THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Vobile Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Vobile

Vobile Group Limited
阜 博 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3738)

(1) MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF PARTICLE CULTURE TECHNOLOGY GROUP (HANGZHOU) CO., LTD. AND (2) NOTICE OF EGM

A letter from the Board is set out on pages 9 to 49 of this circular. A notice convening the EGM to be held at 9:00 a.m. on Monday, 17 January 2022 at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (*http://www.hkexnews.hk*) and the Company (*http://www.vobilegroup.com*).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time for holding the EGM (i.e. 9:00 a.m. (Hong Kong time) on Saturday, 15 January 2022) or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

PRECAUTIONARY MEASURES FOR THE EGM

In order to prevent the spread of COVID-19 pandemic and to safeguard the health and safety of Shareholders, the Company will implement the following precautionary measures at the EGM:

- **compulsory body temperature checks**
- **complete and submit health declarations**
- **compulsory wearing of surgical face masks and social distancing**
- **no provision of refreshments and corporate gifts**

Any person who does not comply with the precautionary measures will be denied entry into the EGM venue. All attendees are requested to wear surgical face masks at all times at the EGM venue. Shareholders are reminded to exercise their voting rights at the EGM by appointing the chairman of the EGM as proxy to attend and vote on the relevant resolutions at the EGM instead of attending the EGM or any adjourned meeting in person.

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In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff, and other stakeholders from the risk of infection:

(i) Compulsory body temperature checks will be conducted on every attending Shareholder, proxy, and other attendees at the entrance of the EGM venue. Any person found to be suffering from a fever or otherwise unwell will be denied entry into the EGM venue or be required to leave the EGM venue.

(ii) All attending Shareholders, proxies, and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and be asked whether (a) they have travelled to, or to their best of knowledge had close contact with any person who has recently travelled to, areas outside of Hong Kong at any time in the preceding 14 days of the EGM; and (b) they are subject to any compulsory quarantine prescribed by the Hong Kong Government. Any person who responds affirmatively to any one of the above questions will be denied entry into the EGM venue or be required to leave the EGM venue.

(iii) All attendees are requested to wear surgical face masks at the EGM venue at all times, and to maintain a safe distance with other attendees.

(iv) No refreshments and corporate gifts will be provided.

To the extent permitted under applicable laws, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM. In the interest of all stakeholders' health and safety and in response to the recent guidelines on prevention and control of COVID-19 pandemic, **Shareholders are reminded that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by completing form of proxy in accordance with the instructions printed thereon, Shareholders may appoint the chairman of the EGM as proxy to attend and vote on the relevant resolutions at the EGM instead of attending the EGM or any adjourned meeting in person.**

In this circular, unless the context otherwise requires, the following terms and expression have the meaning set forth below:

"Assignee of Wenyue Shares"	Ms. Li or her designated entity in relation to the acquisition of the Hangzhou Wenyue Shares
"Board"	the board of directors of the Company
"Business Day"	any day, other than a Saturday or a Sunday, on which banks are open for business in Hong Kong
"Catalogue"	Catalogue of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》)
"Circular"	the circular to be despatched by the Company to the Shareholders in connection with the EGM
"Closing"	completion of the Proposed Acquisition in accordance with the terms of the Sale and Purchase Agreement
"Closing Date"	the day on which Closing takes place
"Company"	Vobile Group Limited (阜博集團有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Conditions"	the conditions as set out in the section headed "*2. The Proposed Acquisition — Condition Precedent*" of the Letter from the Board to which the Proposed Acquisition is subject
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to approve, among other things, the Proposed Acquisition
"Enlarged Group"	the Group as enlarged by the Proposed Acquisition
"Equity Interest Pledge Agreement I"	the equity interest pledge agreement to be entered into among WFOE, New Holdco and OPCO
"Equity Interest Pledge Agreement II"	the equity interest pledge agreement to be entered into among WFOE, PRC Nominee Shareholders, New Holdco and OPCO
"Equity Interest Pledge Agreements"	the Equity Interest Pledge Agreement I and the Equity Interest Pledge Agreement II

"Escrow Account"	an escrow account to be set up by each of Hangzhou Vobile and OPCO
"Escrow Amount"	RMB299,213,700, which shall be deposited by the Purchasers into the Escrow Account, which shall be subject to the tax withholding and payment as set out in the section headed "*2. The Proposed Acquisition — Escrow Arrangement*" of the Letter from the Board and shall be applied towards the payment of the Total Consideration
"Exclusive Business Cooperation Agreement"	the exclusive business cooperation agreement to be entered into between WFOE and OPCO
"Exclusive Call Option Agreement I"	the exclusive call option agreement to be entered into between WFOE, New Holdco and OPCO
"Exclusive Call Option Agreement II"	the exclusive call option agreement to be entered into between WFOE, the PRC Nominee Shareholders, New Holdco and OPCO
"Exclusive Call Option Agreements"	the Exclusive Call Option Agreement I and the Exclusive Call Option Agreement II
"Exclusive Services"	the exclusive services to be provided by WFOE to OPCO pursuant to the Exclusive Business Cooperation Agreement
"Group"	the Company and its subsidiaries
"Hangzhou Vobile"	Hangzhou Vobile Technology Co. LTD.* (杭州阜博科技有限公司), a company incorporated in the PRC with limited liability which is a wholly owned subsidiary of the Company
"Hangzhou Wenyue"	Hangzhou Wenyue Enterprise Development Co., Ltd., a company incorporated in the PRC with limited liability. For the avoidance of doubt, it is not a Seller nor a party to the Sale and Purchase Agreement, as Ms. Li or her designated entity will acquire all the equity interest in the Target Company held by Hangzhou Wenyue prior to Closing
"Hangzhou Wenyue Shares"	the 0.92% equity interest in the Target Company held by Hangzhou Wenyue as at the date of the Latest Practicable Date

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Key Employees"	(a) Ms. Li Yiqing (勵怡青), the chairman of the board of the Target Company as at the Latest Practicable Date (b) Ms. Liu Ningzi (劉寧子), a director and the president of the Target Company as at the Latest Practicable Date (c) Mr. Zhu Suping (朱素平), a director and the chief executive officer of the Target Company as at the Latest Practicable Date (d) Ms. Wang Xiushuang (王秀雙), a director and the vice president of the Target Company as at the Latest Practicable Date (e) Mr. Guo Ming (郭明), the vice president of the Target Company as at the Latest Practicable Date (f) Mr. Song Jun (宋軍), the vice president of the Target Company as at the Latest Practicable Date (g) Ms. Yang Lin (楊琳), the vice president of the Target Company as at the Latest Practicable Date (h) Ms. Jiang Lan (姜蘭), the finance director of the Target Company as at the Latest Practicable Date (i) Ms. Xie Hongbo (謝紅波), the human resources director of the Target Company as at the Latest Practicable Date (j) Mr. Xu Yangchun (徐陽春), the operation director of the Target Company as at the Latest Practicable Date (k) Mr. Zhao Yuhong (趙玉紅), the technical director of the Target Company as at the Latest Practicable Date
"Latest Practicable Date"	17 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this Circular
"Letter of Undertaking"	the letter of undertaking to be signed by the spouse of each of the PRC Nominee Shareholders
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended and supplemented from time to time)

"Management Shareholders"	Ms. Li, Yili Investment and Qishi Investment
"Management Shareholders Post-Closing Acquisitions"	the Management Shareholders Second Post-Closing Acquisition and the Management Shareholders Third Post-Closing Acquisition
"Management Shareholders Second Post-Closing Acquisition"	the first post-Closing transfer of 9.09% in the Target Company and the New Target Company, respectively, by the Management Shareholders to the Purchasers for a total consideration of RMB126,934,637
"Management Shareholders Third Post-Closing Acquisition"	the second post-Closing transfer of 9.09% in the Target Company and the New Target Company, respectively, by the Management Shareholders to the Purchasers for a total consideration of RMB126,934,637
"MOFCOM"	the Ministry of Commerce of the PRC
"Mr. Chan"	Mr. CHAN King Man Kevin
"Mr. Chu"	Mr. Alfred Tsai CHU
"Mr. Eesley"	Mr. Charles Eric EESLEY
"Mr. Matsuzawa"	Mr. MATSUZAWA Masaaki
"Mr. Wang"	Mr. Yangbin Bernard WANG
"Mr. Wargo"	Mr. J David WARGO
"Mr. Wong"	Mr. WONG Wai Kwan
"Ms. Li"	Ms. LI Yiqing
"NDRC"	the National Development and Reform Commission of the PRC
"Negative List"	the Special Administrative Measures for Foreign Investment Access (Edition 2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》
"New Holdco"	a company to be incorporated in the PRC with limited liability as part of the Pre-Acquisition Reorganisation and which will in turn wholly own OPCO

"New Target Company"	a company to be incorporated in the PRC with limited liability as part of the Pre-Acquisition Reorganisation and which will be a subsidiary of the Company upon Closing
"Non-Restricted Entities"	the entities within the Target Group, other than the Restricted Entities, which are not subject to any foreign investment restrictions in the PRC
"OPCO"	a special purpose vehicle to be incorporated in the PRC as part of the Pre-Acquisition Reorganisation and which will be indirectly wholly owned by the PRC Nominee Shareholders
"Other Existing Shareholders"	the Sellers other than the Management Shareholders
"Other Existing Shareholders Second Post-Closing Acquisition"	the post-Closing transfer of approximately 20.64% in the Target Company and the New Target Company, respectively, by the Other Existing Shareholders to the Purchasers for a total consideration of RMB288,023,165
"Post-Closing Acquisitions"	Management Shareholders Post-Closing Acquisitions and Other Existing Shareholders Second Post-Closing Acquisition
"Post-Closing Acquisitions Option"	the option which could be exercised at the discretion of the Purchasers in relation to the Management Shareholders Post-Closing Acquisitions and Other Existing Shareholders Second Post-Closing Acquisition
"PRC" or "China"	the People's Republic of China, which for the sole purpose of this circular excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administration Region of the PRC and Taiwan
"PRC Nominee Shareholders"	the registered holders of the equity interest in the New Holdco, who will not be regarded as connected persons of the Company under Chapter 14A of the Listing Rules
"Pre-Acquisition Reorganisation"	the proposed Reorganisation which will take place prior to Closing, details of which are set out in the section headed "*3. Pre-Acquisition Reorganisation*" of the Letter from the Board
"Proposed Acquisition"	the proposed acquisition of 61.18% of the equity interest in the Target Company and the New Target Company, respectively, by the Purchasers (including the Post-Closing Acquisitions) pursuant to the terms and conditions under the Sale and Purchase Agreement

"Purchasers"	WFOE and OPCO
"Qishi Investment"	Ningbo Meishan Free Trade Port Zone Qishi Investment Management Partnership (Limited Partnership)* (寧波梅山保稅港區琪石投資管理合夥企業(有限合夥))
"Restricted Business"	the value-added telecommunications business and the production and operation of radio and television program business conducted by the Target Group, which are subject to foreign investment restrictions under the relevant laws and regulations in the PRC
"Restricted Entities"	the entities within the Target Group conducting the Restricted Business
"Restrictions on Key Employees"	the restrictions as set out in the section headed "*2. The Proposed Acquisition — Restrictions on Key Employees*" of the Letter from the Board to which the Key Employees of the Target Group are subject
"RMB"	Renminbi, the lawful currency of the PRC
"SaaS"	Software as a Service
"Sale and Purchase Agreement"	the sale and purchase agreement dated on 17 December 2021 entered into among others, Hangzhou Vobile, the Sellers and the Target Company in respect of the Proposed Acquisition
"Sellers"	(a) the Management Shareholders (b) Deqing Jingsheng Investment Management Partnership (Limited Partnership)* (德清璟盛投資管理合夥企業(有限合夥)) (c) Deqing Puhua Equity Investment Fund Partnership (Limited Partnership)* (德清朴華股權投資基金合夥企業(有限合夥)) (d) Gongqingcheng Tengyan Investment Management Center (Limited Partnership)* (共青城藤岩投資管理中心(有限合夥)) (e) Pu Ying Guoshi (Shanghai) Equity Investment Fund Partnership (Limited Partnership)* (朴盈國視(上海)股權投資基金合夥企業(有限合夥))

(f) Ningbo Shuguo Equity Investment Partnership (Limited Partnership)* (寧波書國股權投資合夥企業(有限合夥))

(g) Ningbo Meishan Free Trade Port Zone Pu Rui Equity Investment Partnership Enterprise (Limited Partnership)* (寧波梅山保稅港區朴瑞股權投資合夥企業(有限合夥))

(h) Shenzhen Qianhai Junjue Investment Management Co., Ltd.* (深圳市前海君爵投資管理有限公司)

(i) Shanghai Ivy Digital and Media Equity Investment Fund Partnership (Limited Partnership)* (上海常春藤數字與傳媒股權投資基金合夥企業(有限合夥))

(j) Deqing Pudao Investment Management Partnership (Limited Partnership)* (德清朴道投資管理合夥企業(有限合夥))

(k) Hangzhou Puying Equity Investment Fund Partnership (Limited Partnership)* (杭州朴盈股權投資基金合夥企業(有限合夥)); and

(l) Ningbo Qiku Investment Co., Ltd.* (寧波七酷投資有限公司)

"Share(s)"	ordinary shares in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shareholders' Voting Rights Proxy Agreement I"	the shareholders' voting rights proxy agreement to be entered into among WFOE, New Holdco and OPCO
"Shareholders' Voting Rights Proxy Agreement II"	the shareholders' voting rights proxy agreement to be entered into among WFOE, the PRC Nominee Shareholders, New Holdco and OPCO
"Shareholders' Voting Rights Proxy Agreements"	the Shareholders' Voting Rights Proxy Agreement I and the Shareholders' Voting Rights Proxy Agreement II
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company" or "Particle Technology"	Particle Culture Technology Group (Hangzhou) Co., Ltd.* (粒子文化科技集團(杭州)股份有限公司), a company incorporated in the PRC with limited liability

"Target Group"	the Target Company and its subsidiaries, including the New Target Company upon the establishment of the New Target Company
"Total Consideration"	a cash consideration of RMB854,107,561 in relation to the Proposed Acquisition
"Transaction Documents"	collectively refers to the following agreements: (i) Sale and Purchase Agreement; (ii) Exclusive Business Cooperation Agreement; (iii) Shareholders' Voting Rights Proxy Agreements; (iv) Exclusive Call Option Agreements; (v) Equity Interest Pledge Agreements; and (vi) Letter of undertaking
"VIE"	variable interest entity
"VIE Contracts"	collectively, (i) Exclusive Business Cooperation Agreement; (ii) Shareholders' Voting Rights Proxy Agreements; (iii) Exclusive Call Option Agreements; (iv) Equity Interest Pledge Agreements; and (v) Letter of Undertaking to be enter into among WFOE, OPCO, New Holdco and/or the PRC Nominee Shareholders prior to Closing
"US$" or "US Dollars"	United States dollars, the lawful currency of the United States of America
"WFOE"	a wholly owned subsidiary of the Company immediately prior to Closing, which is a special purpose company established in the PRC with limited liability
"Yili Investment"	Ningbo Meishan Free Trade Port Zone Yili Investment Management Partnership (Limited Partnership)* (寧波梅山保稅港區義立投資管理合夥企業(有限合夥))
"%"	per cent.

Vobile Group Limited
阜博集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3738)

Executive Directors:
Mr. Yangbin Bernard WANG *(Chairman)*
Mr. MATSUZAWA Masaaki

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

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

Headquarters and principal place of business in Hong Kong:
Suite 3712, 37/F, Tower Two
Times Square, 1 Matheson Street
Causeway Bay
Hong Kong

Principal place of business in the US:
2880 Lakeside Drive, Suite 360
Santa Clara, CA 95054
United States

Principal place of business in the PRC:
10th Floor
Intelligent e-Valley B Building
No. 482, Qianmo Road
Xixing Street
Binjiang District, Hangzhou
PRC

23 December 2021

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF PARTICLE CULTURE TECHNOLOGY GROUP (HANGZHOU) CO., LTD. AND (2) NOTICE OF EGM

1. INTRODUCTION

We refer to the announcement of the Company dated 17 December 2021 in relation to the Proposed Acquisition which relates to the proposed acquisition of Particle Culture Technology Group (Hangzhou) Co., Ltd. pursuant to the Sale and Purchase Agreement.

The purpose of this circular is to provide you with, among other things:

(i) further information relating to the Proposed Acquisition and the terms of the Sale and Purchase Agreement;

(ii) the financial information of the Group and the Target Group;

(iii) the unaudited pro forma financial information of the Enlarged Group; and

(iv) the notice of the EGM to consider and, if thought fit, approve the Proposed Acquisition.

2. THE PROPOSED ACQUISITION

On 17 December 2021, Hangzhou Vobile, the Sellers and the Target Company entered into the Sale and Purchase Agreement in relation to the proposed acquisition of the Target Group.

The principal terms of the Sale and Purchase Agreement are as follows:

Date: 17 December 2021

Parties:

(a) Hangzhou Vobile, which is a subsidiary of the Company;

(b) Management Shareholders and Other Existing Shareholders (except Hangzhou Wenyue), as the Sellers; and

(c) Particle Technology, as the Target Company.

Upon the establishment of WFOE, Hangzhou Vobile will assign its rights and obligations under the Sale and Purchase Agreement to WFOE.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Sellers and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Subject Matter: The Proposed Acquisition will be implemented as follows:

(a) (i) the acquisition by OPCO of 61.18% of the equity interest in the New Target Company holding the Restricted Entities; and (ii) the entry of the VIE Contracts by, among others, WFOE, OPCO, New Holdco and the PRC Nominee Shareholders; and

(b) the acquisition by WFOE of 61.18% of the equity interest in the Target Company holding the other Non-Restricted Entities.

Purchase Price: The Total Consideration shall be RMB854,107,561 which shall be settled in cash.

The Total Consideration was determined based on arm's length negotiations between the parties with reference to various factors, including (i) the prevailing market condition; (ii) the operating and financial performance of the Target Group; (iii) the positive business prospects of the Target Group in the media industry and (iv) the opportunity for the Company to benefit from the future growth potential of the Target Group's products and the synergy with the Group's offerings. Further details are set out in the section headed "*4. Basis for Determining the Total Consideration*" of the Letter from the Board.

The Directors consider that the Total Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Conditions Precedent: Closing of the Proposed Acquisition is conditional upon the satisfaction or waiver of the following Conditions:

(a) OPCO having been established and VIE Contracts having been executed by the relevant parties;

(b) the Escrow Account having been set up and an escrow agreement having been validly executed;

(c) the Purchasers having conducted due diligence on the Target Group to the Purchasers' satisfaction and the Target Group having remedied the issues identified in the due diligence process or proposed a remedial action plan to the Purchasers' satisfaction;

(d) Ms. Li or her designated entity (the "**Assignee of Wenyue Shares**") having acquired 0.92% equity interest in the Target Company held by Hangzhou Wenyue (the "**Hangzhou Wenyue Shares**");

(e) the Target Group having completed the Pre-Acquisition Reorganisation to the Purchasers' satisfaction;

(f) the Target Company having completed its restructuring into a limited liability company;

(g) the Key Employees of the Target Group having signed employment contracts (including any covenants in relation to intellectual property ownership agreements), non-competition agreements, confidentiality agreements and other relevant agreements to the Purchasers' satisfaction;

(h) the Group, the Target Group and the Sellers having obtained all necessary approvals, consents and permits in relation to the Proposed Acquisition, and the Company having obtained its shareholders' approval in relation to the Proposed Acquisition;

(i) there is no law or regulation, and no government authority or court having issued any regulatory injunction or order, in any jurisdiction in which the Company, the Purchasers and the Target Group are incorporated, that restricts or prohibits the consummation of the Proposed Acquisition; and

(j) all representations made by the Target Company, the Sellers and the Assignee of Wenyue Shares in the Sale and Purchase Agreement are true and accurate in all material respects, and the Target Company and the Sellers are not in violation of their respective obligations under the Sale and Purchase Agreement.

As at the Latest Practicable Date, none of the Conditions have been satisfied or waived by the Purchasers.

Closing: Closing will take place within 15 Business Days after the date on which the Conditions are satisfied or waived by the Purchasers and the Purchasers have wired the Escrow Amount into the Escrow Account (the "**Closing Date**"):

(a) the shareholders of the New Target Company (i.e. the Sellers and the Assignee of Wenyue Shares) shall transfer 61.18% of the equity interest in the New Target Company to OPCO; and

(b) the shareholders of the Target Company (i.e. the Sellers and the Assignee of Wenyue Shares) shall transfer 61.18% of the equity interest in the Target Company to WFOE.

The filing and registration of the share transfers referred to in paragraphs (a) and (b) above should be completed on the Closing Date.

Subject to the satisfaction or waiver of the Conditions, it is currently expected that Closing will take place in the second quarter of 2022.

Escrow Arrangement: Each of Hangzhou Vobile and OPCO will set up an escrow account (the "**Escrow Account**") after the approval of the Proposed Acquisition at the EGM. The Purchasers shall wire RMB299,213,700 (the "**Escrow Amount**") to the Escrow Account within 30 Business Days after the date on which the Conditions are satisfied or waived by the Purchasers. If the Sellers and/or the Assignee of Wenyue Shares are required to fulfil tax obligations in accordance with the applicable laws and regulations in the PRC prior to Closing Date, the Purchasers agree to release an amount from the Escrow Account that is equal to the amount of taxes payable by the Sellers and/or the Assignee of Wenyue for the purposes of withholding and paying such taxes.

