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Mobvista

Mobvista Inc.

匯量科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1860)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2021 US\$'000 (Unaudited)	Second quarter of 2021 US\$'000 (Unaudited)	First quarter of 2021 US\$'000 (Unaudited)	Six months ended 30 June 2020 US\$'000 (Unaudited)
Revenue	307,756	176,392	131,364	266,907
Gross Profit	42,425	30,031	12,394	58,248
Non-IFRS measures				
Adjusted EBITDA ⁽¹⁾	2,225	8,543	(6,318)	31,232

Note:

- (1) We define adjusted EBITDA as EBITDA (which is (loss)/profit from operations plus depreciation and amortization expenses) for the period adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing expenses (if any) and investment loss from financial assets at fair value through profit or loss.

The board (the “**Board**”) of directors (the “**Directors**”) of Mobvista Inc. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”). The interim results have been reviewed by the Audit Committee of the Company and the external auditor.

BUSINESS REVIEW

I. Company Overview

1. Company profile

We are a technology service company based on the global mobile Internet ecosystem, committed to providing customers with marketing technology services and cloud computing technology services needed for business expansion, so that they can focus on the development and iteration of mobile applications.

Through our SaaS tooling matrix, mobile application (“**App**”) developers can easily, quickly and efficiently implement full spectrum marketing activities, and optimize big data computing efficiency and cloud computing resource cost, thereby improving their marketing effectiveness and working efficiency.

2. Business Modules

Currently, our SaaS tooling matrix includes two major categories: marketing software tools and cloud computing tools.

Among them, marketing technology software tools mainly include advertising technology platforms (Mintegral and Nativex) serving advertising transactions, data analytics tools (GameAnalytics), etc.; cloud computing tools mainly include SaaS tools (SpotMax) that help customers optimize cloud computing resource cost.

2.1. Marketing technology business

2.1.1. Advertising technology business

At present, our advertising technology business is mainly divided into Mintegral platform and Nativex business. Among these, the Mintegral platform is our core platform.

Our customers are primarily mobile application developers.

1) Mintegral platform

The Mintegral platform is a programmatic advertising technology platform that integrates a large number of fragmented mobile programmatic traffic. Through an integrated and large-scale programmatic advertising technology platform, it provides customers with user growth and traffic monetization services that reach all channels and global mobile devices.

Technology Application

The platform uses a cloud-native architecture, and the allocation of traffic and budget is driven and optimized by artificial intelligence (“AI”) algorithms. At present, we maintain a large-scale computing cluster with more than 5,000 core CPUs on the cloud, and perform offline algorithm model training and online inference estimation 7x24 hours.

At each advertisement request, the Group’s self-developed MindAlpha intelligent inference engine will be used in real time to estimate the advertisement candidate sequence, select and push the most suitable advertisement to the requesting terminal. The whole process does not exceed 50 milliseconds. Since Mintegral platform upgraded its deep neural network DNN model and dynamic creativity optimization algorithm at the end of the second quarter in 2020, MindAlpha has processed more than 10PB of data per day, used more than 10 billion model feature parameters, and used more than 10 trillion online inferences.

At present, the Mintegral platform has the full-stack capability of every node in the programmatic advertising transaction link, processing over 100 billion daily advertising requests, and continuously self-training and iterating as the data accumulates.

Furthermore, in order to solve the problems of “how to meet the requirements of real-time prediction and personalized recommendation with ultra-low latency” and “how to meet the requirements of ultra-large-scale computing and analysis in a very cost-effective way”, we abstracted between the application and the cloud a layer of elastic resource management service, SpotMax, which helps the Mintegral platform build an efficient cloud-native architecture. In the face of deep learning algorithms that further increase the algorithm complexity of the Mintegral platform, we saved 65% of the unit processing cost through our optimized scheduling of the Spot instance.

The cooperation of SpotMax and EnginePlus makes Mintegral a global technology-leading advertising technology platform.

Customer Distribution

From the perspective of customer region distribution, Mintegral's customers are located in Europe, Middle East and Africa ("EMEA"), China, Asia-Pacific (including Australia, New Zealand and other major Asian countries excluding China), Americas and other regions, distributed in 98 countries and regions around the world;

From the perspective of the number of customers, during the Reporting Period, China had the largest number of customers, accounting for 48.19% of the total, followed by the main Asia-Pacific region, accounting for 30.34% of the total, while the number of customers in major regions of EMEA, major regions of the Americas and other regions accounted for 15.17%, 5.72% and 0.58% of the total number of customers respectively;

From the perspective of cumulative impressions, during the Reporting Period, the cumulative impressions brought by Mintegral platform to customers in the main regions of EMEA accounted for the highest proportion, accounting for 32.80% of the total; secondly, the cumulative impressions brought to Chinese customers accounted for 29.43% of the total; besides, the cumulative impression brought to customers in the main Asia-Pacific region, main Americas, and other regions accounted for 25.98%, 8.89% and 2.90% respectively;

From the perspective of customer types, during the Reporting Period, Mintegral's main customers were casual game vertical customers, whose revenue accounted for 67.6% of Mintegral platform revenue. In addition, the Group is actively expanding hardcore games, e-commerce and other verticals.

Traffic Distribution

From a traffic region distribution perspective, the traffic reached by the Mintegral platform is spread across EMEA, China, Asia-Pacific (including Australia, New Zealand and other major Asian countries excluding China), the Americas and other regions, distributed in 247 countries and regions around the world, and primarily distributed outside of China in Overseas regions;

From the perspective of the cumulative number of devices reached, during the Reporting Period, 92.41% were from overseas regions outside of China and 7.59% were from China; from the perspective of accumulated impressions, 90.10% were from overseas regions outside of China, and 9.90% were from China;

From the perspective of traffic types, during the Reporting Period, Mintegral's main traffic was casual game vertical traffic, and it also had traffic in verticals such as utility, social and content, and lifestyle.

Business model

From the perspective of revenue, we charge customers performance-based advertising fees, that is, fees based on marketing and promotion performance. Generally, the performance is evaluated based on the number of users we acquire for each customers (the number of the mobile apps downloaded or installed by users).

From a cost perspective, we purchase advertising inventory from traffic publishers to display customer advertisements, and the fee is usually settled with traffic publishers with the number of impressions (i.e., CPM settlement method). Before the purchased advertising inventory actually displays the customer's advertisement, we do not control the inventory, nor do we have the substantive ability to directly use it. We do not assume inventory risk of advertising.

Our costs also include cloud computing resources costs, namely, server costs.

From the perspective of gross profit, our gross profit depends on the effectiveness of advertising conversion, that is, although we do not assume inventory risk of advertising, we assume the risk of effectively converting ad impressions to users for our customers. Therefore, the strength of the algorithm and the platform expansion strategy will have an impact on the platform's gross profit.

