4% per annum, payable annually in arrears, and will mature in the three years from the issue date.

On 24 May 2024, the Company issued convertible bonds in an aggregate principal amount of HK\$159,997,200 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 convertible bonds have an initial conversion price of HK\$1.87 per Share. The convertible bonds are convertible into shares of the Company. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 3% per annum, payable annually in arrears, and will mature in the two years from the issue date.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As of 30 June 2024, our cash and cash equivalents and pledged deposits in aggregate amounted to approximately HK\$317 million. As of 30 June 2024, our current assets amounted to approximately HK\$1,717 million of which approximately HK\$1,211 million was trade receivables and approximately HK\$317 million was cash and cash equivalents and pledged deposits. Our current liabilities amounted to approximately HK\$944 million, of which approximately HK\$465 million was trade payables. As at 30 June 2024, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 1.8 as compared with 2.0 at 31 December 2023.

Significant investments, acquisitions and disposals

During the six months ended 30 June 2024, we did not have any other significant investment and any material acquisition or disposal.

Capital expenditures

Our capital expenditures were primarily for expenditures for purchase of equipment and intangible assets. The amount of our capital expenditures for the six months ended 30 June 2024 was approximately HK\$50 million.

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

As of 30 June 2024 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, 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

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 30 June 2024, our gearing ratio, calculated as net debt divided by the equity attributable to owners of the Company plus net debt, was 21% as compared with 18% as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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

On 24 May 2024, the Company issued convertible bonds in the aggregate principal amount of HK\$160 million, raised net proceeds of HK\$155 million. As at 30 June 2024, the Company has utilised HK\$39 million of the net proceeds as intended. The table below sets out the details of actual usage of the net proceeds as at 30 June 2024.

Intended use of proceeds	Initial intended allocation (HK\$ million)	Net proceeds utilised during the year ended	Unutilised net proceeds as at	Net proceeds utilised during the six months ended	Unutilised net proceeds as at	Expected timeline of full utilisation
		31 December 2023 (HK\$ million)	31 December 2023 (HK\$ million)	30 June 2024 (HK\$ million)	30 June 2024 (HK\$ million)	
Development and investment of AIGC related business	116	—	116	—	116	31 December 2025
Repayment of interest-bearing borrowings	39	—	39	39	—	31 December 2025
	155	—	155	39	116	

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 2024, 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 2024, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for code provision C.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 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 three 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.

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 2024. 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 one non-executive Director, namely, Mr. J David WARGO. The chairman of the Audit Committee is Mr. KWAN Ngai Kit. Mr. KWAN Ngai Kit has appropriate professional qualifications and experience in financial matters. The main responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2024 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 2024.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2024, we employed a total of 566 staff (as at 31 December 2023: 578 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 2024 was approximately HK\$125 million (for the six months ended 30 June 2023: HK\$120 million).

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

SHARE SCHEMES

The Company has three existing share schemes, namely the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the Share Award Plan.

The number of Shares that may be issued in respect of options and awards granted under the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the Share Award Plan divided by the weighted average number of ordinary Shares in issue for the six month ended 30 June 2024 is 6.62%.

As at 1 January 2024 and 30 June 2024, the number of options and awards available for grant under the scheme mandate was both 154,975,020, representing 6.92% and 6.82% of the issued share capital of the Company on each date, respectively. The details of each share scheme are set out below:

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 or its subsidiary the opportunity to acquire equity in our Company through awards of Pre-IPO Share Option Scheme. No amount is payable by the grantees on the grant of options and there is no maximum entitlement of each participant under the Pre-IPO Share Option Scheme.

OTHER INFORMATION

(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.

The purchase price in relation to each award or sale of Shares shall be determined by the Board in its sole discretion, provided that, to the extent an award consists of newly issued Shares, the Board shall require the purchaser to provide consideration having a value not less than the par value of such Shares.

(c) Vesting of Options

Subject to the terms and conditions and the fulfilment of all conditions to the vesting of the Pre-IPO Options, each Pre-IPO Option shall have a vesting period of four years from the date of grant of the Pre-IPO Options.

(d) Exercise of Options

The Board in its sole discretion shall determine when all or any installment of a Pre-IPO Option is to become exercisable and may, in its discretion, provide for accelerated exercisability in the event of a change in control or other events.

(e) 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.

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

As at the date of this report, no Share is available for issue under the Pre-IPO Share Option Scheme and no share option will be available for grant under the Pre-IPO Share Option Scheme.

(g) 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.