Payment Terms: Pursuant to the Sale and Purchase Agreement, the Total Consideration will be satisfied in the following manner:

(a) the remainder of the Escrow Amount (which is subject to the tax withholding and payment as set out in the section headed "*2. The Proposed Acquisition — Escrow Arrangement*" above) shall be payable by the Purchasers to the bank accounts designated by the Sellers within 5 Business Days after Closing Date; and

(b) the remainder of the Total Consideration, after deducting the Escrow Amount, shall be payable by the Purchasers to the bank accounts designated by the Sellers within 15 Business Days after Closing Date.

Termination: The Sale and Purchase Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of all parties to the Sale and Purchase Agreement;

(b) by the Purchasers, if the Sale and Purchase Agreement fails to be approved by the Shareholders;

(c) by any party which is unable to perform the Sale and Purchase Agreement due to a *force majeure* event which has lasted or has an effect lasted for 30 days or longer; or

(d) by the Purchasers if the parties are unable to resolve a material adverse change within 30 days after a written notice from the Target Group or the Sellers or after the Purchasers becoming aware of such material adverse change;

(e) by the Purchasers if the Target Company and/or the Sellers fail to complete their respective pre-Closing obligations timely, and such default lasts for more than 20 Business Days; or

(f) by the Purchasers if the Conditions are not satisfied or waived by the Purchasers within 180 days after the date of the Sale and Purchase Agreement.

Upon the termination of the Sale and Purchase Agreement, it will cease to have further force or effect, and the Proposed Acquisition will not proceed, except that certain surviving provisions, and any rights or liabilities that have accrued prior to termination shall survive termination of the Sale and Purchase Agreement.

Restrictions on Key Employees: The Management Shareholders undertakes to procure that the Key Employees of the Target Group shall, from the Closing Date to the date of the publication of the Company's 2023 annual report, (i) continue to service within the Target Group; (ii) not directly or indirectly operate in or work in the same, similar or other competing businesses with the business of the Target Group or the Company or the affiliates of the Target Group or the Company; and (iii) not breach any terms under the employment contracts (including intellectual property ownership agreements), non-competition agreements, confidentiality agreements and other relevant agreements signed by such Key Employees (the "**Restrictions on Key Employees**").

Post-Closing Acquisitions: ***Second subsequent transfer by Management Shareholders post-Closing***

The Management Shareholders agree that the Purchasers shall have the right, but not an obligation, to acquire from the Management Shareholders approximately up to 9.09% of the equity interest in the Target Company and approximately up to 9.09% of the equity interest in the New Target Company (the "**Management Shareholders Second Post-Closing Acquisition**") within 20 Business Days after the publication of the Company's 2022 annual report for a maximum consideration of RMB126,934,637 with adjustment on a pro rata basis.

Third subsequent transfer by Management Shareholders post-Closing

The Management Shareholders agrees that the Purchasers shall have the right, but not an obligation, to acquire from the Management Shareholders approximately up to 9.09% of the equity interest in the Target Company and approximately up to 9.09% of the equity interest in the New Target Company (the "**Management Shareholders Third Post-Closing Acquisition**") within 20 Business Days after the publication of the Company's 2023 annual report for a maximum consideration of RMB126,934,637 with adjustment on a pro rata basis.

Second subsequent transfer by the Other Existing Shareholders post-Closing

The Other Existing Shareholders agree that the Purchasers have the right, but not an obligation, to require the Other Existing Shareholders (excluding Hangzhou Wenyue) to transfer approximately up to 20.64% of the equity interest in the Target Company and approximately up to 20.64% of the equity interest in the New Target Company (the "**Other Existing Shareholders Second Post-Closing Acquisition**") within 10 Business Days from 12 months after the Closing Date for a maximum consideration of RMB288,023,165 with adjustment on a pro rata basis.

Liquidated damages in the event of default

If any of the Management Shareholders and the Other Existing Shareholders fails to carry out the Post-Closing Acquisitions timely, the Purchasers shall have the right to request the Management Shareholders and/or the Other Existing Shareholders to continue to perform their respective obligations under the Sale and Purchase Agreement, and shall have the right to require the defaulting party to pay the Purchasers and/or the Group (i) a fixed sum of RMB50,000 per day as liquidated damages and (ii) a compensation for all actual losses suffered by the Purchasers and/or the Group.

No consideration or premium is payable for the grant of the Other Existing Shareholders Second Post-Closing Acquisition.

Post-Closing Restrictions on Transfer: For a period from Closing Date to the expiry of the exercise period of the Management Shareholders Third Post-Closing Acquisition (and if the Purchasers make a request during the exercise period, the completion of the Management Shareholders Third Post-Closing Acquisition), the Management Shareholders shall not transfer or otherwise dispose of the shares held by them in the Target Company and the New Target Company without the written consent of the Purchasers.

For a period from Closing Date to the expiry of the Exercise Period for Other Existing Shareholders' Post-Closing Acquisition (and if the Purchasers make a request during the Exercise Period for Other Existing Shareholders' Post-Closing Acquisition, the completion of the Other Existing Shareholders' Post-Closing Acquisition), the Other Existing Shareholders shall not transfer or otherwise dispose of the shares held by them in the Target Company and the New Target Company without the written consent of the Purchasers.

Undistributed Profits: The shareholders of the Target Company and the New Target Company after Closing will be entitled to the accumulated yet undistributed profits of the Target Company and the New Target Company up to and until the Closing Date in proportion to their respective equity interest in the Target Company and the New Target Company.

Profits and Losses prior Closing For a period from 31 August 2021 to Closing Date, the Target Company and the New Target Company shall not make any form of profit distribution.

Liquidated Damages: If the Target Company and/or the Sellers fail to complete their respective pre-Closing obligations timely, including but not limited to the Pre-Acquisition Reorganisation, due to the Sellers' or the Purchasers' intentional or gross negligence, such defaulting party shall pay the non-defaulting party a penalty of RMB50,000 per day for each Business Day they default in performance. If the Sellers' intentional or gross negligence lasts for more than 20 Business Days, the Purchasers shall have the right to unilaterally terminate the Sale and Purchase Agreement.

If such liquidated damages cannot make up for the non-defaulting party' loss, the non-defaulting party shall have the right to demand further compensation from the defaulting party.

3. PRE-ACQUISITION REORGANISATION

The Proposed Acquisition is subject to the Pre-Acquisition Reorganisation, which comprises of the following steps and should be completed within 60 Business Days after the date of the EGM:

(a) the Target Company will reorganise its business, qualifications and business scope for the purposes of the Proposed Acquisition in accordance with the applicable laws and regulations in the PRC;

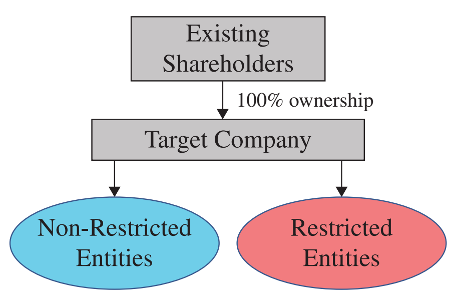
(b) a new company (the "**New Target Company**") will be established in which the shareholders of the Target Company will hold shares in proportion to their respective equity interest in the Target Company;

(c) the Target Company will transfer the Restricted Entities to the New Target Company such that the New Target Company will indirectly hold the assets, personnel and business relating to the Restricted Business; and

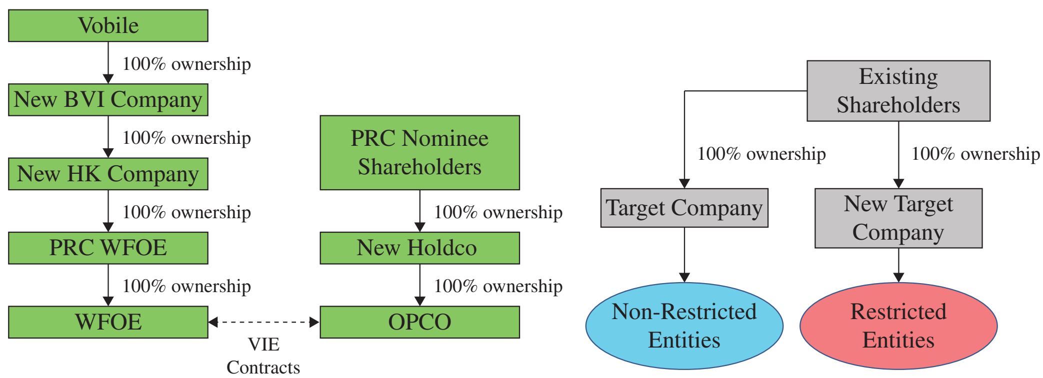
(d) the Target Company will hold Non-Restricted Entities and some other assets, personnel and business to the satisfactory of the Company.

Details of the VIE Contracts are set out in the section headed "*6. Information of the VIE Contracts*" of the Letter from the Board.

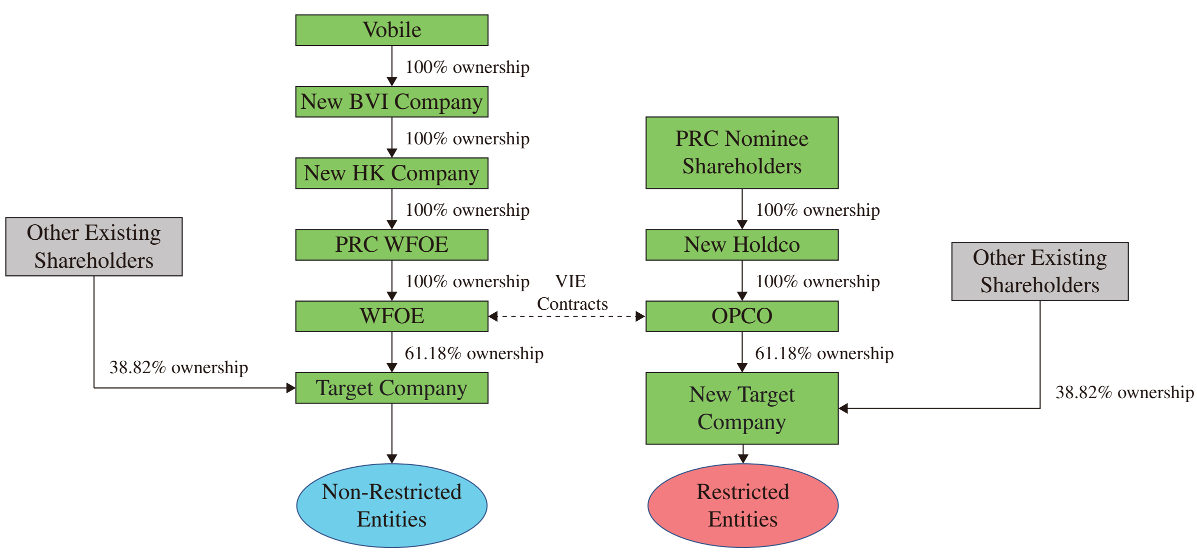
The following diagram shows the shareholding and corporate structure of the Target Group as at the date of the Latest Practicable Date:



The following diagram shows the shareholding and corporate structure of the Target Group immediately upon the completion of the Pre-Acquisition Reorganisation (but before Closing):



The following diagram shows the shareholding and corporate structure of the Enlarged Group immediately upon Closing:



The VIE structure will be implemented prior to Closing.

Upon Closing, the Target Company (owning the Non-Restricted Entities) will be a subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the accounts of the Company. As WFOE, through the VIE Contracts, will have effective control over the finance and operations of OPCO (owning the Restricted Entities) so as to obtain economic interest and benefits from their business activities despite the lack of registered equity ownership, the Directors have discussed with the auditor of the Company and are of the view that the Company has the right to consolidate the financial results of OPCO and the Restricted Entities in its consolidated accounts as if it were a subsidiary of the Group upon Closing.

4. BASIS FOR DETERMINING THE TOTAL CONSIDERATION

The Total Consideration was determined based on arm's length negotiations between the parties with reference to various factors, including (i) the prevailing market condition; (ii) the operating and financial performance of the Target Group; (iii) the positive business prospects of the Target Group in the media industry; and (iv) the benefits of the Proposed Acquisition as set out in the section headed "*5. Reasons for and benefits of the Proposed Acquisition*" below, including the opportunity for the Company to benefit from the future growth potential of the Target Group's products and the synergy with the Group's offerings.

In assessing the Total Consideration, the Company has considered price to revenue ratio and EV/EBITDA as its benchmarks, which are both commonly adopted valuation methodologies for SaaS and technology companies. The EV/EBITDA ratio compares the value of a company, including debt, to a company's cash earnings less non-cash expenses. It is a commonly used valuation tool that helps investors compare companies in order to make investment decisions.

The Company compared the transaction multiples for the Proposed Acquisition to those of selected comparable companies listed on the HKSE, the New York Stock Exchange (the "**NYSE**") and NASDAQ who engage in the same or similar SaaS and technology services industry as compared to the Target Group (the "**Comparable Companies**"). The following table sets forth a summary of the relevant information of the Comparable Companies:

Company name	**Stock code**	**Stock Exchange**	**Price to revenue ratio as at the Latest Practicable Date** *(times)*	**EV/EBITDA ratio as at the Latest Practicable Date** *(times)*
Kingdee International Software Group Company Limited	0268	HKSE	16.9	N/A
Kingsoft Corporation Limited	3888	HKSE	6.1	N/A
Ming Yuan Cloud Group Holdings Limited	0909	HKSE	14.3	86.3
Weimob Inc.	2013	HKSE	5.5	N/A
Paycom Software, Inc.	PAYC	NYSE	23.7	85.4
Autodesk, Inc.	ADSK	NASDAQ	14.5	67.0
Workday, Inc.	WDAY	NASDAQ	13.7	114.3
ZoomInfo Technologies Inc.	ZI	NASDAQ	38.1	116.1

source: Bloomberg as of 17 December 2021

The price to revenue ratios of the Comparable Companies as at the Latest Practicable Date ranged from 5.5 to 38.1 times, with an average of 16.6 times. In comparison, based on (i) the valuation of 100% of the equity interest of the Target Company of RMB1,396,000,000; and (ii) the revenue of the Target Company of RMB278,568,000 for the year ended 31 December 2020, the price to revenue ratio of the Target Company is approximately 5.0 times, which is lower than the average and the low end of the aforementioned range of the Comparable Companies as at the Latest Practicable Date.

The EV/EBITDA ratio of the Comparable Companies as at the Latest Practicable Date ranged from 67 to 116.1 times, with an average of 93.8 times. In comparison, based on (i) the valuation of 100% of the equity interest of the Target Company of RMB1,396,000,000; and (ii) the EBITDA of the Target Company at RMB117,190,000 for the year ended 31 December 2020, the EV/EBITDA ratio of the Target Group is approximately 11.9 times, which is lower than the average and the low end of the aforementioned ranged of the Comparable Companies as at the Latest Practicable Date.

In light of the above factors as well as the price to revenue ratios and EV/EBITDA ratios of the Comparable Companies, taking into account of (i) the business development and long term prospects of the Target Company; and (ii) the benefit of the Proposed Acquisition as set out in the section headed "*5. Reasons for and benefits of the Proposed Acquisition*" below, the Directors are of the view that the Total Consideration is fair and reasonable.

5. REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is a leading provider of online video content protection and monetization services, helping its content owner customers identify potential infringing content, reduce infringement-induced revenue loss, and increase their revenue by utilizing our content monetization platform to facilitate online video distribution using a revenue-sharing model. The Sellers, through the Target Group, are principally engaged in SaaS for video distribution and edge computing, and content monetization services in China.

The Proposed Acquisition represents an excellent opportunity for the Group to embrace market opportunities to further consolidate its position as the leader in online video content protection and monetization, and to further realize market potentials in China with one of the best veteran teams in the industry with proven track record. The key reasons for, and the benefits of, the Proposed Acquisition are as follows:

(1) Complimentary Businesses of the Group and the Target Group Enable to Broaden and Transform China Business

The Group has established itself as a global leader in the online content protection and monetization businesses. The Target Group, through its long-established relationship, provides services to top Chinese content platforms, telecom and cable operators, and internet service providers. Upon the Acquisition, the Enlarged Group will have enhanced revenue proposition with broader customer base to offer complementary cross-sell opportunities. The Group and the Target Group will also be able to combine efforts to explore and achieve new transformational businesses in China.

(2) Enhanced Scale and Operating Capabilities Allow the Group to Capture Market Opportunities in China

The Group considers China as a key strategic growth market. The recent policy updates, including the 2020 Copyright Law Amendment (effective June 2021), guideline for National Intellectual Property Strategy (2021–2035), and the National Intellectual Property Protection and Utilization guideline for the 14th Five Year Plan, showcased increased value proposition for intellectual property rights in China, creating favourable market environment for the Group's business. The Acquisition of the Target Group will add to the Group an industry leading team with top-tier operation and immediate execution capabilities and long-established relationship with top content platforms, telecom operators, cable operators and internet service providers, putting the Group in a strategic position to capture market opportunities and realize growth potentials in China.

(3) Top Industry Veteran Team in China With Outstanding Track Record, Further Adding To the Group's Global Leadership Team

The management team of the Target Group has over 20 years of experience in China media industry and was among the key founding members of Wasu Media Holding Co., Ltd ("**Wasu**", listed on Shenzhen Stock Exchange: 000156.SZ), an industry-leading media conglomerate with a peak market capitalization close to RMB100 billion. The Target Group was established in 2014. Ms. Li together with the management team invested in and joined the Target Company in December 2017, set new strategy, completed company reorganisation and business restructuring. The Target Group has quickly emerged into a leader in video distribution and edge computing SaaS, and content monetization service, with over RMB278 million revenue in 2020. The proven track record clearly demonstrated the Target Group management team's outstanding capabilities in business operation and execution. Its complementary background and skillsets will add to the Group's global leadership team and significantly benefit the Group.

The Board is of the view that the Sale and Purchase Agreement was entered into on normal commercial terms and the terms of the Proposed Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. INFORMATION OF THE VIE CONTRACTS

(a) Reasons for use of the VIE Contracts

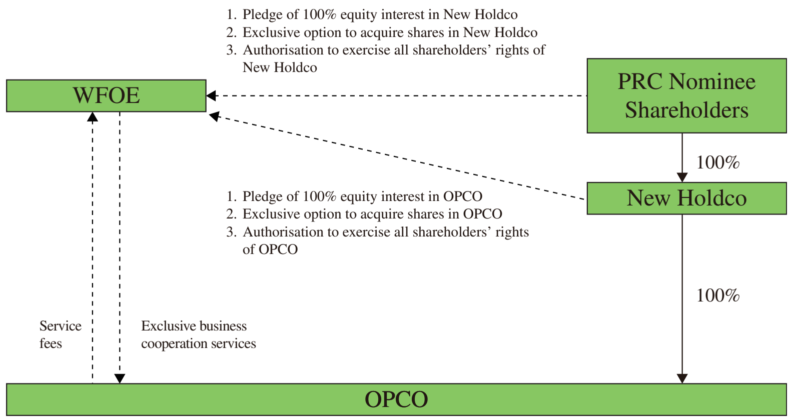
The Target Group is engaged in the operation of video distribution and information services and is considered to be engaged in the (i) provision of value-added telecommunications services and (ii) the production and operation of radio and television programs. As at the date of this circular, the Target Group holds certain licenses and permits that are essential to the operation of the video distribution and information services, including but not limited to: (x) License for Value-Added Telecommunications Services (增值電信業務經營許可證); and (y) License for Production and Operation of Radio and Television Programs (廣播電視節目製作經營許可證).

Investment activities in the PRC by foreign investors are primarily regulated by Catalogue of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版))》) (the "**Catalogue**"), which were promulgated and are amended from time to time jointly by the Ministry of Commerce of the PRC (the "**MOFCOM**") and the National Development and Reform Commission of the PRC (the "**NDRC**"), and the Special Administrative Measures for Foreign Investment Access (Edition 2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the "**Negative List**") as promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. According to the Negative List and other PRC laws, foreign investors are restricted or prohibited to (i) conduct value-added telecommunications services (except e-commerce, domestic conferencing, store-and-forward, and call center services) and (ii) conduct in radio and television program production and operation business. In light of the above, as the Company is foreign-owned, there are limitations or restrictions on foreign ownership in the Restricted Entities.

Therefore, WFOE, OPCO, New Holdco and the PRC Nominee Shareholders will enter into the VIE Contracts prior to Closing to enable the financial results, the entire economic benefits and the risks of the businesses of OPCO (owning the Restricted Entities) to flow into WFOE and to enable WFOE to gain control over OPCO (owning the Restricted Entities).

(b) VIE Contracts

The following simplified diagram illustrates the flow of economic benefits from OPCO to WFOE stipulated under the VIE Contracts:



Notes:

"————▶" denotes direct legal and beneficial ownership in the equity interest
"- - - - - - -▶" denotes contractual relationship under the VIE Contracts

The VIE structure will be implemented prior to Closing. As at the Latest Practicable Date, the identity of the PRC Nominee Shareholder(s) has not been determined by the Company. However, the Company will designate an employee of a subsidiary within the Group at a managerial level as the PRC Nominee Shareholder(s). Such employee will be a third party independent from the Company and its connected persons, and therefore will not be regarded as connected persons of the Company under Chapter 14A of the Listing Rules.