For example, when the platform adopts an expansion strategy in a certain category, in order to accelerate the platform's scaled expansion, the platform will purchase traffic within the range of the conversion rate that is required during the development period (generally, lower than the conversion rate in the mature period), in order to improve the aggregation of traffic and the efficiency of the advertising algorithm. Therefore, during this period in the specific category the gross profit is relatively low, and may have an impact on the overall gross profit of the platform. After reaching a certain scale in this segment, the platform will gradually increase the requirements of the conversion rate of purchasing advertising inventory, so that the gross profit of the specific category and the overall gross profit of the platform will return to the stable range of the mature period.

Non-advertising agency/intermediary

In Mintegral's business, we are not an advertising agency, and we are neither involved in obtaining media publishers' revenue rebates from the sale of advertising inventory of the third party nor obtaining incentives from media publishers based on the sales amount. Therefore, we are not able to provide our customers with rebates or discounts.

Settlement method

Generally, we fulfill our obligations in accordance with the annual framework agreement signed with the customer, and settle based on the actual advertising performance of the platform. In many cases, actual settlement amount may exceed the initial budget amount agreed in the contract. Therefore, the platform revenue recognized in a given period is an important indicator of satisfaction and platform advertising performance of the customer.

In addition, we generally issue invoices to customers based on the actual advertising performance in the month following the fulfillment of our obligations, and customers pay within 30 days after sight. Some customers with good credit may be given a term of up to 60 days after the receipt of the invoice.

Research and development team

Our R&D team is composed of related personnel specializing in data science, algorithms, engineering architecture and cloud computing. The team members are mainly doctors and masters graduating from Cornell University, Illinois Institute of Technology, Tsinghua University, Peking University, Zhejiang University, Huazhong University of Science and Technology, Chinese Academy of Sciences, BeiHang University, Xi'an Jiaotong University, Sun Yat-sen University, Beijing University of Posts and Telecommunications, with rich experience in related fields.

At present, we have established a top R&D team in the industry, led by data scientists, AI algorithm experts, engineering architects, and cloud computing experts with work experience from Amazon, Alibaba, Baidu and other leading technology companies. In addition, our R&D personnel are mainly located in the Beijing office.

Marketing

We use a variety of methods to establish contact with potential customers, such as content marketing, email marketing, offline events, etc. At the same time, we participate in or sponsor regional, national and global exhibitions, including ChinaJoy, etc., in order to attract customers and potential customers, promote our business and increase brand awareness. Our sales team cooperates with the marketing department to actively expand potential customers found in the marketing campaign and attract them.

In marketing, we focus on enhancing the attractiveness to customers through the value provided, rather than exploring new customers or maintaining a good relationship with customers through operational sales. Therefore, our sales team is small.

Scale-up and leveraged management model

Our business model aligns our growth of revenue with increases in business growth for our customers. The platform's traffic scale, customer scale, and endogenous algorithm capabilities continue to grow together.

With the expansion of aggregated scale of medium and long-tail traffic sources, and the machine learning algorithms that self-iterate and improve continuously, the Mintegral platform continues to improve the efficiency of distribution and monetization, helping customers achieve user growth and optimize the economic effectiveness of customers' marketing investment. As customers continuously generate greater revenue through our platform, they further cooperate with the platform, maintaining customer stickiness (customer retention) and increase the amount of budget spent on the platform (reflected by ARPU or dollar-based net expansion rate).

At the same time, as the total revenue and the revenue of a single customer increases, the customer's lifetime value ("LTV") increases, and the platform's R&D and sales expenses diminish marginally, creating strong operating leverage for the platform. In the long run, when the platform reaches a certain scale, the rapid growth of platform revenue and operating leverage will continuously improve the profitability of the platform.

Competitive landscape

Mintegral is part of a fragmented mobile application ecosystem, which is composed of companies of different sizes and business positioning, including both large companies and private companies. Mintegral primarily competes with advertising technology platforms or advertising networks, such as Google AdMob, Pangle (Pangle ad network of ByteDance), Facebook Audience Network, Unity Software, AppLovin, IronSource, Digital Turbine, Vungle and others.

At present, the entire market is developing rapidly and there are many participants. However, the scale and technical advantages of the more mature platforms are strengthened and demonstrated, and at the same time, their integration and the completeness of the advertising technology solutions can provide customers with increasing value. A trend of integration has begun to appear in the industry.

Competitive/cooperative relationship with top media publishers

From the perspective of advertising, customers may advertise through medium and long tail traffic that the advertising network platforms of top media aggregate (not top media publisher's traffic). In order to increase the return on investment (“**ROI**”) of their budgets, they usually choose several advertising networks or ad technology platforms for advertising, and allocate budgets based on actual advertising performance. Third-party independent advertising technology platforms rely on their vertical and regional advantages and specific traffic segments to attract customers through high-quality advertising performance, which may have a competitive relationship with the advertising network platforms when purchasing traffic from top media publishers.

From a traffic perspective, customers usually pay attention to the actual advertising performance of different media traffic sources and the ROI of the investment budget, rather than the media traffic itself. Mintegral platform mainly aggregates medium and long-tail traffic. Currently, it also further participates in real-time bidding for programmatic top media traffic sources. It does not have a strong competitive relationship with top media traffic sources, but has a certain cooperative relationship.

Competitive advantages

From a traffic perspective, the Mintegral platform has specific vertical advantages and aggregated traffic resource advantages;

From an algorithm perspective, our algorithm is not a method commonly used in the industry to model long-term user interest portraits obtained through IDFA, but instead focuses on the estimation and modeling of users' instantaneous interest obtained based on contextual information, and also added the dynamic creativity optimization factors in the algorithm. This effectively insulates our algorithm from IDFA policy changes. Furthermore, our algorithm gives us a certain comparative advantage in advertising and will further benefit from the stricter IDFA related policies. Therefore, the Mintegral platform has a strong algorithm advantage;

From the perspective of positioning, the Mintegral platform, as an independent third-party advertising technology platform, has strengths in openness and transparency, and therefore can better protect the interests of both advertisers and traffic publishers;

From the perspective of the customer relationship, the Group adheres to the strategy of neutrality and tool matrix, does not have first-party content business, and therefore does not compete with our customers.

2) Nativex

Nativex is a comprehensive marketing business. It has a programmatic marketing software platform business linked to top media sources, top media agency, and a traditional non-programmatic advertising business.

i. A marketing software platform that aggregates top media publishers

By providing a self-service marketing software platform, the platform enables our customers to independently plan, manage, monitor, and analyze marketing activities, conduct data-driven mobile advertising more efficiently, and obtain clear and real-time data analysis. This empowers our customers to optimize their marketing activity.

In addition, the platform integrates and will further integrate access to other complementary marketing services, such as our customer data platform (CDP), data management platform (DMP), advertising creativity intelligent analysis platform, advertising performance monitoring platform, advertising anti-fraud tools, etc., thereby further simplifying and optimizing customer marketing activities.

At present, the platform has aggregated a lot of top media platforms, such as Google, Facebook, Apple Search Ads, Snapchat, Tencent social advertising, ByteDance Ocean Engine, etc. In the future, other top media platforms will be further aggregated.

