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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yangbin Bernard WANG
(*Chairman and Chief Executive Officer*)
Mr. MATSUZAWA Masaaki
(appointed on 30 June 2021)
Mr. Michael Paul WITTE
(retired on 30 June 2021)

NON-EXECUTIVE DIRECTORS

Mr. J David WARGO
Mr. WONG Wai Kwan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Alfred Tsai CHU
Mr. CHAN King Man Kevin
Mr. Charles Eric EESLEY
Mr. KWAN Ngai Kit
(appointed on 30 June 2021)
Mr. Derek CHANG
(retired on 30 June 2021)

COMPANY SECRETARY

Mr. HO Sai Hong Vincent

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Charles Eric EESLEY (*Chairperson*)
Mr. Alfred Tsai CHU
Mr. CHAN King Man Kevin
Mr. J David WARGO
Mr. Yangbin Bernard WANG

NOMINATION COMMITTEE

Mr. CHAN King Man Kevin (*Chairperson*)
Mr. Alfred Tsai CHU
Mr. KWAN Ngai Kit
Mr. WONG Wai Kwan
Mr. Yangbin Bernard WANG

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Causeway Bay
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE US

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United States

PRINCIPAL PLACE OF BUSINESS IN THE PRC

10th Floor, Intelligent e-Valley B Building
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Binjiang District, Hangzhou
Zhejiang, PRC

AUTHORISED REPRESENTATIVES

Mr. HO Sai Hong Vincent
Mr. WONG Wai Kwan

CORPORATE INFORMATION

AUDITOR

Ernst & Young
27/F, One Taikoo Place
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Quarry Bay, Hong Kong

LEGAL ADVISERS

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Freshfields Bruckhaus Deringer
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Taikoo Place, Quarry Bay, Hong Kong

As to US law:
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2550 Hanover Street,
Palo Alto, CA 94304-1115
United States

As to PRC law:
Fangda Partners
24/F, HKRI Centre Two, HKRI Taikoo Hui
288 Shi Men Yi Road
Shanghai 200041, China

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54 Hopewell Centre
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Hong Kong

COMPANY WEBSITE

www.vobilegroup.com

STOCK CODE

3738

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS:

On behalf of the Board of Directors, I would like to express our sincere appreciation for your trust and continued support.

Despite the ongoing global pandemic situation, Vobile achieved outstanding results in 2021. The total revenue for the year reached HK\$687 million, representing a year-over-year increase of approximately 102%. The adjusted EBITDA for the year was HK\$113 million, representing a year-over-year increase of approximately 458%. The content protection and monetization businesses have both grown at a rapid pace with year-over-year revenue increase of about 130% and 102% respectively. Our business in China sustained a high growth rate in 2021. The revenue from China increased approximately 1,355% year-over-year and accounted for approximately a quarter of the total revenue for the year. We have expanded our local team significantly in order to keep up with the rapid growth in China. In addition, we have reached an agreement to acquire a controlling stake in Particle Culture Technology Group ("Particle Technology"), a leading integrated video SaaS provider in China. The core management team at Particle Technology is considered among the best in the cable television and video distribution industries in China. The acquisition and subsequent integration will allow us to capture the enormous growth opportunity in China.

The entertainment industry in the United States continued its evolution during the year of 2021. The merger of Discovery and WarnerMedia has created another streaming media giant, Warner Bros. Discovery. Competing for subscriber growth among the DTC (Direct-To-Consumer) service providers will only intensify. Our advanced content protection solution powered by Vobile proprietary VDNA fingerprinting and watermarking technologies will have broad applications to streaming media service providers. We are confident with our growth prospect in the coming years.

We completed a successful placement of new shares under general mandate on 20th May 2021, with net proceeds of approximately HK\$631,950,000.

During the year, Vobile stock has been included in MSCI Index, Hang Seng Indexes and ShenzhenHong Kong Stock Connect. As a result, the institutional ownership of our stock has increased significantly in 2021.

We have refined our mission to focus on building the essential digital infrastructure for protection and monetization of global digital content assets, which improves the efficiency of value distribution across the ecosystem. Leveraging our decade-long trusted customer relationship with Hollywood major studios and premium content rights holders, we are extending our content protection and monetization capabilities to cover popular NFT (Non-Fungible Token) marketplaces, where IP infringements become increasingly commonplace. This represents a new frontier and holds significant revenue upside for Vobile in the near future.

In summary, we have solidified our leading position in digital content protection and monetization SaaS services. We are very well positioned for continued growth in 2022 and beyond.

CHAIRMAN'S STATEMENT

THANK YOU

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

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

Yangbin Bernard WANG

Chairman, Executive Director and Chief Executive Officer

Vobile Group Limited

31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We are a global leading SaaS provider who provides the technology service of digital content protection and monetization, building the essential technology infrastructure to support the distribution of global digital content assets. With nearly two decades of operational excellence, we have established a solid customer base with trusted long-term relationships, which include global premier content creators, rights holders and platforms such as Hollywood film studios, television networks, streaming platforms, blockchain and NFT marketplaces to reduce infringement issues and increase value for digital content assets owners.

The integrity and value of the digital content assets is highly dependent on the protection and monetization of IP rights, which has become a larger issue for IP holders given the continued proliferation of content across an increasingly diverse array of distribution and social media platforms.

Our SaaS platforms currently provide content protection and content monetization solutions for our clients and partners:

Content Protection

We provide critical content protection to ensure delivery of our client's audiovisual content to end consumer directly or across global content distribution and social media platforms, from ultra-HD movie content to premium TV, short form digital content to live events such as sports, and Metaverse related digital content assets such as NFTs. For example, we offer video fingerprinting services on content libraries, allowing our clients to choose which digital content assets to actively track and manage. Customers can also choose to watermark digital content assets in order to trace and block the source of infringement. These solutions provide automated content recognition and are scalable on cloud infrastructure. During the reporting period, the revenue from our content protection services was approximately HK\$177 million, representing an increase of approximately 131% as compared with the revenue of our content protection services in 2020. We expand our client base and content assets by improving the accuracy and coverage of our searches, and currently managed over tens of millions video assets, conducted hundreds of billions of video fingerprinting cumulative searches across over hundreds of thousands of websites globally with no false positive case.

Content Monetization

Taking the content protection solutions to the next level, for our fingerprint or watermark managed assets, we can also identify digital content assets on online platforms, and instead of taking down the assets, enable our clients to have the option to capture incremental revenues which we will analyse and claim from the platforms on behalf of clients. We are uniquely positioned to do so because of our proprietary technology as well as our API integration with our long-standing partnerships with major platforms. As a natural extension of our monetization solutions, we also provide a robust set of video optimisation, programming strategy, reporting and performance marketing services to IP holders, so that they can maximise value of their IP on platforms. To manage channels for IP holders, we assist them to extend their brand influence across platforms and regions, achieving higher profitability of the IP. In 2021, our Content Monetization business continued to grow rapidly. During the reporting period, the revenue from our content monetization services was approximately HK\$481 million, representing an increase of approximately 102% as compared with the revenue of our content monetization services in 2020. We will continuously strengthen our technical, product and service capabilities, and provide broader monetization solutions to our clients and partners.

MANAGEMENT DISCUSSION AND ANALYSIS

Our business covers major economies in the world. Our group has played an important role by providing the essential technology infrastructure to support the distribution of digital content assets:

Sustained Growth Momentum

With the growth of DTC (Direct-to-Customer) business models for streaming companies, our IP Protection technologies and services will provide the most efficient copyright protection solution to ensure the exclusivity of content distribution and avoid viewership outflow, which will be key to DTC platforms' revenue and customer retention strategies. We are always looking to grow and build on our capabilities in content protection and monetization to better serve our clients. In 2021, we have developed new technology solutions to better address key content verticals, improved operations capabilities to deepen our market penetration, enhanced services to protect and monetize digital content assets in the context of NFTs and blockchain, improved stronger customer support functions to drive client relationships, and enhanced analytical tools and functions so that our clients can optimise advertising wallet. These enhancement and investment opportunities will continue to shape our business, and can span many areas of Vobile's value proposition. We will continue to improve our solutions and products which will ultimately drive value for our clients.

Achieved Performance Breakthrough

China has been the focus of our business growth in 2021. With the revised Copyright Law coming into force and the "14th Five-Year Plan" laying out the National Intellectual Property Protection and Utilization Plan in 2021, the explosive rise in the demand of digital content protection has promoted the accelerated growth of our performance in China. In the past twelve months, we have made significant strides in growing our business in China, building out the local team and capabilities, as well as driving strategic and commercial partnerships with industry leaders. In 2021, the revenue from China was approximately HK\$166 million, representing an increase of approximately 1,355% as compared with the revenue from China in 2020.

In addition to our organic growth, we have completed a strategic acquisition of Particle Technology, a leading integrated video technology SaaS provider in China specialized in visual and data intelligence, providing video distribution and edge computing SaaS service to top content platforms, and content monetization service to telecom operators, new media platforms, cable operators and internet service providers. Particle Technology has established more than 200 China and global content players and collaborated with more than 100 monetization platforms. With the integration of Particle Technology and its industry-leading team, we are in a favourable position to capture the enormous growth opportunities in China digital content assets ecosystem.

As highlighted in our growth in revenues from our business in China, we are witnessing continued encouraging evidence to grow our presence and being a market leader in China. We also strongly believe that the enterprise solutions we are providing to our content owner and distribution clients will enable the growth of a healthy and equitable and sustainable ecosystem of content creation, monetization, and distribution in China.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS STRATEGY AND OUTLOOK

Our vision is to help every content creator and rights holder succeed by providing the technology service of global digital content protection and monetization, increasing content profitability and extending brands/IP influence. We plan to implement the following strategies to comprehensively support our clients' success and to accelerate the growth of digital content assets ecosystem:

1. **Build Digital Infrastructure to Support the Distribution of Digital Content Assets.** With the development of the global digital economy, there is a rising demand for the production and consumption of digital content assets in the industry. Our mission is to build the essential digital infrastructure to support the protection and monetization of global digital content assets and promote efficient value distribution across the ecosystem. We will continue to enhance and provide better protection and monetization services for our clients, strengthening our leadership position in digital content assets industry.
2. **Offer Computing Services Integrated In Platforms as New Applications.** We will provide fully-configured computing products and services that can be easily modularized and scaled to empower different content platforms by content copyright identification. We plan to establish partnerships with platforms and offer our computing services to build the digital infrastructure supporting the industry ecosystem.
3. **Provide End-to-End Protection Solution for DTC Clients and Accelerate Industry Evolution.** By combining our fingerprinting and watermarking technologies, we will provide the ultimate effective copyright protection solution for DTC clients. By not only accurately identifying infringing content but also tracing the original source of infringement, our solution will achieve the full-chain protection for DTC content covering from its distribution to streaming, adapting to the evolving industry and newest clients' requests.
4. **Strengthen Our Content Monetization Capabilities and Empower Brands and IPs to Extend Their Global Influence.** Global content platforms continue to experience an explosive growth in business, which has promoted and accelerated the growth of our overseas content monetization business. We will leverage the rich industry experience and existing monetization channels of Particle Technology, which are accumulated over the years, and explore more content monetization approaches in the Chinese market together. We will promote global content transaction, eventually empowering brands and IPs to extend their global influence.
5. **Explore Digital Assets Market For the Future.** With the development of digital content assets industry, new formats of digital content assets, such as digital collectables including NFTs, will broaden the application scenarios of our products and solutions. We will further enhance and optimize our technologies and services, enhance our industry practice, and help our clients to utilize digital content assets and extend their influence. We will continue to play an essential role in the digital content assets ecosystem and lead the future.
6. **New Market Expansion Opportunities.** China targets a full expansion of digital economy in 2025 and introduces numerous policies which support the rapid growth of digital content assets. Meanwhile, new policies promote equitable distribution system of economics for intellectual property. We will seize the opportunities of digital economy development and increase the market share in China. We plan to complete integration with Particle Technology in 2022 to achieve full synergies, jointly launch new products and solutions, and leverage our proven track record in China market to generate new growth momentums. Meanwhile, we will further improve our overseas market share by following our influential strategies in all major economies in the world.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2021 HK\$'000	2020 HK\$'000 (Restated)
Revenue	686,528	340,294
Gross profit	348,771	165,564
(Loss)/profit before tax	(14,876)	67,138
(Loss)/profit for the year attributable to owners of the Company	(22,677)	81,187
Adjusted Net Profit/(Loss)	63,600	(33,286)
Non-IFRS Adjusted EBITDA	113,474	20,343

Adjusted Net Profit/(Loss)

Adjusted Net (loss)/profit is (loss)/earnings before equity settled share option expenses and other one-off expenses. This is not a IFRSs measure. Adjusted net profit/(loss) 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.