Principal terms of each of the VIE Contracts are set out as follows:

(i) *Exclusive Business Cooperation Agreement*

Date	To be signed before Closing
Parties	(a) WFOE
	(b) OPCO
Subject	OPCO agrees to engage WFOE as the exclusive service provider to provide OPCO with business support, technical and consulting services, including but not limited to technical services, business consultation, intellectual property licensing, marketing consultancy services and other management consultancy services which are related to the industry OPCO operates in (the "**Exclusive Services**").

During the term of the Exclusive Business Cooperation Agreement, without the prior written consent of WFOE, OPCO is not allowed to engage or cooperate with any third party for the provision of the Exclusive Services.

OPCO agrees to pay 100% of its net income (including accumulated income from the previous fiscal years) to WFOE as a fee for the Exclusive Services on an annual basis.

Term

The Exclusive Business Cooperation Agreement shall take effect from the date of its execution and shall remain effective until WFOE and/or its nominee(s) acquire all equity interest in OPCO.

The Exclusive Business Cooperation Agreement may terminate upon the occurrence of any of the following circumstances:

(a) OPCO having become bankrupt, liquidated, terminated or dissolved by the operation of law;

(b) WFOE having exercised its call option under the call Agreements, pursuant to which it and/or its nominee(s) have acquired all the equity interest of OPCO;

(c) WFOE and/or its nominee(s) directly having acquired all equity interest in OPCO, lawfully engaged in OPCO's business and are duly registered as the shareholder(s) of OPCO in accordance with applicable PRC laws;

(d) WFOE having requested to terminate the Exclusive Business Cooperation Agreement by a 30-day prior written notice to OPCO and the notice period has expired; and

(e) a defaulting party having failed to cure a breach under the Exclusive Business Cooperation Agreement at its own expense within a reasonable period after being given a written notice by the non-defaulting party. Where OPCO is the defaulting party, WFOE shall have the right to unilaterally terminate the Exclusive Business Cooperation Agreement.

(ii) ***Shareholders' Voting Rights Proxy Agreement I***

Date: To be signed before Closing

Parties:
(a) WFOE
(b) New Holdco
(c) OPCO

Subject: New Holdco irrevocably agrees to entrust WFOE all its shareholders' rights in OPCO, including but not limited to:

(a) as the agent of New Holdco, to convene and attend the shareholders' meetings of OPCO in accordance with the articles of association of OPCO;

(b) to exercise all shareholder's rights New Holdco is entitled to under the PRC laws and the articles of association of OPCO, including but not limited to the right to vote, receive dividends and sell, transfer, pledge or dispose of all or part of its equity interest in OPCO;

(c) to designate, appoint or remove any legal representative, director, supervisor, chief executive or other senior managers of OPCO in accordance with the articles of association of OPCO, and to bring legal action against directors or senior managers who acted against the interests of OPCO;

(d) to sign and file documents with the relevant company registry;

(e) to exercise its voting right in case of bankruptcy, liquidation, dissolution or termination of OPCO;

(f) to distribute the remaining assets of OPCO upon bankruptcy, liquidation, dissolution or termination of OPCO;

(g) to decide on matters relating to the submission and registration of documents to the relevant government authorities; and

(h) to exercise any shareholder's rights to dispose of OPCO's assets, including but not limited to the right to manage OPCO's assets, to utilise OPCO's income and to acquire OPCO's assets.

Term — The term of the powers and rights granted to WFOE shall be equal to the term of the Exclusive Business Cooperation Agreement.

WFOE may unilaterally terminate this Agreement unconditionally at its sole discretion by a written notice to New Holdco and OPCO.

(iii) ***Shareholders' Voting Rights Proxy Agreement II***

Date — To be signed before Closing

Parties —

(a) WFOE

(b) PRC Nominee Shareholders

(c) New Holdco

(d) OPCO

Subject — The PRC Nominee Shareholders irrevocably agree to entrust WFOE all its shareholders' rights in New Holdco, including but not limited to:

(a) as the agent of the PRC Nominee Shareholders, to convene and attend the shareholders' meetings of New Holdco in accordance with the articles of association of New Holdco;

(b) to exercise all shareholder's rights the PRC Nominee Shareholders are entitled to under the PRC laws and the articles of association of New Holdco, including but not limited to the right to vote, receive dividends and sell, transfer, pledge or dispose of all or part of its equity interest in New Holdco;

(c) to designate, appoint or remove any legal representative, director, supervisor, chief executive or other senior managers of New Holdco in accordance with the articles of association of New Holdco, and to bring legal action against directors or senior managers who acted against the interests of New Holdco;

(d) to sign and file documents with the relevant company registry;

(e) to exercise its voting right in case of bankruptcy, liquidation, dissolution or termination of New Holdco;

(f) to distribute the remaining assets of New Holdco upon bankruptcy, liquidation, dissolution or termination of New Holdco;

(g) to decide on matters relating to the submission and registration of documents to the relevant government authorities; and

(h) to exercise any shareholder's rights to dispose of New Holdco's assets, including but not limited to the right to manage New Holdco's assets, to utilise New Holdco's income and to acquire New Holdco's assets.

Term: The term of the powers and rights granted to WFOE shall be equal to the term of the Exclusive Business Cooperation Agreement.

WFOE may unilaterally terminate this Agreement unconditionally at its sole discretion by a written notice to the PRC Nominee Shareholders and New Holdco.

(iv) ***Exclusive Call Option Agreement I***

Date: To be signed before Closing

Parties:

(a) WFOE

(b) New Holdco

(c) OPCO

Subject	New Holdco irrevocably and unconditionally agrees to grant an exclusive option to WFOE to acquire from New Holdco its equity interest in OPCO in whole or in part at a consideration of RMB1 or a minimum price to the extent permitted by the PRC laws (whichever is higher). The Exclusive Call Option Agreement I also sets out detailed provisions that prohibit New Holdco and OPCO to act without the prior written approval from WFOE. For example, New Holdco and OPCO undertake not to sell, transfer, pledge or dispose of any legal or beneficial interest in the equity interest in OPCO held by New Holdco, save in respect of the pledge of equity interest to WFOE in accordance with the terms of the Equity Interest Pledge Agreement I.
Term	The Exclusive Call Option Agreement I shall take effect from the date of its execution and shall remain effective until WFOE and/or its nominee(s) acquire all equity interest in OPCO. WFOE may unilaterally terminate the Exclusive Call Option Agreement I unconditionally at its sole discretion by a written notice to New Holdco and OPCO.

(v) ***Exclusive Call Option Agreement II***

Date	To be signed before Closing
Parties	(a) WFOE (b) PRC Nominee Shareholder (c) New Holdco (d) OPCO
Subject	The PRC Nominee Shareholders irrevocably and unconditionally agree to grant an exclusive option to WFOE to acquire from the PRC Nominee Shareholders their equity interest in New Holdco in whole or in part at a consideration of RMB1 or a minimum price to the extent permitted by the PRC laws (whichever is higher).

The Exclusive Call Option Agreement II also sets out detailed provisions that prohibit the PRC Nominee Shareholders, New Holdco and OPCO to act without the prior written approval from WFOE. For example, the PRC Nominee Shareholders undertake not to sell, transfer, pledge or dispose of any legal or beneficial interest in the equity interest in New Holdco, save in respect of the pledge of equity interest to WFOE in accordance with the terms of the Equity Interest Pledge Agreement II.

Term — The Exclusive Call Option Agreement II shall take effect from the date of its execution and shall remain effective until WFOE and/or its nominee(s) acquire all equity interest in OPCO.

WFOE may unilaterally terminate the Exclusive Call Option Agreement II unconditionally at its sole discretion by a written notice to the PRC Nominee Shareholders and New Holdco.

(vi) ***Equity Interest Pledge Agreement I***

Date — To be signed before Closing

Parties —
(a) WFOE
(b) New Holdco
(c) OPCO

Subject — New Holdco agrees to pledge all of the equity interest it holds in OPCO to WFOE to secure the performance of the payment obligation under the Exclusive Business Cooperation Agreement and also the obligations of New Holdco and OPCO under the VIE Contracts.

If New Holdco and/or OPCO are in breach of any of their respective obligations under the VIE Contracts, WFOE shall have the rights to, among others, dispose the pledged equity interests.

Term

The Equity Interest Pledge Agreement I shall become effective upon the registration of the equity pledge and shall remain effective until the occurrence of any of the following circumstances:

(a) the full repayment and performance of the payment obligation under the Exclusive Business Cooperation Agreement and also the obligations of New Holdco and OPCO under the VIE Contracts;

(b) WFOE and/or its nominee(s) having elected to acquire all of the equity interest in OPCO held by New Holdco pursuant to the Exclusive Call Option Agreements to the extent permitted under PRC laws, all of the equity interest in OPCO having been duly transferred to WFOE and/or its nominee(s), and WFOE and or its nominee(s) having lawfully engaged in OPCO's business;

(c) WFOE unilaterally having requested to terminate the Equity Pledge Agreement;

(d) the pledge having been realised in full by WFOE in accordance with the Equity Pledge Agreement; or

(e) as required by the applicable PRC laws and regulations.

(vii) ***Equity Interest Pledge Agreement II***

Date

To be signed before Closing

Parties

(a) WFOE

(b) PRC Nominee Shareholders

(c) New Holdco

(d) OPCO

Subject

The PRC Nominee Shareholders agree to pledge the equity interest it holds in New Holdco to WFOE to secure the performance of the payment obligation under the Exclusive Business Cooperation Agreement and also the obligations of New Holdco and OPCO under the VIE Contracts.

Term	The Equity Interest Pledge Agreement II shall become effective upon the registration of the equity pledge and shall remain effective until the occurrence of any of the following circumstances: (a) the full repayment and performance of the payment obligation under the Exclusive Business Cooperation Agreement and also the obligations of New Holdco and OPCO under the VIE Contracts; (b) WFOE and/or its nominee(s) having elected to acquire all of the equity interest in OPCO held by New Holdco pursuant to the Exclusive Call Option Agreements to the extent permitted under PRC laws, all of the equity interest in OPCO has been duly transferred to WFOE and/or its nominee(s), and WFOE and or its nominee(s) have lawfully engaged in OPCO's business; (c) WFOE unilaterally having requested to terminate the Equity Pledge Agreement; (d) the pledge having been realised in full by WFOE in accordance with the Equity Pledge Agreement; or (e) as required by the applicable PRC laws and regulations.

(viii) ***Letter of Undertaking***

Date	To be signed before Closing
Parties	Spouse of each of the PRC Nominee Shareholders
Subject	The spouses of the PRC Nominee Shareholders each undertake (i) to sign all necessary documents to ensure due performance of the VIE Contracts; (ii) not to claim any interest in the equity interest and assets of New Holdco; (iii) that his/her spouse will have the right to dispose the equity interest in the event of his/her death, incapacity or divorce.

A copy of the VIE Contracts will be published on the Company's website as soon as reasonably practicable and after they are executed prior to Closing.

Dispute Resolutions

Each of the VIE Contracts contains a dispute resolution clause to the effect that, amongst others, in the event any dispute arises under the relevant VIE Contracts cannot be resolved among the parties through negotiation, such dispute shall provide for arbitration by the China International Economic and Trade Arbitration Commission (the "**Arbitration Commission**") in accordance with the then arbitration rules. The place of arbitration shall be in Beijing and the language of arbitration shall be Chinese. The decision of the arbitration shall be final, conclusive and binding on the parties. Further, the VIE Contracts contain provisions to the effect that the arbitrators may award remedies over the shares and/or assets of OPCO and New Holdco, injunctive reliefs (such as mandatory transfer of assets) and/or winding up order of OPCO and New Holdco.

However, the Company's PRC legal adviser has advised that (i) a tribunal does not have the power to grant injunctive relief or winding up order of OPCO and New Holdco under PRC laws; (ii) interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the VIE Contracts.

Death and divorce of the PRC Nominee Shareholders

Appropriate provisions have been incorporated in the VIE Contracts to protect the Group's interests in the event of death or divorce of the PRC Nominee Shareholders to avoid any practical difficulties in enforcing the VIE Contracts. The VIE Contracts have certain provisions which set out that the respective agreement shall be binding on the assignees or successors of the PRC Nominee Shareholders to which such PRC Nominee Shareholders are a party to, details of which are set out in the section headed "*6. Information of the VIE Contracts — VIE Contracts*" above.

Liquidation

Pursuant to the Exclusive Call Option Agreements, in the event of liquidation or winding up of OPCO and New Holdco pursuant to the applicable PRC laws, OPCO and New Holdco shall sell all of their residual assets (to the extent permitted by the PRC laws) to WFOE or another qualifying entity designated by WFOE at the lowest price permitted by applicable PRC laws. Any proceeds from such transaction shall be paid to WFOE or the qualifying entity designated by WFOE after New Holdco and the PRC Nominee Shareholders receive such proceeds. Further, any proceeds New Holdco and the PRC Nominee Shareholders received from OPCO and New Holdco in the event of liquidation or winding up of OPCO and New Holdco shall be paid to the WFOE or another entity designated by WFOE. Accordingly, in a liquidation or winding up of

OPCO and New Holdco, a liquidator may seize the assets of OPCO and New Holdco through WFOE based on the VIE Contracts for the benefit of the Company's creditors/shareholders assuming the completion of the Proposed Acquisition.

Conflict of interests

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between the PRC Nominee Shareholders, New Holdco and the Group. In particular, (i) the Shareholders' Voting Rights Proxy Agreements provides that the PRC Nominee Shareholders and New Holdco will neither, directly or indirectly, participate or engage in any business which is or may be in competition with the business of the Target Group or its associated company, provide service to any entity that participates or engages in such business, nor hold equity interest in or assets of entity that participates or engages in such business; and (ii) the Shareholders' Voting Rights Proxy Agreements provides that the authorizations under the Shareholders' Voting Rights Proxy Agreements will be granted to officers of the Company who are unrelated to the PRC Nominee Shareholders and New Holdco to avoid any conflict of interests.

(c) Internal Control measures to be Implemented by the Group

The VIE Contracts contain certain provisions in order to exercise effective control over and to safeguard the assets of the OPCO and New Holdco, including but not limited to that, without the prior written consent of WFOE, New Holdco and the PRC Nominee Shareholders, shall not at any time sell, transfer, pledge, or otherwise dispose or create any encumbrances over the legal or beneficial interests of the OPCO and New Holdco. OPCO and New Holdco shall conduct its business in ordinary and usual course to preserve the asset value of the OPCO and New Holdco and shall not engage in any action (or inaction) which may have any adverse effect on the business, operations and asset value of OPCO and New Holdco. In addition, OPCO's and New Holdco's directors, legal representative, supervisors, general manager, and other executives may be appointed under WFOE's recommendations and such senior management will have the physical possession of all of the OPCO's and New Holdco's common seals, company chops and books and records.

(d) Effect and legality of the VIE Contracts

As advised by the Company's PRC legal adviser, the VIE Contracts upon signing comply with the PRC laws, rules and regulations applicable to the business of WFOE and OPCO (including the Catalogue and the Negative List), do not contravene the articles of WFOE and OPCO, and would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC Civil Code. The VIE Contracts upon signing are valid and enforceable against the parties to the VIE Contracts. The Company's PRC legal adviser also confirms that all necessary actions or steps have been taken to enable it to reach its legal conclusions, provided that WFOE's right to deal with the pledged equity interest in OPCO and New Holdco pursuant to the Equity Pledge Agreements and its option to acquire the relevant equity interest in OPCO and New Holdco under the Exclusive Call Option Agreements are confined to be carried out in a manner as permitted by the relevant PRC laws, and provided further that, the pledges created under the Equity Pledge Agreements shall only become effective upon its due registration with the relevant Administration for Market Regulation of the PRC. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the announcement, WFOE and OPCO have not encountered any interference or encumbrance from any governing bodies in operating its business through the contractual arrangements under the VIE Contracts.

Based on the above, the Board is of the view that the VIE Contracts are narrowly tailored to achieve OPCO's business purpose and to minimize the potential conflict with and are enforceable under the relevant PRC laws and regulations. The VIE Contracts enable WFOE to gain control over the financing and business operations of OPCO, and is entitled to the economic interest and benefits of OPCO. The VIE Contracts also provide that WFOE may unwind the VIE Contracts as soon as relevant PRC rules and regulations governing foreign investment in the operation of Restricted Entities are issued which allow WFOE to register itself as the shareholder of OPCO.

However, as advised by the Company's PRC legal adviser, there are substantial uncertainties regarding the interpretation and application of current and future PRC Laws. Accordingly, relevant PRC governmental or judicial authorities may take a view that is contrary to the opinion of the Company's PRC legal adviser. It is uncertain whether any new PRC laws relating to the VIE Contracts will be adopted, or if adopted, what the laws would provide. If the Group is found to be in violation of existing or future PRC laws, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC governmental or judicial authorities would have broad discretion to take action in dealing with the violation or failure, in which case, the Group could be subject to severe penalties, including being prohibited from continuing OPCO's operations or unwinding the contractual arrangements.

(e) Risk Factors in relation to the VIE Contracts

Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of the VIE Contracts, corporate governance and business operations of the Group and the Target Group.

On March 15, 2019, the Standing Committee of National People's Congress promulgated the 2019 PRC Foreign Investment Law, which became effective on January 1, 2020. The 2019 PRC Foreign Investment Law replaces the trio of existing laws regulating foreign investment in China, namely, the *Wholly Foreign-owned Enterprises Law*, the *Sino-foreign Equity Joint Ventures Law*, and the *Sino-foreign Cooperative Joint Ventures Law*, together with their implementation rules and ancillary regulations, and embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, uncertainties still exist in relation to interpretation and implementation of the 2019 PRC Foreign Investment Law, especially in regard to, including, among other things, the nature of VIE structure. In case there would be material and adverse effect on the Group or the business of OPCO arising from the 2019 PRC Foreign Investment Law, the Company will timely announce (i) any updates or material changes to the 2019 PRC Foreign Investment Law; (ii) if any updates or material changes to the 2019 PRC Foreign Investment Law are implemented, a clear description and analysis of the law, specific measures taken by the Company to be in compliance with the 2019 PRC Foreign Investment Law with the support of a PRC legal opinion; and (iii) any material impact of the 2019 PRC Foreign Investment Law on the Company's operations and financial position (if any).

The VIE structure has been adopted by many PRC-based companies to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. While the 2019 PRC Foreign Investment Law and its implementation regulations which took effect on January 1, 2020, do not define contractual arrangements as a form of foreign investment explicitly, it cannot be guaranteed that future laws and regulations will not provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that the Group's control over OPCO through contractual arrangements will not be deemed as a foreign investment in the future.

In the event that any possible future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, or if any of OPCO's and its respective subsidiaries' operations through contractual arrangements is classified in the "restricted" or "prohibited" industry, the VIE Contracts may be deemed as invalid and illegal, and the Group may be required to unwind the VIE contractual arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing contractual arrangements, the Group may face substantial uncertainties as to whether it can complete such actions in a timely manner, or at all.

The PRC government may determine that the VIE Contracts do not comply with the applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group may be subject to penalties or be forced to relinquish its interests in those operations.

There can be no assurance that the VIE Contracts will be deemed by the relevant PRC governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the PRC relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the VIE Contracts will be deemed to be in compliance of the PRC laws and regulations.

Due to legal restrictions on foreign investment in Chinese companies providing value-added telecommunications services and the production and operation of radio and television program, the Target Group will operate the Restricted Entities through contractual arrangements with OPCO, New Holdco and/or the PRC Nominee

Shareholders. The contractual arrangements enable WFOE to: (i) hold effective control over OPCO; (ii) receive substantially all of the economic benefits of OPCO and (iii) have an exclusive option to purchase all or part of the equity interests in OPCO and New Holdco when and to the extent permitted by PRC law or requires any existing shareholders of OPCO and New Holdco to transfer any or part of the equity interest in OPCO and New Holdco to another PRC person or entity designated by WFOE at any time of its discretion. Because of the contractual arrangements, WFOE will be the primary beneficiary of OPCO and its respective subsidiaries and consolidate the results of operations of OPCO into the Group's. OPCO and its respective subsidiaries hold the licenses, approvals and key assets that are essential to its business operations.

If the PRC government finds that the contractual arrangements do not comply with the existing or future restrictions on foreign investment, or if the PRC government otherwise finds that WFOE, OPCO or any of their subsidiaries are in violation of the existing or future PRC laws or regulations or lack the necessary permits or licenses to operate its business, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking OPCO's and its respective subsidiaries' business and operating licenses;
- discontinuing or restricting OPCO's and its respective subsidiaries' operations;
- imposing fines or confiscating any of OPCO's and its respective subsidiaries' income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which OPCO and its respective subsidiaries may not be able to comply;
- requiring OPCO and its respective subsidiaries to restructure the relevant ownership structure or operations;
- restricting OPCO's and its respective subsidiaries' financing activities to finance the business and operations of OPCO; or
- taking other regulatory or enforcement actions that could be harmful to OPCO's and its respective subsidiaries' business.

Any of these actions could cause significant disruption to the Group's business operations, and may materially and adversely affect the Group's business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on the Group and the Group's ability to consolidate the financial results of OPCO in the Group's consolidated financial statements, if the PRC governmental authorities find the Group's legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in the

Group's inability to direct the activities of OPCO that most significantly impact their economic performance and/or the Group's failure to receive the economic benefits from OPCO, the Group may not be able to consolidate OPCO and its respective subsidiaries into the Group's consolidated financial statements.