Business model

Regarding the business income generated by customers from advertising and marketing activities through this platform, our obligation is to provide customers with the right to use our marketing software. Therefore, we recognize revenue through a certain percentage based on the ad spend the customer manages through the platform.

During the Reporting Period, the platform is still in the preliminary preparation stage, and its contribution to revenue is relatively small.

ii. Non-programmatic advertising business

Traditional non-programmatic marketing business includes top media agency and advertising business services, and traditional non-programmatic advertising business.

Among them, the top media agency business is a business that the Group is actively shrinking and will gradually withdraw; traditional non-programmatic advertising business provides customers with non-programmatic advertising services across various non-programmatic mobile media channels and adopts flexible solutions to meet the different needs of different customers.

2.1.2. Data analysis business

GameAnalytics (“GA”) is our SaaS based in-app data statistical analysis tool. At present, the platform is one of the world’s largest casual and hyper-casual game data statistical analysis platforms.

GA can provide game developers with in-depth analysis and insights about their products, enabling them to understand business operations in real time, track key in-app performance indicators, and improve user engagement.

Based on the collection of proprietary data in related game fields and the industry insights provided, we launched the industry data analysis premium solution Benchmark+, which aims to provide developers with more detailed data analysis and industry comparison information, so that they can gain real-time insights into the competition of their games, understand the potential market status, and glean opportunities into their segment of the gaming market.

Target customers

The main customers of this product are game developers and top media publishers with game advertising needs.

Business model

From the perspective of revenue, the product charges monthly subscription fees based on different features and data analysis dimensions. Subscription fees range from US\$350 to US\$3,000 per month.

From a cost perspective, we are responsible for ensuring the accessibility and stability of the platform, as well as paying server costs to external cloud server vendors.

Development strategy and process

At present, GA is still at the stage of product development and iteration. During the Reporting Period, accelerated market expansion and cross-selling products with other business customers of the Group are not the main strategy.

2.2. Cloud computing technology business

2.2.1. Cloud computing resource cost optimization tool

SpotMax is a SaaS tool for cloud computing resource cost optimization. Utilizing the flexibility and features of the public cloud, the system can help customers, that is, public cloud computing resource purchasers, greatly optimize the purchase cost of cloud computing resources while ensuring the stability of their business systems. Generally, we can help customers save 60–70% of elastic cloud computing resource costs.

Development background

SpotMax was developed under the circumstances of high computing power demand and high cost of cloud computing resources in the Group's advertising technology business. It helped Mintegral build an efficient cloud-native architecture and achieved 65% savings in unit processing costs through optimized scheduling of Spot instances. The complexity and scale of the Group's advertising technology scenarios provide a large number of real-time business scenarios for the training of the SpotMax model, speeding up its iteration and strengthening its adaptability.

Operation mechanism

Generally, there are three methods for elastic cloud computing resources: on-demand instances, reserved instances and Spot instances. Among them, Spot instances are by far the cheapest instance type among elastic cloud computing resources, and the price of Spot instance is generally 10–20% of the price of an on-demand instance. However, when companies use Spot instances, they must be prepared to deal with interruptions, especially during peak cloud resource usage periods when the demand for instances increases sharply because Spot instances may be interrupted. Therefore, at present, most companies have a relatively limited proportion of Spot instance use.

SpotMax is a basic service based on cloud and cloud native best practices. Through statistics of historical data of past interruptions and real-time analysis of the current supply and demand of cloud computing resources in the market, it predicts unstable Spot instances, replaces Spot instances in advance, and ensures continuous availability of workloads thereby solving the system chaos and service interruption that may be caused by companies purchasing Spot instances.

Target customers

This platform's customers mainly include Internet businesses that require more elastic cloud computing resources, and other businesses that want to optimize procurement costs and efficiency in the process of deployment on the cloud or using cloud computing resources. Generally, the platform has no specific usage restrictions on customers' scenarios.

Business model

We charge fees based on the number of cloud computing resources (i.e. virtual CPUs (vCPUs)) managed by customers through the platform. Because customers have a certain degree of flexibility in the consumption of cloud computing resources, we usually recognize revenue based on the number of computing resources managed, rather than the traditional way of software subscription. In addition, the software is non-customized software and can be applied to many scenarios.

Cooperation/competitive relationship with cloud vendors

The core value of SpotMax lies in the use of cloud resources rather than cloud, that is, the product itself does not directly provide corresponding cloud services, but it performs more efficient operation and maintenance optimization SaaS services based on the services provided by cloud vendors and other IaaS vendors. Therefore, we have a non-competitive relationship with cloud vendors.

Furthermore, SpotMax can effectively assist IaaS vendors (cloud vendors), to sell their Spot instances (their idle servers) more efficiently, thereby increasing revenue for cloud vendors.

Non cloud vendor sales agency

Our obligation to fulfill is to provide customers with the right to use the software so that customers can optimize and manage the cloud computing resources purchased from cloud vendors. Before the cloud computing resources are transferred to our customers, we do not control the cloud computing resources, because we do not have the substantive ability to directly use the cloud computing resources, and we have not obtained any substantial remaining benefits from the cloud computing resources. We are not directly responsible for the sales of cloud computing resources, and there is no inventory risk of cloud computing resources, so we are not a sales agency for cloud vendors.

Operating model

The business will benefit from strong network effects. With the expansion of customers and since more and more customers manage their cloud computing resource purchases through this platform, the value of our platform will continue to increase. The operation and maintenance cost of the platform is relatively low, and as the scale of the platform expands, a strong operating leverage effect will be generated.

Competitive advantages

Compared with cloud vendors, our biggest advantage is neutrality. Considering data security, multi-cloud deployment is currently the choice of many enterprises. Under multi-cloud deployment mode, third-party independent platform can provide effective services in cross-cloud mode, that is, neutrality, which is an important competitive advantage of SpotMax.

Compared with general technology companies, our large-scale and highly iterative advertising technology business provides scenarios for the training of the platform model to ensure the real-time effectiveness of the platform.

Promotion strategy and process

At present, the business is still at the early stage of commercialization. We sell through our direct sales team and the cloud store of our partner cloud vendors, and focus on the expansion of benchmark customers in various fields. In the future, we hope to serve companies in all kinds of scenarios in many industries around the world.

3. *Integrated business model*

Our core is the advertising technology platform, which helps mobile application developers attract more mobile users and monetize their traffic to achieve their business growth.

Using this scenario as an entry point, we continue to expand marketing technology (“**MarTech**”) products through understanding the needs of customers through their full-stack marketing activities to effectively establish cross-selling and up-selling of products, thereby increasing customer stickiness and increasing the average revenue per customer (ARPU).

In addition, our powerful cloud computing central platforms (such as cloud computing resource optimization platform SpotMax and big data computing engine EnginePlus) support the development of our MarTech business, and has become the second growth curve of the Group's business development through productization and commercialization.