OTHER INFORMATION

Details of the options granted pursuant to the Pre-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	No. of share options				
					Outstanding as at 1 January 2024	Granted during the six months ended 30 June 2024	Exercised during the six months ended 30 June 2024	Expired/lapsed/cancelled during the six months ended 30 June 2024	Outstanding as at 30 June 2024
Director									
Mr. Wang	25 April 2017	Four years from date of grant ¹	25 April 2019 to 25 April 2027	US\$0.0344	32,000,000	—	(32,000,000) ²	—	—

Notes:

- 1 50% of the share options shall vest on the second anniversary of the date of grant and 50% shall vest in 24 equal monthly instalments following the second anniversary.
- 2 The weighted average closing price of the shares immediately before the dates on which the options were exercised is HK\$1.31.

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. HK\$1 is payable by the grantees for acceptance of the Post-IPO Share Options.

(b) Exercise 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) Vesting of Options

The Remuneration Committee in its sole discretion shall determine the vesting period for each grant of options under the Post-IPO Share Option Scheme.

OTHER INFORMATION

(d) Time of Exercise of An Option

An option may be exercised in whole or in part by the option holder in accordance with the terms of the Post-IPO Share Option Scheme at any time during the period to be notified by the Board to each option holder upon the grant of options, such period not to exceed ten years from the date of grant of the relevant option.

(e) 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.

(f) Maximum Number of Shares

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.

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

As at the date of this report, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 149,120,000, representing 6.56%, of the issued share capital of the Company as at the same date.

(h) 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.

OTHER INFORMATION

Details of the options granted pursuant to the 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	No. of share options					
					Outstanding as at 1 January 2024	Granted during the six months ended 30 June 2024	Exercised during the six months ended 30 June 2024	Lapsed during the six months ended 30 June 2024	Expired/cancelled during the six months ended 30 June 2024	Outstanding as at 30 June 2024
Directors										
Mr. Wang	12 January 2021	Ten years from date of grant ¹	12 January 2021 to 12 January 2031	HK\$5.00	112,000,000	—	—	—	—	112,000,000
Mr. Matsuzawa	23 July 2021	Five years from date of grant ³	23 July 2022 to 23 July 2032	HK\$8.70	4,000,000	—	—	—	—	4,000,000
Sub-total					116,000,000	—	—	—	—	116,000,000
Employees										
Other employees	30 July 2020	Two years from date of grant ²	30 July 2022 to 30 July 2032	HK\$0.875	14,800,000	—	—	—	—	14,800,000
Other employees	23 July 2021	Five years from date of grant ³	23 July 2022 to 23 July 2032	HK\$8.70	1,000,000	—	—	—	—	1,000,000
Other employees	8 July 2022	Five years from date of grant ³	8 July 2023 to 7 July 2032	HK\$5.00	7,320,000	—	—	—	—	7,320,000
Sub-total					23,120,000	—	—	—	—	23,120,000
Consultants										
Consultants	30 July 2020	Two years from date of grant ²	30 July 2022 to 30 July 2032	HK\$0.875	2,000,000	—	—	—	—	2,000,000
Kevin A. Mayer	9 September 2020	Two years from date of grant ²	9 September 2021 to 9 September 2031	HK\$1.02	8,000,000	—	—	—	—	8,000,000
Sub-total					10,000,000	—	—	—	—	10,000,000
Total					149,120,000	—	—	—	—	149,120,000

OTHER INFORMATION

Notes:

- 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	12,444,444 Shares
Two	3 billion	23.25 billion	12,444,444 Shares
Three	4 billion	31.00 billion	12,444,444 Shares
Four	5 billion	38.75 billion	12,444,444 Shares
Five	6 billion	46.50 billion	12,444,444 Shares
Six	7 billion	54.25 billion	12,444,444 Shares
Seven	8 billion	62.00 billion	12,444,444 Shares
Eight	9 billion	69.75 billion	12,444,444 Shares
Nine	10 billion	77.50 billion	12,444,448 Shares

- 50% of the share options shall vest on the first anniversary of the date of grant and 50% shall vest in 12 equal monthly instalments following the second anniversary.
- 20% of the share options shall vest on the first anniversary of the date of grant and 80% shall vest in 48 equal monthly instalments following the second anniversary.