The VIE Contracts may not be as effective as direct ownership in providing control over OPCO

The Group relies on contractual arrangements under the VIE Contracts with OPCO to operate the Restricted Entities in the PRC. These contractual arrangements may not be as effective in providing the Group with control over OPCO as direct ownership. If the OPCO, the New Holdco and the PRC Nominee Shareholders fail to perform their respective obligations under the VIE Agreements, the Group may incur substantial costs and expend substantial resources to enforce our rights. All the agreements under the VIE Contracts are governed by PRC laws. The legal environment in the PRC is not as developed as certain other jurisdictions, such as Hong Kong and the United States. As a result, uncertainties in the PRC legal system could limit the Group's ability to enforce the VIE Contracts. In the event that the Group is unable to enforce the VIE Contracts, or if the Group suffers significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the OPCO, and the Group's ability to conduct its business and its financial condition and results of operations may be materially and adversely affected.

The PRC Nominee Shareholders may potentially have a conflict of interests with the Group

The Group's control over OPCO will be based on the contractual arrangement under the VIE Contracts. Therefore, conflict of interests of New Holdco and the PRC Nominee Shareholders will adversely affect the interests of the Company. Pursuant to the Shareholders' Voting Rights Proxy Agreements, New Holdco and the PRC Nominee Shareholders will irrevocably authorize WFOE as their representative to exercise the voting rights of the shareholders of OPCO and New Holdco, and the Shareholders' Voting Rights Proxy Agreements provide that the authorizations under the Shareholders' Voting Rights Proxy Agreements will be granted to officers of the Company who are unrelated to the PRC Nominee Shareholders to avoid any conflict of interests Therefore, it is unlikely that there will be potential conflict of interests between the Company, New Holdco and the PRC Nominee Shareholders. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing New Holdco and the PRC Nominee Shareholders.

The contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the VIE Contracts was not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability without reducing the tax liabilities of OPCO, and this could further result in late payment fees and other penalties to OPCO for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

Certain terms of the VIE Contracts may not be enforceable under PRC laws

The VIE Contracts provides for dispute resolution by way of arbitration in accordance with the arbitration rules of the Arbitration Commission. The VIE Contracts contain provisions to the effect that the arbitrators may award remedies over the shares and/or assets of OPCO and New Holdco or provide mandatory remedies to WFOE (such as mandatory transfer of asset). In addition, the parties to the VIE Contracts may also by itself/himself or through the Arbitration Commission to apply for interim remedies in the place of incorporation of WFOE in appropriate cases. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in OPCO and New Holdco in case of disputes. Therefore, such remedies may not be available, notwithstanding the relevant contractual provisions contained in the VIE Contracts.

A substantial amount of costs and time may be involved in transferring the ownership of OPCO to the Group under the Exclusive Call Option Agreements

The Exclusive Call Option Agreements grant WFOE a right to acquire part or all of the equity interest in the registered capital of OPCO and New Holdco at RMB1 or the lowest price permitted by PRC law (whichever is higher), under which WFOE or its designee is entitled to acquire all or part of the equity interest of OPCO and New Holdco from New Holdco and the PRC Nominee Shareholders, respectively. The Exclusive Call Option Agreements grant WFOE a right to purchase all of the assets of OPCO and New Holdco at the lowest price permitted by PRC law when OPCO and/or New Holdco is dissolved or liquidated, under which WFOE or its nominee is entitled to acquire the assets of OPCO and New Holdco.

Nevertheless, such rights can only be exercised by WFOE as and when permitted by the relevant PRC laws and regulations, in particular, when there are no limitations on foreign ownership in PRC companies that provide value-added telecommunications and the production and operation of radio and television program.

In addition, a substantial amount of costs and time may be involved in transferring the ownership of OPCO and New Holdco to WFOE if it chooses to exercise the exclusive right to acquire all or part of the equity interest in OPCO and New Holdco under the Exclusive Call Option Agreements, which may have a material adverse impact on the Group's business, prospects and results of operation.

The Company does not have any insurance which covers the risks relating to the VIE Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the VIE Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Contracts in the future, such as those affecting the enforceability of the VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of OPCO, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk.

Economic risks WFOE bears as the primary beneficiary of OPCO, financial support to OPCO and potential exposure of the OPCO to losses

As the primary beneficiary of OPCO, WFOE will share both profit and loss of OPCO. Equally, WFOE bears economic risks which may arise from difficulties in the operation of OPCO's business. WFOE may have to provide financial support in the event of financial difficulty of OPCO. Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of OPCO and the need to provide financial support to OPCO

7. INFORMATION OF THE TARGET GROUP

(a) Target Group

The Target Company is an investment holding company incorporated under the laws of the PRC. As a leading software and information technology service provider, specialized in integrated video solutions, it is principally engaged in provision of SaaS, through its two main products in China: SaaS for video distribution and edge computing, and content monetization services in China:

(i) **SaaS for video distribution and edge computing:** The Target Group provides integrated video technology service, video distribution, edge computing services, and hybrid cloud solutions, serving customers including top content platforms (such as Youku, Tencent), telecom and cable operators, new media and internet service providers (such as Alibaba, Tencent, Bytedance, Huawei Cloud, Baidu).

(ii) **Content monetization service:** The Target Group carries out strategic cooperation with content rights owners including global film studios and television networks, and top platforms to bring together high-quality content from Youku, Tencent, Sony, and Paramount, etc., and provides video-based products, operations and monetization services to telecom operators, new media, and cable operators via TV and mobile devices.

(b) Selected Financial Information of the Target Group

Set out below are certain key financial data of the Target Group for each of the two years ended 31 December 2019 and 2020 and for the eight months ended 31 August 2021 as derived from the accountants' report as set out in Appendix II to this circular:

	For the financial year ended 31 December 2019	For the financial year ended 31 December 2020	For the eight months ended 31 August 2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue	195,654	278,568	199,911
Net profit before tax	22,804	46,530	24,977
Net profit after tax	18,479	40,165	22,635

As at 31 August 2021, the net asset value of the Target Company was RMB262,333,000.

For each of the three years ended 31 December 2018, 2019 and 2020 and for the eight months ended 31 August 2021, the total revenue of the Restricted Entities was RMB9.5 million, RMB5.3 million, RMB12.2 million and RMB3.3 million, respectively.

Upon Closing, the Target Company (owning the Non-Restricted Entities) will be a subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the accounts of the Company. As WFOE, through the VIE Contracts, will have effective control over the finance and operations of OPCO (owning the Restricted Entities) so as to obtain economic interest and benefits from their business activities despite the lack of registered equity ownership, the Directors have discussed with the auditor of the Company and are of the view that the Company has the right to consolidate the financial results of OPCO and the Restricted Entities in its consolidated accounts as if it were a subsidiary of the Group upon Closing.

(c) Shareholding Information of the Target Company

As at the Latest Practicable Date, the Target Company is held by the following shareholders:

Name of Shareholders	Shareholding Percentage
Ms. Li Yiqing	4.43%
Ningbo Meishan Free Trade Port Zone Qishi Investment Management Partnership (Limited Partnership)* (寧波梅山保税港區琪石投資管理合夥企業(有限合夥))	14.55%
Ningbo Meishan Free Trade Port Zone Yili Investment Management Partnership (Limited Partnership)* (寧波梅山保税港區義立投資管理合夥企業(有限合夥))	11.34%
Deqing Jingsheng Investment Management Partnership (Limited Partnership)* (德清璟盛投資管理合夥企業(有限合夥))	20.20%
Deqing Puhua Equity Investment Fund Partnership (Limited Partnership)*) (德清朴華股權投資基金合夥企業(有限合夥))	15.09%
Gongqingcheng Tengyan Investment Management Center (Limited Partnership)* (共青城藤岩投資管理中心(有限合夥))	8.28%
Pu Ying Guoshi (Shanghai) Equity Investment Fund Partnership (Limited Partnership)* (朴盈國視(上海)股權投資基金合夥企業(有限合夥))	5.80%
Ningbo Shuguo Equity Investment Partnership (Limited Partnership)* (寧波書國股權投資合夥企業(有限合夥))	4.85%
Ningbo Meishan Free Trade Port Zone Pu Rui Equity Investment Partnership Enterprise (Limited Partnership)* (寧波梅山保税港區朴瑞股權投資合夥企業(有限合夥))	4.71%
Shenzhen Qianhai Junjue Investment Management Co., Ltd.* (深圳市前海君爵投資管理有限公司)	4.04%
Shanghai Ivy Digital and Media Equity Investment Fund Partnership (Limited Partnership)* (上海常春藤數字與傳媒股權投資基金合夥企業(有限合夥))	3.03%

Name of Shareholders	Shareholding Percentage
Deqing Pudao Investment Management Partnership (Limited Partnership)* (德清朴道投資管理合夥企業(有限合夥))	0.92%
Hangzhou Puying Equity Investment Fund Partnership (Limited Partnership)*(杭州朴盈股權投資基金合夥企業(有限合夥))	0.92%
Ningbo Qiku Investment Co., Ltd.* (寧波七酷投資有限公司)	0.92%
Hangzhou Wenyue Enterprise Development Co., Ltd.* *(Note)* (杭州聞悦企業發展有限公司)	0.92%

Note: Prior to Closing, Ms. Li or her designated entity will acquire all the equity interest in the Target Company held by Hangzhou Wenyue.

8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Enlarged Group. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Proposed Acquisition is set out in Appendix IV to this Circular.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this Circular, assuming the Completion had taken place on 31 December 2020, (i) the consolidated total assets of the Enlarged Group would be increased from approximately HK$1,154 million to approximately HK$2,525 million; and (ii) the consolidated total liabilities of the Enlarged Group would be increased from approximately HK$365 million to approximately HK$1,557 million.

According to the accountants' report on the Target Group as set out in Appendix II to this Circular, the Target Group recorded net profit of approximately RMB40.2 million for the year ended 31 December 2020. The Directors believe that the Target Group will continue to contribute positive operating results to the Group after completion of the Proposed Acquisition.

In light of the potential future prospects offered by the Proposed Acquisition as stated in the section headed "*5. Reasons for and benefits of the Proposed Acquisition*" in this Letter from the Board, it is expected that the Proposed Acquisition would have a positive impact on the Enlarged Group's revenue base and earnings in the future.

For further information, please refer to Appendix IV of this circular for unaudited pro forma financial information of the Enlarged Group.

9. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

After the Proposed Acquisition, the Enlarged Group plans to build an industry-leading infrastructure empowered by its core capabilities in content protection and monetization services, in order to meet the ever-growing demand in copyright management and to capture the new market opportunities in the Mainland China.

There is an increasing focus and value proposition in intellectual properties in the Mainland China, with policy updates including the 2020 Copyright Law Amendment (effective in June 2021), the guideline for National Intellectual Property Strategy (2021–2035), and the National Intellectual Property Protection and Utilization guideline for the 14^{th} Five Year Plan, creating favourable market environment and growth opportunities for the Group.

The Group's recently increased investments in the Mainland China have created tremendous momentum. The Enlarged Group plans to leverage on the operation and execution capabilities of the combined team, to increase scale and to capture the huge market opportunities in the Mainland China.

Further to the announcement of the Group dated 17 December 2021, the Group intends to finance the Proposed Acquisition through debt financing and by using proceeds from the previous fund raising activities. As at the Latest Practicable Date, the Company is contemplating a two-year loan with principal amount of US$125 million (equivalent to HK$974,719,000) subject to the final approval from the relevant financial institution to finance the Proposed Acquisition which bear interest equal to secured overnight financing rate plus 5.5% to 6.3%. The grant of the above credit facility is conditional on the completion of the Proposed Acquisition and final approval from the relevant financial institution. As at the Latest Practicable Date, the Company does not intend to finance the Total Consideration through new equity financing. The Group will continue to evaluate other sources of capital.

10. INFORMATION OF THE SELLERS

(a) Management Shareholders

Ms. Li Yiqing is a PRC resident and a director of the Target Company. As at the Latest Practicable Date, she directly holds 4.43% of the equity interest in the Target Company.

Ningbo Meishan Free Trade Port Zone Qishi Investment Management Partnership (Limited Partnership)* (寧波梅山保稅港區琪石投資管理合夥企業(有限合夥)) is a limited partnership registered and established in the PRC. It is a shareholding vehicle for the employees of the Target Group and holds a pool of share options reserved for the employees of the Target Group, representing 14.55% of the equity interest in the Target Company. Ms. Li is the general partner of Qishi Investment.

Ningbo Meishan Free Trade Port Zone Yili Investment Management Partnership (Limited Partnership)* (寧波梅山保税港區義立投資管理合夥企業(有限合夥)) is a limited partnership registered and established in the PRC. It is a shareholding vehicle for the employees of the Target Group and holds a pool of share options reserved for the employees of the Target Group, representing 11.34% of the equity interest in the Target Company. Ms. Li is the general partner of Yili Investment.

(b) Other Existing Shareholders

As at the Latest Practicable Date, the Other Existing Shareholders collectively hold 69.68% in the Target Company:

(i) Deqing Jingsheng Investment Management Partnership (Limited Partnership)* (德清璟盛投資管理合夥企業(有限合夥)) is a limited partnership registered and established in the PRC and is mainly engaged in investment and asset management. As at the Latest Practicable Date, it directly holds 20.20% of the shareholding interest in the Target Company. It is ultimately controlled by Zhou Meihua and Zhou Wenshui.

(ii) Deqing Puhua Equity Investment Fund Partnership (Limited Partnership)* (德清朴華股權投資基金合夥企業(有限合夥)) is a limited partnership registered and established in the PRC and is mainly engaged in private equity investment and asset management. As at the Latest Practicable Date, it directly holds 15.09% of the shareholding interest in the Target Company. Its general partner and the executive partner is Deqing Puying Investment Management Partnership (Limited Partnership). Zha Yong is the representative appointed by the executive partner. The limited partners are China Yintai Investment Co., Ltd., TCL Culture Media (Shenzhen) Co., Ltd., Hong Yun Culture and Sports Group Co., Ltd, Ningbo Meishan Free Trade Port Zone Qiyu Investment Management Partnership (Limited Partnership) and a wholly-owned subsidiary of Insigma Technology Co., Ltd., which is listed on the Shanghai Stock Exchange.

(iii) Gongqingcheng Tengyan Investment Management Center (Limited Partnership)*(共青城藤岩投資管理中心(有限合夥)) is a limited partnership registered and established in the PRC and is mainly engaged in project investment and investment management. As at the Latest Practicable Date, it directly holds 8.28% of the shareholding interest in the Target Company. Its general partner and the executive partner is Shanghai Ivy Investment Co., Ltd. (上海常春藤投資有限公司). Wu Weijun is the representative appointed by the executive partner. The limited partners are Yin Pingping, Jin Feng, Weng Jiyi, Zhou Jianmin, Kuang Weidong, Lin Libing, Shanghai Chuangzhi Nanfeng Investment Center (Limited Partnership) and Hangzhou Qixi Shangya Investment Management Co., Ltd.

(iv) Pu Ying Guoshi (Shanghai) Equity Investment Fund Partnership (Limited Partnership)* (朴盈國視(上海)股權投資基金合夥企業(有限合夥)) is a limited partnership registered and established in the PRC and is mainly engaged in investment and asset management. As at the Latest Practicable Date, it directly holds 5.80% of the shareholding interest in the Target Company. The general partners are Ningbo Meishan Free Trade Port Zone Puhong Investment Management Partnership (Limited Partnership) (as an executive partner), and Ningbo Meishan Free Trade Port Zone Guoshi Financial Media Investment Management Co., Ltd. Wang Dong is the representative appointed by the executive partner. The limited partners are Shanghai Guoxin Investment Development Co., Ltd., Zhejiang Daily Digital Culture Group Co., Ltd., Deqing Puhua Equity Investment Fund Partnership (Limited Partnership), Zhongshi Media Co., Ltd. and Ningbo Meishan Free Trade Port Zone Pu Rui Equity Investment Partnership (Limited Partnership).

(v) Ningbo Shuguo Equity Investment Partnership (Limited Partnership)* (寧波書國股權投資合夥企業(有限合夥)) is a limited partnership registered and established in the PRC and is mainly engaged in investment management. As at the Latest Practicable Date, it directly holds 4.85% of the shareholding interest in the Target Company. Its general partner and the executive partner is Zhang Bin. The limited partners are Huang Zheyu and a wholly-owned subsidiary of Insigma Technology Co., Ltd., which is listed on the Shanghai Stock Exchange.

(vi) Ningbo Meishan Free Trade Port Zone Pu Rui Equity Investment Partnership Enterprise (Limited Partnership)* (寧波梅山保税港區朴瑞股權投資合夥企業(有限合夥)) is a limited partnership registered and established in the PRC and is mainly engaged in investment management. As at the Latest Practicable Date, it directly holds 4.71% of the shareholding interest in the Target Company. Its general partner is Deqing Puying Investment Management Partnership (Limited Partnership). Zha Yong is the representative appointed by the executive partner. The limited partner is Zhou Yuhao.

(vii) Shenzhen Qianhai Junjue Investment Management Co., Ltd.* (深圳市前海君爵投資管理有限公司) is a limited liability company incorporated in the PRC and is mainly engaged in investment management. As at the Latest Practicable Date, it directly holds 4.04% of the shareholding interest in the Target Company. It is ultimately controlled by Wang Huajun and Wu Lanlan.

(viii) Shanghai Ivy Digital and Media Equity Investment Fund Partnership (Limited Partnership)* (上海常春藤數字與傳媒股權投資基金合夥企業(有限合夥)) is a limited partnership registered and established in the PRC and is mainly engaged in investment management and consultancy. As at the Latest Practicable Date, it directly holds 3.03% of the shareholding interest in the Target Company. Its general partner is Shanghai Jizhong Investment Management Center (Limited Partnership). Weng Jiyi is the representative appointed by the executive partner. The limited partners are Shanghai Pudong Xinxing Industry Investment Co., Ltd., Guangdong Hengqin Shangchen Investment Partnership (Limited Partnership), Wang Zhongliang, Kuang Weidong, Zhou Yuhao, Fu Xueliang, Li Hongwei, Gong Wenge, Lin Libing and Feng Bailin.

(ix) Deqing Pudao Investment Management Partnership (Limited Partnership)* (德清朴道投資管理合夥企業(有限合夥)) is a limited liability company incorporated in the PRC and is mainly engaged in investment and asset management. As at the Latest Practicable Date, it directly holds 0.92% of the shareholding interest in the Target Company. The ultimate beneficiary owners are Zha Yong, Yu Zhen and Wang Dong.

(x) Hangzhou Puying Equity Investment Fund Partnership (Limited Partnership)* (杭州朴盈股權投資基金合夥企業(有限合夥)) is a limited partnership registered and established in the PRC and is mainly engaged in private equity investment. As at the Latest Practicable Date, it directly holds 0.92% of the shareholding interest in the Target Company. The general partner and the executive partner is Ningbo Meishan Bonded Port Zone Puhong Investment Management Partnership (Limited Partnership). Wang Dong is the representative appointed by the executive partner. The limited partners are Pu Ying Guoshi (Shanghai) Equity Investment Fund Partnership (Limited partnership) and Hangzhou Cultural and Creative Industry Venture Capital Management Co., Ltd.

(xi) Ningbo Qiku Investment Co., Ltd.* (寧波七酷投資有限公司) is a limited liability company incorporated in the PRC and is mainly engaged in enterprise management consultancy. As at the Latest Practicable Date, it directly holds 0.92% of the shareholding interest in the Target Company. It is a wholly owned subsidiary of Zhejiang Century Huatong Group Co Ltd. which is listed on the Shenzhen Stock Exchange.

Hangzhou Wenyue Enterprise Development Co., Ltd.* (杭州聞悦企業發展有限公司) is a limited liability company incorporated in the PRC and is mainly engaged in enterprise management consultancy. It is a wholly owned subsidiary of Hangzhou Cultural and Creative Industry Development Center. As at the date of this circular, it directly holds 0.92% of the shareholding interest in the Target Company. Prior to Closing, Ms. Li or her designated entity will acquire all the equity interest in the Target Company held by Hangzhou Wenyue.

11. INFORMATION OF THE GROUP

The Group is the leading provider of online video content protection services, helping its content owner customers reduce infringement-induced revenue losses and increase revenues with pay-per transaction model over internet and mobile distribution.

12. LISTING RULES IMPLICATIONS

As one or more relevant percentage ratios applicable to the Proposed Acquisition exceed 25% but are less than 100%, the Proposed Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchasers shall have the right, but not the obligation, to require the Management Shareholders and the Other Existing Shareholders to transfer the remainder of the equity interest in the Target Company and the New Target Company held by them to the Purchasers after Closing, pursuant to Rule 14.75(1) of the Listing Rules, the premium for the Post-Closing Acquisitions Option will be taken into consideration for the purpose of the classification of a notifiable transaction.

As the Purchasers have not paid any premium for the Post-Closing Acquisitions Option, the grant of the Post-Closing Acquisitions Option is exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Nevertheless, the Company will seek the shareholders' approval necessary for the exercise of the Post-Closing Acquisitions Option in addition to the Proposed Acquisition pursuant to Rule 14.76(2) of the Listing Rules.

As Ms. Li Yiqing is a director of the Target Company and the New Target Company, each being a subsidiary of the Company upon Closing, Ms. Li will become a connected person of the Company at the subsidiary level, and the transactions contemplated under the Management Shareholders Post-Closing Acquisitions will constitute a connected transaction under the Chapter 14A of the Listing Rules. The Board has approved the Proposed Acquisition (including the Management Shareholders Post-Closing Acquisitions), and the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Sale and Purchase Agreement are fair and reasonable, the Proposed Acquisition (including the Management Shareholders Post-Closing Acquisitions) is on normal commercial terms or better and are in the interests of the Company and the Shareholders as a whole. Therefore, the Management Shareholders Post-Closing Acquisitions are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

13. EGM AND VOTING

EGM

The Company will convene the EGM for the Shareholders to consider and, if thought fit, approve, the Proposed Acquisition.