In the long run, the strategic flywheel formed by the construction of the SaaS tool matrix will promote the growth of our business and strengthen our competitive advantage. As more and more mobile application developers use our SaaS tools to analyze, promote, and monetize their mobile applications, we have further expanded the scale of the platform. In addition, as we deepen our understanding of the needs of mobile application developers, we continue to iterate and develop new products to further improve the tool matrix. The continuous acceleration of the flywheel consistently strengthens our platform effect, and the allocation ratio (“**take-rate**”) of the customer's marketing budget and cloud operation and maintenance budget continues to increase, thereby promoting the sustainable growth of the Group's revenue.

II. Industry Overview

According to Statista's data, the mobile application market has become a highly fragmented market; currently, there are more than 2.87 million applications in the Google Play Store and 1.96 million in the Apple App Store; of which, there are more than 1.3 million games that are available for mobile Internet users to choose from.

For mobile application developers, they need to stand out in a highly fragmented and highly competitive market and successfully promote their application products to obtain revenue; at the same time, they need to focus on efficient product development and iteration, and continuously improve product features to satisfy the rapidly changing needs of the market. This is especially difficult for a large number of small and medium-size mobile developers. Therefore, they need an integrated, one-stop full spectrum marketing and monetization platform to help them promote and generate income, and they need professional, high-quality, economic development and monitoring tools to help them improve their development and iteration efficiency.

1. *Mobile Internet MarTech Industry*

According to the report “MarTech in 2020 and the Future” jointly issued by Lixin (BDO), the marketing database WARC and the University of Bristol, it is estimated that in 2020, the global market size of the MarTech industry will be US\$121.5 billion, and the annual growth rate of that market will exceed 20%.

- 1.1. **The development of the data-driven MarTech industry has become a trend.** The complexity of online marketing has increased the demand for data-driven MarTech products. The fragmented ecosystem and the continuous increase of data and analysis dimensions involved have created a situation where MarTech tools can quickly realize cost-effective decision-making and reach relevant users. Customers can then optimize advertising strategies based on the feedback of successive impressions, thereby achieving even more effective advertising over time;
- 1.2. **The development of the mobile Internet ecosystem drives the development of the MarTech industry and promotes the continuous improvement of marketing budgets.** With the advancement of the digitalization trend of the mobile Internet, business and media continue to shift to the mobile Internet side. At the same time, with the outbreak of COVID-19, users use the mobile Internet more frequently and are forming long-term usage behaviors. This change requires the marketing budget to follow users and further accelerates the shift to the mobile Internet. We believe that with the development of mobile Internet commerce and user scale, customers will transfer more marketing expenditures to mobile digital media, which will lead to an increase in the budget of related marketing services and promote the continuous improvement of the overall digital marketing budget.
- 1.3. **The value chain of the global marketing technology industry has changed.** The marketing technology industry chain includes six parts: narrowly defined marketing technology/advertising technology, marketing data analysis, media agency procurement, content generation, traditional creative conception and adaptation. The proportion of each part in the industry's profit pool has changed as follows:
 - 1.3.1 **The proportion of advertising technology tools has risen sharply.** With the increasing complexity of the AdTech industry/narrowly defined MarTech industry, the development of artificial intelligence technology and the pressure to measure return on investment have promoted the development of the industry and its proportion in the overall industry profit pool has continued to increase;

- 1.3.2 Marketing analysis tools are essential to ensure the effective allocation of marketing budget expenditures, and their proportion has increased.** Especially when cookies or similar device identifiers disappear, marketing analysis tools play an important role in the effective allocation of marketing budget expenditures. Related mobile marketing effectiveness monitoring tools and follow-up user group behavior tracking and cohort analysis reports can help customers effectively test and optimize marketing plan, so their share in the industry's profit pool has increased;
- 1.3.3 The proportion of media agency procurement has gradually declined.** With the growth of programmatic traffic purchasing and the growth of localized marketing platforms, the market share of advertising agencies is gradually declining, and profit margins are under pressure;
- 1.3.4 The proportion of programmatic content generation has increased.** With the growth of users' digital touch points and the strengthening of the personalized needs of online users, and the surge of demand for modular digital content originality and automated post-production, the proportion of programmatic content generation has increased;
- 1.3.5 The proportion of traditional content generation industry has declined.** Changes in marketing channels and marketing models have led to the decrease of market's dependence on traditional content generation intermediaries.
- 1.4. The personalized needs of online users and the decentralization trend of the mobile Internet industry have further strengthened the fragmentation trend and competition within the mobile Internet ecosystem.** With mobile Internet commerce booming and the strengthening of users' personalized needs, the diversification and decentralization of the mobile Internet ecosystem will become the norm. In addition, the trend of differentiation of the mobile Internet space in various countries and regions continues, which further intensifies the trend of ecosystem fragmentation and competition. Therefore, the cross-regional and cross-scenario traffic aggregation and analysis capabilities of the marketing platform are key factors in providing value to customers.

1.5. **Performance advertisements continue to be favored by advertisers, and the market scale growth is being accelerated.** The decentralization of categories and regions in App ecosystem increases the complexity of advertisers' advertising strategies and performance evaluation, and hence performance advertising continues to be favored for its characteristics of traceability, accountability, and measurable return on investment. At the same time, with the continuous expansion of online business, as well as the continuous integration of online and offline business, the feasibility of performance advertising is constantly strengthened, and the market is experiencing accelerated growth.

1.6. **Mobile game purchases have become one of the largest and fastest-growing sectors, and the demand for data analysis continues to grow.** According to the data published by Sensor Tower, mobile games account for 39% of global app downloads and 72% of total Apple App store user consumption. With the rapid development and iteration of the mobile game market, the mobile game purchasing budget has become one of the largest and fastest growing areas in the mobile Internet advertising industry.

In addition, due to the highly iterative nature of casual and hyper-casual games in the mobile game field, such developers need to focus more on the development and iteration of games, as well as the improvement of the gaming experience. Based on this, the demand for clear, multi-dimensional statistical analysis products that incorporate comprehensive industry data is also growing rapidly, so that game developers can focus on game development and increase user engagement in their games.

2. *Cloud Computing Industry*

Digital transformation is becoming the norm for enterprise development, and public cloud empowers enterprises in digital transformation with its scalability and feasibility advantages.

2.1. **The proliferation of connected devices, applications, and social media has led to explosive growth in the amount of network data. Cloud computing and data storage and processing are becoming key requirements for enterprises.** According to IDC statistics, the total amount of global data in 2020 is about 51ZB, and it is expected to reach 175ZB in 2025, with a compound growth rate of about 28%. The growth of these data means that the demand for cloud computing and data storage will grow rapidly.

- 2.2. **Under the wave of digitalization, global public cloud spending has increased rapidly.** According to Gartner statistics, global public cloud service end-user expenditures reached US\$270 billion in 2020. By 2022, this figure may reach US\$397.5 billion, with a compound annual growth rate of 21%.