	2021 HK\$'000	2020 HK\$'000 (Restated)
(Loss)/profit for the year attributable to owners of the Company	(22,677)	81,187
Add/(less):		
Equity-settled share compensation expense	67,387	23,994
Transaction costs for proposed acquisition	14,262	—
Changes in fair value of investment properties	(447)	—
Changes in fair value of financial assets at FVTPL	5,075	—
Change in fair value of other liabilities measured at FVTPL	—	(138,467)
Adjusted Net Profit/(Loss)	63,600	(33,286)

MANAGEMENT DISCUSSION AND ANALYSIS

Non-IFRS Adjusted EBITDA

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

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
(Loss)/profit before tax	(14,876)	67,138
Add/(less):		
Depreciation and amortisation	23,449	17,830
Loss on disposal of items of property, plant and equipment and other intangible assets	—	103
Equity-settled share compensation expense	67,387	23,994
Bank interest income	(1,615)	(209)
Finance costs	20,174	50,194
Impairment/(reversal of impairment) on financial assets	65	(240)
Transaction costs for proposed acquisition	14,262	—
Changes in fair value of investment properties	(447)	—
Changes in fair value of financial assets at FVTPL	5,075	—
Fair value change on other liabilities measured at FVTPL	—	(138,467)
Adjusted EBITDA	113,474	20,343

Revenue

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Content Monetization	480,742	238,143
Content Protection	176,693	76,651
Others	29,093	25,500
Total revenue	686,528	340,294

MANAGEMENT DISCUSSION AND ANALYSIS

Our revenue in 2021 amounted to approximately HK\$687 million, representing an increase of approximately HK\$347 million, or approximately 102% as compared with the revenue of 2020 of approximately HK\$340 million. The increase was mainly attributed by (a) continued growth in our business in the US; and (b) the expansion of our business in the Mainland China, driven by strategic and commercial partnerships.

Gross profit and gross profit margin

Our gross profit in 2021 amounted to approximately HK\$349 million, representing an increase of approximately HK\$183 million as compared to 2020 of approximately HK\$166 million. Our gross profit margin increased from 48.7% in 2020 to 50.8% in 2021.

Selling and marketing expenses

Our selling and marketing expenses in 2021 amounted to approximately HK\$98 million, representing an increase of approximately HK\$23 million as compared to 2020 of approximately HK\$75 million. The increase was mainly due to the increase of sales and marketing initiatives during the year.

Administrative expenses

Our administrative expenses in 2021 amounted to approximately HK\$129 million, representing an increase of approximately HK\$71 million as compared to 2020 of approximately HK\$58 million. The increase was mainly due to the incurrence of transaction costs for a proposed acquisition and increase of equity-settled share compensation expenses during the year.

Research and development expenses

Our research and development expenses in 2021 amounted to approximately HK\$112 million, representing an increase of approximately HK\$60 million as compared to 2020 of approximately HK\$52 million. The increase was mainly due to the increase of research and development activities in the current year and the increase in the headcount of our research and development department from 43 in 2020 to 141 in 2021.

Other income and gains

In 2021, other income mainly consisted of bank interest income. In 2020, other income mainly consisted of income on fair value change on other liabilities measured at FVTPL of approximately HK\$138 million (2021: Nil).

Finance costs

Finance costs mainly consisted of interest expense on convertible bonds and interest-bearing borrowings of approximately HK\$19 million and interest expense on lease liabilities of approximately HK\$1 million.

Income tax expense/(credit)

Our income tax expense for 2021 mainly comprised of tax expense in the Mainland China and our income tax credit for 2020 was mainly comprised of deferred tax credit.

(Loss)/profit for the year attributable to owners of the Company

The loss attributable to owners of the Company for 2021 amounted to approximately HK\$23 million, representing a decrease of profit of approximately HK\$104 million as compared to the profit attributable to owners of the Company for 2020 of approximately HK\$81 million. The profit decreased as there was a one off gain on fair value change on other liabilities measured at FVTPL of approximately HK\$138 million in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Basic loss per share for 2021 was approximately HK\$0.0119 (basic earnings per share for 2020: HK\$0.0474) and diluted earnings per share for 2021 was approximately HK\$0.0119 (diluted earnings per share for 2020: HK\$0.0459).

Dividends

The Board does not recommend any payment of dividends for 2021 (2020: nil).

Consolidated Statement of Financial Position Highlights

	2021 HK\$'000	2020 HK\$'000 (Restated)
Total assets	1,770,150	1,153,538
Total liabilities	233,827	364,672
Net assets	1,536,323	788,866
Total equity	1,536,323	788,866

Goodwill

Our goodwill remained stable at approximately HK\$607 million as at 31 December 2021 as compared to HK\$604 million as at 31 December 2020. Goodwill is tested for impairment periodically and no impairment loss is considered necessary as at 31 December 2021.

Intangible assets

Our intangible assets amounted to HK\$111 million as at 31 December 2021, representing an increase of HK\$30 million as compared to 31 December 2020 of HK\$81 million. The increase was attributable to the capitalisation of certain development costs in 2021.

Convertible bonds

On 14 July 2020, the Company issued two series of convertible bonds in the aggregate principal amount of HK\$100,000,000 to Bondholder. The Series One Convertible Bonds with principal amount of HK\$80,000,000 have an initial conversion price of HK\$2.58 per Share. The Series Two Convertible Bonds with principal amount of HK\$20,000,000 have an initial conversion price of HK\$2.80 per Share. Both Series One Convertible Bonds and Series Two Convertible Bonds are convertible into Shares of the Company.

Following the share subdivision on 15 July 2021, every one issued share of the Company is subdivided into four subdivided shares, the conversion price of the series one convertible bonds and series two convertible bonds were adjusted to HK\$0.645 and HK\$0.70 per Share. Both series one convertible bonds and series two convertible bonds were converted into an aggregate of 152,602,432 Shares on 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

Working capital

As of 31 December 2021, our cash and cash equivalents amounted to approximately HK\$497 million, representing an increase of HK\$235 million as compared to 2020 of approximately HK\$262 million. As of 31 December 2021, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 4.3 times as compared with 3.9 times as at 31 December 2020.

Significant investments, acquisitions and disposal

We did not have any significant investment nor material disposal during 2021.

Capital expenditures

Our capital expenditures primarily included purchases of property, plant and equipment, investment properties, intangible assets and incurrence of development costs, which will be capitalised as intangible assets. The amount of our capital expenditures in 2021 was HK\$111 million.

Foreign exchange exposure

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

Gearing ratio

Our Group monitors capital using gearing ratio, which is net external debt divided by the capital (equity attributable to owners of the Company) plus net debt. Net debt includes convertible bonds and interest-bearing borrowings, less cash and cash equivalents. As of 31 December 2021 and 2020, our gearing ratio, calculated as net debt divided by the capital (equity attributable to owners of the Company) plus net debt, was not applicable as our balance of cash and cash equivalents exceeded the balance of net external debt.

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

As of 31 December 2021, we did not have (i) any material contingent liabilities or guarantees, (ii) any liabilities under acceptance trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantee material covenants, or other material contingent liabilities, (iii) any material off-balance sheet arrangements, or (iv) any unutilised banking facilities.

Financial instruments

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Use of proceeds from convertible bonds and subscription of shares

In July 2020, the Company completed the issue of two series of convertible bonds to the Bondholder and raised net proceeds of approximately HK\$90 million. As of 31 December 2021, the entire amount of HK\$90 million were fully utilised.

In December 2020, the Company completed the allotment and issuance of 28,901,734 Shares to Antfin (Hong Kong) Holding Limited, an indirect wholly-owned subsidiary of Ant Group Co., Ltd. and raised net proceeds of approximately HK\$387 million. As of 31 December 2021, the entire amount of HK\$387 million were fully utilised.

In May 2021, the Company completed the placement of 21,500,000 Shares and raised net proceeds of approximately HK\$630 million. As of 31 December 2021, the Company has utilised HK\$249 million of the net proceed. The Company will apply the net proceeds for the purpose as disclosed in the announcement of the Company dated 21 May 2021. The Company intends to fully utilise the net proceeds from the placement of 21,500,000 Shares by 31 December 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, we employed a total of 293 staff (as at 31 December 2020: 132 staff). Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time.

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

EVENTS AFTER THE REPORTING PERIOD

At the extraordinary general meeting held on 17 January 2022, the Group adopted the ordinary resolution to acquire 61.18% equity interest in Particle Technology at a total cash consideration of RMB854 million. The acquisition is expected to be completed in the second quarter of 2022.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yangbin Bernard WANG (“Mr. Wang”), aged 53, is an executive Director, the chairman of our Board and our chief executive officer. He is also the chairman of our nomination committee and a member of our remuneration committee. Being the founder of our Group, Mr. Wang joined our Group as the chief executive officer on 20 May 2005 when our first subsidiary Vobile, Inc. was established. He has been leading our Group for over 15 years, and has been responsible for corporate vision, product strategy and development, business development and operations of our Group since its founding. Mr. Wang obtained a Master of Science in Electrical Engineering from the University of Florida, Gainesville, United States in August 1993. He graduated with a Bachelor’s degree in Engineering from Zhejiang University in Hangzhou, Zhejiang Province, the PRC in July 1991.

Mr. MATSUZAWA Masaaki (“Mr. Matsuzawa”), aged 49, is an executive Director since June 2021. He is currently the President of Strategy and Investments. From 2014 to 2021, Mr. Matsuzawa served as the Senior Vice President of Global Strategy at the National Basketball Association (“NBA”) and Chief Strategy Office for NBA China. In 2001 to 2014, Mr. Matsuzawa was a Managing Director at Goldman Sachs, where he was an investment banker from 2001–2014 in New York and Hong Kong offices, specialising in merged, acquisitions and financings. While at Goldman Sachs, Mr. Matsuzawa held numerous leadership positions such as Chief Operating Officer of the Asia Mergers & Acquisitions Group as well as the Co-Head of the Asia Industrials Investment Banking Group. Mr. Matsuzawa graduated with a Masters in Business Administration from the Wharton School at the University of Pennsylvania in 2001, and a Bachelor of Art in Economics (Cum Laude) from Washington University in St. Louis in 1994.

NON-EXECUTIVE DIRECTORS

Mr. J David WARGO (“Mr. Wargo”), aged 68, is a non-executive Director since January 2017. He is also a member of our audit committee, nomination committee and remuneration committee. In 1993, Mr. Wargo founded Wargo & Company, Inc., where he currently serves as President. Mr. Wargo has over 40 years of experience in the telecommunications, media, and technology industries. Since March 2015, Mr. Wargo has been a director of Liberty Broadband Corporation (NASDAQ: LBRDA). Since August 2014, Mr. Wargo has been a director of Liberty TripAdvisor Holdings, Inc. (NASDAQ: LTRPA). Since September 2008, he has been a director of Discovery Communications, Inc. (NASDAQ: DISCA). Since June 2005, Mr. Wargo has been a director of Liberty Global plc (NASDAQ: LBTYK). From May 2005 to September 2008, he served as a director of Discovery Holding Company. From August 2002 to June 2007, Mr. Wargo served as a director of OpenTV Corp. From 2001 until 2019 he served as a director he served as a director of Strayer Education, Inc. (NASDAQ: STRA). Mr. Wargo graduated with a Masters in Management from the Sloan School of Management at the Massachusetts Institute of Technology, Cambridge, Massachusetts, United States in 1978, and a Masters in Engineering majoring in nuclear engineering in 1976. He has also obtained a Bachelor of Science majoring in Physics from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in 1976.

DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Wai Kwan (“Mr. Wong”), aged 54, is a non-executive Director since June 2017. He is also a member of our audit committee. Since July 2016, Mr. Wong has been the chief financial officer of ThinkTank Learning Holding Company. From December 2011 to June 2016, Mr. Wong served as the General Manager of the Financial Audit Department and the Managing Director of the Internal Audit Department of Shanghai Fosun High Technology (Group) Co., Ltd., a wholly-owned subsidiary of Fosun International Limited (Stock Code: 00656). From August 1992 to March 2000, Mr. Wong was employed by Ernst & Young and his last position was Manager in its Assurance Department. Mr. Wong has over 25 years of experience in finance, accounting, and financial management. Currently, Mr. Wong is an independent non-executive director of Starlight Culture Entertainment Group Limited (Stock Code: 01159) and Vision Fame International Holding Limited (Stock Code: 01315). Mr. Wong is a fellow member of Certified Practising Accountants (Australia), a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr. Wong graduated with a Master of Business Administration from Washington University in St. Louis, Missouri, United States in December 2009. He obtained a Bachelor of Arts with Honours in Accountancy from the City University of Hong Kong in Hong Kong in November 1992.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Alfred Tsai CHU (“Mr. Chu”), aged 47, is an independent non-executive Director since June 2020. He is also a member of our audit committee, nomination committee and remuneration committee. Mr. Chu is the Founding Partner of Starlite Investment Group since 2010. From 2015 to 2017, Mr. Chu was a Partner of Yimei Capital. From 2010 to 2014, Mr. Chu was a Partner of IPV Capital. From 2006 to 2010, Mr. Chu was a Partner of Tiandi Capital. From 2006 to 2010, Mr. Chu was a Venture Partner of Panasonic Venture Capital. All of these firms are venture capital firms. Mr. Chu has over 20 years of experience in the finance industry. Mr. Chu graduated with a Master of Business Administration in Finance from the Wharton School of the University of Pennsylvania in 2006 and a Bachelor of Science in Business Administration from the University of California, Berkeley in 1996.