SHARE AWARD PLAN

On 6 May 2019, the Board adopted a 10-year share award plan (the “Share Award Plan”) to (a) incentivise, recognise and reward the contributions of certain Eligible Persons to the growth and development of the Group; (b) attract and retain personnel to promote the long-term growth and development of the Group; and (c) align the interests of the Eligible Persons with those of the Shareholders to promote the long-term financial performance of the Company. Details of the Share Award Plan were announced in the Company’s announcements dated 6 May 2019 and 25 July 2021. A summary of the Share Award Plan is set out below:

(a) Purpose

The purpose of the Share Award Plan is to (a) incentivise, recognise and reward the contributions of certain Eligible Persons to the growth and development of the Group; (b) attract and retain personnel to promote the long-term growth and development of the Group; and (c) align the interests of the Eligible Persons with those of the Shareholders to promote the long-term financial performance of the Company. No amount is payable by the grantees on acceptance of the awards.

(b) Participants

Under the Share Award Plan Rules, any person being (a) an employee, a director (including, without limitation, an executive, non-executive or independent non-executive director) or officer of any member of the Group; or (b) a consultant or advisor of any member of the Group, is eligible for participation in the Share Award Plan.

(c) Duration

Subject to early termination by the Board, the Share Award Plan shall be valid and effective for a term of ten (10) years commencing from the date of adoption of the Share Award Plan, being 6 May 2019, and ending on the Business Day immediately preceding the tenth (10th) anniversary of the date of adoption of the Share Award Plan.

(d) Share Award Plan Limit

The Board shall not make any further Award if to do so would result in the aggregate number of the Shares awarded under the Share Award Plan exceed 10% of the issued share capital of the Company at any given time.

Where any grant of Award to an Eligible Person would result in the aggregate of (a) the number of Awarded Shares underlying all Awards (whether vested or not); and (b) the number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) under any share option scheme adopted by the Company from time to time, granted to such Eligible Person in the 12-month period up to and including the date of grant of such Award exceeding 1% of the Shares in issue as at the date of grant of such Award, the Award shall be subject to approval by the Shareholders in a general meeting.

(e) Vesting

Awarded Shares and the related income shall be vested in an Award Holder in accordance with the Vesting Date(s) specified in the Award and upon the satisfaction of the vesting criteria and conditions (if any) specified by the Board in the offer of grant of the relevant Award. No consideration is required from the grantees at the time of vesting.

OTHER INFORMATION

(f) Total Number of Shares Available for Issue under the Share Award Plan

As at the date of this report, the total number of Shares available for issue under the Share Award Plan under the general mandate granted by shareholders of the Company is 172,403,039, representing 7.59% of the issued share capital of the Company as at the same date. The Company did not utilise any of the general mandate granted by shareholders of the Company to issue new shares since the adoption of the Share Award Plan and up to the date of this report.

Details of the share awards granted pursuant to the Share Award Plan to the grantees are set at below:

Name of Grantee	Date of grant	Unvested as at 1 January 2024	Granted during the six months ended 30 June 2024	Vested during the six months ended 30 June 2024	Expired/lapsed/cancelled during the six months ended 30 June 2024	Unvested as at 30 June 2024
Directors						
Mr. Wong	27 June 2024 ³	—	320,409	(320,409)	—	—
Mr. Chan	27 June 2024 ³	—	320,409	(320,409)	—	—
Mr. Tang	27 June 2024 ³	—	320,409	(320,409)	—	—
Mr. Wargo	27 June 2024 ³	—	320,409	(320,409)	—	—
Mr. Chu	27 June 2024 ³	—	320,409	(320,409)	—	—
Mr. Eesley	27 June 2024 ³	—	320,409	(320,409)	—	—
Mr. Kwan	27 June 2024 ³	—	320,409	(320,409)	—	—
Sub-total		—	2,242,863	(2,242,863)	—	—
Employees						
Employees	27 June 2024 ³	—	8,661,507	(8,661,507)	—	—
Sub-total		—	8,661,507	(8,661,507)	—	—
Total¹		—	10,904,370 ⁴	(10,904,370) ⁴	—	—

Notes:

- 1 No grant has been made to (i) any related entity participant or service provider with options and awards granted in excess of 0.1% of the Company's issued shares over the 12-month period, and (ii) any other participant with options and awards granted in excess of the 1% individual limit, as such terms are used in the Listing Rules. During the six months ended 30 June 2024, there were no cancellations of share awards.
- 2 There are vesting period of six months and no performance target and clawback mechanism in relation to the grants, and no consideration is required from the relevant grantees at the time of vesting.