However, unoptimized use of cloud resources and purchase methods lead to high cost of cloud systems, hindering enterprises' adoption of public clouds. According to Flexera's "State of the Cloud Report 2020", 73% of the surveyed companies indicated that reducing cloud computing costs is a key enterprise plan.

- 2.3. **For data security considerations, multi-cloud deployment is currently the choice of many enterprises.** According to the "RightScale Cloud State 2019 Survey", on average, overseas companies run applications in a combination of 3–4 public and private clouds. Overall, 84% of companies adopt a multi-cloud strategy.

In the long run, the advancement of cloud computing resource optimization technology will become a key point that drives the faster development of the public cloud computing market.

III. Financial performance

- During the Reporting Period, the Group's revenue has increased by 15.3% on a YoY basis to US\$307.8 million (corresponding period in 2020: US\$266.9 million);
- During the Reporting Period, the Group accelerated its transformation to a programmatic business centered around the Mintegral platform, reducing and gradually withdrawing from top media agency business, leading to a decrease in Nativex business revenue by 22.8% on a YoY basis to US\$82.6 million (corresponding period in 2020: US\$107.0 million);
- During the Reporting Period, the Group's Mintegral platform business recovered and grew strongly, achieving business revenue US\$224.7 million, an increase of 40.6% on a YoY basis (corresponding period of 2020: US\$159.8 million); the compound growth rate of monthly revenue in the first half of the year reached 10.1%;

- During the Reporting Period, the Group actively promoted the restoration of business relationships with Mintegral’s customers and traffic-side publishers, and supported the market expansion and promotion of SaaS products, resulting in an increase in sales expenses of 456.0% to US\$22.8 million during the Reporting Period;
- During the Reporting Period, non-IFRS measures adjusted EBITDA was US\$2.2 million (corresponding period in 2020: US\$31.2 million); in the first quarter of the Reporting Period, non-IFRS measures adjusted EBITDA was a loss of US\$6.3 million; in the second quarter, non-IFRS measures adjusted EBITDA was US\$8.5 million;
- During the Reporting Period, the Group’s impairment loss on trade receivable has decreased significantly. Due to the Group’s resolve to withdraw from top media agency business that occupies operating capital and has limited profit growth potential, as well as to improve the account management of the Mintegral business, the Group’s impairment loss on trade receivable fell by 92.0% to US\$0.6 million (corresponding period in 2020: US\$7.7 million);

IV. Business Review

- 1. Accelerate the transformation towards programmatic business with Mintegral as the core, and media agency business of Nativex continues to be reduced, which occupies operating capital and has limited profit growth potential.***

At present, the mobile advertising industry continues to transform from non-programmatic to programmatic, and the trend of decentralization and fragmentation of the mobile Internet ecosystem is becoming more and more obvious. Therefore, the Group’s advertising technology business is accelerating the transformation to a programmatic business centered around Mintegral.

In addition, the media agency business Nativex has limited development potential, occupies a large amount of operating capital liquidity of the platform, and has high requirements on the scale of operations and sales personnel. Therefore, the Group is intentionally contracting and will gradually withdraw from Nativex’s media agency business, which takes up operating capital and has limited potential for performance growth.

During the Reporting Period, Mintegral’s business revenue increased by 40.6% on a YoY basis to US\$224.7 million; Nativex’s business revenue fell by 22.8% on a YoY basis to US\$82.6 million, and its proportion of advertising technology business revenue decreased from 40.1% from the corresponding period in 2020 to 26.9%.

2. *Mintegral's business has recovered strongly, and customers and traffic continue to grow*

2.1. *Mintegral's business is growing strongly, and the impact of special circumstances in the second half of 2020 is essentially eliminated*

From the late third quarter to the fourth quarter of 2020, affected by factors such as increased friction among economies, stricter regulatory policies by global regulators on data privacy and protection, and malicious competition from overseas competitors, some European and American cooperating traffic publishers using the Mintegral platform suspended their cooperation with the platform, which affected the audience size of the platform and slowed down the platform's revenue growth in the second half of 2020.

During the Reporting Period, the Group actively promoted the restoration of business partnerships with Mintegral's customers and traffic-side publishers, and continued to attract new customers and traffic publishers. The platform effect continued to strengthen and business growth was strong.

As of the date of the release of this report, most of the major traffic publishers that suspended cooperation with the platform due to the adverse effects have restarted their cooperation, and the scale of platform advertising transactions in the second quarter of this year (2021Q2) has recovered and exceeded the level of the third quarter of 2020 (2020Q3). During the Reporting Period, the transaction scale of the platform achieved a monthly compound growth rate of 10.1%.

2.2. *The IDFA authority change was officially implemented, and Mintegral's business proved to be resilient*

iOS 14.5 has been officially released in late April 2021. For the month of June as of June 30, 2021, 46.51% of iOS system devices cannot track IDFA, which has an increase of 18.18 pct⁽¹⁾ from the 28.33% of devices that cannot track IDFA in April 2021.

Because our algorithm does not rely on long-term user interest portraits obtained through IDFA for modeling, but focuses on the estimation and modeling of users' instantaneous interests obtained based on contextual information, and adds dynamic creativity optimization factors to the algorithm, which makes us less affected by IDFA.

⁽¹⁾ *Increased value of the percentage of iOS system devices that we cannot track IDFA = the percentage of iOS system devices that we cannot track IDFA in June (46.51%)-the percentage of iOS system devices that we cannot track IDFA in April (28.33%)*

From the revenue perspective, the Mintegral platform achieved US\$45.0 million and US\$48.9 million in revenue in May 2021 and June 2021 respectively, and continued to grow.

Therefore, we believe that this policy has neither exerted nor will have a substantial impact on our business.

2.3. *Mintegral maintains high customer retention, and both customers and traffic are growing rapidly*

Our customers of designated scale (see definition below) have contributed substantially to the growth of our business. The revenue growth of each customer of designated scale has improved average revenue per customer and business visibility, strengthened our operating leverage, and effectively improved our reputation in industry.

In order to measure the increase of customers' revenue scale and our ability to attract scaled enterprises we calculated the number of customers who contributed more than US\$100,000 in revenue in the past 12 months as of the end of the Reporting Period (30 June 2021) which was 243 in total and contributed 95.0% of the total revenue of the Mintegral platform; in addition, the retention rate of the customers who contributed more than US\$100,000 in the past 12 months as of the end of the previous Reporting Period (30 June 2020), was 85.8% in the current period, the dollar-based net expansion rate was 126.3%.

At the end of the Reporting Period, Mintegral platform cooperated with 5,226 traffic publishers, gaining 417 new traffic publishers, an increase of 8.22%, compared with that of the end of 2020; at the same time, the number of mobile traffic publishers that we are still cooperating with is 46,987, increasing by 7,340 from the end of 2020, an increase of 18.5%.