Mr. CHAN King Man Kevin (“Mr. Chan”), aged 42, is an independent non-executive Director since December 2017. He is also the chairman of our nomination committee and a member of our remuneration committee. Since April 2008, Mr. Chan has worked for Grant Thornton China, where he currently serves as partner and where he is a member of the Grant Thornton China Advisory Steering Committee and is also co-head of the Grant Thornton China transaction advisory team. From July 2007 to April 2008, Mr. Chan was a Manager in the Corporate Finance (Transaction Services) department at Grant Thornton Services LLP. Mr. Chan obtained a Bachelor of Science in Economics and Accounting with a Language from the University of Bristol in the United Kingdom in June 2001 and a Master of Business Administration from Shanghai Fudan University in July 2021. Mr. Chan has been a member of the Institute of Chartered Accountants of Scotland since December 2005. He has been a China Chapter Board member with the Association for Corporate Growth since January 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Charles Eric EESLEY (“Mr. Eesley”), aged 42, is an independent non-executive Director since December 2017. He is also the chairman of our remuneration committee and a member of our audit committee and nomination committee. Mr. Eesley has over ten years of experience in education and research focusing on technology and entrepreneurship. Since 2009, Mr. Eesley has worked at Stanford University, and is currently an Associate Professor in the School of Engineering and the W.M. Keck Foundation Faculty Scholar in the Department of Management Science and Engineering. As part of the Stanford Technology Ventures Program, he conducts research on technology entrepreneurship, specifically the impact of institutions and university environment on high growth technology entrepreneurship. In 2020, he received the Third Annual IACMR-RRBM Responsible Research in Management Award and in 2018, he was the recipient of the TUM Research Excellence Award from the Technical University of Munich. Mr. Eesley obtained a Doctor of Philosophy in Management from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in June 2009 and a Bachelor of Science from Duke University in Durham, North Carolina, United States in May 2002.

Mr. KWAN Ngai Kit (“Mr. Kwan”), aged 42, is an independent non-executive Director since June 2021. He is also the chairman of our audit committee and a member of our nomination committee. Mr. Kwan is the chief financial officer, authorised representative and the company secretary of Modern Dental Group Limited (stock code: 3600) since October 2016. Mr. Kwan, has over 15 years of experience in auditing, accounting and corporate management. Prior to March 2014, he worked as a senior manager in both the assurance department and the technical department of Ernst & Young during which he acquired intensive capital market transactions experience. Mr. Kwan is currently an independent non-executive director of Rare Earth Magnesium Technology Group Holdings Limited (stock code: 601) and A & S Group (Holdings) Limited (stock Code: 1737) which are listed on the Main Board of the Stock Exchange. Mr. Kwan is currently a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwan obtained a master’s degree in business administration from the Chinese University of Hong Kong in November 2014 and a bachelor’s degree in accountancy from The Hong Kong Polytechnic University in November 2002.

SENIOR MANAGEMENT

Mr. Benjamin Russell SMITH (“Mr. Smith”), alias Ben Smith, aged 46, is our Senior Vice President of Business Development. He joined our Group in February 2014 as Senior Vice President of Business Development and is responsible for overseeing our ReClaim product sales and other related business development activities. From April 2012 to January 2014, Mr. Smith was the chief executive officer at Blayze Inc.. From September 2003 to October 2009 he served as Strategic Partner Development Senior Associate at Google Inc., where he acquired experience in business development. Mr. Smith graduated with a Bachelor of Arts, majoring in Political Science and minoring in Legal Studies from Beloit College in Beloit, Wisconsin, United States in December 1997.

Mr. Christopher Mark MARSHALL (“Mr. Marshall”), alias Chris Marshall, aged 41, is our Senior Vice President of Business Operations. He joined our Group in November 2019 as Vice President of Channel ID upon the completion of our acquisition of Rights ID and Channel ID businesses from ZEFR, Inc. From 2012 to November 2019, Mr. Marshall worked at ZEFR, Inc. and led the Channal ID business. From 2006 to 2012, Mr. Marshall worked at Select Staffing as National Account Manager. He graduated from Brigham Young University with a Bachelor of Arts, majoring in Marketing Communication and minoring in Creative Advertising in 2005.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Jian ZHAO (“Dr. Zhao”), aged 58, is our Chief Technology Officer since March 2021. He is responsible for overseeing the development and dissemination of technology for clients to improve and increase business. Prior to joining the Vobile Group, Dr. Zhao was Vice President of Advanced Technologies at Verance Corporation from 2010 to 2021. He served as CTO at Thomson Software and Technology Solutions from 2005 to 2009. Dr. Zhao was also a Founder, President and CTO of MediaSec Technologies, Inc. from 2000 to 2005. He obtained a Doctor of Philosophy in Computer Science from Technology University Darmstadt in Germany and a Master of Computer Science from East China Normal University in Shanghai, China.

Mr. Mark Woodrow Hall (“Mr. Hall”), aged 55, alias Mark Hall, is our Senior Vice President of Products and Innovation. He joined our group in March 2020 and is currently responsible for overseeing the products and innovation function. Prior to joining our Group, Mr. Hall served in Paramount Pictures for 14 years from February 2006 to March 2020 and his last position was Vice President of Digital Content Monetization. He was employed by DreamWorks Studios as an information technologist from July 2005 to February 2006. From December 2003 to June 2005, he was an CTO of Merchants Billing Services. Mr. Hall served as the Director of Network of Cars Direct from 1999 to 2003. From 1996 to 1999, he served as an Infrastructure Engineer of Delaware North. Mr. Hall studied English Literature at San Diego State University from 1989 to 1992.

Mr. Michael Paul WITTE (“Mr. Witte”), alias Mike Witte, aged 63, is an executive Director of our Company from June 2017 to June 2021. He joined our Group in January 2008 as our Executive Vice President of Business Development and Sales and is responsible for overseeing all sales and customer success of our content protection products in the US and other related business development activities, including sourcing new clients and managing and growing our existing client relationships, performing after-sales services and providing ongoing support to our customers, and manages our sales team in Silicon Valley. Mr. Witte has over ten years of experience in the SaaS business since joining our Group. Mr. Witte obtained a Bachelor of Arts majoring in English from the University of California in Santa Barbara, California, US in March 1982.

Mr. HO Sai Hong Vincent (“Mr. Ho”), aged 36, is our Financial Controller and company secretary since November 2016. He is responsible for overseeing overall accounting and financial reporting functions. Mr. Ho has over 10 years of experience in the auditing and accounting fields. From September 2008 to September 2015, Mr. Ho worked at the Assurance Department of Ernst & Young where he last served as Manager. Mr. Ho is currently a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He graduated with a Bachelor of Business Administration in Economics and Accounting from the Hong Kong University of Science and Technology in Hong Kong in May 2008.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise of the provision of software as a service. The principal activities and other particulars of the subsidiaries of the Company are set out in note 1 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and the "Management Discussion and Analysis" set out on page 4 to 5 and pages 6 to 14 of this annual report, respectively. This discussion forms part of this directors' report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out in the section headed "Five Year Financial Summary" on page 129 of this annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 December 2021 and the Group's financial position as at 31 December 2021 are set out in the financial statements on pages 47 to 128.

The Board does not recommend payment of any dividend in respect of the year ended 31 December 2021 (2020: Nil).

SHARE CAPITAL, SHARE OPTION AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds are set out in note 28, 29 and 26 to the financial statements, respectively.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, except for the purchase of 900,000 Shares before Share Subdivision and 4,744,000 Shares after Share Subdivision on behalf by Tricor Trust (Hong Kong) Limited, a wholly-owned subsidiary of Tricor Holdings Limited, as the trustee of the share award plan adopted by the Group on 6 May 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution mainly represent the share premium account, retained profits, merger reserve and other reserves, amounted to approximately HK\$1,567 million.

CHARITABLE DONATIONS

During the year ended 31 December 2020, the Group made charitable donations totalling HK\$778,000 (2021: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 66.5% of the total revenue. The top five suppliers accounted for approximately 70.6% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 30.7% of the total revenue and the Group's largest supplier accounted for approximately 35.3% of the total purchases for the year.

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

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this report are:

Executive Directors:

Mr. Yangbin Bernard WANG (*Chairman and Chief Executive Officer*)
Mr. MATSUZAWA Masaaki (appointed on 30 June 2021)
Mr. Michael Paul WITTE (retired on 30 June 2021)

Non-executive Directors:

Mr. J David WARGO
Mr. WONG Wai Kwan

Independent Non-executive Directors:

Mr. CHAN King Man Kevin
Mr. Alfred Tsai CHU
Mr. Charles Eric EESLEY
Mr. KWAN Ngai Kit (appointed on 30 June 2021)
Mr. Derek CHANG (retired on 30 June 2021)

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

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

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE AGREEMENTS

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed a total of 293 staff as compared to 132 staff as at 31 December 2020. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time.

The remuneration of the Directors is reviewed by the remuneration committee of the Company and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors. Particulars of the remuneration of employees of the Group during the year ended 31 December 2021 are set out in note 6 to the financial statements.

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

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year ended 31 December 2021 are set out in notes 8 and 9 to the financial statements.

PRE-IPO SHARE OPTION SCHEME

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

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

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

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

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

(c) Lapse of Option or Right

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

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

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

As at 31 December 2021, the outstanding share option granted under the Pre-IPO Share Option Scheme is 32,120,000 Shares (after pro-rata adjustments upon the Share Subdivision), representing 1.52% of the issued share capital of the Company as at 31 December 2021.

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

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

DIRECTORS' REPORT

Outstanding share options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as of 31 December 2021. For further details on the movement of the options during the year, please see note 29 to the financial statements.

Grantee	Position Held	Exercise Price	Number of Shares under the Pre-IPO Share Option Scheme	Date of Grant	Approximate Percentage
Directors					
Mr. Wang	Executive Director	US\$0.0344	32,000,000	25 April 2017	1.51
Other 2 employees		US\$0.0313	120,000	25 April 2017	0.01
Total			32,120,000		1.52

POST-IPO SHARE OPTION SCHEME

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

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

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

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

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

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

DIRECTORS' REPORT

(c) Lapse of Option or Right

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

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

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

As at 31 December 2021, the outstanding number of options available for issue under the Post-IPO Share Option Scheme is 166,315,022 Shares (after pro-rata adjustments upon the Share Subdivision), representing 7.85% of the issued share capital of the Company.

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

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

DIRECTORS' REPORT

Outstanding share options

The table below shows details of the outstanding share options granted to all grantees under the Post-IPO Share Option Scheme as of 31 December 2021. For further details on the movement of the options during the year, please see note 29 to the financial statements.

Grantee	Exercise Price	Number of Shares under the Post-IPO Share Option Scheme	Date of Grant	Approximate Percentage
Director				
Mr. Wang	HK\$5.00	112,000,000	12 January 2021	5.29
Mr. Matsuzawa	HK\$8.70	10,000,000	23 July 2021	0.47
Subtotal		122,000,000		5.76
Employees and consultants				
Kevin A. Mayer	HK\$1.02	8,000,000	9 September 2020	0.38
2 business consultants	HK\$0.875	3,000,000	30 July 2020	0.14
27 employees	HK\$0.875	22,400,000	30 July 2020	1.06
3 employees	HK\$8.70	8,300,000	23 July 2021	0.39
Subtotal		41,700,000		1.97
Total		163,700,000		7.73

The closing price of the Company's Shares on 11 January 2021 and 22 July 2021 being the closing price of the Company's Shares on the date immediately before the date on which the options were granted, are HK\$4.775 (before the Share Subdivision, equivalent to HK\$1.1938 after the Share Subdivision) and HK\$8.59, respectively.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 December 2021 are set out in note 2.5 to the financial statements.

DIRECTORS' REPORT

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

As of 31 December 2021, 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	415,161,920	19.61%
Mr. Matsuzawa (note 3)	Beneficial owner	10,000,000	0.47%
Mr. Wargo	Beneficial owner	89,125,356	4.21%
Mr. Wong	Beneficial owner	2,444,000	0.12%
Mr. Chan	Beneficial owner	44,000	0.00%
Mr. Chu	Beneficial owner	44,000	0.00%
Mr. Eesley	Beneficial owner	44,000	0.00%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Wang is a settlor, a trustee and a beneficiary of the JYW Trust. Mr. Wang and the JYW Trust are the settlors and Mr. Wang is the trustee and beneficiary of the YBW Trust. Mr. Wang is interested in 30,400,000 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 144,000,000 shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.
- (3) Mr. Matsuzawa is interested in 10,000,000 shares which may be issued pursuant to the exercise of options granted under the Post-IPO Share Option Scheme.