OTHER INFORMATION

- 3 There are no vesting period and performance target in relation to the grants, and no consideration is required from the relevant grantees at the time of vesting. Upon the occurrence of certain events in relation to a grantee, no further Awards may be granted to such grantee and the Awards granted to the grantee shall be clawed back and such Awards shall lapse accordingly on the date as determined by the Board (if such Awards are unvested). In addition, where an Award (or any part thereof) granted to a grantee has already been vested at the time when the grantee's Awards are clawed back, the grantee shall return, by the Board's determination at its sole and absolute discretion, either (i) the exact number of the relevant vested and clawed back underlying Shares in respect of such Awards, or (ii) the monetary amount equivalent to the value of the relevant underlying Share(s) of the Awards on the date of grant, on the date of vesting of the relevant Awards, or on the date of such clawback. In addition, in the event a grantee ceases to be an eligible participant under the Share Award Plan by reason of retirement, resignation or expiration of the employment or service agreement, any unvested Awards in respect of such grantee will automatically lapse with effect from the date on which the grantee's employment or service is terminated.
- 4 The closing price of the shares immediately before the date on which the awards were granted and fair value of each award was both HK\$1.22.

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 2024, 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	18.30%
Mr. Wargo	Beneficial owner	92,234,369	4.06%
Mr. Wong	Beneficial owner	2,928,013	0.13%
Mr. Chu	Beneficial owner	528,013	0.02%
Mr. Eesley	Beneficial owner	528,013	0.02%
Mr. Chan	Beneficial owner	528,013	0.02%
Mr. Kwan	Beneficial owner	484,013	0.02%
Mr. Tang	Beneficial owner	320,409	0.01%

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 63,200,000 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, and 112,000,000 Shares which may be issued pursuant to the exercise of options granted under the Post-IPO Share Option Scheme.

OTHER INFORMATION

Save as disclosed above, as of 30 June 2024, 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' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the six months ended 30 June 2024 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 2024, 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	170,799,807	7.52
Greater Bay Area Homeland Development Fund (GP) Limited ⁽²⁾	Interest in a controlled corporation	170,799,807	7.52
Greater Bay Area Homeland Investments Limited ⁽²⁾	Interest in a controlled corporation	170,799,807	7.52
LU Jian	Beneficial owner	127,011,920	5.59
Antchain Technology Pte. Ltd. ⁽³⁾	Beneficial owner	115,606,936	5.09
AntDigital Global Limited ⁽³⁾	Interest in a controlled corporation	115,606,936	5.09
AntChain Inc. ⁽³⁾	Interest in a controlled corporation	115,606,936	5.09
Libra Capital Holding Limited ⁽³⁾	Interest in a controlled corporation	115,606,936	5.09
Libra Capital Hong Kong Holding Limited ⁽³⁾	Interest in a controlled corporation	115,606,936	5.09
AntDigital Global Limited ⁽³⁾	Interest in a controlled corporation	115,606,936	5.09
Shanghai Yunju Venture Capital Co., Ltd. ⁽³⁾	Interest in a controlled corporation	115,606,936	5.09
Ant Group Co., Ltd. ⁽³⁾	Interest in a controlled corporation	115,606,936	5.09

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. 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 Antchain Technology Pte. Ltd. Antchain Technology Pte. Ltd. is wholly-owned by AntDigital Global Limited, which is in turn wholly-owned by AntChain Inc. AntChain Inc. is wholly owned by Libra Capital Holding Limited, which is in turn wholly-owned by Libra Capital Hong Kong Holding Limited. Libra Capital Hong Kong Holding Limited is wholly owned by AntDigital Global Limited, which is in turn wholly-owned by Shanghai Yunju Venture Capital Co., Ltd. Shanghai Yunju Venture Capital Co., Ltd. is wholly-owned by Ant Group Co., Ltd., which was considered to be Antchain Technology Pte. Ltd.'s ultimate beneficial owner.

Save as disclosed above, as of 30 June 2024, 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 2024, 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

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
REVENUE	4	1,180,634	1,002,756
Cost of services provided		(676,517)	(609,983)
Gross profit		504,117	392,773
Other income and gains	4	6,844	10,788
Selling and marketing expenses		(152,462)	(116,153)
Administrative expenses		(93,646)	(78,468)
Research and development expenses		(142,902)	(95,290)
Finance costs	6	(46,033)	(50,332)
Share of profits and losses of associates		—	1
Other expenses		(6,086)	(18,184)
PROFIT BEFORE TAX	5	69,832	45,135
Income tax expense	7	(23,510)	(11,207)
PROFIT FOR THE PERIOD		46,322	33,928
Attributable to:			
Owners of the Company		41,474	29,163
Non-controlling interests		4,848	4,765
		46,322	33,928
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic — for profit for the period (HK\$)	9	0.0184	0.0132
Diluted — for profit for the period (HK\$)	9	0.0171	0.0121