3. *Proposed acquisition of Reyun Data, expanding from advertising technology business to a full-spectrum marketing technology business*

3.1. *Expansion from a single advertising technology to a full-spectrum marketing technology*

From the beginning of our establishment, we have focused on effectively expanding the user base and increasing revenue from our customers through the advertising technology platforms Nativex and Mintegral. During the development process, our management team seized a bigger market opportunity: developing full-stack MarTech products, using data, analysis and other tools to help customers relate their customer profitability to user growth, user data analytics and user management, and creating a sustainable growth cycle, so that they can further reinvest in user growth after their revenue increases, effectively improving their ultimate profitability.

Therefore, during the Reporting Period, we were committed to building a complete marketing technology tool matrix so that customers can complete the entire pre, mid and post-marketing activities including marketing planning, business growth, traffic monetization, user analysis, creative and content management, advertising traffic monitoring and attribution and etc.,

3.2. *Proposed acquisition of Reyun Data to accelerate the domestic business development and further improve the establishment of the Group's SaaS tool matrix.*

3.2.1 Transaction Briefing

During the Reporting Period, the company announced that it intended to acquire Beijing Reyun Technology Co., Ltd. (“**Reyun Data**”). At the end of the Reporting Period, the transaction is still in progress. With the completion of the acquisition, the Group will further improve the marketing technology tool matrix, developing marketing technology business such as mobile advertising performance monitoring and user data management tools, etc.

The details of the transaction are summarized as follows:

Counterparty	Kind of Consideration	Transaction phase/time		
		Consideration t=0	Performance Bonus t=1	t=2
Management Team	Cash (<i>million RMB</i>)	234.55	—	—
	Shares of the Company (<i>million shares</i>)	67.89	[0, 23.76]	[0, 23.76]
Financial Investors	Cash (<i>million RMB</i>)	718.17	—	—
	Shares of the Company (<i>million shares</i>)	—	—	—
		<u> </u>	<u> </u>	<u> </u>

Notes:

- 1) t=0 refers to the time when the sale and purchase agreements were entered into between the Company and Reyun Data; time t=1 refers to the time ending in fiscal year 2021; time t=2 refers to the time ending fiscal year 2022.
- 2) At t=0, the shares will be issued to the Management Team at the issue price of 9.63 HKD/share by the Company after the completion of the conditions precedent. The consideration involved in the issuance of shares is RMB547.28 million. The conversion exchange rate is 1 HKD=0.8371 RMB.
- 3) At t=1, in case the audited accumulated revenue of Reyun Data for the designated business (the “**Business Revenue of Reyun Data**”) is less than RMB123.53 million, no performance bonus will be paid. In case the Business Revenue of Reyun Data exceeds RMB168 million, performance bonus of 23.76 million shares of the Company will be paid. In case the Business Revenue of Reyun Data is in the range between RMB123.53 million and RMB168 million, performance bonus will be paid on a pro rata basis in accordance with the announcement of the Company dated 28 April 2021 in respect of the disclosable transaction relation to the acquisition of the entire equity interest in Reyun Data.
- 4) At t=2, in case the Business Revenue of Reyun Data is less than RMB172.94 million, no performance bonus will be paid. In case the Business Revenue of Reyun Data exceeds RMB235.20 million, performance bonus of 23.76 million shares of the Company will be paid. In case the Business Revenue of Reyun Data is in the range between RMB172.94 million and RMB235.20 million, performance bonus will be paid on a pro rata basis in accordance with the announcement of the Company dated 28 April 2021 in respect of the disclosable transaction relation to the acquisition of the entire equity interest in Reyun Data.

3.2.2. Briefing description of transaction subject

Reyun Data is a third-party platform that focuses on mobile advertising performance monitoring and data analysis with mobile advertising monitoring as an entry point, it further focuses on data collecting and mining, so as to help customers perform data analysis, user data management, intelligent creative analysis, etc., and optimize their marketing activities.

3.2.3. Business synergies and significance of the acquisition strategy

- 1) Expand the marketing technology product line and accelerate the construction of a more comprehensive SaaS tool ecosystem

Reyun Data has accumulated industry-leading advantages in the fields of mobile advertising performance monitoring, advertising creative analysis and other fields. Its product line covers the entire lifecycle of corporate digital marketing process, and can fully coordinate with the Group's platform which focuses on advertising transactions and advertising technology aimed at improving advertising efficiency.

After the transaction is completed, the Group will complete the formation of a comprehensive MarTech tool matrix, which includes marketing insights before advertising, multi-channel management advertising transactions, advertising content generation during advertising process, post-advertising performance monitoring, channel analysis, content analysis, user data management, etc. The establishment of a matrix of marketing technology tools can serve the needs of customers at different stages of marketing, are not just limited to their advertising needs, and enhance the value and stickiness of customers to us.

- 2) Strengthen the synergies between the two parties in different regions, and promote the Group's global layout and development

The Group has been committed to the expansion of the global market, but due to the business environment, industry development stage, business manner, and other reasons, the expansion of the market facing Chinese audience needs to be improved compared to that in overseas. At the same time, because overseas and Chinese marketing technology stacks are different, overseas customers also hope that they can improve their marketing performance through localized marketing solutions for the Chinese market.

As the industry's leading mobile advertising performance monitoring platform, Reyun Data has profound accumulation in data mining and applications of Chinese audiences, which can help the Group accelerate its expansion in the Chinese market;

At the same time, Reyun Data has more localized accumulation and experiences in building the product line of China's marketing technology stack, which can help the Group increase the value it brings to overseas customers, strengthen the stickiness of overseas customers, and improve the performance of overseas customers' marketing in China;

In addition, Reyun Data's local customers in China involve mobile games, social networking, lifestyle, finance, and other fields, which can help the Group further expand its customer categories and strengthen local marketing services for existing customers/new customers, thereby further expanding the company's market reach;

Finally, Reyun Data will use the Group's mature overseas business system to actively expand to overseas markets, and further help the Group complete the global layout of full-stack marketing technology tools and products.

3) Conducive to the construction of a mature SaaS commercialization and marketing system

As a typical To B SaaS company, Reyun Data has a complete and efficient SaaS commercialization system. From product project establishment and internal testing to cross-selling among existing customers and new customer expansion, Reyun's entire sales pipeline is highly efficient and has established a To B SaaS sales team with rich experience and a mature sales system.

The Group has always been committed to building a SaaS tool matrix for the business and technical requirements of mobile application developers at different life-cycle stages. However, due to the Group's early advertising technology business model that focused on driving value increase through technology and underrated attracting customers through sales, the Group's sales team has insufficient experience in SaaS product sales and customer maintenance. With the completion of the acquisition of Reyun Data, the sales teams of both parties will further integrate and communicate, so as to provide strong support for the commercialization and sales of the Group's SaaS tool matrix in the domestic market.

4. *The data statistical analysis business continues to expand, and the synergies with the advertising technology business continue to strengthen*

During the Reporting Period, GA achieved revenue of 333 thousand dollars as a whole.

In terms of platform coverage, the number of GA's game developers partner is 134,000, with an increase of 11% from the end of 2020. The number of monthly active users (MAU) covered reached 2.2 billion, and the overall number of game players covered increased by 13.4%. The wide coverage and high granularity of GA's data makes its data analytics service deeply trusted on by game developers.