A notice convening the EGM to be held at 9:00 a.m. on Monday 17 January 2022 at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong is set out on pages N-1 to N-2 of this circular.

Pursuant to the Listing Rules and the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under the Listing Rules.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM, you are requested to complete and return the enclosed form of proxy to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. 9:00 a.m. (Hong Kong time) on Saturday, 15 January 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

As at the Latest Practicable Date, the Directors were not aware that any of the Shareholders who must abstain from voting in favour of the resolution approving the Proposed Acquisition at the EGM had stated their intention to vote against the relevant resolution. Save as disclosed above, to the best of the Directors' knowledge, information, and belief, having made all reasonable enquires, as of the Latest Practicable Date, no Shareholder has a material interest in the Proposed Acquisition. Accordingly, no Shareholder is required to abstain from voting on the ordinary resolutions to be proposed at the EGM.

Expected Timetable for the EGM

The expected timetable for the EGM is as follows:

Event	**Date**
Latest time for lodging a transfer of Shares to qualify for attendance at the EGM	4:30 p.m. on Tuesday, 11 January 2022
Closure of the register of members of the Company	Wednesday, 12 January 2022 to Monday, 17 January 2022
Latest time for lodging a proxy form for the EGM	9:00 a.m. on Saturday, 15 January 2022
EGM	9:00 a.m. on Monday, 17 January 2022

Closure of Register of Members of the Company

For determining the qualification as shareholder of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 12 January 2022 to Monday, 17 January 2022, both dates inclusive, during which period no transfer of Shares will be registered.

In order to qualify as shareholders to attend and vote at the EGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 January 2022.

14. RECOMMENDATIONS

The Directors consider that the Proposed Acquisition is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

15. OTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular.

By Order of the Board
Vobile Group Limited
Yangbin Bernard WANG
Chairman

1. FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

The financial information of the Group for each of the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (*http://www.hkexnews.hk*) and on the website of the Company (*http://www.vobilegroup.com*).

(i) interim report of the Company for the six months ended 30 June 2021:

(*https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0930/2021093002018.pdf*)

(ii) annual report of the Company for the year ended December 31, 2020:

(*https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0419/2021041901713.pdf*)

(iii) annual report of the Company for the year ended December 31, 2019:

(*https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042903255.pdf*)

(iv) annual report of the Company for the year ended December 31, 2018:

(*https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292710.pdf*)

2. INDEBTEDNESS

As at 30 November 2021, being the latest practicable date of the Group and the Target Group respectively, for the purpose of this statement of indebtedness, the Group and the Target Group had the following outstanding indebtedness:

(i) the Group had convertible bonds of HK$88 million and total lease liabilities of HK$23 million; and

(ii) the Target Group had total unsecured bank borrowings of RMB6 million and total lease liabilities of RMB5 million.

As at 30 November 2021, neither the Group nor the Target Group have any outstanding mortgages, charges or debentures.

As at 30 November 2021, neither the Group nor the Target Group had no material contingent liabilities and guarantees on a group consolidated basis.

Save as disclosed above, as at the close of business on 30 November 2021, the Group and the Target Group did not have any outstanding debt securities, loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, hire purchase or finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

Taking into account of the cash flows generated from operating activities, the financial resources available to the Enlarged Group including internally generated funds and existing uncommitted borrowing facilities from financial institutions, and that the Company is contemplating a two-year loan with principal amount of US$125 million as at the Latest Practicable Date, subject to the final approval from the relevant financial institution to finance the Proposed Acquisition, and assuming the completion of the term loan, the Directors are of the opinion that the working capital available to the Enlarged group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this Circular.

4. MATERIAL ADVERSE CHANGE

There had been no material adverse change in the financial and trading position or outlook of the Company since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Ernst & Young
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Quarry Bay, Hong Kong

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VOBILE GROUP LIMITED

Introduction

We report on the historical financial information of Particle Culture Technology Group (Hangzhou) Co., Ltd. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-71, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the years ended 31 December 2018, 2019 and 2020, and the eight months ended 31 August 2021 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2018, 2019 and 2020 and 31 August 2021 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-71 forms an integral part of this report, which has been prepared for inclusion in the circular of Vobile Group Limited (the "**Company**") dated 23 December 2021 (the "**Circular**") in connection with the proposed acquisition of the Target Group (the "**Proposed Acquisition**") by the Company.

Directors' responsibility for the Historical Financial Information

The directors of Particle Culture Technology Group (Hangzhou) Co., Ltd. are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public

Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the Target Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2018, 2019 and 2020 and 31 August 2021 and of the financial performance and cash flows of the Target Group for the Relevant Periods in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the eight months ended 31 August 2020 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of Particle Culture Technology Group (Hangzhou) Co., Ltd. are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

No dividends have been paid by the Target Group in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

23 December 2021

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") which is the functional currency of the Target Company and its subsidiaries, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Eight months ended 31 August	
		2018	2019	2020	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	*5*	149,888	195,654	278,568	167,739	199,911
Cost of services provided		(88,165)	(101,644)	(164,210)	(100,425)	(121,384)
Gross profit		61,723	94,010	114,358	67,314	78,527
Other income and gains	*5*	2,529	2,812	7,590	4,408	6,762
Selling and marketing expenses		(11,736)	(16,515)	(21,397)	(9,214)	(21,924)
Administrative expenses		(24,712)	(25,361)	(29,899)	(16,730)	(19,006)
Research and development expenses		(12,042)	(16,692)	(18,645)	(12,340)	(14,880)
Other expenses		(31,186)	(10,967)	(3,530)	(4,444)	(4,075)
Finance costs	*7*	—	(453)	(526)	(398)	(255)
Share of profits and losses of:						
Joint ventures		—	(4,027)	(1,400)	(2,119)	(172)
Associates		—	(3)	(21)	(21)	—
PROFIT/(LOSS) BEFORE TAX	*6*	(15,424)	22,804	46,530	26,456	24,977
Income tax expense	*10*	(1,426)	(4,325)	(6,365)	(2,896)	(2,342)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(16,850)	18,479	40,165	23,560	22,635
Attributable to:						
Owners of the parent		(16,850)	18,612	40,173	23,752	22,662
Non-controlling interests		—	(133)	(8)	(192)	(27)
		(16,850)	18,479	40,165	23,560	22,635
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*12*					
Basic and diluted profit/(loss) for the year/period attributable to ordinary equity holders of the parent		(0.54)	0.47	0.99	0.59	0.55

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(16,850)	18,479	40,165	23,560	22,635
OTHER COMPREHENSIVE (LOSS)/ INCOME					
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:					
Equity investments designated at fair value through other comprehensive income:					
Changes in fair value	—	11,843	(10,002)	(10,002)	(1,830)
Income tax effect	—	(1,777)	1,501	1,501	274
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR, NET OF TAX	—	10,066	(8,501)	(8,501)	(1,556)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR/PERIOD	(16,850)	28,545	31,664	15,059	21,079
Attributable to:					
Owners of the parent	(16,850)	28,678	31,672	15,251	21,106
Non-controlling interests	—	(133)	(8)	(192)	(27)
	(16,850)	28,545	31,664	15,059	21,079

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December			31 August
		2018	**2019**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	7,008	9,661	11,063	15,605
Right-of-use assets	*14*	—	6,193	2,829	6,353
Intangible assets	*15*	9,919	86,549	36,009	54,378
Investments in joint ventures	*17*	4,370	10,343	5,504	6,250
Investments in associates		225	222	—	—
Equity investments designated at fair value through other comprehensive income	*18*	1,000	13,843	4,130	9,150
Deferred tax assets	*27*	6,048	2,224	3,973	6,747
Other non-current assets	*21*	8,394	—	—	—
Total non-current assets		36,964	129,035	63,508	98,483
CURRENT ASSETS					
Inventories	*19*	5,113	5,765	1,973	2,095
Trade receivables	*20*	87,257	117,562	153,018	224,366
Prepayments, other receivables and other assets	*21*	8,784	11,238	17,668	19,008
Financial assets at fair value through profit or loss	*22*	45,762	51,730	70,316	20,326
Cash and bank balances	*23*	35,181	39,359	50,714	57,671
Total current assets		182,097	225,654	293,689	323,466
CURRENT LIABILITIES					
Trade payables	*24*	58,293	143,455	81,782	130,884
Other payables and accruals	*25*	19,595	22,480	20,289	14,908
Interest-bearing bank borrowings	*26*	—	10,000	6,000	6,000
Lease liabilities	*14*	—	3,579	1,487	3,305
Tax payable		51	2,329	4,502	2,107
Total current liabilities		77,939	181,843	114,060	157,204
NET CURRENT ASSETS		104,158	43,811	179,629	166,262
TOTAL ASSETS LESS CURRENT LIABILITIES		141,122	172,846	243,137	264,745
NON-CURRENT LIABILITIES					
Lease liabilities	*14*	—	3,101	1,883	2,412
Net assets		141,122	169,745	241,254	262,333

		31 December			31 August
		2018	2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to owners of the parent					
Share capital	*28*	15,891	15,891	41,524	41,524
Reserves	*29*	125,231	153,667	199,591	220,697
		141,122	169,558	241,115	262,221
Non-controlling interests		—	187	139	112
Total equity		141,122	169,745	241,254	262,333

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018 and year ended 31 December 2019

	Attributable to owners of the parent						
	Share capital	Capital reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 29)*					
At 1 January 2018	11,667	194,933	—	(178,628)	27,972	—	27,972
Loss and total comprehensive loss for the year	—	—	—	(16,850)	(16,850)	—	(16,850)
Issue of shares	4,224	125,776	—	—	130,000	—	130,000
At 31 December 2018 and 1 January 2019	15,891	320,709	—	(195,478)	141,122	—	141,122
Effect of adoption of IFRS 16	—	—	—	(252)	(252)	—	(252)
At 1 January 2019 (restated)	15,891	320,709	—	(195,730)	140,870	—	140,870
Profit for the year	—	—	—	18,612	18,612	(133)	18,479
Other comprehensive income for the year:							
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	10,066	—	10,066	—	10,066
Total comprehensive income for the year	—	—	10,066	18,612	28,678	(133)	28,545
Contribution from the non-controlling shareholders	—	—	—	—	—	270	270
Partially disposal of shares in a subsidiary	—	10	—	—	10	50	60
At 31 December 2019	15,891	320,719	10,066	(177,118)	169,558	187	169,745

Year ended 31 December 2020

	Attributable to owners of the parent						
	Share capital	**Capital reserve***	**Fair value reserve of financial assets at fair value through other comprehensive income***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 29)*					
At 1 January 2020	15,891	320,719	10,066	(177,118)	169,558	187	169,745
Profit for the year	—	—	—	40,173	40,173	(8)	40,165
Other comprehensive loss for the year:							
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	(8,501)	—	(8,501)	—	(8,501)
Total comprehensive income for the year	—	—	(8,501)	40,173	31,672	(8)	31,664
Conversion of net assets into share capital and capital reserve	24,109	(130,331)	—	106,222	—	—	—
Issue of shares	1,524	38,476	—	—	40,000	—	40,000
Acquisition of non-controlling interests in a subsidiary	—	(115)	—	—	(115)	(40)	(155)
At 31 December 2020	41,524	228,749	1,565	(30,723)	241,115	139	241,254

Eight months ended 31 August 2020

	Attributable to owners of the parent						
	Share capital	Capital reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 29)*					
At 1 January 2020	15,891	320,719	10,066	(177,118)	169,558	187	169,745
Profit for the period (unaudited)	—	—	—	23,752	23,752	(192)	23,560
Other comprehensive loss for the period:							
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax (unaudited)	—	—	(8,501)	—	(8,501)	—	(8,501)
Total comprehensive income for the period (unaudited)	—	—	(8,501)	23,752	15,251	(192)	15,059
Conversion of net assets into share capital and capital reserve (unaudited)	24,109	(130,331)	—	106,222	—	—	—
Issue of shares (unaudited)	1,524	38,476	—	—	40,000	—	40,000
Acquisition of non-controlling interests in a subsidiary (unaudited)	—	(44)	—	—	(44)	44	—
At 31 August 2020 (unaudited)	41,524	228,820	1,565	(47,144)	224,765	39	224,804

Eight months ended 31 August 2021

	Attributable to owners of the parent						
	Share capital	**Capital reserve***	**Fair value reserve of financial assets at fair value through other comprehensive income***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 29)*					
At 1 January 2021	41,524	228,749	1,565	(30,723)	241,115	139	241,254
Profit for the period	—	—	—	22,662	22,662	(27)	22,635
Other comprehensive loss for the period:							
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	(1,556)	—	(1,556)	—	(1,556)
Total comprehensive income for the period	—	—	(1,556)	22,662	21,106	(27)	21,079
At 31 August 2021	41,524	228,749	9	(8,061)	262,221	112	262,333

* These reserve accounts comprise the consolidated reserves of RMB125,231,000, RMB153,667,000, RMB199,591,000, RMB220,697,000 in the consolidated statements of financial position at 31 December 2018, 2019 and 2020 and 31 August 2021, respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December			Eight months ended 31 August	
		2018	2019	2020	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		(15,424)	22,804	46,530	26,456	24,977
Adjustments for:						
Finance costs		—	453	526	398	255
Share of profits and losses of joint ventures and associates		—	4,030	1,421	2,140	172
Interest income		(134)	(135)	(255)	(170)	(351)
Gain on disposal of items of intangible assets		—	—	—	—	(2,304)
Dividend income from financial assets at fair value through profit or loss		(1,180)	(1,420)	(742)	(475)	(534)
Fair value loss/(gain) on financial assets at fair value though profit or loss		(21)	32	(85)	(43)	(10)
Depreciation of property, plant and equipment		1,483	1,960	2,476	2,195	2,159
Depreciation of right-of-use assets		—	2,731	3,364	2,408	2,042
Amortisation of intangible assets		20,935	40,667	64,549	44,959	58,334
Impairment of other assets		30,000	8,394	—	—	—
Impairment losses of financial assets, net		1,079	1,767	3,173	4,003	4,017
		36,738	81,283	120,957	81,871	88,757
(Increase)/decrease in inventories		(5,113)	(652)	3,792	3,511	(122)
Increase in trade receivables		(45,401)	(32,085)	(38,939)	(57,624)	(75,243)
Increase in prepayments, other receivables and other assets		(11,612)	(2,441)	(6,120)	(1,404)	(1,462)
Increase/(decrease) in trade payables		16,808	85,162	(61,673)	(50,498)	49,102
(Decrease)/increase in other payables and accruals		11,817	2,885	(2,191)	(6,128)	(5,381)
Cash generated from/(used in) operations		3,237	134,152	15,826	(30,272)	55,651
Taxes paid		(48)	—	(4,440)	(4,221)	(7,237)
Net cash flows from/(used in) operating activities		3,189	134,152	11,386	(34,493)	48,414

		Year ended 31 December			Eight months ended 31 August	
		2018	2019	2020	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		134	135	255	170	351
Dividend income from financial assets at fair value through profit or loss		1,180	1,420	742	475	534
Purchases of items of property, plant and equipment		(4,371)	(4,613)	(3,878)	(2,297)	(6,701)
Additions to intangible assets		(13,185)	(117,313)	(14,284)	(10,011)	(76,703)
Proceeds from disposal of items of intangible assets		—	16	275	—	2,304
Purchases of financial assets at fair value through profit or loss		(359,000)	(528,500)	(340,000)	(185,000)	(160,000)
Proceeds from disposal of financial assets at fair value through profit or loss		359,500	522,500	321,499	215,501	210,000
Purchase of shareholding in joint ventures		(4,370)	(10,000)	—	—	(918)
Proceeds from partially disposal of shareholding in a joint venture		—	—	3,150	3,150	—
Proceeds from disposal of an associate		—	—	201	201	—
Purchases of equity investments designated at fair value through other comprehensive income		(1,000)	(1,000)	—	—	(6,850)
Net cash flows (used in)/ from investing activities		(21,112)	(137,355)	(32,040)	22,189	(37,983)

		Year ended 31 December			Eight months ended 31 August	
		2018	2019	2020	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of shares		30,000	—	40,000	40,000	—
New bank loans		—	15,000	6,000	—	5,000
Repayment of bank loans		—	(5,000)	(10,000)	(5,000)	(5,000)
Principal portion of lease payments		—	(2,496)	(3,310)	(2,288)	(3,219)
Contribution from the non-controlling shareholders		—	270	—	—	—
Partially disposal of shares in a subsidiary		—	60	—	—	—
Acquisition of non-controlling interests in a subsidiary		—	—	(155)	—	—
Interest paid		—	(453)	(526)	(398)	(255)
Net cash flows (used in)/ from financing activities		30,000	7,381	32,009	32,314	(3,474)
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,077	4,178	11,355	20,010	6,957
Cash and cash equivalents at beginning of year/ period		23,104	35,181	39,359	39,359	50,714
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		35,181	39,359	50,714	59,369	57,671
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		35,181	39,359	50,714	59,369	57,671
Cash and cash equivalents as stated in the statements of financial position and cash flows		35,181	39,359	50,714	59,369	57,671

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Particle Culture Technology Group (Hangzhou) Co., Ltd (the "**Target Company**") is a limited liability company established in the People's Republic of China (the "**PRC**"). The registered office of the Target Company is located at Room 303, Building 1, Shouchunyuan, Xixi Chengyuan, Xihu District, Hangzhou City, Zhejiang Province, PRC.

During the Relevant Periods, the Target Company and its subsidiaries (the "**Target Group**") were principally engaged in one single segment which is the provision of software as a service ("**SaaS**"), through its two main products: SaaS for video distribution and edge computing, and content monetization services in the Mainland China.

As at the end of the Relevant Periods, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Direct	Principal activities
Zhejiang Shanxun Network Technology Co., Ltd.* 浙江山迅網絡科技有限公司	Mainland China 13 October 2015	RMB20,000,000	100	SaaS
Zhejiang Yanhua Culture Technology Co., Ltd.* 浙江岩華文化科技有限公司	Mainland China 6 June 2016	RMB100,000,000	100	SaaS
Deqing Yanruyu Film and Television Co., Ltd.* 德清岩如玉影視有限公司	Mainland China 29 November 2017	RMB5,000,000	100	SaaS
Hangzhou Jumiao Cultural Creativity Co., Ltd.* 杭州橘喵文化創意有限公司	Mainland China 29 October 2018	RMB5,000,000	95	SaaS
Hainan Ruidi Culture Media Co., Ltd.* 海南省睿迪文化傳媒有限公司	Mainland China 3 April 2020	RMB5,000,000	100	SaaS
Hainan Ruilian Investment Co., Ltd.* 海南省睿聯投資有限公司	Mainland China 14 May 2020	RMB10,000,000	100	SaaS
Shanghai Granulite Network Technology Co., Ltd.* 上海粒岩網絡科技有限公司	Mainland China 4 September 2020	RMB10,000,000	100	SaaS
Zhejiang Shengxi Culture Technology Co., Ltd.* 浙江聲悉文化科技有限公司	Mainland China 16 September 2020	RMB10,000,000	100	SaaS
Zhejiang Xinxi Network Technology Co., Ltd.* 浙江訊悉網絡科技有限公司	Mainland China 10 October 2020	RMB10,000,000	100	SaaS

* The English name of the entity registered in the PRC represent the best efforts made by the management of the Company to translate its Chinese name as the entity does not have official English name.

2.1 BASIS OF PREPARATION

The Historical Financial Information has 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. All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for 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 Target Company and its subsidiaries (collectively referred to as the "**Target Group**") for the Relevant Periods and the eight months ended 31 August 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target 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 Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target 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 Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target 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 Target Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target 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 Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) 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 Target 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 Target Group has directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Historical Financial Information:

Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 17	Insurance Contracts[3, 5]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Disclosure of Accounting Policies[3, 6]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 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
6 As a consequence of the amendments to IAS 1 issued in February 2021, IFRS Practice Statement 2 Making Materiality Judgements was amended to explain and demonstrate the application of the "four-step materiality process" to accounting policy disclosures

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Target Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Target Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses.

The Target Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Target Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Target Group and its associates or joint ventures are eliminated to the extent of the Target Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Target Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Target Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Target Group measures its financial instruments and equity investments 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 Target 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 Target 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 Target 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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), 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.

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 the statement of 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 the statement of profit or loss in the period in which it arises, (Only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target 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 Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target 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 Target 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 Target Group or an entity related to the Target 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 Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of 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 Target 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 or useful life for this purpose are as follows:

Office equipment	12.5%–33%
Leasehold improvements	Over the shorter of the lease terms and 33%

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 the statement of 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.

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 either finite or indefinite. 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.

Patents	33.33%–100%
Software	10%–20%

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Target 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.

Leases

The Target 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 Target 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.

(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 4 years

If ownership of the leased asset transfers to the Target 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 assets.

(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 Target 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 Target 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.

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 Target 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 Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target 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 Target 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 Target 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.

All regular way purchases and sale of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sale 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 the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Target Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are 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 Target Group and the amount of the dividend can be measured reliably, except when the Target Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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 Target 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 Target 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.

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 Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target 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 Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target 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 Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target 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 Target 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 Target Group could be required to repay.