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	46,322	33,928
OTHER COMPREHENSIVE LOSS Other comprehensive loss that may be reclassified to profit or loss in subsequent periods: Exchange differences on translation of foreign operations	(39,267)	(69,115)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(39,267)	(69,115)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	7,055	(35,187)
Attributable to:		
Owners of the Company	6,185	(33,763)
Non-controlling interests	870	(1,424)
	7,055	(35,187)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	65,814	70,831
Investment properties	11	68,245	70,234
Right-of-use assets		23,765	13,014
Goodwill		1,155,202	1,170,392
Other intangible assets		418,942	436,696
Investment in associates		972	999
Financial assets at fair value through profit or loss	12	195,602	199,280
Deferred tax assets		73,985	86,615
Prepayments and deposits		1,753	2,485
Total non-current assets		2,004,280	2,050,546
CURRENT ASSETS			
Inventories		9,075	4,397
Trade receivables	13	1,210,789	1,057,247
Prepayments, deposits and other receivables		173,891	128,420
Tax recoverable		6,652	10,614
Pledged deposits		14,859	14,841
Cash and cash equivalents		301,645	240,043
Total current assets		1,716,911	1,455,562
CURRENT LIABILITIES			
Trade payables	14	465,057	450,875
Other payables and accruals		117,253	98,187
Interest-bearing borrowings	15	318,845	131,303
Lease liabilities		6,671	8,398
Tax payable		27,191	43,284
Convertible bonds	16	9,480	4,680
Total current liabilities		944,497	736,727
NET CURRENT ASSETS		772,414	718,835
TOTAL ASSETS LESS CURRENT LIABILITIES		2,776,694	2,769,381

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Convertible bonds	16	250,670	103,000
Interest-bearing borrowings	15	255,069	443,951
Lease liabilities		17,436	5,143
Deferred tax liabilities		71,608	77,475
Total non-current liabilities		594,783	629,569
Net assets		2,181,911	2,139,812
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	447	441
Treasury shares	17	(2,411)	(32,604)
Equity component of convertible bonds	16	17,546	8,614
Reserves		1,979,813	1,977,715
		1,995,395	1,954,166
Non-controlling interests		186,516	185,646
Total equity		2,181,911	2,139,812

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company											
	Equity component			Share premium*	Merger reserve*	Other reserve*	Share compensation reserve*	Exchange fluctuation reserve*	Retained profits/ (Accumulated losses)*	Total	Non-controlling Interest	Total equity
	Share capital	Treasury shares	of convertible bonds									
At 1 January 2024	441	(32,604)	8,614	1,878,806	2,916	199,151	61,015	(135,023)	(29,150)	1,954,166	185,646	2,139,812
Profit for the period	—	—	—	—	—	—	—	—	41,474	41,474	4,848	46,322
Exchange differences related to foreign operations	—	—	—	—	—	—	—	(35,289)	—	(35,289)	(3,978)	(39,267)
Total comprehensive income for the period	—	—	—	—	—	—	—	(35,289)	41,474	6,185	870	7,055
Equity-settled share compensation arrangements	6	30,193	—	(5,483)	—	—	1,396	—	—	26,112	—	26,112
Issue of convertible bonds	—	—	8,932	—	—	—	—	—	—	8,932	—	8,932
As at 30 June 2024 (Unaudited)	447	(2,411)	17,546	1,873,323	2,916	199,151	62,411	(170,312)	12,324	1,995,395	186,516	2,181,911

	Attributable to owners of the Company											
	Equity component			Share premium*	Merger reserve*	Other reserve*	Share compensation reserve*	Exchange fluctuation reserve*	Retained profits/ (Accumulated losses)*	Total	Non-controlling Interest	Total equity
	Share capital	Treasury shares	of convertible bonds									
At 1 January 2023	417	(79,893)	8,614	1,405,598	2,916	199,151	69,089	(92,111)	(21,332)	1,492,449	181,186	1,673,635
Profit for the period	—	—	—	—	—	—	—	—	29,163	29,163	4,765	33,928
Exchange differences related to foreign operations	—	—	—	—	—	—	—	(62,926)	—	(62,926)	(6,189)	(69,115)
Total comprehensive loss for the period	—	—	—	—	—	—	—	(62,926)	29,163	(33,763)	(1,424)	(35,187)
Issue of shares	22	—	—	464,283	—	—	—	—	—	464,305	—	464,305
Equity-settled share compensation arrangements	1	28,819	—	624	—	—	(10,393)	—	—	19,051	—	19,051
As at 30 June 2023 (Unaudited)	440	(51,074)	8,614	1,870,505	2,916	199,151	58,696	(155,037)	7,831	1,942,042	179,762	2,121,804