In terms of synergies, the synergies between the GA and Mintegral platforms continues, and the Group's tool matrix model is further strengthened.

During the Reporting Period, among GA customers, there were 1,006 game developers with MAU greater than 100,000, of which 22 were Mintegral customers, contributing 21.66% of the Mintegral platform's revenue.

In addition, as of the end of the Reporting Period, among the customers who spent more than US\$100,000 on the Mintegral platform for the trailing twelve months, 32 used GA services, that is, 13.17% of customers who spent more than US\$100,000 for the trailing twelve months as of the end of the Reporting Period use GA services.

5. *From a data privacy and security perspective, the company has obtained multiple relevant certifications, and business compliance governance and risk management systems continue to operate.*

Currently, global regulatory agencies have increasingly strict requirements for data privacy and security governance. For advertising technology companies, data privacy and security are related to business development and the maintenance of partnerships within the industry, and play an important role in the long-term sustainable development of the company.

Based on the Group's long-term strategy for data privacy and security protections, during the Reporting Period, the Group passed a number of evaluations and certifications related to Group data privacy and security by third-party organizations. Related assessments and certifications include:

- a. In January 2021, the Group passed the internationally recognized authoritative certification of ISO/IEC 27001, the most authoritative, strict and widely used information security management system certification standard. Passing the certification indicates that the company has built a high-level information security management system in terms of organization and management, physical and environmental security, information system acquisition, development and maintenance, and information security incident management, and in the actual operation process has ensured user information security and high stability and sustainable development of the operating system. ISO 27001 certification is of great value to advertising platforms. Advertisers, agencies, publishers and end users can obtain the highest level of protection in the advertising technology supply chain, reflecting the Group's commitment to high-level information security.

- b. In March 2021, Mintegral and Nativex obtained a privacy protection certification from ePrivacy, a well-known European privacy protection certification institution, and were awarded the ePrivacy seal certificate within the European Union. ePrivacy is one of the world's most credible data security and privacy protection certification institutions, focusing on digital products and mobile fields, and has a wide range of influence in the world. ePrivacy seal certification covers General Data Protection Regulation (GDPR) regulatory requirements, and the certification scope is wide and detailed. The certification is mainly based on both law and technology aspects. It strictly reviews the product privacy protection system, product design, system security, process system, etc., and evaluates whether it complies with GDPR regulations and whether it can protect user privacy. Through ePrivacy seal certification, Mintegral and Nativex build a moat for user data privacy, which is conducive to enhancing market competitiveness and continuously enhancing customer trust.
- c. KPMG Huazhen LLP (“**KPMG**”) was engaged by the Group on 20 March 2020 to perform the Service Organization Control 2 (the “**SOC2**”) review on, amongst others, programmatic advertising platform, cloud-based service applications and data analytics platform to user entities in accordance with the International Standard Assurance Engagement 3000 (the “**ISAE 3000**”). The SOC2 Type 1 (“**Type 1**”) review was completed on 26 August 2020. Furthermore, the SOC2 Type 2 (“**Type 2**”) review was completed and the Group obtained the SOC2 Type 2 report issued by KPMG on 24 August 2021.

The ISAE3000 stipulates that the internal control system of a service organization is a policy and program designed, implemented and recorded by the management to provide the service described in such service organization control report to the user entities. The ISAE3000 applies to, and the SOC2 review will report on, controls at a service organization relevant to security, availability, processing integrity, confidentiality, or privacy performed under the ISAE3000 or local equivalent. The SOC2 Type 1 assesses the design of controls at a specific point in time. The SOC2 Type 2 assesses how effective those controls are over time by observing operations for a period of time, on the base of SOC2 Type 1.

In addition, we are continuing to pay attention to China's “Cyber Security Review Measures” and subsequent laws and regulations that may be promulgated related to cyber security and data protection, as well as laws and regulations related to data protection promulgated overseas. Circumstances that have a significant impact on the Group's business have not been found at present.

V. Business Growth Strategy

1. *Expand the customer base*

We will expand different customer categories, such as hardcore games, e-commerce, etc., and continue to attract more currently well-developed vertical customers through investment in the reputation of our brand, thereby further expanding our customer base.

2. *Increase the revenue of customers on a single platform*

2.1 *Strengthen the competitiveness at the Android system level and increase the revenue from the Android system*

During the Reporting Period, the proportion of Android and iOS devices reached by the Mintegral platform was 8:2, but the proportion of revenue was about 4:6. From the perspective of average daily impressions per device, during the Reporting Period, the average daily impressions of a single device of the iOS system was 2.13 times⁽¹⁾ the average daily impressions of a single device of the Android system. Android system's efficiency of impressions of a single device has large growth potential. As the Mintegral platform continues to strengthen the Group's competitiveness at the Android system level, performance advertising revenue from the Android system will continue to increase.

2.2 *Drive domestic and overseas development, and strengthen the competitiveness of the platform in China*

During the Reporting Period, more than 90% of the traffic reached by the Mintegral platform was distributed overseas, and only less than 10% of the traffic was distributed in mainland China and China's Hong Kong, Macao, and Taiwan regions. With the completion of the acquisition of Reyun Data, the Group will further strengthen its domestic traffic expansion and technological competitiveness, and realize the dual-drive development of "domestic + overseas".

⁽¹⁾ *Multiple of the average number of impressions per day per device = Average number of impressions per day per iOS system device/Average number of impressions per day per Android system device*

3. *Take advantage of customer relationships to cross-sell our solution tools*

Customers can start using our tools at any stage in the product lifecycle, and over time they will typically expand to use other tools. For example, at the beginning, customers use our Mintegral platform to acquire users. As users increase, they will further increase their revenue by selling their advertising inventory to display ads to users through us, and further spend revenue to grow their user base and at the same time use our advertising creative analysis tool to optimize its advertising and to enhance the attractiveness to users in advertising aimed at user growth. In addition, they will monitor their advertising status through mobile performance monitoring tools, and optimize their marketing budget allocation based on attribution analysis.

At the same time, these customers often have large cloud computing needs. They can further use our tools related to cloud computing to optimize the operations and maintenance of their infrastructure and the processing and calculation of big data.

Through our diversified tools, customers can focus on business development and iteration to the greatest extent, which can accelerate business expansion and reduce costs. Taking advantage of customer relationships to cross-sell our tools will also become a major driver of our growth.

VI. Company Strategy and Outlook

In the great wave of global digital transformation, technological innovation requires practical environment. With the deepening of the understanding of the service ecology, and practice based on a large number of business scenarios, the Group will gradually grow from an innovator of technology to an exporter of technology. From a long-term perspective, our specific long-term development strategies and measures include:

1. *Adhere to the long-term strategy of building a SaaS tool ecosystem*

1) *Independent research and development + strategic acquisition, continue to build a SaaS tool ecosystem*

Relying on deep insights and understanding of the needs of business and technology at different lifecycle stages of mobile applications, the Group continues to develop independently, have launched and iterated data analysis tools, marketing clouds, advertising creative analysis tools, cloud technology, and other products or services to continuously improve SaaS tool ecosystem, to strengthen and expand our long-term cooperative relationship with customers with integrated tools.