Impairment of financial assets

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

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

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 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 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 Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and 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 loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and 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 the statement of 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 the statement of profit or loss.

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 the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress, comprises outsourcing service fees. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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, less bank overdrafts which are repayable on demand and form an integral part of the Target 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 the statement of 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.

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 Target 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 the taxable profit will be available against which the temporary differences can be utilised.

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 Target 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 Target 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.

SaaS for video distribution and edge computing

The Target Group provides integrated video technology service, video distribution, edge computing services, and hybrid cloud solutions, serving customers including top content platforms, telecom and cable operators, new media and internet service providers. Revenue on SaaS for video distribution and edge computing comprises the subscription-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.

Content monetization service

The Target Group carries out strategic cooperation with content rights owners including global film studios and television networks, and top platforms to bring together high-quality content and provides video-based products, operations and monetization services to telecom operators, cable operators and internet service providers via TV and mobile devices. Revenue on Content monetization service comprises the subscription-based SaaS business and the fixed fee-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 fixed fee-based SaaS business is provided for a specified period. Revenue generated from fixed fees is recognised at the point in time when the Target Group does not have any future obligation once it has provided the underlying content to customers, while revenue generated from fixed fees is recognised over the specified period when the Target Group have future obligation, i.e. it continues providing the updating underlying content to customers.

Other income

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that 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 Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Target Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Target Group's operations. Employees (including directors) and consultants of the Target 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 discounted cash flow model.

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 Target Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Target 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 Target 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 employees of the Target Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Target Company and its subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target 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.

Provision for expected credit losses on trade receivables

The Target 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 and customer type, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Target Group's historical observed default rates. The Target 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 Target 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 Target Group's trade receivables is disclosed in note 20 to the financial statements, respectively.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. 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 2018 was RMB5,016,000. The amount of unrecognised tax losses at 31 August 2021 was RMB25,809,000 (31 December 2020: RMB29,552,000; 31 December 2019: RMB25,881,000; 31 December 2018: RMB24,918,000). Further details are contained in note 27 to the financial statements.

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 Target Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Target 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 August 2021 was RMB9,150,000 (31 December 2020: RMB4,130,000, 31 December 2019: RMB13,843,000, 31 December 2018: RMB1,000,000). Further details are included in note 18 to the financial statements.

Useful lives of property, plant and equipment and intangible assets

The Target 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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Target Group had only one reportable operating segment, which was the provision of SaaS for video distribution and edge computing business and content monetization business during the Relevant Periods. Since this is the only reportable operating segment of the Target Group, no further operating segment analysis thereof is presented.

Geographical information

(a) All revenue from external customers of the Target Group are generated in the Mainland China. Accordingly, no geographical information of revenue from external customers is presented.

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

All non-current assets of the Target Group are located in the Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

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

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	53,030	52,373	46,474	31,234	29,564
Customer B	20,088	40,020	44,651	31,053	23,231
Customer C	—	—	—	—	18,737
	73,118	92,393	91,125	62,287	71,532

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers	149,888	195,654	278,568	167,739	199,911

Revenue from contracts with customers

(a) ***Disaggregated revenue information***

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Types of goods or services					
Rendering of services	149,888	195,654	278,568	167,739	199,911
Geographical market					
Mainland China	149,888	195,654	278,568	167,739	199,911
Timing of revenue recognition					
Services transferred at a point in time	6,306	15,995	14,227	1,852	4,322
Services transferred over time	143,582	179,659	264,341	165,887	195,589
Total revenue from contracts with customers	149,888	195,654	278,568	167,739	199,911

(b) ***Performance obligations***

Information about the Target 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 90 to 180 days.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018, 2019 and 2020 and 31 August 2021 are as follows:

	31 December			31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:				
Within one year	3,465	5,559	2,345	2,359

Other income and gains

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income					
Government grants	878	110	3,736	2,950	2,166
Bank interest income	134	135	255	170	351
	1,012	245	3,991	3,120	2,517
Gains					
Dividend income from financial assets through profit or loss	1,180	1,420	742	475	534
Fair value loss/(gain) on financial assets at fair value though profit or loss	21	—	85	43	10
Gain on disposal of items of property, plant and equipment and intangible assets	—	—	—	—	2,304
Others	316	1,147	2,772	770	1,397
	1,517	2,567	3,599	1,288	4,245
	2,529	2,812	7,590	4,408	6,762

6. PROFIT/(LOSS) BEFORE TAX

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

		Year ended 31 December			Eight months ended 31 August	
		2018	**2019**	**2020**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of services provided		60,631	50,914	88,489	49,604	56,060
Depreciation of property, plant and equipment		1,483	1,960	2,476	2,195	2,159
Depreciation of right-of-use assets		—	2,731	3,364	2,408	2,042
Amortisation of intangible assets		20,935	40,667	64,549	44,959	58,334
Research and development costs:						
Current year expenditure		1,622	3,476	4,337	2,595	2,847
Lease payments not included in the measurement of lease liabilities		2,994	—	—	—	—
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):						
Wages and salaries		23,861	29,832	35,393	19,503	27,618
Pension scheme contributions (defined contribution scheme)		4,410	6,583	5,166	3,554	6,465
		28,271	36,415	40,559	23,057	34,083
Impairment of other assets*		30,000	8,394	—	—	—
Impairment of financial assets, net:						
Impairment of trade receivables, net*		779	1,780	3,483	3,808	3,895
Impairment of financial assets included in prepayments, other receivables and other assets*		300	(13)	(310)	195	122

* Included as "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank loans	—	242	320	244	100
Interest on lease liabilities	—	211	206	154	155
	—	453	526	398	255

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods, 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:

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fees	—	—	147	48	201
Other emoluments:					
Salaries, allowances and benefits in kind	4,596	4,656	4,656	3,104	3,104
Performance related bonuses	2,640	1,494	1,513	720	720
Pension scheme contributions	367	388	259	152	295
	7,603	6,538	6,428	3,976	4,119
	7,603	6,538	6,575	4,024	4,320

(a) Independent non-executive Directors of the Target Company

The fees paid to independent non-executive Directors of the Target Company during the Relevant Periods were as follows:

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Mr. Dongming Ma (appointed in 2020)	—	—	49	16	67
Mr. Feizhou Wei (appointed in 2020)	—	—	49	16	67
Mr. Xiangtao Xu (appointed in 2020)	—	—	49	16	67
	—	—	147	48	201

(b) Executive Directors and the chief executive of the Target Company

	Fees	**Salaries, allowances and benefits in kind**	**Performance related bonuses**	**Pension scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018					
Executive Directors:					
Ms. Yiqing Li	—	1,800	660	78	2,538
Ms. Ningzi Liu	—	1,200	660	125	1,985
Mr. Suping Zhu (Chief Executive appointed in 2018)	—	1,200	660	82	1,942
Ms. Xiushuang Wang	—	396	660	82	1,138
	—	4,596	2,640	367	7,603
Year ended 31 December 2019					
Executive Directors:					
Ms. Yiqing Li	—	1,800	420	89	2,309
Ms. Ningzi Liu	—	1,200	420	121	1,741
Mr. Suping Zhu (Chief Executive)	—	1,200	420	89	1,709
Ms. Xiushuang Wang	—	456	234	89	779
	—	4,656	1,494	388	6,538

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020					
Executive Directors:					
Ms. Yiqing Li	—	1,800	420	65	2,285
Ms. Ningzi Liu	—	1,200	420	70	1,690
Mr. Suping Zhu (Chief Executive)	—	1,200	420	62	1,682
Ms. Xiushuang Wang	—	456	253	62	771
	—	4,656	1,513	259	6,428
Eight months ended 31 August 2021					
Executive Directors:					
Ms. Yiqing Li	—	1200	200	84	1,484
Ms. Ningzi Liu	—	800	200	83	1,083
Mr. Suping Zhu (Chief Executive)	—	800	200	64	1,064
Ms. Xiushuang Wang	—	304	120	64	488
	—	3,104	720	295	4,119
Eight months ended 31 August 2020 (unaudited)					
Executive Directors:					
Ms. Yiqing Li	—	1,200	200	41	1,441
Ms. Ningzi Liu	—	800	200	29	1,029
Mr. Suping Zhu (Chief Executive)	—	800	200	41	1,041
Ms. Xiushuang Wang	—	304	120	41	465
	—	3,104	720	152	3,976

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Target Group during the years ended 31 December 2018, 2019 and 2020, and the eight months ended 31 August 2020 and 2021 included 4, 3, 3, 3 and 3 Directors the Target Company, respectively, details of whose remuneration are set out in note 8(b) above.

Details of the remuneration of the remaining 1, 2, 2, 2 and 2 highest paid employees who are neither a Director nor chief executive of the Target Company during the years ended 31 December 2018, 2019 and 2020, and the eight months ended 31 August 2020 and 2021 are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	456	1,032	1,032	688	688
Performance related bonuses	291	500	620	300	300
Pension scheme contributions	80	178	125	81	128
	827	1,710	1,777	1,069	1,116

During the years ended 31 December 2018, 2019 and 2020, and the eight months ended 31 August 2020 and 2021, the remuneration of all non-director highest paid employees fell within the band of nil to RMB1,000,000.

10. INCOME TAX EXPENSE

Income tax consists of Mainland China enterprise income tax charged on the Target Group. The income tax applicable to profits arising in Mainland China was provided at a statutory tax rate of 25% during the Relevant Period except for profits arising from Zhejiang Yanhua Culture Technology Co., Ltd. which is a qualified high-and-new-tech enterprise in accordance with the Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Enjoyed by High-and-new tech Enterprises (Guo Shui Han [2009] No. 203) and subject to a preferential income tax rate of 15% from 1 January 2019.

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current — Mainland China	48	2,278	6,613	1,939	4,842
Deferred *(note 27)*	1,378	2,047	(248)	957	(2,500)
	1,426	4,325	6,365	2,896	2,342

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for Mainland China in which the Target Group and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before tax	(15,424)	22,804	46,530	26,456	24,977
Tax at the Mainland China statutory income tax rate	(3,856)	5,701	11,633	6,614	6,244
Lower tax rate for specific subsidiary	—	(2,973)	(5,522)	(2,838)	(2,419)
Effect on opening deferred tax of decrease in rates	—	2,397	—	—	—
Expenses not deductible for tax	5,533	1,140	405	209	148
Additional deductible allowance for research and development costs	(704)	(2,059)	(1,692)	(1,692)	(1,430)
Tax losses utilised from previous periods	(122)	(158)	—	—	(342)
Deductible temporary differences and tax losses not recognised	575	277	1,541	603	141
Tax charge at the Target Group's effective rate	1,426	4,325	6,365	2,896	2,342

11. DIVIDENDS

No dividend has been paid or declared during the Relevant Periods. The Directors do not recommend the payment of any dividends for 2021.

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the Relevant Periods attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods, as adjusted to reflect the rights issue during the Relevant Periods.

The Target Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculations of basic and diluted earnings/(loss) per share are based on:

	Year ended 31 December			Eight months ended 31 August	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Earnings					
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	(16,850)	18,612	40,173	23,752	22,662

	Number of shares				
	Year ended 31 December			Eight months ended 31 August	
	2018	2019	2020	2020 (unaudited)	2021
Shares					
Weighted average number of ordinary shares in issue during the year/period used in the basic and diluted earnings/(loss) per share calculation	31,488,512	40,000,000	40,728,597	40,330,991	41,523,808

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 August 2021			
At 1 January 2021:			
Cost	16,650	1,339	17,989
Accumulated depreciation	(6,615)	(311)	(6,926)
Net carrying amount	10,035	1,028	11,063
At 1 January 2021, net of accumulated depreciation	10,035	1,028	11,063
Additions	6,701	—	6,701
Depreciation provided during the period *(note 6)*	(1,879)	(280)	(2,159)
At 31 August 2021, net of accumulated depreciation	14,857	748	15,605
At 31 August 2021:			
Cost	23,351	1,339	24,690
Accumulated depreciation	(8,494)	(591)	(9,085)
Net carrying amount	14,857	748	15,605
31 December 2020			
At 1 January 2020:			
Cost	14,214	216	14,430
Accumulated depreciation	(4,683)	(86)	(4,769)
Net carrying amount	9,531	130	9,661
At 1 January 2020, net of accumulated depreciation	9,531	130	9,661
Additions	2,755	1,123	3,878
Depreciation provided during the year *(note 6)*	(2,251)	(225)	(2,476)
At 31 December 2020, net of accumulated depreciation	10,035	1,028	11,063
At 31 December 2020:			
Cost	16,650	1,339	17,989
Accumulated depreciation	(6,615)	(311)	(6,926)
Net carrying amount	10,035	1,028	11,063

	Office equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2019			
At 1 January 2019:			
Cost	9,601	216	9,817
Accumulated depreciation	(2,762)	(47)	(2,809)
Net carrying amount	6,839	169	7,008
At 1 January 2019, net of accumulated depreciation	6,839	169	7,008
Additions	4,613	—	4,613
Depreciation provided during the year *(note 6)*	(1,921)	(39)	(1,960)
At 31 December 2019, net of accumulated depreciation	9,531	130	9,661
At 31 December 2019:			
Cost	14,214	216	14,430
Accumulated depreciation	(4,683)	(86)	(4,769)
Net carrying amount	9,531	130	9,661
31 December 2018			
At 1 January 2018:			
Cost	5,230	216	5,446
Accumulated depreciation	(1,315)	(11)	(1,326)
Net carrying amount	3,915	205	4,120
At 1 January 2018, net of accumulated depreciation	3,915	205	4,120
Additions	4,371	—	4,371
Depreciation provided during the year *(note 6)*	(1,447)	(36)	(1,483)
At 31 December 2018, net of accumulated depreciation	6,839	169	7,008
At 31 December 2018:			
Cost	9,601	216	9,817
Accumulated depreciation	(2,762)	(47)	(2,809)
Net carrying amount	6,839	169	7,008

As at 31 December 2018, 2019 and 2020,and 31 August 2021, no property, plant and equipment of the Target Group were pledged to secure the Target Group's bank borrowings.

14. LEASES

The Target Group as a lessee

The Target Group has lease contracts for various items of buildings used in its operations, which have lease terms between 2 and 4 years. Generally, the Target Group is restricted from assigning and subleasing the leased assets outside the Target Group.

(a) *Right-of-use assets*

The carrying amount of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold buildings
	RMB'000
As at 1 January 2018 and 31 December 2018	—
Effect of adoption of IFRS 16	8,924
As at 1 January 2019	8,924
Depreciation charge	(2,731)
As at 31 December 2019 and 1 January 2020	6,193
Depreciation charge	(3,364)
As at 31 December 2020 and 1 January 2021	2,829
Additions	5,566
Depreciation charge	(2,042)
As at 31 August 2021	6,353

(b) *Lease liabilities*

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

		31 December		**31 August**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 1 January	—	—	6,680	3,370
Effect of adoption of IFRS 16	—	9,176	—	—
New leases	—	—	—	5,566
Accretion of interest recognised during the year	—	211	206	155
Payments	—	(2,707)	(3,516)	(3,374)
Carrying amount at 31 December	—	6,680	3,370	5,717
Analysed into:				
Current portion	—	3,579	1,487	3,305
Non-current portion	—	3,101	1,883	2,412

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

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

	Year ended 31 December			Eight months ended 31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest on lease liabilities	—	211	206	155
Depreciation charge of right-of-use assets	—	2,731	3,364	2,042
Total amount recognised in profit or loss	—	2,942	3,570	2,197

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 30(c) and 31, respectively, to the financial statements.

15. INTANGIBLE ASSETS

	Patents	Software and others	Total
	RMB'000	*RMB'000*	*RMB'000*
31 August 2021			
At 1 January 2021:			
Cost	109,369	7,588	116,957
Accumulated amortisation	(77,909)	(3,039)	(80,948)
Net carrying amount	31,460	4,549	36,009
At 1 January 2021, net of accumulated amortisation	31,460	4,549	36,009
Additions	73,884	2,819	76,703
Amortisation provided during the period *(note 6)*	(57,377)	(957)	(58,334)
At 31 August 2021, net of accumulated amortisation	47,967	6,411	54,378
At 31 August 2021:			
Cost	98,652	10,407	109,059
Accumulated amortisation	(50,685)	(3,996)	(54,681)
Net carrying amount	47,967	6,411	54,378

	Patents	Software and others	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2020			
At 1 January 2020:			
Cost	117,672	5,514	123,186
Accumulated amortisation	(34,436)	(2,201)	(36,637)
Net carrying amount	83,236	3,313	86,549
At 1 January 2020, net of accumulated amortisation	83,236	3,313	86,549
Additions	11,782	2,502	14,284
Disposals	—	(275)	(275)
Depreciation provided during the year *(note 6)*	(63,558)	(991)	(64,549)
At 31 December 2020, net of accumulated amortisation	31,460	4,549	36,009
At 31 December 2020:			
Cost	109,369	7,588	116,957
Accumulated amortisation	(77,909)	(3,039)	(80,948)
Net carrying amount	31,460	4,549	36,009
31 December 2019			
At 1 January 2019:			
Cost	12,288	4,618	16,906
Accumulated amortisation	(5,653)	(1,334)	(6,987)
Net carrying amount	6,635	3,284	9,919
At 1 January 2019, net of accumulated amortisation	6,635	3,284	9,919
Additions	116,417	896	117,313
Disposals	(16)	—	(16)
Depreciation provided during the year *(note 6)*	(39,800)	(867)	(40,667)
At 31 December 2019, net of accumulated amortisation	83,236	3,313	86,549
At 31 December 2019:			
Cost	117,672	5,514	123,186
Accumulated amortisation	(34,436)	(2,201)	(36,637)
Net carrying amount	83,236	3,313	86,549

	Patents	Software and others	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2018			
At 1 January 2018:			
Cost	18,507	3,734	22,241
Accumulated amortisation	(3,967)	(605)	(4,572)
Net carrying amount	14,540	3,129	17,669
At 1 January 2018, net of accumulated amortisation	14,540	3,129	17,669
Additions	12,301	884	13,185
Depreciation provided during the year *(note 6)*	(20,206)	(729)	(20,935)
At 31 December 2018, net of accumulated amortisation	6,635	3,284	9,919
At 31 December 2018:			
Cost	12,288	4,618	16,906
Accumulated amortisation	(5,653)	(1,334)	(6,987)
Net carrying amount	6,635	3,284	9,919

16. INVESTMENTS IN SUBSIDIARIES

The Target Company

	31 December			31 August
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	100,000	100,000	121,750	128,201

Particulars of the Target Group's principal subsidiaries are set out in note 1 to the Historical Financial Information.

17. INVESTMENTS IN JOINT VENTURES

	31 December			31 August
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	4,370	10,343	5,504	6,250

Particulars of the Target Group's material joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Universal Entertainment Network (Beijing) Co., Ltd. (or "**Universal Entertainment**")	Registered capital of RMB1 each	PRC/Mainland China	33	33	33	Internet and related services

Universal Entertainment, which is considered a material joint venture of the Target Group, and is accounted for using the equity method. The following table illustrates the summarised financial information in respect of Universal Entertainment adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

Universal Entertainment

	31 December 2018	31 December 2019	31 December 2020	31 August 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	3,663	2,057	462	2,252
Other current assets	527	2,535	2,834	296
Current assets	4,190	4,592	3,296	2,548
Non-current assets, excluding goodwill	846	463	337	272
Other current liabilities	(5,475)	(2,125)	(637)	(345)
Current liabilities	(5,475)	(2,125)	(637)	(345)
Net assets	(439)	2,930	2,996	2,475
Net assets, excluding goodwill	(439)	2,930	2,996	2,475
Reconciliation to the Group's interest in the joint venture:				
Proportion of the Group's ownership	33%	33%	33%	33%
Group's share of net assets of the joint venture, excluding goodwill	(145)	967	989	817
Goodwill on acquisition (less cumulative impairment)	4,515	4,515	4,515	4,515
Carrying amount of the investment	4,370	5,482	5,504	5,332
Revenue	5,075	2,000	3,187	264
Interest income	2	10	3	—
Depreciation and amortisation	(377)	(425)	(261)	(64)
Interest expenses	(4)	(1)	(1)	—
Profit and total comprehensive income for the year/period	(8,369)	3,369	66	(521)

The following table illustrates the aggregate financial information of the Target Group's joint ventures that are not individually material:

	31 December			31 August
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the joint ventures' profit for the year	—	(5,139)	(1,422)	—
Share of the joint ventures' total comprehensive income	—	(5,139)	(1,422)	—
Goods	303	756	1,973	2,095
Aggregate carrying amount of the Group's investments in the joint ventures	—	4,861	—	918

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December			31 August
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income				
Unlisted equity investment, at fair value				
Beijing Zhongguang Cloud Media Network Technology Co., Ltd. ("**Zhongguang Cloud**")	1,000	13,843	3,841	2,011
Shanghai Saichi Sports Culture Co., Ltd. ("**Saichi Sports**")	—	—	289	7,139
	1,000	13,843	4,130	9,150

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Target Group considers these investments to be strategic in nature.

19. INVENTORIES

	31 December			31 August
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Work in progress	4,810	5,009	—	—
Merchandise goods	303	756	1,973	2,095
	5,113	5,765	1,973	2,095

20. TRADE RECEIVABLES

	31 December			31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	88,781	120,866	159,805	235,048
Impairment	(1,524)	(3,304)	(6,787)	(10,682)
	87,257	117,562	153,018	224,366

The Target Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Target Group has certain concentration of credit risk, details are disclosed in note 35 to the Historical Financial Information. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Trade receivables of RMB1,552,000 as at 31 December 2019 were due from a joint venture, which are repayable on credit terms similar to those offered to the major customers of the Target Group. Details of amounts due from related parties are disclosed in note 32 to the Historical Financial Information.