* These reserve accounts comprise the consolidated reserves of HK\$1,979,813,000 and HK\$1,984,062,000 in the consolidated statements of financial position as at 30 June 2024 and 2023, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		69,832	45,135
Adjustments for:			
Finance costs	6	46,033	50,332
Interest Income	4	(1,850)	(2,822)
Depreciation of items of property, plant and equipment	10	7,860	6,860
Depreciation of right-of-use assets		6,693	5,325
Amortisation of other intangible assets		50,691	48,486
Loss on extinguishment of debts	15	—	6,195
(Reversal of impairment)/impairment of financial assets	13	(892)	3,879
Share of profits and losses of associates		—	(1)
Change in fair value of financial assets at FVTPL		415	(212)
Equity-settled share compensation expense		17,524	18,156
		196,306	181,333
(Increase)/decrease in inventories		(4,678)	15,384
Increase in trade receivables		(152,650)	(276,093)
Increase in prepayments, deposits and other receivables		(44,739)	(71,768)
Increase/(decrease) in trade payables		21,361	199,928
Increase in other payables and accruals		20,932	80,507
Cash generated from operations		36,532	129,291
Interest received		1,832	2,822
Overseas taxes paid		(27,346)	(23,387)
Net cash flows from operating activities		11,018	108,726
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	10	(4,569)	(5,634)
Additions of other intangible assets		(44,510)	(79,670)
Purchase of financial assets at FVTPL		(433)	(1,226)
Net cash flows used in investing activities		(49,512)	(86,530)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds	16	154,642	—
Proceeds from issue of shares	17	8,588	464,305
Proceeds from interest-bearing borrowings	15	62,331	40,144
Decrease in pledged deposit		—	193,493
Repayment of interest-bearing borrowings	15	(66,568)	(602,243)
Interest paid		(33,127)	(56,243)
Principal portion of lease payments		(6,886)	(5,292)
Net cash flows from financing activities		118,980	34,164
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		240,043	226,495
Effect of foreign exchange rate changes, net		(18,884)	(34,648)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		301,645	248,207
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		184,798	161,228
Time deposits with original maturity of less than three months when acquired		116,847	86,979
Cash and cash equivalents as stated in the statement of cash flows		301,645	248,207

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

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 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting and the disclosure requirement of Appendix 16 of the Listing Rules. 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 2023. The interim condensed consolidated financial information are presented in Hong Kong dollar ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendment to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Mainland China	604,797	560,038
United States	571,780	439,789
Other countries/regions	4,057	2,929
	1,180,634	1,002,756

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

(b) Non-current assets

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
	Mainland China	1,092,044
United States	627,144	618,163
Other countries/regions	15,505	9,098
	1,734,693	1,764,651

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

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 2024 is as follows:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Customer A	180,929	160,658
Customer B	134,623	101,937

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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Rendering of services	1,180,634	1,002,756
Other income and gains		
Bank Interest income	1,850	2,822
Foreign exchange gains	1,493	120
Fair value gain on financial assets measured at FVTPL	—	212
Other	3,501	7,634
	6,844	10,788

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Cost of services provided	676,517	609,983
Employee benefit expense (including Directors' and chief executive's remuneration)		
Wages and salaries	96,287	90,784
Equity-settled share compensation expense	17,524	18,156
Directors' fee	1,798	1,509
Other benefits	5,982	6,100
Pension scheme contributions	3,455	3,237
	125,046	119,786
Depreciation of items of property, plant and equipment	7,860	6,860
Depreciation of right-of-use assets	6,693	5,325
Amortisation of intangible assets	50,691	48,486
Lease payments not included in the measurement of lease liabilities	376	1,336
(Reversal of impairment)/impairment of trade receivables	(892)	3,879
Research and development expenses	142,902	95,290
Auditor's remuneration	2,271	2,265
Bank interest income (Note 4)	(1,850)	(2,822)
Loss on derecognition of financial liabilities measured at amortised cost	—	6,195
Changes in fair value of financial assets at FVTPL, net	415	(212)
Foreign exchange differences, net	2,850	7,658