Save as disclosed above, as of 31 December 2021, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year ended 31 December 2021 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 31 December 2021, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares ⁽¹⁾	Approximate percentage of the issued share capital
Poly Platinum Enterprises Limited ⁽²⁾	Beneficial owner	176,464,432 (L)	8.33
Greater Bay Area Homeland Development Fund (GP) Limited ⁽²⁾	Interest in a controlled corporation	176,464,432 (L)	8.33
Greater Bay Area Homeland Investments Limited ⁽²⁾	Interest in a controlled corporation	176,464,432 (L)	8.33
LU Jian	Beneficial owner	127,011,920 (L)	5.99
Antfin (Hong Kong) Holding Limited ⁽³⁾	Beneficial owner	115,606,936 (L)	5.46
Hangzhou Yunqiang Enterprise Management Consulting Co., Ltd ⁽³⁾	Interest in a controlled corporation	115,606,936 (L)	5.46
Ant Group Co., Ltd. ⁽³⁾	Interest in a controlled corporation	115,606,936 (L)	5.46
Ma Yun ⁽³⁾	Interest in a controlled corporation	115,606,936 (L)	5.46
Eric Xiandong Jing ⁽³⁾	Person acting in concert	115,606,936 (L)	5.46
Simon Xiaoming Hu ⁽³⁾	Person acting in concert	115,606,936 (L)	5.46
Fang Jiang ⁽³⁾	Person acting in concert	115,606,936 (L)	5.46
Navibell Venture Corp. ⁽⁴⁾	Beneficial owner	108,884,000 (L)	5.14
Tricor Equity Trustee Limited ⁽⁴⁾	Interest in a controlled corporation, Trustee of a trust	108,884,000 (L)	5.14
XIE Shihuang ⁽³⁾	Interest in a controlled corporation	108,884,000 (L)	5.14

DIRECTORS' REPORT

Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the Letter "S" denotes the person's short position in the Shares.
- (2) Poly Platinum Enterprise Limited is wholly owned by Greater Bay Area Homeland Development Fund LP, which is managed by Greater Bay Area Development Fund Management Limited. Greater Bay Area Homeland Development Fund (GP) Limited is the general partner of Greater Bay Area Homeland Development Fund LP. Greater Bay Area Homeland Development Fund (GP) Limited is in turn wholly owned by Greater Bay Area Homeland Investments Limited as at 31 December 2021. Under the SFO, Greater Bay Area Homeland Development Fund (GP) Limited and Greater Bay Area Homeland Investments Limited are deemed to be interested in the Shares held by Poly Platinum Enterprise Limited.
- (3) The 115,606,936 Shares are held by Antfin (Hong Kong) Holding Limited. Antfin (Hong Kong) Holding Limited is wholly-owned by Hangzhou Yunqiang Enterprise Management Consulting Co., Ltd., which is in turn wholly-owned by Ant Group Co., Ltd. Ant Group Co., Ltd. is owned as to approximately 20.66% by Hangzhou Junao Equity Investment Partnership (Limited Partnership) and approximately 29.86% by Hangzhou Junhan Equity Investment Partnership (Limited Partnership), which are both wholly-owned by Hangzhou Yunbo Investment Consultancy Co., Ltd, which is in turn owned as to 34% by Ma Yun. Pursuant to the concert party agreement executed by Mr. Ma Yun, Mr. Eric Xiandong Jing, Mr. Simon Xiaoming Hu and Ms. Fang Jiang, each of them is a party acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, each of Mr. Eric Xiandong Jing, Mr. Simon Xiaoming Hu and Ms. Fang Jiang is deemed to be interested in 115,606,936 shares held by Mr. Ma Yun under the SFO.
- (4) Navibell Venture Corp. is wholly owned by Tricor Equity Trustee Limited. Xie Shihuang is a trustee and a beneficiary of The XIE Family Trust which is the beneficiary of Equity Trustee Limited.

Save as disclosed above, as of 31 December 2021, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or as at 31 December 2021.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2021, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors during the reporting period namely, Mr. Chan, Mr. Chu, Mr. Eesley and Mr. Kwan, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them were independent during the year ended 31 December 2021.

CONTINUING CONNECTED TRANSACTIONS

There was no connected transaction during the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 31 to 41 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Yangbin Bernard WANG

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 31 March 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2021, the Company has applied the principles as set out in the CG Code which are applicable to the Company.

In the opinion of the Directors, during the year ended 31 December 2021, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, details of which are set out in the paragraph headed “Chairman and Chief Executive Officer” of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the year ended 31 December 2021. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company’s securities, without noticing any violation of the guidelines.

BOARD OF DIRECTORS

Composition of the Board of Directors

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

Executive Directors:

Mr. Yangbin Bernard WANG (*Chairman and Chief Executive Officer*)
Mr. MATSUZAWA Masaaki

Non-executive Directors:

Mr. J David WARGO
Mr. WONG Wai Kwan

Independent Non-executive Directors:

Mr. Alfred Tsai CHU
Mr. CHAN King Man Kevin
Mr. Charles Eric EESLEY
Mr. KWAN Ngai Kit

CORPORATE GOVERNANCE REPORT

The biographical details of all current Directors and senior management of the Company are set out on pages 15 to 18 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed “Directors and Senior Management” on pages 15 to 18 of this annual report, there are no financial, business, family or other material or relevant relationships among the members of the Board and/or the senior management during the reporting period.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yangbin Bernard WANG is both our Chairman and Chief Executive Officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe Mr. Wang is instrumental to our growth and business expansion since our establishment in 2005. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. In addition, the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information. In addition, under the supervision of the Board which is comprised of two executive Directors, two non-executive Director and four independent non-executive Directors as at the date of this report, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders. After considering all the corporate governance measures that have been taken, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of Chairman and Chief Executive Officer.

Independent Non-executive Directors

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

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

CORPORATE GOVERNANCE REPORT

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

CORPORATE GOVERNANCE REPORT

The Directors and senior management have also reviewed the performance of the Company and the sales strategy of the industry and have also discussed the market condition of the industry. All the Directors received from time to time CPD and updates relating to Director's duties and regulatory and business development relevant to the Company and their CPD record for the year ended 31 December 2021 is received and summarised as follows.

Executive Directors:	Type of training⁽¹⁾
Mr. Yangbin Bernard WANG	A and B
Mr. MATSUZAWA Masaaki	A and B
Mr. Michael Paul WITTE (retired on 30 June 2021)	A and B
Non-executive Directors:	
Mr. J David WARGO	A and B
Mr. WONG Wai Kwan	A and B
Independent Non-executive Directors:	
Mr. Alfred Tsai CHU	A and B
Mr. CHAN King Man Kevin	A and B
Mr. Charles Eric EESLEY	A and B
Mr. KWAN Ngai Kit	A and B
Mr. Derek CHANG (retired on 30 June 2021)	A and B

(1) Type of training

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

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

BOARD COMMITTEES

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

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

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

The Audit Committee held three meetings during the year ended 31 December 2021 to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of work.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors during the year ended 31 December 2021.

Remuneration Committee

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

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

The Remuneration Committee held two meetings during the year ended 31 December 2021 to determine the remuneration packages of Executive Directors and senior management and to review and make recommendation to the Board on the remuneration policy and structure of the Company, and other related matters.

Details of the fees and other emoluments paid or payable to the Directors and the details of the remuneration by band of the members of the senior management (excluding Directors) for the year ended 31 December 2021 are set out in details in notes 8 and 9 to the audited financial statements contained in this report.

CORPORATE GOVERNANCE REPORT

Nomination Committee

As at the date of this annual report, the Nomination Committee comprises an executive Director, being Mr. Yangbin Bernard WANG, a non-executive Director, being Mr. WONG Wai Kwan and three independent non-executive Directors, being Mr. Alfred Tsai CHU, Mr. CHAN King Man Kevin and Mr. KWAN Ngai Kit. The chairman of the Nomination Committee is Mr. CHAN King Man Kevin. The terms of reference of the Nomination Committee are available on the respective websites of the Stock Exchange and the Company.

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

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

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

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

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

The Nomination Committee held two meetings during the year ended 31 December 2021 to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the AGM. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and AGM of the Company held during the year ended 31 December 2021 is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors					
Mr. Yangbin Bernard WANG	15/15	N/A	2/2	2/2	1/1
Mr. MATSUZAWA Masaaki (appointed on 30 June 2021)	7/7	N/A	N/A	N/A	1/1
Mr. Michael Paul WITTE (retired on 30 June 2021)	8/8	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. J David WARGO	15/15	3/3	2/2	1/1	1/1
Mr. WONG Wai Kwan	15/15	3/3	N/A	1/1	1/1
Independent Non-executive Directors					
Mr. Alfred Tsai CHU	15/15	3/3	2/2	2/2	1/1
Mr. CHAN King Man Kevin	15/15	1/1	1/1	2/2	1/1
Mr. Charles Eric EESLEY	15/15	3/3	2/2	1/1	1/1
Mr. KWAN Ngai Kit (appointed on 30 June 2021)	7/7	2/2	N/A	1/1	1/1
Mr. Derek CHANG (retired on 30 June 2021)	7/8	N/A	1/1	1/1	1/1

During the year, apart from the Board meetings, consents and/or approvals of the Board were also obtained by way of written resolutions on a number of matters/transactions. The Chairman of the Board met all the independent non-executive Directors without the presence of the other Directors after the Board meeting held on 31 March 2022 in compliance with code provision A.2.7 of the CG Code.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" on pages 42 to 46 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration that should be paid to the external auditor of the Company, Ernst & Young, for the audit of the year ended 31 December 2021 and non-audit services is set out below:

Service Category	Fee Paid/Payable HK\$'000
Audit services of annual report	3,580
Audit services for a proposed acquisition	3,200
Non-audit services	491

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

CORPORATE GOVERNANCE REPORT

The Board has engaged an external professional service firm as its risk management and internal control review adviser (the “Adviser”) to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2021 as there is no internal audit function within the Group and the Directors considered it to be more cost effective to appoint external independent professionals to perform internal audit functions for the Group. The Directors will continue to review at least annually the need for an internal audit function. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

SHAREHOLDERS’ RIGHTS

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

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

Convening an Extraordinary General Meeting by Shareholders

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

Putting Forward Proposals at General Meetings

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

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

CORPORATE GOVERNANCE REPORT

Putting Forward Enquiries to the Board

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

Contact Details

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

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

Email: ir@vobilegroup.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

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

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

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

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

COMPANY SECRETARY

Mr. Ho Sai Hong Vincent, aged 36, is the financial controller and company secretary of our Company. He has complied with requirements set out in Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the year ended 31 December 2021.

INDEPENDENT AUDITOR'S REPORT



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To the shareholders of Vobile Group Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vobile Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 47 to 128, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of goodwill</i></p> <p>As at 31 December 2021, the goodwill amounted to HK\$607,297,000, of which HK\$554,412,000 and HK\$52,885,000 were allocated to the Transaction-based SaaS Business cash-generating unit ("CGU") and Peer to peer network technology CGU, respectively.</p> <p>The recoverable amounts of both CGUs (the Transaction-based SaaS Business and the Peer-to-Peer Network Technology) have been determined based on a value-in-use calculation using five-year cash flow projections approved by senior management. This process involves management to estimate a projected amount of viewership on videos, and a projected amount of advertisement inserted to videos, the expected future market demand as a result of changes in current market conditions and technology, and the latest invoice prices. An assessment was made at the end of the reporting period.</p> <p>We focused on this area because it required a high level of management judgement and the amount involved was significant.</p> <p>Related disclosures was included in notes 2.4, 3 and 16 to the consolidated financial statements.</p>	<p>We obtained an understanding of the process in place in the impairment assessment of goodwill.</p> <p>We discussed with management and assessed the allocation of goodwill to different CGUs.</p> <p>We involved our internal specialists to evaluate the assumptions and methodologies used by the management of the Group, such as the pre-tax discount rate and terminal growth rate. We discussed with internal specialists regarding their valuation results.</p> <p>We assessed the recoverable amount of goodwill by reviewing the operating cash flows of the cash-generating units, management's forecasts, and the underlying assumptions.</p> <p>We also focused on the adequacy of the Group's disclosures concerning those assumptions to which the outcome of the impairment test was most sensitive, such as the revenue growth rate, gross profit margin and the discount rate. Those assumptions had the most significant effect on the determination of the recoverable amount of goodwill. We assessed the sufficiency of the sensitivity analysis performed by the directors of the Company.</p>

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p><i>Recognition of deferred tax assets</i></p> <p>The balance of deferred tax assets as at 31 December 2021 amounted to HK\$83,603,000. Deferred tax assets had been provided for the losses available for offsetting against future taxable profits and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The Group had tax losses and unutilised deduction arising in the United States of HK\$188,302,000 as at 31 December 2021 that will expire in twenty years for offsetting against future taxable profits. The deferred tax assets were calculated at a composite statutory tax rate of 27.98%, which consisted of a federal income tax rate and multiple state income tax rates. The assessment of future taxable income and the recognition of deferred tax assets required judgement and estimates such as forecasted profits and the impact of potential future tax reforms on the deferred tax asset amounts and was therefore significant to our audit.</p> <p>Related disclosures are included in notes 2.4, 3 and 27 to the consolidated financial statements.</p>	<p>We obtained an understanding of the deferred tax asset calculation and performed substantive audit procedures on the recognition of deferred tax balances based on local tax regulations, and on the analysis of the recoverability of the deferred tax assets.</p> <p>We evaluated the Group's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on budgets and plans, principally by performing sensitivity analyses and evaluating and testing the key assumptions used to determine the amounts recognised.</p> <p>We also involved our internal specialists to support us in these procedures in order to assess the accuracy of the deferred tax asset recognition.</p>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Ernst & Young

Certified Public Accountants

Hong Kong

31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
REVENUE	5	686,528	340,294
Cost of services provided		(337,757)	(174,730)
Gross profit		348,771	165,564
Other income and gains	5	5,516	142,473
Selling and marketing expenses		(97,862)	(74,762)
Administrative expenses		(128,840)	(58,200)
Research and development expenses		(111,840)	(52,488)
Finance costs	7	(20,174)	(50,194)
Share of losses of an associate	18	(108)	—
Other expenses		(10,339)	(5,255)
(LOSS)/PROFIT BEFORE TAX	6	(14,876)	67,138
Income tax (expense)/credit	10	(7,801)	14,049
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(22,677)	81,187
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		12,706	2,577
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		12,706	2,577
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(9,971)	83,764
(LOSS)/EARNINGS PER SHARE			
Basic			
— for (loss)/profit for the year (HK\$)	12	(0.0119)	0.0474
Diluted			
— for (loss)/profit for the year (HK\$)	12	(0.0119)	0.0459