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

	31 December			31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	87,257	115,746	148,762	214,548
1 to 2 years	—	1,816	4,256	9,818
	87,257	117,562	153,018	224,366

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

	31 December			31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	745	1,524	3,304	6,787
Impairment losses *(note 6)*	779	1,780	3,483	3,895
At end of year/period	1,524	3,304	6,787	10,682

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.

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

31 December 2018

	Current	**Past due within 1 year**	**Past due over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	1.72%	41.40%	100.00%	1.72%
Gross carrying amount	88,781	—	—	88,781
Expected credit losses	1,524	—	—	1,524

31 December 2019

	Current	**Past due within 1 year**	**Past due over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	1.72%	41.40%	100.00%	2.73%
Gross carrying amount	117,767	3,099	—	120,866
Expected credit losses	2,021	1,283	—	3,304

31 December 2020

	Current	**Past due within 1 year**	**Past due over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	1.72%	41.40%	100.00%	4.25%
Gross carrying amount	151,355	7,262	1,188	159,805
Expected credit losses	2,593	3,006	1,188	6,787

31 August 2021

	Current	**Past due within 1 year**	**Past due over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	1.72%	41.40%	100.00%	4.54%
Gross carrying amount	218,294	16,754	—	235,048
Expected credit losses	3,746	6,936	—	10,682

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		31 December		31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	1,663	2,003	12,593	8,691
Other tax recoverable	77	78	1,486	2,924
Deposits	834	3,496	1,656	5,056
Other receivables	6,729	6,167	2,129	2,655
Other assets	45,194	45,194	45,194	45,194
	54,497	56,938	63,058	64,520
Impairment allowance	(519)	(506)	(196)	(318)
Impairment of other assets	(36,800)	(45,194)	(45,194)	(45,194)
	17,178	11,238	17,668	19,008
Current portion	8,784	11,238	17,668	19,008
Non-current portion	8,394	—	—	—

Other receivables of RMB4,002,000, RMB175,000 and RMB231,000 as at 31 December 2019 and 2020, and 31 August 2021 respectively were due from the joint ventures. Details of amounts due from related parties are disclosed in note 32 to the Historical Financial Information.

An ageing analysis of the current portion of prepayments, deposits and other receivables as at the end each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

		31 December		31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	4,416	10,861	17,132	18,147
1 to 2 years	4,264	369	483	828
2 to 3 years	104	8	53	33
	8,784	11,238	17,668	19,008

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

		31 December		31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	219	519	506	196
Impairment losses recognised	300	(13)	(310)	122
At end of year/period	519	506	196	318

The Target Group applies the general approach to providing impairment for ECLs prescribed by IFRS 9, which permits the use of either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

An impairment analysis is performed at each reporting date 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), as disclosed in note 20 to the Historical Financial Information. 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.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		31 December		31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted non-equity investments	45,762	51,730	70,316	20,326

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND BANK BALANCES

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are denominated in RMB and deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Relevant Periods, based on the invoice date, is as follows:

		31 December		31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	58,293	143,455	81,782	130,884

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

25. OTHER PAYABLES AND ACCRUALS

			31 December		31 August
		2018	**2019**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payable		10,399	10,413	12,501	8,723
Other tax payables		4,823	5,906	3,528	3,660
Contract liabilities	*(a)*	3,465	5,559	2,345	2,359
Other payables	*(b)*	908	602	1,915	166
		19,595	22,480	20,289	14,908

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2018	31 December 2019	31 December 2020	31 August 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term advances received from customers				
Rendering of services	3,465	5,559	2,345	2,359

Contract liabilities include short-term advances received to render services.

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

26. INTEREST-BEARING BANK BORROWINGS

Current	31 December 2019 Effective interest rate (%)	Maturity	*RMB'000*
Bank loan — unsecured	LPR+0.04%	2020	5,000
	LPR+0.2%	2020	5,000
			10,000

Current	31 December 2020 Effective interest rate (%)	Maturity	*RMB'000*
Bank loan — unsecured	LPR+0.5%	2021	1,000
	LPR+0.15%	2021	5,000
			6,000

Current	31 August 2021 Effective interest rate (%)	Maturity	*RMB'000*
Bank loan — unsecured	LPR+0.5%	2021	1,000
	LPR+0.55%	2022	5,000
			6,000

	31 December 2018	31 December 2019	31 December 2020	31 August 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	—	10,000	6,000	6,000

(a) As at 31 December 2018, the Target Group had no interest-bearing bank borrowings.

(b) The carrying amounts of the interest-bearing bank borrowings of the Target Group approximate to their fair values.

(c) The Target Group's bank borrowings are all denominated in RMB.

(d) All the bank loans are unsecured credit loans and repayable within one year.

27. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustment of equity investments at fair value through other comprehensive income
	RMB'000
At 1 January 2018, 31 December 2018 and 1 January 2019	—
Deferred tax charged to other comprehensive income during the year	1,777
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	1,777
Deferred tax credited to other comprehensive income during the year	(1,501)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	276
Deferred tax credited to other comprehensive income during the period	(274)
Gross deferred tax liabilities at 31 August 2021	2

Deferred tax assets

	Provision for impairment of assets	Losses available for offsetting against future taxable profits	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	214	3,914	3,298	7,426
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	296	1,102	(2,776)	(1,378)
Gross deferred tax assets at 31 December 2018 and 1 January 2019	510	5,016	522	6,048
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	1,466	(5,016)	1,503	(2,047)
Gross deferred tax assets at 31 December 2019 and 1 January 2020	1,976	—	2,025	4,001
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	425	—	(177)	248
Gross deferred tax assets at 31 December 2020 and 1 January 2021	2,401	—	1,848	4,249
Deferred tax credited to profit or loss during the period *(note 10)*	569	—	1,931	2,500
Gross deferred tax assets at 31 August 2021	2,970	—	3,779	6,749

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Target Group for financial reporting purposes:

	31 December			31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	6,048	2,224	3,973	6,747

Deferred tax assets have not been recognised in respect of the tax losses arising in Mainland China of RMB25,809,000 as at 31 August 2021 (31 December 2020: RMB29,552,000; 31 December 2019: RMB25,881,000; 31 December 2018: RMB24,918,000). The tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

28. SHARE CAPITAL

Shares

	31 December 2018	2019	2020	31 August 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
ordinary shares of RMB1 each	15,891	15,891	41,524	41,524

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

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2018	11,666,666	11,667
Issue of shares	4,224,630	4,224
At 31 December 2018 and 1 January 2019, 31 December 2019 and 1 January 2020	15,891,296	15,891
Conversion of net assets into share capital and capital reserve	24,108,704	24,109
Issue of shares	1,523,808	1,524
At 31 December 2020 and 1 January 2021 and 31 August 2021	41,523,808	41,524

29. RESERVES

The amounts of the Target 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 II-9 to II-12 of the Historical Financial Information.

Capital reserve

In accordance with the Company Law of the People's Republic of China, the subsidiaries in the PRC are required to allocate 10% of the statutory after tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory surplus reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Target Group had non-cash additions to right-of-use assets and lease liabilities of RMB5,566,000 and RMB5,566,000 for the period ended 31 August 2021, respectively, and right-of-use assets and lease liabilities of RMB8,924,000 and RMB9,176,000 for the year ended 31 December 2018, respectively, in respect of lease arrangements for plant and equipment.

The non-controlling shareholder of the Target Company, Deqing Puhua Equity Investment Fund Partnership (Limited Partnership), concerted debit of RMB100,000,000 due from the Target Company into equity in the Target Company for the year ended 31 December 2018.

(b) Changes in liabilities arising from financing activities

	Bank loans	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2018, 31 December 2018 and 1 January 2019	—	—
Effect of adoption of IFRS 16	—	9,176
Changes from financing cash flows	10,000	(2,707)
Interest expense	—	211
At 31 December 2019 and 1 January 2020	10,000	6,680
Changes from financing cash flows	(4,000)	(3,516)
Interest expense	—	206
At 31 December 2020 and 1 January 2021	6,000	3,370
Changes from financing cash flows	—	(3,374)
New leases	—	5,566
Interest expense	—	155
At 31 August 2021	6,000	5,717

(c) Total cash outflow for leases

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Within operating activities	2,994	—	—	—	—
Within financing activities	—	2,707	3,516	2,442	3,374
	2,994	2,707	3,516	2,442	3,374

31. CAPITAL COMMITMENTS

(a) The Target Group had the following capital commitments at the end of the reporting period:

	31 December			31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Equipment	374	—	—	—
Intangible assets — software	100	—	2,905	210
Intangible assets — patents	1,100	7,078	1,190	20,071
	1,574	7,078	4,095	20,281

(b) The Target Group has no lease contracts that have not yet commenced as at 31 December 2018, 2019 and 2020 and 31 August 2021.

32. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties

Name	Relationship
Universal Entertainment Network (Beijing) Co., Ltd.	Joint venture
Shanghai Saichi Sports Culture Co., Ltd.	Joint venture*

* Shanghai Saichi Sports Culture Co., Ltd. ceased to be a joint venture of the Target Group in 2020.

(b) In addition to the transactions detailed elsewhere in these financial statements, the Target Group had the following transactions with related parties during the year:

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales of products					
Shanghai Sai Chi Sports Culture Co., Ltd	—	1,475	—	—	—

(i) The sales transaction with the joint venture were determined according to the prices and conditions offered to the major independent customers of the Target Group.

(c) Outstanding balances with related parties

	31 December			31 August
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
Shanghai Sai Chi Sports Culture Co., Ltd	—	1,552	—	—
Other receivables				
Shanghai Sai Chi Sports Culture Co., Ltd	—	4,002	—	—
Universal Entertainment Network (Beijing) Co., Ltd.	—	—	175	231
	—	4,002	175	231

The balances due from the joint ventures were unsecured and interest-free. Trade receivables due from the joint venture were repayable on credit terms similar to those offered to the major customers of the Target Group, and other receivables due form the joint ventures had no fixed terms of repayment.

(d) Compensation of key management personnel of the Target Group

The remuneration of the key management of the Group during the year was as follows:

	Year ended 31 December			Eight months ended 31 August	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short term employee benefits	11,029	10,558	11,685	6,822	7,445
Pension scheme contributions	857	1,012	791	453	887
Total compensation paid to key management personnel	11,886	11,570	12,476	7,275	8,332

The remuneration of Directors and other members of key management is determined by the board of Directors having regard to the performance of individuals and market trends.

Further details of Directors' and the chief executive's emoluments are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as the end of the Relevant Periods are as follows:

31 August 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	**Equity investments**	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	—	9,150	—	9,150
Trade receivables	—	—	224,366	224,366
Financial assets included in prepayments, deposits and other receivables *(note 21)*	—	—	7,393	7,393
Financial assets at fair value through profit or loss	20,326	—	—	20,326
Cash and bank balances	—	—	57,671	57,671
	20,326	9,150	289,430	318,906

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	130,884
Financial liabilities included in other payables and accruals *(note 25)*	166
Interest-bearing bank borrowings	6,000
Lease liabilities	5,717
	142,767

31 December 2020

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	—	4,130	—	4,130
Trade receivables	—	—	153,018	153,018
Financial assets included in prepayments, deposits and other receivables *(note 21)*	—	—	3,589	3,589
Financial assets at fair value through profit or loss	70,316	—	—	70,316
Cash and bank balances	—	—	50,714	50,714
	70,316	4,130	207,321	281,767

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	81,782
Financial liabilities included in other payables and accruals *(note 25)*	1,915
Interest-bearing bank borrowings	6,000
Lease liabilities	3,370
	93,067

31 December 2019

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	**Equity investments**	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	—	13,843	—	13,843
Trade receivables	—	—	117,562	117,562
Financial assets included in prepayments, deposits and other receivables *(note 21)*	—	—	9,157	9,157
Financial assets at fair value through profit or loss	51,730	—	—	51,730
Cash and bank balances	—	—	39,359	39,359
	51,730	13,843	166,078	231,651

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	143,455
Financial liabilities included in other payables and accruals *(note 25)*	602
Interest-bearing bank borrowings	10,000
Lease liabilities	6,680
	160,737

31 December 2018

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	**Equity investments**	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	—	1,000	—	1,000
Trade receivables	—	—	87,257	87,257
Financial assets included in prepayments, deposits and other receivables	—	—	7,044	7,044
Financial assets at fair value through profit or loss	45,762	—	—	45,762
Cash and bank balances	—	—	35,181	35,181
	45,762	1,000	129,482	176,244

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	58,293
Financial liabilities included in other payables and accruals *(note 25)*	908
	59,201

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income approximate to fair values.

Management has assessed that the fair values of cash and bank balances, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and Interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. 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 valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee once a year 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 following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") multiple and price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019, 2020 and 31 August 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV multiple of peers	6.4 (2020: 7.5) (2019: 11.7)	5% increase/decrease in multiple would result in increase/ decrease in fair value by RMB74,000 (2020: RMB256,000) (2019: RMB692,000)
		Discount for lack of marketability	25%	5% increase/decrease in discount would result in decrease/ increase in fair value by RMB134,000 (2020: RMB153,000) (2019: RMB923,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Target Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Group's financial instruments:

Assets measured at fair value:

As at 31 August 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	—	—	9,150	9,150
Financial assets at fair value through profit or loss	—	—	20,326	20,326
	—	—	29,476	29,476

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	—	—	4,130	4,130
Financial assets at fair value through profit or loss	—	—	70,316	70,316
	—	—	74,446	74,446

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	—	—	13,843	13,843
Financial assets at fair value through profit or loss	—	—	51,730	51,730
	—	—	65,573	65,573

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	—	—	1,000	1,000
Financial assets at fair value through profit or loss	—	—	45,762	45,762
	—	—	46,762	46,762

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise interest-bearing bank borrowings, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target 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 Target Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Group has no material exposure to the risk of changes in market interest rates as the Target Group has no long term debt obligations with a floating interest rate.

Foreign currency risk

The Target Group has no material transactional currency exposures as the Target Group's business is principally conducted in Mainland China and most transactions are settled in RMB.

Credit risk

The Target Group trades only with recognised and creditworthy third parties. It is the Target 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 Target Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target 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.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

As at 31 August 2021

	8-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	235,048	235,048
Cash and bank balances					
— Not yet past due	57,671	—	—	—	57,671
Financial assets included in prepayments, other receivables and other assets — Normal**	7,711	—	—	—	7,711
	65,382	—	—	235,048	300,430

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	159,805	159,805
Cash and bank balances					
— Not yet past due	50,714	—	—	—	50,714
Financial assets included in prepayments, other receivables and other assets — Normal**	3,785	—	—	—	3,785
	54,499	—	—	159,805	214,304

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	120,866	120,866
Cash and bank balances					
— Not yet past due	39,359	—	—	—	39,359
Financial assets included in prepayments, other receivables and other assets — Normal**	9,663	—	—	—	9,663
	49,022	—	—	120,866	169,888

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	88,781	88,781
Cash and bank balances					
— Not yet past due	35,181	—	—	—	35,181
Financial assets included in prepayments, other receivables and other assets — Normal**	7,563	—	—	—	7,563
	42,744	—	—	88,781	131,525

* For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 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".

Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

As at 31 December 2018, 2019 and 2020,31 August 2021, the Group had certain concentrations of credit risk as 21%, 14%, 10%, 12% and 70%, 53%, 38%, 36% of the Group's trade receivable were due from the Group's largest customer and the five largest customers, respectively.

Liquidity risk

The Target 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 (e.g., trade receivables) and projected cash flows from operations.

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

	31 August 2021		
	Less than 1 year	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	6,000	—	6,000
Lease liabilities	3,305	2,412	5,717
Trade payables	130,884	—	130,884
Financial liabilities included in other payables and accruals	166	—	166
	140,355	2,412	142,767

	31 December 2020		
	Less than 1 year	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	6,000	—	6,000
Lease liabilities	1,487	1,883	3,370
Trade payables	81,782	—	81,782
Financial liabilities included in other payables and accruals	1,915	—	1,915
	91,184	1,883	93,067

	31 December 2019		
	Less than 1 year	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	10,000	—	10,000
Lease liabilities	3,579	3,101	6,680
Trade payables	143,455	—	143,455
Financial liabilities included in other payables and accruals	602	—	602
	157,636	3,101	160,737

	31 December 2018		
	Less than 1 year	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	58,293	—	58,293
Financial liabilities included in other payables and accruals	908	—	908
	59,201	—	59,201

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target 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 Target 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 Target 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 Relevant Periods.

The Target Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings less cash and bank balances. Capital includes equity attributable to owners of the Target Company. The gearing ratio was not applicable as at 31 December 2018, 2019 and 2020 and 31 August 2021 as the Target Group's balance of cash and bank balances exceeded the balance of net external debt.

36. EVENT AFTER THE REPORTING PERIOD

On 17 December 2021, Hangzhou Vobile Technology Co. Ltd., a wholly owned subsidiary of Vobile Group Limited and the shareholders of the Target Company (the "**Sellers**"), entered into a Sale and Purchase Agreement pursuant to which, the Sellers have conditionally agreed to sell and Hangzhou Vobile Technology Co. Ltd., WFOE and OPCO, as the Purchasers have conditionally agreed to purchase 61.18% of the equity interest in the Target Company at a consideration of RMB854,107,561.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and the Target Group in respect of any period subsequent to 31 August 2021.

38. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

Information about the statement of financial position of the Target Company at 31 December 2018, 2019 and 2020 and 31 August 2021 is as follows:

	31 December			31 August
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	118	45	—	—
Right-of-use assets	—	—	—	262
Investments in subsidiaries *(note 16)*	100,000	100,000	121,750	128,201
Total non-current assets	100,118	100,045	121,750	128,463
CURRENT ASSETS				
Trade receivables	—	—	—	2,452
Prepayments, other receivables and other assets	31,234	41,081	31,789	79,687
Financial assets at fair value through profit or loss	45,762	36,690	70,288	10,271
Cash and bank balances	754	688	2,131	8,398
Total current assets	77,750	78,459	104,208	100,808
CURRENT LIABILITIES				
Trade payables	—	—	—	1,668
Other payables and accruals	41	47	10,304	10,374
Lease liabilities	—	—	—	209
Total current liabilities	41	47	10,304	12,251
NET CURRENT ASSETS	77,709	78,412	93,904	88,557
Net assets	177,827	178,457	215,654	217,020
Equity				
Share capital	15,891	15,891	41,524	41,524
Reserves	161,936	162,566	174,130	175,496
Total equity	177,827	178,457	215,654	217,020

The following management discussion and analysis should be read in conjunction with accountants' report of the Target Group for the three years ended 31 December 2020 and the eight months ended 31 August 2021 (the "**Reporting Period**") as set out in Appendix II to this circular.

A. BUSINESS REVIEW

The Target Company is an investment holding company incorporated under the laws of the PRC. As a leading software and information technology service provider, specialized in integrated video solutions, it is principally engaged in provision of SaaS, through its two main products: SaaS for video distribution and edge computing, and content monetization services in China. For further details of the Target Group, please refer to the section headed "*7. Information of the Target Group*" in the Letter from the Board.

Please refer to the section headed "*9. Financial and trading prospects of the Enlarged Group*" in the Letter from the Board for discussion of financial and trading prospects of the Enlarged Group.

B. FINANCIAL REVIEW

Revenue

Revenue of the Target Group is mainly generated from the provision of SaaS.

The increase in revenue of the Target Group from RMB150 million in 2018 to RMB196 million in 2019, and further to RMB279 million in 2020, and from RMB168 million for the eight months ended 31 August 2020 to RMB200 million for the eight months ended 31 August 2021. Such increase was mainly attributed by the strong growth in the revenue generated from the SaaS for video distribution and edge computing services.

Cost of services provided and gross profit margin

Cost of services provided mainly represented internet data center and cloud services fee.

The increase in cost of services provided from RMB88 million in 2018 to RMB102 million in 2019, and further to RMB164 million in 2020, and from RMB100 million the eight months ended 31 August 2020 to RMB121 million the eight months ended 31 August 2021 were in line with the increase in revenue.

The increase in gross profit margin from 41% in 2018 to 48% in 2019 was mainly attributed by the improvement of efficiency. The decrease in gross profit margin from 48% in 2019 to 41% in 2020 was mainly due to the change in pricing strategies for acquiring higher market share. The gross profit margin of 40% for the eight months ended 31 August 2020 remained stable as compared to 39% for the eight months ended 31 August 2021.

Selling and marketing expenses

Selling and marketing expenses mainly represented staff costs and travelling expenses.

The increase in selling and marketing expenses from RMB12 million in 2018 to RMB17 million in 2019, and further to RMB21 million in 2020, and from RMB9 million the eight months ended 31 August 2020 to RMB22 million the eight months ended 31 August 2021 was mainly due to implementation of sales and marketing initiatives to expand the Target Group's customer base.

Administrative expenses

Administrative expenses mainly represented staff costs, rental expenses and other administrative expenses.

The administrative expenses remained stable at RMB25 million for the years ended 31 December 2018 and 31 December 2019. The increase in administrative expenses from RMB25 million in 2019 to RMB30 million in 2020, and from RMB17 million for the eight months ended 31 August 2020 to RMB19 million the eight months ended 31 August 2021 was mainly due to the increased administrative demand from expansion of the business.