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Interest on borrowings (including convertible bonds)	45,689	50,014
Nominal interest on lease liabilities	344	318
	46,033	50,332

7. INCOME TAX EXPENSE

Income tax represents primarily 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% (2023: 21%) for the six months ended 30 June 2024. The income tax applicable to profits arising in Hong Kong was provided at a statutory tax rate of 16.5% (2023: 16.5%) during the six months ended 30 June 2024. The income tax applicable to profits arising in Mainland China was provided at a statutory tax rate of 25% during the six months ended 30 June 2024 except for certain subsidiaries of the Group in Mainland China, that were accredited as “High and New Technology Enterprises” and entitled to a preferential rate is 15% in three years respectively. 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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Current — United States Charge for the period	31	797
Current — Mainland China Charge for the period	16,032	13,443
Deferred tax expense	7,447	(3,033)
Total tax expense for the period	23,510	11,207

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

8. DIVIDENDS

The Board does not recommend payment of any dividend for the period ended 30 June 2024 (2023: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 2,252,048,052 (2023: 2,210,092,429) in issue during the period.

The calculations of earnings per share attributable to owners of the Company for each of the six months ended 30 June 2024 and 2023 are based on the following data:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Profit		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	41,474	29,163
Interest on convertible bonds	6,442	5,227
Profit attributable to owners of the Company before interest on convertible bond	47,916	34,390
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,252,048,052	2,210,092,429
Effect of dilution — Weighted average number of ordinary shares		
Share options	169,515,604	198,716,685
Convertible bonds	39,856,657	21,992,481
Weighted average number of ordinary share options for the purpose of diluted earnings per share calculation	2,461,420,313	2,430,801,595

* 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\$41,474,000 (2023: HK\$29,163,000) and the weighted average number of ordinary shares of 2,421,563,656 (2023: 2,408,809,114) in issue during the six months ended 30 June 2024 which excluded the interest on the convertible bonds of HK\$6,442,000 (2023: HK\$5,227,000) and the weighted average number of ordinary shares of 39,856,657 (2023: 21,992,481) from convertible bonds.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Carrying amount at 1 January	70,831	47,140
Additions	4,569	33,971
Depreciation provided during the period/year	(7,860)	(9,489)
Exchange realignment	(1,726)	(791)
Carrying amount at 30 June/31 December	65,814	70,831

11. INVESTMENT PROPERTIES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Carrying amount at 1 January	70,234	66,446
Additions	—	1,778
Net gain from a fair value adjustment	—	3,468
Exchange realignment	(1,989)	(1,458)
Carrying amount at 30 June/31 December	68,245	70,234

The Group investment properties under construction amounted to HK\$68,245,000 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Call option, at fair value	133,322	137,014
Other unlisted investments, at fair value	62,280	62,266
	195,602	199,280

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 2025.

13. TRADE RECEIVABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade receivables	1,221,566	1,068,916
Impairment	(10,777)	(11,669)
	1,210,789	1,057,247

The Group's trading terms with its debtors are usually 10 to 180 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

13. TRADE RECEIVABLES (Continued)

An ageing analysis of the current trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 1 year	1,175,507	1,033,610
Over 1 year	35,282	23,637
	1,210,789	1,057,247

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
At beginning of period/year	11,669	803
(Reversal of impairment)/impairment of trade receivables, net	(892)	10,866
At end of the period/year	10,777	11,669

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

13. TRADE RECEIVABLES (Continued)

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 2024

	Past due				Total
	Current	Less than 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.09%	9.94%	25.03%	100%	0.88%
Gross carrying amount (HK\$'000)	1,127,285	92,428	1,710	143	1,221,566
Expected credit losses (HK\$'000)	1,019	9,187	428	143	10,777

As at 31 December 2023

	Past due				Total
	Current	Less than 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.08%	4.71%	19.46%	100%	1.09%
Gross carrying amount (HK\$'000)	946,250	92,423	29,348	895	1,068,916
Expected credit losses (HK\$'000)	714	4,349	5,711	895	11,669

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

14. 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:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 1 year	465,057	450,875

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

15. INTEREST-BEARING BORROWINGS

As at 30 June 2024, the Group's interest-bearing borrowings consisted of (i) secured interest-bearing borrowings with carrying amount of HK\$412,203,000 (HK\$157,134,000 as current liabilities and HK\$255,069,000 as non-current liabilities), which bear interest at secured overnight financing rate plus seven percent and secured by the shares, intellectual property, trade receivables and bank balances of all material subsidiaries of the Group, and (ii) current unsecured interest-bearing borrowings with carrying amount of HK\$161,711,000 (31 December 2023: HK\$131,303,000), which bear interests at three point four five percent to four point eight percent (31 December 2023: three point five percent to four point eight percent).