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	26,190	1,538
Investment properties	14	45,328	—
Right-of-use assets	15(a)	23,239	22,424
Goodwill	16	607,297	603,820
Other intangible assets	17	111,449	81,150
Financial assets at fair value through profit or loss	21	48,316	—
Deferred tax assets	27	83,603	62,242
Prepayments and deposits	20	1,986	1,194
Total non-current assets		947,408	772,368
CURRENT ASSETS			
Trade receivables	19	269,637	69,518
Prepayments, other receivables and other assets	20	50,877	47,942
Tax recoverable		5,363	1,348
Cash and cash equivalents	22	496,865	262,362
Total current assets		822,742	381,170
CURRENT LIABILITIES			
Trade payables	23	136,218	50,961
Other payables and accruals	24	25,709	38,706
Lease liabilities	15(b)	9,473	8,117
Tax payable		20,094	—
Total current liabilities		191,494	97,784
NET CURRENT ASSETS		631,248	283,386
TOTAL ASSETS LESS CURRENT LIABILITIES		1,578,656	1,055,754
NON-CURRENT LIABILITIES			
Convertible bonds	26	—	82,975
Interest-bearing borrowings	25	—	155,050
Lease liabilities	15(b)	14,790	14,846
Deferred tax liabilities	27	27,543	14,017
Total non-current liabilities		42,333	266,888
Net assets		1,536,323	788,866
EQUITY			
Share capital	28	417	359
Treasury shares	28	(62,437)	(21,984)
Equity component of convertible bonds	26	—	11,590
Reserves	30	1,598,343	798,901
Total equity		1,536,323	788,866

Yangbin Bernard WANG
Director

KWAN Ngai Kit
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the Company									
	Equity component of			Share premium*	Merger reserve*	Other reserve*	Share compensation reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total equity
	Share capital	Treasury shares	convertible bonds							
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021 (restated)	359	(21,984)	11,590	610,933	2,916	199,151	28,793	(2,235)	(40,657)	788,866
Loss for the year	—	—	—	—	—	—	—	—	(22,677)	(22,677)
Exchange differences related to foreign operations	—	—	—	—	—	—	—	12,706	—	12,706
Total comprehensive loss for the year	—	—	—	—	—	—	—	12,706	(22,677)	(9,971)
Issue of shares	17	—	—	629,685	—	—	—	—	—	629,702
Equity-settled share option arrangements	11	18,991	—	65,221	—	—	5,925	—	—	90,148
Issue of shares upon conversion of convertible bonds	30	—	(11,590)	108,582	—	—	—	—	—	97,022
Shares repurchased under share award scheme	—	(59,444)	—	—	—	—	—	—	—	(59,444)
As at 31 December 2021	417	(62,437)	—	1,414,421	2,916	199,151	34,718	10,471	(63,334)	1,536,323

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital HK\$'000	Treasury shares HK\$'000	Equity component of				Share compensation reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Accumulated losses* HK\$'000	Total equity HK\$'000
			convertible bonds HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Other reserve* HK\$'000				
At 1 January 2020 (as restated)	332	(19,990)	—	212,623	2,916	199,151	4,799	(4,812)	(121,844)	273,175
Profit for the year	—	—	—	—	—	—	—	—	81,187	81,187
Exchange differences related to foreign operations	—	—	—	—	—	—	—	2,577	—	2,577
Total comprehensive income for the year	—	—	—	—	—	—	—	2,577	81,187	83,764
Issue of shares	23	—	—	387,155	—	—	—	—	—	387,178
Equity component of convertible bonds issued	—	—	11,590	—	—	—	—	—	—	11,590
Share allotment for consideration settlement	4	—	—	11,155	—	—	—	—	—	11,159
Shares repurchased under share award scheme	—	(1,994)	—	—	—	—	—	—	—	(1,994)
Equity-settled share compensation arrangements	—	—	—	—	—	—	23,994	—	—	23,994
As at 31 December 2020 (restated)	359	(21,984)	11,590	610,933	2,916	199,151	28,793	(2,235)	(40,657)	788,866

* These reserve accounts comprise the consolidated other reserves of HK\$1,598,343,000 (2020: HK\$798,901,000 (restated)) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(14,876)	67,138
Adjustments for:			
Finance costs	7	20,174	50,194
Interest income	5	(1,615)	(209)
Depreciation of property, plant and equipment	13	1,028	1,399
Changes in fair value of investment properties	14	(447)	—
Depreciation of right-of-use assets	15(a)	10,676	10,716
Loss on disposal of items of property, plant and equipment and other intangible asset	13,17	—	103
Amortisation of other intangible assets	17	11,745	5,715
Impairment/(reversal of impairment) of financial assets	19	65	(240)
Changes in fair value of financial assets at fair value through profit or loss		5,075	—
Share of losses of an associate	18	108	—
Equity-settled share compensation expense		67,387	23,994
Fair value gain on other liabilities measured at fair value through profit or loss		—	(138,467)
		99,320	20,343
(Increase)/decrease in trade receivables		(200,183)	37,254
Decrease/(increase) in prepayments and other assets		3,242	(22,227)
(Decrease)/increase in deposits and other receivables		(2,086)	5,014
Increase/(decrease) in other payables		4,496	(13,312)
Increase in trade payables		85,257	6,812
Cash (used in)/generated from operations		(9,954)	33,884
Interest received		1,615	209
Interest paid		(877)	(853)
Overseas taxes refunded		443	287
Net cash flows (used in)/from operating activities		(8,773)	33,527
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(25,852)	(33)
Purchases of items of other intangible assets		(40,430)	(11,256)
Purchases of investment properties		(44,881)	—
Purchase of a shareholding in an associate		(108)	—
Purchases of financial assets		(53,391)	—
Net cash flows used in investing activities		(164,662)	(11,289)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds	26	—	89,790
Issue of shares		629,702	387,178
Purchase of shares held under the share award scheme	28	(59,444)	(1,994)
Interest paid		(6,308)	(27,606)
Repayment of interest-bearing borrowings		(155,050)	(237,312)
Principal portion of lease payments	31(b)	(10,191)	(9,989)
Net cash flows from financing activities		398,709	200,067
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year	22	262,362	37,480
Effect of foreign exchange rate changes, net		9,229	2,577
CASH AND CASH EQUIVALENTS AT END OF YEAR		496,865	262,362
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		429,157	212,366
Time deposits with original maturity of less than three months when acquired		67,708	49,996
Cash and cash equivalents as stated in the statement of cash flows	22	496,865	262,362

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

Vobile Group Limited 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 Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

Information about subsidiaries

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

Name	Place and date of incorporation/registration and place of business	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Vobile, Inc. ("Vobile US")*	United States 20 May 2005	—	—	100%	SaaS
Vobile Japan, Inc. ("Vobile Japan")*	Japan 5 September 2009	JPY20,000,000	99.75%	—	SaaS
Vobile Group (HK) Limited ("Vobile Hong Kong")	Hong Kong 18 December 2014	HK\$1,000,000	100%	—	SaaS
Hangzhou Vobile Technologies Co. Ltd. ("Vobile Hangzhou")	PRC/ Mainland China 8 February 2018	RMB200,000,000	—	100%	SaaS
Vobile Australia Pty., Ltd. ("Vobile Australia")	Australia 23 October 2018	AUD1	—	100%	SaaS
Guangzhou Vobile Technologies Co. Ltd. ("Vobile Guangzhou")	PRC/Mainland China 25 March 2019	RMB50,000,000	—	100%	SaaS
Wuhan Vobile Technologies Co. Ltd. ("Vobile Wuhan")**	PRC/Mainland China 24 June 2021	RMB50,000,000	—	100%	SaaS
Zhejiang Vobile Technologies Co. Ltd. ("Vobile Zhejiang")**	PRC/Mainland China 5 July 2021	RMB100,000,000	—	100%	SaaS

Note:

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

** No audited financial statements have been prepared for these entities for the years ended 31 December 2021, as these entities were newly registered in 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”) and International Accounting Standards (“IASs”) and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, wealth management products and equity investments which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.2 CHANGE IN PRESENTATION CURRENCY

The consolidated financial information is presented in HKD and all values are rounded to nearest thousand except when otherwise indicated. Having considered that the shares of the Company are listed on The Stock Exchange of Hong Kong Limited, the Board believes it is more appropriate to adopt HKD as its presentation currency for the Group's consolidated financial statements. Furthermore, the Board considers that the change of presentation currency enables the shareholders and potential investors of the Company to have a more accurate picture of the Group's financial performance.

For the purpose of presenting the consolidated financial statements of the Group in HKD, the assets and liabilities for the consolidated statement of financial position are translated into HKD at the closing rate at the end of the reporting period. Income and expenses for the consolidated statement of profit or loss and other comprehensive income are translated at the average exchange rates for the financial period. The share capital, the share premium and reserves are translated at the exchange rate at the date of transaction. The comparative information as at 31 December 2020 and comparative information for the year ended 31 December 2020 has been restated in the consolidated statements.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform — Phase 2

Covid-19-Related Rent Concessions (early adopted)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The Group had no interest-bearing bank or other borrowings as at 31 December 2021.

- (b) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any significant impact on the financial position and performance of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
IFRS 17	<i>Insurance Contracts</i> ^{2,4}
Amendments to IFRS 17	<i>Insurance Contracts</i> ^{2,4}
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i> ²
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ²
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ¹
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> ¹
<i>Annual Improvements to IFRSs 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

Fair value measurement

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

or

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

Computer equipment	10% to 25%
Leasehold improvements	Over the shorter of lease terms and 20%
Furniture and fixtures	10% to 33%
Motor vehicles	20% to 25%

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

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

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

Research and development costs

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Offices: 2 to 6 years

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

(b) Lease liabilities

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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

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

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

Simplified approach

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (other borrowings)

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

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

Convertible bonds

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

Derecognition of financial liabilities

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

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

Treasury shares

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

Cash and cash equivalents

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

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

Provisions

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

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

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

(a) Rendering of services

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Services revenue

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

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

The transaction-based SaaS business generates revenue from the content monetization products.

Revenue from the content monetization products is recognised when the relevant services are rendered.

Other income

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

Contract liabilities

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

Share-based payments

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

The cost of equity-settled transactions with employees and consultants for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in note 29 to the financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

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

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

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

Other employee benefits

Pension scheme

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than the HK\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK\$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HK\$ at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was HK\$607,297,000 (2020: HK\$603,820,000). Further details are given in note 16 to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 34 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2021 was HK\$48,316,000. (2020: Nil). Further details are included in note 21 to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was HK\$52,687,000 (2020: HK\$37,094,000). Further details are contained in note 27 to the financial statements.

Useful lives of property, plant and equipment and intangible assets

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

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs as disclosed in note 3 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2021, the best estimate of the carrying amount of capitalised development costs was HK\$86,212,000 (2020: HK\$48,373,000). Further details are disclosed in note 17 to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2021 was HK\$45,328,000 (2020: Nil). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2021 HK\$'000	2020 HK\$'000 (Restated)
United States	515,209	320,159
Mainland China	166,161	11,417
Japan	4,446	8,059
Other countries/regions	712	659
	686,528	340,294

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) Non-current assets

	2021 HK\$'000	2020 HK\$'000 (Restated)
United States	642,253	637,161
Mainland China	147,215	48,470
Other countries/regions	26,021	24,495
	815,489	710,126

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

Information about major customers

Revenue derived from sales to major customers, including sales to a group of entities which are known to be under common control with those customers, which accounted for 10% or more of the Group's revenue for the year ended 31 December 2021 is as follows:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Customer A	210,408	—*
Customer B	111,648	—*

* Revenue derived from these customers did not exceed 10% of the Group's revenue for the year ended 31 December 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the year.

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
<i>Revenue from contracts with customers</i>		
Rendering of services	686,528	340,294

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 HK\$'000	2020 HK\$'000 (Restated)
Timing of revenue recognition		
Services transferred overtime	686,528	340,294

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services	395	4,096

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Rendering of services

The performance obligation is satisfied over time as services are rendered and advance payments are sometimes received for certain services. For other SaaS services, payment is generally due within 30 days.

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Within one year	2,409	395
Other income and gains		
Fair value gain on other liabilities measured at FVTPL*	—	138,467
Fair value gains on investment properties	447	—
Bank interest income	1,615	209
Foreign exchange gains	3,070	2,962
Others	384	835
	5,516	142,473

* In November 2019, the Group acquired the Acquired Business from ZEFR, Inc. As of 31 December 2019 and 1 January 2020, the fair value of contingent consideration amounted to HK\$138,467,000. As the Acquired Business did not meet the earn-out criteria specified in the asset purchase agreement, the Company trued down the fair value of the contingent consideration payable accordingly in 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. (LOSS)/PROFIT BEFORE TAX

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Cost of services provided	337,757	174,730
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8):		
Wages and salaries	114,743	82,587
Equity-settled share compensation expense	50,842	23,799
Other benefits	4,962	2,404
Pension scheme contributions*	1,112	147
	171,659	108,937
Depreciation of items of property, plant and equipment (note 13)	1,028	1,399
Depreciation of right-of-use assets (note 15)	10,676	10,716
Amortisation of other intangible assets (note 17)	11,745	5,715
Lease payments not included in the measurement of lease liabilities	1,506	2,823
Impairment/(reversal of impairment) of trade receivables, net	65	(240)
Research and development expenses	111,840	52,488
Auditor's remuneration	3,580	2,451
Audit service fee for a proposed acquisition	3,200	—
Bank interest income (note 5)	(1,615)	(209)
Changes in fair value of investment properties (note 14)	(447)	—
Changes in fair value of financial assets at fair value through profit or loss	5,075	—
Foreign exchange differences, net	(2,608)	(574)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Interest on interest-bearing borrowings (including convertible bonds)	19,297	49,341
Nominal interest on lease liabilities	877	853
	20,174	50,194

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Fees	2,555	1,038
Other emoluments:		
Salaries, allowances and benefits in kind	6,524	4,883
Equity-settled share compensation expense	16,545	195
	25,624	6,116

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the then ultimate holding company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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

(a) Independent non-executive directors

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Mr. Alfred Tsai Chu	310	62
Mr. Chan King Man Kevin	310	116
Mr. Charles Eric Eesley	310	116
Mr. KWAN Ngai Kit**	115	—
Mr. Derek Chang***	115	62
Mr. James Alan Chiddix*	—	62
	1,160	418

* Mr. James Alan Chiddix retired as the Company's independent non-executive director on 30 June 2020.