Research and development expenses

Research and development expenses mainly represented staff costs for research and development.

The increase in research and development expenses from RMB12 million in 2018 to RMB17 million in 2019, and further to RMB19 million in 2020, and from RMB12 million the eight months ended 31 August 2020 to RMB15 million the eight months ended 31 August 2021 was mainly due to continuous investment into research and development activities during the periods.

Trade receivables

The increase in trade receivables from RMB87 million as at 31 December 2018 to RMB118 million as at 31 December 2019, and further to RMB153 million in 2020 and RMB224 million as at 31 August 2021 was mainly due to the increase in revenue during the periods.

Trade payables

The trade payables from RMB58 million as at 31 December 2018 to RMB143 million as at 31 December 2019 as there was a purchase of intangible assets in December 2019 which was not yet due as at 31 December 2019. The decrease in trade payables from RMB143 million as at 31 December 2019 to RMB82 million as at 31 December 2020 was mainly due to repayment of the payables for purchasing intangible assets in 2020. The increase in trade payables from RMB82 million as at 31 December 2020 to RMB131 million as at 31 August 2021 was in line with the increase in cost of services provided.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, 2019 and 2020 and 31 August 2021, the total assets of the Target Group amounted to RMB219 million, RMB355 million, RMB357 million and RMB422 million, respectively.

As at 31 December 2018, 2019 and 2020 and 31 August 2021, the total liabilities of the Target Group amounted to RMB78 million, RMB185 million, RMB116 million and RMB160 million, respectively.

As at 31 December 2018, 2019 and 2020 and 31 August 2021, the cash and bank balances of the Target Group amounted to RMB35 million, RMB39 million, RMB51 million and RMB58 million, respectively.

The Target Group's borrowings mainly comprised bank borrowings. As at 31 December 2018, the Target Group did not have any borrowings. As at 31 December 2019 and 2020 and 31 August 2021, the bank borrowings of the Target Group amounted to RMB10 million, RMB6 million and RMB6 million, respectively, which were carried at fixed rate and were denominated in RMB. The above borrowings was or will be used for the Target Group's working capital.

The Target Group had no borrowings nor committed borrowing facilities as at the end of each of the Reporting Period.

The Target Group monitors capital using gearing ratio, which is net external debt divided by the capital (equity attributable to owners of the Company) plus net debt. Net external debt includes interest-bearing bank borrowings, less cash and cash equivalents. As of 31 December 2018, 2019 and 2020 and 31 August 2021, the gearing ratio, was not applicable as the Target Group's balance of cash and cash equivalents exceeded the balance of net external debt.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Target Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 August 2021 was 139, 166, 217 and 234, respectively. The total staff costs for the years ended 31 December 2018, 2019 and 2020 and for the eight months ended 31 August 2021 were approximately RMB36 million, RMB43 million, RMB47 million and RMB38 million, respectively. The remuneration of employees included wages and salaries, bonus, commissions and other staff benefits. The Target Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employees and make reference to the prevailing market conditions.

CHARGES ON ASSETS

The Target Group did not have any charge arranged with any financial institution as at the end of the each of the Reporting Period.

FOREIGN EXCHANGE EXPOSURE

The revenue and cost of services provided of the Target Group were principally denominated in RMB, and as such the exposure to the risk of foreign exchange rate fluctuations for the Target Group was low as the functional and presentation currencies of the Target Group are both RMB. As a result, no hedging instrument was employed by the Target Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Target Group did not conduct any significant investments, material acquisitions or disposals during the Reporting Period.

CAPITAL COMMITMENT

As at 31 December 2018, 2019 and 2020 and 31 August 2021, the Target Group had capital commitments of RMB2 million, RMB7 million, RMB4 million and RMB20 million, respectively.

CONTINGENT LIABILITIES

There were no material contingent liabilities for the Target Group as at 31 December 2018, 2019 and 2020 and 31 August 2021.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The information set out below does not form part of the accountants' reports prepared by the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, set out in Appendix II "Financial Information of the Target Company" to this circular and is included herein for information only.

The following is an illustrative unaudited pro forma consolidated statement of financial position (the "**Unaudited Pro Forma Financial Information**") of Vobile Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") as enlarged by the proposed acquisition of the 61.18% equity interest in the Particle Culture Technology Group (Hangzhou) Co., Ltd. And its subsidiaries (collectively the "**Target Group**") (the "**Proposed Acquisition**"). The Group as enlarged by the Proposed Acquisition upon completion of the Proposed Acquisition is hereafter collectively referred to as the "Enlarged Group". The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "**Directors**") in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis of the notes set forth below for the purpose of illustrating the effects of the Proposed Acquisition as if the Proposed Acquisition had been completed at 31 December 2020.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group had the Proposed Acquisition been completed on 31 December 2020 or any future date.

The Unaudited Pro Forma Financial Information has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2020, which has been extracted from the published 2021 interim report of the Company, and the audited consolidated statement of financial position of the Target Group as at 31 August 2021, which has been extracted from the accountants' report of the Target Group as set out in Appendix II to this circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group and other financial information included elsewhere in this circular.

(2) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group as at 31 December 2020	The Target Group as at 31 August 2021	The Target Group as at 31 August 2021	Pro-forma adjustment			Unaudited pro forma of the Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
Non-current assets							
Property, plant and equipment	1,538	15,605	18,533	—	—	—	20,071
Right-of-use assets	22,424	6,353	7,545	—	—	—	29,969
Goodwill	603,820	—	—	688,727	—	—	1,292,547
Intangible assets	81,150	54,378	64,582	220,923	—	—	366,655
Investments in joint ventures	—	6,250	7,423	—	—	—	7,423
Equity investments designated at fair value through other comprehensive income	—	9,150	10,867	—	—	—	10,867
Deferred tax assets	62,242	6,747	8,013	—	—	—	70,255
Prepayments	1,194	—	—	—	—	—	1,194
Total non-current assets	772,368	98,483	116,963	909,650	—	—	1,798,981
Current assets							
Inventories	—	2,095	2,488	—	—	—	2,488
Trade receivables	69,518	224,366	266,468	—	—	—	335,986
Prepayments, deposits and other receivables	47,942	19,008	22,574	—	—	—	70,516
Financial assets at fair value through profit or loss	—	20,326	24,140	—	—	—	24,140
Tax recoverable	1,348	—	—	—	—	—	1,348
Cash and cash equivalents	262,362	57,671	68,493	(1,014,380)	974,719	—	291,194
Total current assets	381,170	323,466	384,163	(1,014,380)	974,719	—	725,672
Current liabilities							
Trade payables	50,961	130,884	155,444	—	—	—	206,405
Other payables and accruals	38,706	14,908	17,705	—	—	27,960	84,371
Interest bearing bank borrowings	—	6,000	7,126	—	—	—	7,126
Lease liabilities	8,117	3,305	3,925	—	—	—	12,042
Tax payable	—	2,107	2,502	—	—	—	2,502
Total current liabilities	97,784	157,204	186,702	—	—	27,960	312,446
Net current assets	283,386	166,262	197,461	(1,014,380)	974,719	(27,960)	413,226
Total assets less current liabilities	1,055,754	264,745	314,424	(104,730)	974,719	(27,960)	2,212,207
Non-Current Liabilities							
Convertible bonds	82,975	—	—	—	—	—	82,975
Interest bearing borrowings	155,050	—	—	—	974,719	—	1,129,769
Lease liabilities	14,846	2,412	2,865	—	—	—	17,711
Deferred tax liabilities	14,017	—	—	—	—	—	14,017
Total non-current liabilities	266,888	2,412	2,865	—	974,719	—	1,244,472
Net assets	788,866	262,333	311,559	(104,730)	—	(27,960)	967,735

	The Group as at 31 December 2020	The Target Group as at 31 August 2021	The Target Group as at 31 August 2021	Pro-forma adjustment			Unaudited pro forma of the Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
EQUITY							
Share capital	359	41,524	49,316	(49,316)	—	—	359
Treasury shares	(21,984)	—	—	—	—	—	(21,984)
Equity component of convertible bonds	11,590	—	—	—	—	—	11,590
Reserves	798,901	220,697	262,110	(262,110)	—	(27,960)	770,941
	788,866	262,221	311,426	(311,426)	—	(27,960)	760,906
Non-controlling interests	—	112	133	206,696	—	—	206,829
Total equity	788,866	262,333	311,559	(104,730)	—	(27,960)	967,735

Notes:

1. The audited consolidated statement of financial position of the Group as at 31 December 2020 was extracted from the published interim report of the Company for the six months ended 30 June 2021.

2. The audited statement of financial position of the Target Group as at 31 August 2021 was extracted from the accountants' report as set out in the Appendix II to this Circular.

3. For the purpose of preparation of the unaudited pro forma financial information, the exchange rate adopted is as follows:

   As at 31 December 2020, HK$1 = RMB0.8420

   No representation is made that the Renminbi ("**RMB**") amounts have been, could have been or could be converted to Hong Kong Dollar ("**HK$**"), or vice versa, at those rate or at any other rate or at all.

4. Upon completion of the Proposed Acquisition, the Target Company will become an 61.18% owned subsidiary of the Company. In opinion of the Directors, the Proposed Acquisition is considered as a business combination and the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values using the acquisition method in accordance with IFRS 3 Business Combinations issued by the International Accounting Standards Board.

For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the fair values of the identifiable assets and liabilities of the Target Group upon completion approximate to their carrying amounts as at 31 August 2021, except for the technology, customer relationships and non-compete agreements which are identified and recognised as intangible assets ("**Identified Intangible Assets**") of the Target Group with their fair values as at 31 August 2021 determined based on the valuation report prepared by Brilliant Appraisal Limited, an independent professionally qualified valuer. Accordingly, the goodwill arising from the Proposed Acquisition is calculated as follow:

	Notes	*HK$'000*
Net assets value of the Target Group as at 31 August 2021		311,559
Fair value adjustment on Identified Intangible Assets	*(i)*	220,923
Adjusted total identifiable net assets of the Target Group at fair value		532,482
Less: share of adjusted total identifiable net assets of the Target Group at fair value by non-controlling interests	*(ii)*	(208,162)
Fair value of the identifiable net assets of the Target Group attributable to the Group		324,187
Goodwill arising from the Proposed Acquisition	*(iii)*	690,193
Satisfied by:		
Cash consideration		1,014,380

Notes:

(i) This pro forma fair value adjustment is related to the recognition, on a pro forma basis, of Identified Intangible Assets of RMB186,018,000 (equivalent to HK$220,923,000) under the Target Group.

(ii) The non-controlling interests attributable to the 38.82% equity interest in the Target Company is measured at the proportionate share of adjusted total identifiable net assets of the Target Group at fair value by non-controlling interests as at 31 August 2021.

(iii) The Consideration paid for the Proposed Acquisition effectively included amounts in relation to the benefit of expected revenue growth, future market development and the assembled workforce of Target Group, which is expected to generate synergies between the Group and the Target Group with the benefits as stated in the section headed "Reasons for and benefits of the Proposed Acquisition" in the Letter from the Board. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The fair value of the identifiable net assets will be reassessed on the completion date of the Proposed Acquisition and may be subject to change.

For the purpose of the Unaudited Pro Forma Financial Information, the Group has ensured the steps taken on the assessment of goodwill have been properly performed in accordance with International Accounting Standard 36 "Impairment of Assets". On that basis, the Group concluded that no impairment of goodwill is necessary. The Group discussed with the reporting accountants on the impairment assessment of goodwill and intangible assets. The Group will adopt consistent accounting policies for goodwill and intangible assets impairment test in future.

5. As at the Latest Practicable Date, the Company is contemplating a two-year loan with principal amount of US$125 million (equivalent to HK$974,719,000) subject to the final approval from the relevant financial institution to finance the Proposed Acquisition which bear interest equal to secured overnight financing rate plus 5.5% to 6.3%. The grant of the above credit facility is conditional on the completion of the Proposed Acquisition and final approval from the relevant financial institution.

6. This represents the recognition of estimated transaction costs of approximately HK$27,960,000, which is payable by the Company in connection with the Proposed Acquisition at the completion date.

7. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020 and the Target Group entered into subsequent to 31 August 2021.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of inclusion in this Circular, in respect of the unaudited pro forma financial information of the Enlarged Group

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Vobile Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Vobile Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2020, and related notes as set out on pages IV-1 to IV-4 of the circular dated 23 December 2021 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition of the 61.18% equity interest in Particle Culture Technology Group (Hangzhou) Co., Ltd. and its subsidiaries (collectively the "**Target Group**") (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IV-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 December 2020 as if the Proposed Acquisition had taken place at 31 December 2020. As part of this process, information about the Group's financial position as at 31 December 2020 have been extracted from the Group's published interim report for the six months ended 30 June 2021, and the Target Group's financial position as at 31 August 2021 have been extracted from the accountants' report on the Target Group included in Appendix II to this Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the

Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

23 December 2021

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

As at the Latest Practicable Date

	US$
Authorized:	
32,000,000,000 Shares of a nominal value of US$0.000025 each	800,000
Issued and fully paid:	
1,964,994,224 Shares of a nominal value of US$0.000025 each	49,124.8556

3. DISCLOSURE OF INTERESTS

(A) Directors and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules were as follows:

Name of Directors	**Capacity**	**Number of shares held**[1]	**Percentage of the issued share capital**[1] *(%)*
Mr. Wang[2]	Beneficial owner; trustee of a trust; beneficiary of a trust	415,161,920 (L)	21.13

Name of Directors	Capacity	Number of shares held[1]	Percentage of the issued share capital[1] (%)
Mr. Wargo	Beneficial owner	89,125,356 (L)	4.54
Mr. Matsuzawa[3]	Beneficial owner	10,000,000 (L)	0.51
Mr. Wong	Beneficial owner	2,444,000 (L)	0.12
Mr. Chan	Beneficial owner	44,000 (L)	0.00
Mr. Chu	Beneficial owner	44,000 (L)	0.00
Mr. Eesley	Beneficial owner	44,000 (L)	0.00

Notes:

(1) The letter "L" denotes the person's long position in such securities. The number of shares represents the number of shares held and the shares which may be issued to such person pursuant to the exercise of options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme as at the Latest Practicable Date and the percentage of the issued share capital of the Company is calculated on the basis of 1,964,994,224 shares in issue as at the Latest Practicable Date.

(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 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, 32,000,000 shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and 112,000,000 shares which may be issued pursuant to the exercise of options under the Post-IPO Share Option Scheme.

(3) Mr. Matsuzawa is interested in 10,000,000 shares which may be issued pursuant to the exercise of options under the Post-IPO Share Option Scheme.

Save as disclosed above, as of the Latest Practicable Date, 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.

(B) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, 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	Nature of interest	Number of shares held[(1)]	Percentage of the issued share capital *(%)*
Poly Platinum Enterprises Limited[(2)]	Beneficial owner	166,314,432 (L)	8.46
Greater Bay Area Homeland Development Fund (GP) Limited[(2)]	Interest in a controlled corporation	166,314,432 (L)	8.46
Greater Bay Area Homeland Investments Limited[(2)]	Interest in a controlled corporation	166,314,432 (L)	8.46
LU Jian	Beneficial owner	128,761,920 (L)	6.55
Antfin (Hong Kong) Holding Limited[(3)]	Beneficial owner	115,606,936 (L)	5.88
Hangzhou Yunqiang Enterprise Management Consulting Co., Ltd[(3)]	Interest in a controlled corporation	115,606,936 (L)	5.88
Ant Group Co., Ltd[(3)]	Interest in a controlled corporation	115,606,936 (L)	5.88
MA Yun[(3)]	Interest in a controlled corporation	115,606,936 (L)	5.88
Eric Xiandong Jing[(3)]	Person acting in concert	115,606,936 (L)	5.88
Simon Xiaoming Hu[(3)]	Person acting in concert	115,606,936 (L)	5.88
Fang Jiang[(3)]	Person acting in concert	115,606,936 (L)	5.88
Navibell Venture Corp[(4)]	Beneficial owner	108,884,000 (L)	5.54
Tricor Equity Trustee Limited[(4)]	Interest in a controlled corporation, Trustee of a trust	108,884,000 (L)	5.54
XIE Shihuang[(4)]	Interest in a controlled corporation	108,884,000 (L)	5.54
China International Capital Corporation Limited[(5)]	Interest in a controlled corporation	105,052,000 (L) 47,692,000 (S)	5.35 2.43

Notes:

(1) The letter "L" denotes the person's long position in the Shares. 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. 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 holds a 22% equity interest in Hangzhou Yunbo Investment Consultancy Co., Ltd. And 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.

(5) China International Capital Corporation Hong Kong Securities Limited, a wholly-owned subsidiaries of China International Capital Corporation Limited hold the long position of 105,052,000 Shares. CICC Financial Trading Limited holds the short position of 47,692,000 Shares.

Save as disclosed above, as of the Latest Practicable Date, 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.

4. DIRECTORS SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

As at the Latest Practicable Date, 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. Apart from the service agreement abovementioned, none of the Directors had any existing or is proposed to have a service contract with the Company or any of its associated corporations which will not expire or is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular:

(a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Enlarged Group; and

(b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors nor their respective associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the businesses of Enlarged Group.

7. DIRECTORSHIP AND EMPLOYMENT OF DIRECTORS AND CHIEF EXECUTIVE IN SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As of the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

8. MATERIAL LITIGATION

As of the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. SUMMARY OF MATERIAL CONTRACTS

Save for the Sale and Purchase Agreement, the Enlarged Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Enlarged Group) within the two years immediately preceding the date of this Circular.

10. QUALIFICATIONS OF EXPERT AND CONSENT

The qualification of the expert who has given an opinion or advice in this circular is as follows:

Name	Qualification
Ernst & Young	Certified Public Accountants, Hong Kong

As of the Latest Practicable Date, the above expert has given and have not withdrawn its written consent to the issue of this circular with the inclusion of its report(s) and/or letter(s) and/or valuation certificates and/or opinion(s) and the references to its name included herein in the form and context in which it is respectively included.

As at the Latest Practicable Date, the above expert did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interests in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

(1) The company secretary of the Company is Mr. Ho Sai Hong Vincent. Mr. Ho has been a member of the Hong Kong Institute of Certified Public Accountants since February 2012.

(2) The registered office of the Company is located at P.O. Box 2681, Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111, Cayman Islands.

(3) The principal place of business in Hong Kong of the Company is at Suite 3712, 37/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The headquarters and principal place of business of the Company in the US is at 2880 Lakeside Drive, Suite 360, Santa Clara, CA 95054, United States. The principal place of business in the PRC of the Company is at 10th Floor, Intelligent e-Valley B Building, No. 482, Qianmo Road Xixing Street Binjiang District, Hangzhou, PRC.

(4) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong

(5) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

12. FORWARD-LOOKING STATEMENT

This circular contains statements that are forward-looking and uses words typically used for forward-looking statements such as "will", "expect", "estimate", "anticipate", "plan", "believe", "may", "intend", "ought to", "continue", "project", "should", "seek", "potential" and other similar terms. Reliance on any forward-looking statements involves risks and uncertainties in this regard, including those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this circular should not be regarded as representations by the Board that the Company's plans and objectives will be achieved.

13. DOCUMENTS ON DISPLAY

The following documents will be available on (i) the Company's website (*www.vobilegroup.com*) and (ii) the website of the Stock Exchange (*www.hkex.com*) during the period of 14 days from the date of this Circular:

(1) the Sale and Purchase Agreement;

(2) the accountants' report of the Target Group from Ernst & Young, the text of which is set out in Appendix II in this circular;

(3) the report on the unaudited pro forma financial information of the Enlarged Group from Ernst & Young, the text of which is set out in Appendix IV in this circular; and

(4) the written consent referred to in the section headed "*10. Qualifications of Expert and Consents*" in this Appendix.

Vobile Group Limited
阜博集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3738)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Vobile Group Limited (the "**Company**") will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 17 January 2022 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTION

1. "**THAT**

   (a) the Sale and Purchase Agreement entered into on 17 December 2021 (Hong Kong Time) in respect of the Proposed Acquisition (for details, please refer to the Circular), be and is hereby approved, confirmed and ratified; and

   (b) the grant of the Post-Closing Acquisitions Option and the Post-Closing Acquisitions by the Purchasers upon the exercise of the Post-Closing Acquisitions Option pursuant to the Sale and Purchase Agreement, be and is hereby approved, confirmed and ratified; and

   (c) any Director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated under the Sale and Purchase Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon."

By order of the Board
Vobile Group Limited
Yangbin Bernard WANG
Chairman

Hong Kong, 23 December 2021

Notes:

1. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a shareholder of the Company.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM (i.e. 9:00 a.m. (Hong Kong time on Saturday, 15 January 2022), or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. For determining the qualification as shareholder of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 12 January 2022 to Monday, 17 January 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify as shareholders to attend and vote at the EGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 January 2022.

5. **In view of the outbreak of COVID-19 pandemic, shareholders are strongly encouraged to appoint the chairman of the EGM as proxy to attend and vote on his/her behalf at the EGM or any adjourned meeting.**

As at the date of this notice, the board of directors of the Company comprises Mr. Yangbin Bernard WANG and Mr. MATSUZAWA Masaaki as executive directors; Mr. J David WARGO and Mr. WONG Wai Kwan as non-executive directors; and Mr. CHAN King Man Kevin, Mr. Alfred Tsai CHU, Mr. Charles Eric EESLEY, and Mr. KWAN Ngai Kit as independent non-executive directors.