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Analysed into		
Bank loans repayable:		
Within one year or on demand	318,845	131,303
In the second year	255,069	195,204
In the third year	—	248,747
Total	573,914	575,254

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

16. CONVERTIBLE BONDS

On 16 August 2022, the Company issued convertible bonds in an aggregate principal amount of HK\$117,000,000 to Lucion International Investment Limited, an investment holding company incorporated in Hong Kong. The convertible bonds have an initial conversion price of HK\$5.32 per Share. The convertible bonds are convertible into shares of the Company. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 4% per annum, payable annually in arrears, and will mature in the three years from the issue date. The annual effective interest rate of the debt component is 10.69%.

On 24 May 2024, the Company issued convertible bonds in an aggregate principal amount of HK\$159,997,200 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 convertible bonds have an initial conversion price of HK\$1.87 per Share. The convertible bonds are convertible into shares of the Company. The convertible bonds bear simple interest on their outstanding principal amount at the rate of 3% per annum, payable annually in arrears, and will mature in the two years from the issue date. The annual effective interest rate of the debt component is 3.49%.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Liability component at 1 January	107,680	101,686
Nominal value of convertible bonds issued during the period/year	159,997	—
Equity component	(8,932)	—
Direct transaction costs attributable to the equity component	(299)	—
Direct transaction costs attributable to the liability component	(5,056)	—
Liability component at the issuance date	253,390	101,686
Interest expense	6,442	10,644
Interest paid	—	(4,446)
Exchange realignment	318	(204)
Liability component at end of period/year	260,150	107,680
Portion classified as current liabilities	(9,480)	(4,680)
Non-current portion	250,670	103,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

17. SHARE CAPITAL

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Issued and fully paid (US\$0.000025 per share): 2,272,443,656 (31 December 2023: 2,240,443,656) ordinary shares	447	441

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

	Number of shares in issue	Share capital	Number of treasury shares	Treasury shares
		HK\$'000		HK\$'000
At 1 January 2024	2,240,443,656	441	11,775,268	(32,604)
Exercise of share options (a)	32,000,000	6	—	—
Transferred during the year for share award scheme (b)	—	—	(10,904,370)	30,193
At 30 June 2024	2,272,443,656	447	870,898	(2,411)

Notes:

- (a) On 26 April 2024, the subscription rights attaching to 32,000,000 share options were exercised at the subscription price of US\$0.034375 per share, resulting in the issue of 32,000,000 shares for a total cash consideration, before expenses, of HK\$8,588,000. An amount of HK\$2,823,000 was transferred from the share compensation reserve to share capital upon the exercise of the share options.
- (b) On 6 May 2019, the Board adopted a 10-year Share Award Plan (the "Share Award Plan") to incentivise, recognise and reward the contributions of certain eligible persons ("Eligible Persons") to the growth and development of the Group.

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

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

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

During the six months ended 30 June 2024, 10,904,370 shares were transferred under the Share Award Plan.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

18. RELATED PARTY TRANSACTIONS

Outstanding balances with related parties:

As at 30 June 2024, there were no outstanding balances with related parties.

19. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 30 August 2024.

DEFINITIONS

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

“AIGC”	artificial intelligence generated content
“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
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“FVTPL”	fair value through profit or loss
“GenAI”	generative artificial intelligence
“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. Chan”	Mr. CHAN Ching Yan Daniel

DEFINITIONS

“Mr. Chu”	Mr. Alfred Tsai CHU
“Mr. Eesley”	Mr. Charles Eric EESLEY
“Mr. Kwan”	Mr. KWAN Ngai Kit
“Mr. Matsuzawa”	Mr. MATSUZAWA Masaaki
“Mr. Tang”	Mr. TANG Yi Hoi Hermes
“Mr. Wang”	Mr. Yangbin Bernard WANG
“Mr. Wargo”	Mr. J David WARGO
“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. and its subsidiaries and Hangzhou New Particle Culture Technology Co., Ltd. and its subsidiaries
“PRC” or “China”	the People’s Republic of China. For the purposes of this interim 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 30 December 2016
“Post-IPO Share Option Scheme”	the share option scheme of the Company adopted on 8 December 2017
“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