** Mr. Kwan Ngai Kit was appointed as Company's Independent non-executive director on 30 June 2021.

*** Mr. Derek Chang was retired as the Company's independent non-executive director on 30 June 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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

(b) Executive directors, non-executive directors and the chief executive

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity-settled share compensation expense HK\$'000	Total HK\$'000
2021				
Executive directors:				
— Mr. Yangbin Bernard Wang*	—	4,263	6,286	10,549
— Mr. Matsuzawa, Masaaki***	—	2,261	8,925	11,186
	—	6,524	15,211	21,735
Non-executive directors:				
— Mr. J David Wargo	310	—	667	977
— Mr. Wong Wai Kwan	1,085	—	667	1,752
	1,395	—	1,334	2,729
	1,395	6,524	16,545	24,464
2020 (Restated)				
Executive directors:				
— Mr. Yangbin Bernard Wang*	—	2,713	174	2,887
— Mr. Michael Paul Witte**	—	2,170	8	2,178
	—	4,883	182	5,065
Non-executive directors:				
— Mr. J David Wargo	116	—	—	116
— Mr. Wong Wai Kwan	504	—	13	517
	620	—	13	633
	620	4,883	195	5,698

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

** Mr. Michael Paul Witte retired as the Company's executive director on 30 June 2021.

*** Mr. Matsuzawa Masaaki was appointed as the Company's executive director on 30 June 2021.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: two), details of whose remuneration are set out in note 8(b) above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Salaries, allowances and benefits in kind	6,535	6,371
	6,535	6,371

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

	Number of employees	
	2021	2020
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,500,000	3	3
HK\$2,500,001 to HK\$3,000,000	—	—
	3	3

During the prior years, share options were granted to a non-director and non-chief executive highest paid employee in respect of the services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Income tax consists primarily of United States, Mainland China, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group was charged at the federal tax rate of 21% (2020: 21%) for the year ended 31 December 2021. The income tax applicable to profits arising in Hong Kong was provided at a statutory tax rate of 16.5% during the year ended 31 December 2021. The income tax applicable to profits arising in Mainland China was provided at a statutory tax rate of 25% during the year ended 31 December 2021 except for certain subsidiaries of the Group in Mainland China, that were accredited as a "High and New Technology Enterprise" and entitled to a preferential rate of 15% in 2020 to 2023. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

10. INCOME TAX (Continued)

The major components of income tax expense/(credit) for the year are as follows:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Current — United States		
Charge for the year	2,052	31
Current — Mainland China		
Charge for the year	13,572	1,048
Current — Hong Kong		
Charge for the year	—	8
Current — Japan		
Charge for the year	12	26
Deferred tax expenses (note 27)	(7,835)	(15,162)
Total tax expense/(credit) for the year	7,801	(14,049)

A reconciliation of the United States federal statutory income tax rate of 21.0% (2020: 21.0%) to the Group's effective tax rate is as follows:

	2021 HK\$'000	2020 HK\$'000 (Restated)
(Loss)/profit before tax	(14,876)	67,138
Tax at the United States federal statutory income tax rate	(3,124)	14,107
United States state income taxes, net of federal benefit	(755)	(1,349)
Different tax rates for other jurisdictions	19,983	3,418
Expenses not deductible for tax	11	85
Income not subject to tax	(151)	(29,074)
Additional deductible allowance for research and development costs	(16,316)	(4,224)
Others	8,153	2,988
Tax expense/(credit) at the Group's effective tax rate	7,801	(14,049)

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,913,425,080 (2020: 1,714,536,088) in issue during the year, as adjusted to reflect the share subdivision, share allotment for consideration settlement, issue of shares and exercise of share options during the year.

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2021 in respect of a dilution as the impact of the share option scheme and convertible bonds outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented. The calculation of the diluted earnings per share amounts for the year ended 31 December 2020 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of (loss)/earnings per share amounts attributable to ordinary equity holders of the Company for each of the years ended 31 December 2021 and 2020 are based on the following data:

	2021 HK\$'000	2020 HK\$'000 (Restated)
(Loss)/profit		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculation	(22,677)	81,187
Interest on convertible bonds	—	7,275
(Loss)/profit attributable to ordinary equity holders of the Company before interest on convertible bonds	(22,677)	88,462
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	1,913,425,080	1,714,536,088
Effect of dilution — Weighted average number of ordinary shares:		
Share options	199,618,465	56,111,768
Convertible bonds	—	70,880,912
Weighted average number of ordinary share options for the purpose of diluted (loss)/earnings per share calculation	2,113,043,545*	1,841,528,768*

* The number of issued shares and the number of share interested increased due to the share subdivision of every one share of the Company with par value of US\$0.0001 of the Company into four subdivided shares of US\$0.000025 each on 15 July 2021. Therefore, the number of shares used in the calculation for the year ended 31 December 2020 was adjusted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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13. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 December 2021						
At 1 January 2021:						
Cost	7,882	3,964	1,670	1,136	—	14,652
Accumulated depreciation	(7,522)	(3,582)	(1,423)	(587)	—	(13,114)
Net carrying amount	360	382	247	549	—	1,538
At 1 January 2021, net of accumulated depreciation	360	382	247	549	—	1,538
Additions	436	—	1,589	714	23,113	25,852
Depreciation provided during the year	(188)	(382)	(135)	(323)	—	(1,028)
Exchange realignment	(11)	—	(163)	2	—	(172)
At 31 December 2021, net of accumulated depreciation	597	—	1,538	942	23,113	26,190
At 31 December 2021:						
Cost	8,379	3,973	3,097	1,852	23,113	40,414
Accumulated depreciation	(7,782)	(3,973)	(1,559)	(910)	—	(14,224)
Net carrying amount	597	—	1,538	942	23,113	26,190

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Computer equipment	Leasehold improvements	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2020 (Restated)					
At 1 January 2020:					
Cost	8,296	3,959	1,661	1,130	15,046
Accumulate depreciation	(7,588)	(2,826)	(1,317)	(360)	(12,091)
Net carrying amount	708	1,133	344	770	2,955
At 1 January 2020, net of accumulated depreciation	708	1,133	344	770	2,955
Additions	27	—	6	—	33
Disposals	(39)	—	—	—	(39)
Depreciation provided during the year	(292)	(763)	(117)	(227)	(1,399)
Exchange realignment	(44)	12	14	6	(12)
At 31 December 2020, net of accumulated depreciation	360	382	247	549	1,538
At 31 December 2020:					
Cost	7,882	3,964	1,670	1,136	14,652
Accumulated depreciation	(7,522)	(3,582)	(1,423)	(587)	(13,114)
Net carrying amount	360	382	247	549	1,538

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

14. INVESTMENT PROPERTIES

	HK\$'000
Carrying amount at 1 January 2020, 31 December 2020 and 1 January 2021	—
Additions	44,881
Net gain from a fair value adjustment	447
Carrying amount at 31 December	45,328

The investment properties under construction acquired by the Group amounted to HK\$44,881,000 which is held under leasehold interests to earn rentals after completion are measured using the fair value model, and are classified and accounted for as investment properties. The fair value as at 31 December 2021 assessed by the third-party amounted to HK\$45,328,000. In determining the fair value of the relevant investment properties, the Group engages in independent professional property valuers to perform the valuation. The management works closely with the independent professional property valuers to establish the appropriate valuation techniques and inputs to the model. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management reports the valuation report and findings to the Board of Directors of the Group yearly to explain the cause of fluctuations in the fair value of the investment properties.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Recurring fair value measurement for: Commercial properties	—	—	45,328	45,328

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. INVESTMENT PROPERTIES (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK\$'000
Carrying amount at 31 December 2020 and 1 January 2021	—
Additions	44,881
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	447
Carrying amount at 31 December 2021	45,328

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2021
Commercial properties	Discounted cash flow method	Estimated rental value (per sq.m. and per month) Rent growth (p.a.) Discount rate	91.69 to 121.03 2% 5.50%

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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15. LEASES

The Group as a lessee

The Group has lease contracts for office rental used in its operations. Leases of offices generally have lease terms between 2 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Offices HK\$'000
As at 1 January 2020 (restated)	7,886
Additions	25,254
Depreciation charge	(10,716)
As at 31 December 2020 and 1 January 2021 (restated)	22,424
Additions	11,491
Depreciation charge	(10,676)
As at 31 December 2021	23,239

(b) Lease liabilities

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

	2021 Lease liabilities HK\$'000	2020 Lease liabilities HK\$'000 (Restated)
Carrying amount at 1 January	22,963	7,698
New leases	11,491	25,254
Accretion of interest recognised during the year	877	853
Payments	(11,068)	(10,842)
Carrying amount at 31 December	24,263	22,963
Analysed into:		
Current portion	9,473	8,117
Non-current portion	14,790	14,846

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities (Continued)

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Nominal interest on lease liabilities	877	853
Depreciation charge of right-of-use assets	10,676	10,716
Expense relating to short-term leases (included in administrative expenses)	1,506	2,823
Total amount recognised in profit or loss	13,059	14,392

(d) The total cash outflow for leases is disclosed in note 31(c) to the financial statements.

16. GOODWILL

	2021 HK\$'000	2020 HK\$'000 (Restated)
As at 1 January	603,820	603,820
Exchange realignment	3,477	—
As at 31 December	607,297	603,820

Impairment testing of goodwill

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

- Transaction-based SaaS business cash-generating unit ("TBS CGU"); and
- Peer to peer network technology cash-generating unit ("P2P CGU").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

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

	TBS CGU		P2P CGU		Total	
	2021 HK\$'000	2020 HK\$'000 (Restated)	2021 HK\$'000	2020 HK\$'000 (Restated)	2021 HK\$'000	2020 HK\$'000 (Restated)
Carrying amount of goodwill	554,412	551,234	52,885	52,586	607,297	603,820

Transaction-based SaaS business cash-generating unit

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

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

Key assumptions used in the calculation are as follows:

	2021	2020
Revenue (% compound growth rate)	7%	9%
Gross margin (% of revenue)	38%	42%
Terminal growth rate	3%	3%
Pre-tax discount rate	16%	14%

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Transaction-based SaaS business cash-generating unit (Continued)

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

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

If the pre-tax discount rate rose to 30% or the gross profit margin decreased to 24% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonably possible changes in other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at 31 December 2021.

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

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

Peer to peer network technology cash-generating unit

The Group acquired the business from IP-Echelon on 19 November 2018, to solidify its leadership position in content protection globally and strengthen its ability to provide comprehensive solutions against any emerging threats of content piracy online. The acquisition also enables the Group to implement its plan to proactively expand geographic coverage internationally. The acquired technology had been incorporated fully into the content protection business and those new contracts had incorporated the technology inside. In 2021, the Group have consolidated all functions of the peer to peer and blockchain technology into one single product of content protection and started selling it in the Mainland China and resulted in significant growth of revenue.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Peer to peer network technology cash-generating unit (Continued)

Key assumptions used in the calculation are as follows:

	2021	2020
Revenue (% compound growth rate)	7%	4%
Gross margin (% of revenue)	90%	83%
Terminal growth rate	3%	3%
Pre-tax discount rate	16%	14%

If the pre-tax discount rate rose to 327% or the gross margin decreased to 29% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonably possible changes in other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at 31 December 2021.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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17. OTHER INTANGIBLE ASSETS

	Deferred development costs HK\$'000	Software HK\$'000	Technology HK\$'000	Customer relationship HK\$'000	Total HK\$'000
31 December 2021					
Cost at 1 January 2021, net of accumulated amortisation	48,373	407	22,215	10,155	81,150
Additions	40,430	—	—	—	40,430
Amortisation provided during the year	(4,089)	(71)	(4,959)	(2,626)	(11,745)
Exchange realignment	1,498	(113)	206	23	1,614
At 31 December 2021	86,212	223	17,462	7,552	111,449
At 31 December 2021					
Cost	90,248	294	26,667	13,131	130,340
Accumulated amortisation	(4,036)	(71)	(9,205)	(5,579)	(18,891)
Net carrying amount	86,212	223	17,462	7,552	111,449
31 December 2020 (restated)					
Cost at 1 January 2020, net of accumulated amortisation	45,531	483	13,780	13,161	72,955
Additions	—	106	11,150	—	11,256
Disposal	—	(64)	—	—	(64)
Amortisation provided during the year	—	(116)	(2,653)	(2,946)	(5,715)
Exchange realignment	2,842	(2)	(62)	(60)	2,718
At 31 December 2020	48,373	407	22,215	10,155	81,150
At 31 December 2020					
Cost	48,373	577	26,387	13,102	88,439
Accumulated amortisation	—	(170)	(4,172)	(2,947)	(7,289)
Net carrying amount	48,373	407	22,215	10,155	81,150

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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18. INVESTMENTS IN AN ASSOCIATE

	2021 HK\$'000	2020 HK\$'000 (Restated)
Share of net assets	108	—
Share of losses of an associate	(108)	—
	—	—

As at 31 December, 2021, UHD Big Data Solutions Co., Ltd. was an associate of the Group, and the proportion of the Group's ownership was 15%. The Group's other receivable balances with the associate are disclosed in notes 20 to the financial statements, respectively

19. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000 (Restated)
Trade receivables	269,756	69,572
Impairment	(119)	(54)
	269,637	69,518

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 receivable balances. Trade receivables are unsecured and non-interest-bearing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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19. TRADE RECEIVABLES (Continued)

An ageing analysis of the current trade receivables as at 31 December 2021, based on the invoice date and net of loss allowance, is as follows:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Within 90 days	244,708	56,362
91 to 180 days	21,198	8,163
181 to 365 days	3,708	3,543
Over 365 days	23	1,450
	269,637	69,518

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
At beginning of year	54	294
Impairment/(reversal of impairment) of trade receivables, net	65	(240)
At end of year	119	54

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 CONSOLIDATED FINANCIAL STATEMENTS

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19. 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 31 December 2021

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

As at 31 December 2020

	Current	Past due (Restated)			Total
		Less than 3 months	3 to 6 months	Over 6 months	
Expected credit loss rate	0.02%	0.04%	0.43%	0.62%	0.08%
Gross carrying amount (HK\$'000)	41,484	21,234	1,861	4,993	69,572
Expected credit losses (HK\$'000)	7	8	8	31	54

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 HK\$'000	2020 HK\$'000 (Restated)
Prepayments	43,338	46,580
Deposits and other receivables	9,525	2,556
	52,863	49,136
Portion classified as current assets	(50,877)	(47,942)
Non-current portion	1,986	1,194

Other receivables and other assets mainly represent rental deposits and deposits with suppliers. The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default. The Group has thereby concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the rates for other receivables and other assets. Since other receivables and other assets are related to receivables which are still in current and the payment is not due, the expected credit loss rates of deposits and other receivables are assessed to be minimal. The other receivable due from related party amounted to HK\$2,446,000 (2020: Nil), The related party is UHD Big Data Solutions Co. Ltd, and the Group holds 15% of its equity.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000 (Restated)
Other unlisted investments, at fair value	48,316	—

The above equity investments were classified as financial assets at FVTPL as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The above unlisted investments were asset management schemes managed by non-bank financial institutions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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22. CASH AND CASH EQUIVALENTS

	2021 HK\$'000	2020 HK\$'000 (Restated)
Cash and bank balances	429,157	212,366
Time deposits	67,708	49,996
	496,865	262,362
Denominated in HK\$	342,077	226,507
Denominated in US\$	23,332	28,878
Denominated in RMB	127,131	240
Denominated in JPY	3,819	6,016
Denominated in AU\$	506	659
Denominated in CA\$	—	62
Cash and bank balances	496,865	262,362

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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23. 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:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Within 90 days	89,870	46,635
91 to 180 days	36,666	2,093
Over 180 days	9,682	2,233
	136,218	50,961

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

24. OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000 (Restated)
Other payables	10,852	26,517
Accruals	6,099	5,412
Contract liabilities	2,409	395
Payroll and welfare accruals	6,349	6,382
	25,709	38,706

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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25. INTEREST-BEARING BORROWINGS

On 16 November 2019, the Company entered into a credit agreement with ACCEL-KKR Credit Partners SPV, LLC as the agent for a total loan amount of US\$30 million. This loan is executed in relation to the acquisition of the Acquired Business that was completed on 16 November 2019. This loan is secured by all assets of LRC, Vobile Holding, Vobile LLC and Vobile US, collectively as the guarantor as collateral. This loan bears interest at the London Inter-Bank Offered Rate plus eight to nine percent. The total loan amount of US\$30 million was repaid in 2020.

A secured subordinated note of US\$20 million has been executed and delivered in relation to the acquisition of the Acquired Business to satisfy part of the purchase consideration to ZEFR, Inc., as the Seller of the Acquired Business. This secured subordinated note bears interest at eight percent and matures in 2024. The Group repaid the long-term borrowing in advance during the year.

As at 31 December 2021, the Group had no interest-bearing borrowing repayable.

26. CONVERTIBLE BONDS

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

Following the share subdivision on 15 July 2021, every one issued share of the Company is subdivided into four subdivided shares, the conversion prices of the Series One Convertible Bonds and Series Two Convertible Bonds were adjusted to HK\$0.645 and HK\$0.70 per Share. The Series One Convertible Bonds and Series Two Convertible Bonds were converted into an aggregate of 152,602,432 Shares on 31 December 2021.

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.

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26. CONVERTIBLE BONDS (Continued)

All convertible bonds have been converted into shares in 2021:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Liability component at 1 January	82,975	—
Nominal value of convertible bonds issued during the year	—	100,000
Equity component	—	(11,590)
Direct transaction costs attributable to the equity component	—	(1,037)
Direct transaction costs attributable to the liability component	—	(9,173)
Liability component at the issuance date	—	78,200
Interest expense	15,490	7,275
Interest payable	(2,778)	(2,500)
Interest paid	(2,500)	—
Conversion of convertible bonds	(97,022)	—
Exchange realignment	3,835	—
Liability component at 31 December	—	82,975

27. DEFERRED TAX

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

Deferred tax liabilities

	Tax deduction of goodwill HK\$'000
At 1 January 2020 (Restated)	—
Deferred tax charged to profit or loss during the year (note 10)	14,017
At 31 December 2020 and 1 January 2021 (Restated)	14,017
Deferred tax charged to profit or loss during the year (note 10)	13,526
At 31 December 2021	27,543

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27. DEFERRED TAX (Continued)

Deferred tax assets

	Losses available for offsetting against future taxable profits HK\$'000	Depreciation allowance in excess of related depreciation HK\$'000	Research and development costs HK\$'000	Tax deduction of goodwill HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2020 (restated)	33,156	(3,302)	8,031	(4,558)	(264)	33,063
Deferred tax credited/(charged) to profit or loss during the year (note 10)	3,938	4,969	3,473	4,558	12,241	29,179
At 31 December 2020 and 1 January 2021 (restated)	37,094	1,667	11,504	—	11,977	62,242
Deferred tax credited/(charged) to profit or loss during the year (note 10)	15,593	(1,292)	3,153	—	3,907	21,361
At 31 December 2021	52,687	375	14,657	—	15,884	83,603

As at 31 December 2021, deferred tax assets related to Vobile US were calculated at a composite statutory tax rate of 27.98%, which consisted of a federal income tax rate of 21% and multiple state income tax rates.

Deferred tax assets had been provided for the losses available for offsetting against future taxable profits. The Group had tax losses and unutilised deduction arising in the United States of HK\$188,302,000 as at 31 December 2021 (2020: HK\$132,763,000), that will expire in twenty years from 31 December 2021 for offsetting against future taxable profits.

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28. SHARE CAPITAL

	2021 HK\$'000	2020 HK\$'000
Issued and fully paid (US\$0.000025 per share): 2,117,596,656 ordinary shares (2020: US\$0.0001 per share for 459,104,556 shares)	417	359

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

	Number of shares in issue	Share capital HK\$'000	Treasury shares HK\$'000
At 1 January 2020 (restated)	424,874,536	332	(19,990)
Shares repurchased for share award scheme (a)	—	—	(1,994)
Share allotment for consideration settlement (b)	5,214,953	4	—
Exercise of share options (c)	113,333	—	—
Issue of shares (d)	28,901,734	23	—
At 31 December 2020, and 1 January 2021	459,104,556	359	(21,984)
Exercise of share options before share subdivision (e)	9,497,000	8	—
Issue of shares before share subdivision (f)	21,500,000	17	—
Immediately before the share subdivision	490,101,556	384	(21,984)
Effect of the share subdivision (g)	1,470,304,668	—	—
Immediately after the share subdivision	1,960,406,224	384	(21,984)
Shares repurchased for share award scheme after the share subdivision (a)	—	—	(40,453)
Exercise of share options after the share subdivision (e)	4,588,000	3	—
Shares converted from convertible bonds after the share subdivision (h)	152,602,432	30	—
At 31 December 2021	2,117,596,656	417	(62,437)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

28. SHARE CAPITAL (Continued)

Notes:

- (a) On 6 May 2019 and 29 January 2020, the Board adopted a 10-year share award scheme (the "Scheme") to incentivise, recognise and reward the contributions of certain eligible persons ("Eligible Persons") to the growth and development of the Group.

Pursuant to the Scheme, the ordinary shares of US\$0.0001 each (US\$0.000025 each after the share subdivision) in the capital of the Company will be acquired by the trustee at the cost of the Company and will be held in trust for the Eligible Persons before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of the Company.

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

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

At 31 December 2021, 5,325,962 shares were granted and 17,618,582 shares were transferred under the Scheme.

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

	2021	
	HK\$'000	Number of shares
At 1 January (restated)	21,984	8,840,000
Purchased during the year before the share subdivision	26,787	900,000
Transferred during the year before the share subdivision	(7,643)	(3,073,155)
Immediately before the share subdivision	41,128	6,666,845
Effect of the share subdivision	—	20,000,535
Immediately after the share subdivision	41,128	26,667,380
Purchased during the year after the share subdivision	32,657	4,744,000
Transferred during the year after the share subdivision	(11,348)	(5,325,962)
At 31 December	62,437	26,085,418

- (b) On 23 June 2020, the Group issued 5,214,953 shares by share allotment for consideration settlement at a price of HK\$2.14 per share.
- (c) The subscription rights attaching to 113,333 share options were exercised at the subscription price of US\$0.125 per share, resulting in the issue of 113,333 shares for a total cash consideration, before expenses, of US\$14,000. An amount of US\$14,000 was transferred from the share compensation reserve to share capital upon the exercise of the share options.
- (d) On 29 December 2020, the Company completed the allotment and issuance of 28,901,734 Shares to Antfin (Hong Kong) Holding Limited, an indirect wholly-owned subsidiary of Ant Group Co., Ltd.
- (e) In 2021, before the share subdivision, the subscription rights attaching to 4,597,000 and 4,900,000 share options were exercised at the subscription prices of US\$0.125 per share and HK\$3.5 per share, respectively, resulting in the issue of 9,497,000 shares for a total cash consideration, before expenses, of US\$718,000 and HK\$17,150,000 respectively. After the share subdivision, the subscription rights attaching to 4,588,000 share options were exercised at the subscription price of US\$0.03125 per share, resulting in the issue of 4,588,000 shares for a total cash consideration, before expenses, of US\$143,000. An amount of HK\$33,533,000 was transferred from the share compensation reserve to share capital upon the exercise of the share options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

28. SHARE CAPITAL (Continued)

Notes: (Continued)

- (f) On 28 May 2021, the Company completed the allotment and issuance of 21,500,000 shares to no less than six places at a subscription price of HK\$30.30 per share before expense.
- (g) The number of issued shares increased due to the share subdivision of every one share of the Company with par value of US\$0.0001 of the Company into four subdivided shares of US\$0.000025 each on 15 July 2021.
- (h) On 14 July 2020, the Company issued two series of convertible bonds in the aggregate principal amount of HK\$100,000,000 to Poly Platinum Enterprises Limited. On 31 December 2021, the bondholder converted the Series One Convertible Bonds and the Series Two Convertible Bonds into 152,602,432 shares with conversion price of HK\$0.65 per share and HK\$0.70 per share respectively.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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29. SHARE OPTION SCHEME (Continued)

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

	2021		2020	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	2.2814	27,024	1.0270	14,464
Effect of the share subdivision*	—	81,072	—	—
Granted during the year	5.5196	130,300	3.6097	13,250
Exercised during the year	0.4197	(42,576)	0.9748	(113)
Forfeited during the year	—	—	1.0270	(577)
At 31 December	4.8409	195,820	2.2814	27,024

* On 15 July 2021, all Pre-IPO share options granted for an aggregate of 4,000,000 shares with an exercise price of US\$0.50 (equivalent to approximately HK\$3.9059) per share were adjusted to an aggregate of 64,000,000 shares with US\$0.03125 (equivalent to approximately HK\$0.24) per share upon the share subdivision, except that the Pre-IPO incentive stock options granted to Mr. Yangbin Bernard Wang with an exercise price of US\$0.55 (equivalent to approximately HK\$4.2965) per share were adjusted to US\$0.034375 (equivalent to approximately HK\$0.27) per share upon the share subdivision. Post-IPO share options granted for an aggregate of 11,250,000 shares with an exercise price of HK\$3.5 were adjusted to an aggregate of 45,000,000 shares with HK\$0.875. Post-IPO Options granted to Kevin A. Mayer for an aggregate of 2,000,000 shares with an exercise price of HK\$4.08 were adjusted to an aggregate of 8,000,000 shares with HK\$1.02.

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.4197 per share (2020: HK\$0.9748).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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29. SHARE OPTION SCHEME (Continued)

The exercise prices and exercise periods of the share options outstanding as at 31 December, 2021 and 2020 are as follows:

2021

Number of options (after the share subdivision) '000	Exercise price (after the share subdivision) HK\$ per share	Exercise period
32,120	0.2676	25 April 2019 to 25 April 2027
25,400	0.8750	30 July 2022 to 30 July 2030
4,000	1.0201	9 September 2021 to 9 September 2030
4,000	1.0201	9 September 2022 to 9 September 2030
112,000	5.0000	12 January 2021 to 12 January 2031
18,300	8.7000	23 July 2022 to 23 July 2031

2020

Number of options '000	Exercise price HK\$ per share	Exercise period
13,774	1.0207	25 April 2019 to 25 April 2027
11,250	3.5000	30 July 2022 to 30 July 2030
1,000	4.0804	9 September 2021 to 9 September 2030
1,000	4.0804	9 September 2022 to 9 September 2030

The fair value of share options granted during the year was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The fair value of share options granted to Mr. Wang on 12 January 2021 was HK\$38,369,000 (HK\$0.3426 each). The following table lists the inputs to the model used:

Dividend yield (%)	0.0%
Expected volatility (%)	47.92%
Risk-free interest rate (%)	0.86%
Weighted average share price (HK\$ per share)	5.0000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

29. SHARE OPTION SCHEME (Continued)

The fair values of the share options granted to an executive director and employees on 23 July 2021 were HK\$42,085,000 (HK\$4.2085 each) and HK\$29,767,000 (HK\$3.5864 each), respectively. The following table lists the inputs to the model used:

Dividend yield (%)	0.0%
Expected volatility (%)	46.29%
Risk-free interest rate (%)	0.93%
Weighted average share price (HK\$ per share)	8.7000

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

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

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 49 and 50 of the financial statements.

Merger reserve

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

Other reserve

The other reserve of the Group represents certain assignments and share-based payments under the share option scheme made by the ultimate holding company prior to the listing on behalf of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$11,491,000 (2020: HK\$25,254,000) and HK\$11,491,000 (2020: HK\$25,254,000), respectively, in respect of lease arrangements for offices.

(b) Changes in liabilities arising from financing activities

2021

	Interest-bearing borrowings HK\$'000	Lease liabilities HK\$'000	Convertible bonds HK\$'000
At 1 January 2021	150,050	22,963	82,975
Changes from financing cash flows	(150,050)	(10,191)	—
Conversion of convertible bonds	—	—	(97,022)
New leases	—	11,491	—
Interest expense	—	877	15,490
Interest payable	—	—	(2,778)
Interest paid classified as operating cash flows	—	(877)	(2,500)
Exchange realignment	—	—	3,835
At 31 December 2021	—	24,263	—

2020

	Interest-bearing borrowings HK\$'000	Lease liabilities HK\$'000	Convertible bonds HK\$'000
At 1 January 2020 (Restated)	387,362	7,698	—
Changes from financing cash flows	(237,312)	(9,989)	89,790
Equity component of convertible bonds	—	—	(11,590)
New leases	—	25,254	—
Interest expense	—	853	7,275
Interest paid classified as operating cash flows	—	(853)	—
Interest payable	—	—	(2,500)
At 31 December 2020	150,050	22,963	82,975

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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

(c) Total cash outflow for leases

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Within operating activities	877	853
Within financing activities	10,191	9,989
	11,068	10,842

32. RELATED PARTY TRANSACTIONS

Outstanding balances with a related party

Due from a related party included in other receivables

	As at 31 December 2021 HK\$'000
UHD Big Data Solutions Co. Ltd	2,446

Amount due from a related party is non-trade in nature, unsecured, non-interest-bearing and repayable within one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2021 are as follows:

2021

Financial assets

	Financial assets at fair value through profit or loss HK\$'000	Financial assets at amortised HK\$'000	Total HK\$'000
Trade receivables	—	269,637	269,637
Financial assets included in prepayments, other receivables and other assets	—	9,525	9,525
Financial assets at fair value through profit or loss	48,316	—	48,316
Cash and cash equivalents	—	496,865	496,865
	48,316	776,027	824,343

Financial liabilities

	Financial liabilities at amortised HK\$'000
Trade payables	136,218
Lease liabilities	24,263
Financial liabilities included in other payables and accruals	16,951
	177,432

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2020 (Restated)

Financial assets

	Financial assets at amortised HK\$'000
Trade receivables	69,518
Financial assets included in prepayments, other receivables and other assets	2,556
Cash and cash equivalents	262,362
	<hr/>
	334,436

Financial liabilities

	Financial liabilities at amortised HK\$'000
Trade payables	50,961
Interest-bearing borrowings	155,050
Lease liabilities	22,963
Convertible bonds	82,975
Financial liabilities included in other payables and accruals	31,929
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	343,878

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Financial assets				
Financial assets at fair value through profit or loss	48,316	—	48,316	—
Financial liabilities				
Convertible bonds	—	82,975	—	89,549

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

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

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

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

For the unlisted investment fund measured at fair value through profit or loss, management assessed the fair value based on the net asset value of the investment fund. Since the underlying unlisted equity was established near the end of 2021 and there are no material transactions may affect the fair value of the Group, no fair value disclosure has been made for the underlying equity investments in the investment fund. Management has estimated the potential effect of using reasonably possible alternatives to be immaterial.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss	—	—	48,316	48,316

The Group did not have any financial assets measured at fair value as at 31 December 2020.

The movement in fair value measurements within Level 3 during the year is as follows:

	2021 HK\$'000
Financial assets at fair value through profit or loss	
At 1 January	—
Purchases	48,316
At 31 December	48,316

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 31 December 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020 (Restated)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Convertible bonds	—	—	89,549	89,549

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the major foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity due to the changes of exchange fluctuation reserves of certain overseas subsidiaries of which the functional currencies are currencies other than HK\$.

	(Decrease)/ increase in USD/RMB rate %	Increase/ (Decrease) in profit after tax HK\$'000
2021		
If the Hong Kong dollar weakens against the USD	(5)	9,096
If the Hong Kong dollar strengthens against the USD	5	(9,096)
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If the Hong Kong dollar weakens against the RMB	(5)	7,794
If the Hong Kong dollar strengthens against the RMB	5	(7,794)
<hr/>		
2020 (Restated)		
If the Hong Kong dollar weakens against the USD	(5)	11,206
If the Hong Kong dollar strengthens against the USD	5	(11,206)
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If the Hong Kong dollar weakens against the RMB	(5)	16
If the Hong Kong dollar strengthens against the RMB	5	(16)

* Excluding retained profits

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

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

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified	
	HK\$'000	HK\$'000	HK\$'00	approach HK\$'000	
Trade receivables*	—	—	—	269,756	269,756
Financial assets included in prepayments, other receivables and other assets — Normal**	9,525	—	—	—	9,525
Cash and cash equivalents — not yet past due	496,865	—	—	—	496,865
	506,390	—	—	269,756	776,146

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2020 (Restated)

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	—	—	—	69,572	69,572
Financial assets included in prepayments, other receivables and other assets — Normal**	2,556	—	—	—	2,556
Cash and cash equivalents — not yet past due	262,362	—	—	—	262,362
	264,918	—	—	69,572	334,490

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

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

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

At the end of the reporting period, the Group had certain concentrations of credit risk as 63.5% (2020: 23.5%) and 86.7% (2020: 63.8%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Liquidity risk

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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

2021

	On demand HK\$'000	Within 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Trade payables	—	136,218	—	136,218
Lease liabilities	—	10,362	15,180	25,542
Financial liabilities included in other payables and accruals	16,951	—	—	16,951
	16,951	146,580	15,180	178,711

2020 (Restated)

	On demand HK\$'000	Within 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Trade payables	—	50,961	—	50,961
Interest-bearing borrowings	—	14,160	205,478	219,638
Lease liabilities	—	8,853	15,721	24,574
Convertible bonds	2,504	5,001	102,529	110,034
Financial liabilities included in other payables and accruals	31,929	—	—	31,929
	34,433	78,975	323,728	437,136

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

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

	As at 31 December, 2021 HK\$'000	As at 31 December, 2020 HK\$'000 (Restated)
Interest-bearing borrowings	—	155,050
Convertible bonds, the liability component	—	82,975
Less: Cash and cash equivalents	(496,865)	(262,362)
Net debt	(496,865)	(24,337)
Equity	1,536,323	788,866
Net debt and equity	1,039,458	764,529
Gearing ratio	N/A	N/A

As at 31 December 2021 and 2020, the Group's cash and cash equivalents exceeded the financial liabilities. As such, no gearing ratio as at 31 December 2021 and 2020 was presented.

36. EVENT AFTER THE REPORTING PERIOD

On 17 January 2022, the Group adopted the resolution to acquire Particle Culture and Technology Group (Hangzhou) Co., LTD. Vobile Hangzhou and the VIE company will acquire 61.18249% equity of Particle technology and the New Particle Company held by the transferor and state-owned share acceptor at a total transaction price of RMB 854 million, of which 61.18249% equity of Particle technology and New Particle will be acquired by Vobile Hangzhou and the VIE company respectively. The actual acquisition is expected to materialise in the second quarter of 2022, all the acquisition consideration will be paid in cash.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
NON-CURRENT ASSETS		
Investments in subsidiaries	101,181	78,055
CURRENT ASSETS		
Prepayments	4,986	15
Due from subsidiaries	1,359,130	710,205
Cash and cash equivalents	167,099	152,034
Total current assets	1,531,215	862,254
CURRENT LIABILITIES		
Due to subsidiaries	127,283	43,484
Other payables and accruals	468	7,172
Total current liabilities	127,751	50,656
NET CURRENT ASSETS	1,403,464	811,598
TOTAL ASSETS LESS CURRENT LIABILITIES	1,504,645	889,653
NON-CURRENT LIABILITIES		
Convertible bonds	—	82,975
Total non-current liabilities	—	82,975
Net assets	1,504,645	806,678
EQUITY		
Share capital	417	359
Treasury shares	(62,437)	(21,984)
Reserves (note)	1,566,665	828,303
Total equity	1,504,645	806,678

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Other reserve HK\$'000	Equity component of convertible bonds HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2020 (Restated)	411,774	—	4,799	(8,989)	407,584
Loss for the year	—	—	—	(13,175)	(13,175)
Issue of shares	387,155	—	—	—	387,155
Share allotment for consideration settlement	11,155	—	—	—	11,155
Equity-settled share compensation arrangement	—	11,590	23,994	—	35,584
At 31 December 2020 and 1 January 2021	810,084	11,590	28,793	(22,164)	828,303
Loss for the year	—	—	—	(59,461)	(59,461)
Issue of shares	629,685	—	—	—	629,685
Equity component of convertible bonds issued	108,582	(11,590)	—	—	96,992
Equity-settled share compensation arrangement	65,221	—	5,925	—	71,146
At 31 December 2021	1,613,572	—	34,718	(81,625)	1,566,665

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

FIVE YEAR FINANCIAL SUMMARY

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

	2021 HK\$'000	Year ended 31 December			
		2020 HK\$'000 (Restated)	2019 HK\$'000 (Restated)	2018 HK\$'000 (Restated)	2017 HK\$'000 (Restated)
Results					
Revenue	686,528	340,294	147,137	119,327	122,109
(Loss)/profit before tax	(14,876)	67,138	(63,310)	(19,782)	(3,974)
Income tax (expense)/credit	(7,801)	14,049	14,658	172	(13,750)
(Loss)/profit for the year attributable to owners of the Company	(22,677)	81,187	(48,652)	(19,610)	(17,724)

CONSOLIDATED ASSETS AND LIABILITIES

	2021 HK\$'000	As at 31 December			
		2020 HK\$'000 (Restated)	2019 HK\$'000 (Restated)	2018 HK\$'000 (Restated)	2017 HK\$'000 (Restated)
Total assets	1,770,150	1,153,538	903,009	398,194	192,240
Total liabilities	233,827	364,672	629,679	54,854	40,312
Total equity	1,536,323	788,866	273,330	343,340	151,928

DEFINITIONS

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

“Adviser”	internal control review adviser
“AGM”	annual general meeting
“Articles”	the Company’s articles of association
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“Bondholder”	Poly Platinum Enterprises Limited, an investment holding company incorporated in British Virgin Islands with limited liability a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“Company”	Vobile Group Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“Convertible Bonds”	the Series One Convertible Bonds and the Series Two Convertible Bonds
“CPD”	continuous professional development
“Determination Date”	a date on which the exercisability of the Share Options is determined, which shall be a day on which the Stock Exchange is open for trading
“Directors”	the directors of the Company
“DTC”	direct-to-consumer
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“FVTPL”	fair value through profit or loss
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards

DEFINITIONS

“IP”	Intellectual property
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Capitalisation of the Company on a Determination Date”	the lower of the six-month market capitalisation of the Company on the Determination Date or the thirty-day market capitalisation on the Determination Date
“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 King Man Kevin
“Mr. Chu”	Mr. Alfred Tsai CHU
“Mr. Eesley”	Mr. Charles Eric EESLEY
“Mr. Ho”	Mr. HO Sai Hong Vincent
“Mr. Kwan”	Mr. KWAN Ngai Kit
“Mr. Matsuzawa”	Mr. MATSUZAWA Masaaki
“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”	Particle Culture Technology Group (Hangzhou) Co., Ltd.
“PRC” or “China”	the People’s Republic of China. For the purposes of this annual report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“Pre-IPO Share Option Scheme”	the share option scheme of the Company adopted on 30 December 2016
“Post-IPO Share Option Scheme”	the share option scheme of the Company adopted on 8 December 2017
“SaaS”	Software as a Service

DEFINITIONS

“Series One Convertible Bonds”	the convertible bonds in the principal amount of HK\$80,000,000 issued by the Company on 14 July 2020
“Series Two Convertible Bonds”	the convertible bonds in the principal amount of HK\$20,000,000 issued by the Company on 14 July 2020
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.000025 each (before the Share Subdivision: US\$0.0001 each) in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 6 May 2019, as amended from time to time
“Share Subdivision”	the authorised and issued shares of the Company were subdivided on the basis that every one issued share is subdivided into four subdivided shares pursuant to a shareholders’ resolution passed at an extraordinary general meeting on 13 July 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “USD”	the lawful currency of the United States