In addition, as part of our growth strategy, we will strengthen our customer resources and tool capabilities by acquiring companies, and integrating businesses, teams, and technologies thereby accelerating the formation of our SaaS tool matrix.

2) *The advertising technology business continues to transform into a programmatic advertising business centered around Mintegral*

The Group continues to persevere with respect to transforming to a programmatic advertising technology business centered around Mintegral, reducing and gradually withdrawing from the media agency business of the Nativex platform that occupies operating capital and has less profit growth potential.

3) *Accelerate the expansion of the Mintegral platform scale and the expansion of new markets/new vertical categories*

At present, the Mintegral platform is still at the stage of actively expanding its scale. The Group hopes to actively seize market share and establish a first-mover advantage through the development of new markets/new vertical categories.

2. *Adhere to the central technology platform strategy*

From the end of 2017, the Group is preparing to build central technology platform. At present, we have abstracted two layers of central technology platform: one layer is SpotMax, which manages the infrastructure layer of cloud computing; the other one is the data intelligence layer EnginePlus, which manages data and algorithms, and contains StarLake, a real-time data lake framework that can be used in a variety of business scenarios. It also contains the intelligent reasoning engine MindAlpha; the two layers of central technology platform is sufficiently abstract, can be decoupled from specific business scenarios and functional units, and has sufficient business development adaptability.

From a practical point of view, in the Group's multi-service development process, the continuous evolution of the technical architecture naturally promotes the formation of the company's existing central technology platform. This strategy not only meets the flexibility of future business development and the agility of the business team, but also enables the Group to integrate resources and talents, improve and optimize operational efficiency, reduce repetitive investment in the construction and maintenance of repeated functions, and reduce integration and collaboration costs to get through the interaction between systems.

The Group will adhere to the central technology platform strategy for a long time. While boosting business growth, it will further promote the output of innovative technologies, so as to better improve the SaaS tool ecosystem and meet customers' full lifecycle needs.

3. *Be the Bridge*

From the beginning of its establishment when the Group helped Chinese App go overseas, to later opened up overseas local markets, and further connected the East and West markets, we have always adhered to the “Be the Bridge” Strategy and have continued to give the strategy new meaning and expand the boundaries of the strategy.

At present, we help to connect the markets of the East and the West, the budget side and the traffic side, the creative side and the data side, and even cloud computing resources of different vendors, and will further empower customers, so that customers can choose, operate and output independently, promoting the development of own business.

We believe that under the circumstances and trend of decentralization, the Group's neutrality and adherence to the “Be the Bridge” strategy will enable every customer to have and retain the ownership and control of digital assets, in line with today's global data privacy and the general trend of security protection.

4. *Adhere to the globalization strategy*

We will adhere to the globalization strategy. The Group has continuously strengthened its brand image in the Asia-Pacific region and strengthened its cooperative relationship with customers and potential customers. In addition, we are also implementing localization strategies in EMEA and the Americas in order to actively expand the market.

5. *Adhere to data privacy and security protections*

Our platform collects and analyzes the behavioral data of mobile Internet users, but we do not identify specific individuals through the collected data, nor do we associate data and information with specific individuals. In addition, we always insist on actively practicing data and privacy protections and believe that this measure will benefit the Group in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

1. Revenue by Type of Services

Our integrated business model combines the Group's SaaS tool product matrix with the full-spectrum needs of customers in marketing activities. Customers can start using our tools at any stage in the product lifecycle, and over time they will typically expand to use other tools in our matrix.

For the six months ended 30 June 2021, we recorded revenue of US\$307.8 million (corresponding period in 2020: US\$266.9 million), 15.3% higher on a YoY basis. Our revenue comes from marketing technology business and cloud computing technology business. Among them, marketing technology business references both our advertising technology business and data analysis business.

1.1 Revenue Model

We generate revenue from customer spending on our SaaS tool platform.

1) Marketing technology business

i. Advertising technology business

Our Advertising technology business revenue typically comes from mobile Internet customers, especially mobile App developers. They use our platform to promote their business. Typically, we charge a fee based on the performance of the promotion, that is, the number of performance of promotion delivered x the agreed upon amount per install or download delivered.

ii. Data analytics business

Our data analytics tool is usually not included in the customer agreement of our advertising technology business, and customers purchase related services according to their own needs. Generally, data analytics services charge our customers software subscription fees based on different products and functions;

2) Cloud computing technology business

i. SpotMax cloud resource cost optimization business

Our SpotMax business revenue is usually charged based on the number of cloud computing resources (i.e. virtual CPUs (vCPU)) managed by the customer through the platform, and the platform usage is determined by the customer based on their own business conditions.

1.2 Principles of Revenue Recognition

1) Marketing technology business

i. Advertising technology business

Generally, we charge customers based on the performance of the services provided to them, and are responsible for fulfilling the obligation of advertising performance delivered. Therefore, our advertising technology business revenue recognition principle is generally the gross method (except for Nativex's marketing software platform);

ii. Data analytics business

Our data analytics business is usually a subscription-based software business. During the contract period, revenue is generally recognized on a pro rata basis;

2) Cloud computing technology business

i. SpotMax cloud resource cost optimization business

Our SpotMax business is a consumption-based business model, and we will recognize revenue based on the number of cloud computing resources managed by the customer through the platform.

1.3 The following table sets forth a breakdown of our revenue by types of services for the periods indicated:

	For the Six Months Ended 30 June				YoY Change
	2021		2020		
	<i>US\$'000</i>	<i>% of Total</i>	<i>US\$'000</i>	<i>% of Total</i>	
	(unaudited)	Revenue (unaudited)	(unaudited)	Revenue (unaudited)	
Marketing technology business revenue					
— Advertising technology business revenue	307,287	99.9%	266,747	99.9%	15.2%
— Data analytics business revenue	333	0.1%	160	0.1%	108.1%
Cloud computing technology business revenue					
— SpotMax business revenue	136	0.0%	—	—	—
Total	307,756	100.0%	266,907	100.0%	15.3%

2. *Revenue from Advertising Technology by Software Platform Business Department*

The following table sets forth a breakdown of revenue from advertising technology business by business department for the period indicated:

	For the Six Months Ended 30 June				YoY Change
	2021		2020		
		% of		% of	
		Advertising		Advertising	
		Technology		Technology	
	Business		Business		
	Revenue		Revenue		
	US\$'000	Revenue	US\$'000	Revenue	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Mintegral business revenue	224,679	73.1%	159,789	59.9%	40.6%
Nativex business revenue	82,608	26.9%	106,958	40.1%	-22.8%
Total advertising technology business revenue	307,287	100.0%	266,747	100.0%	15.2%

For the six months ended 30 June 2021, we recorded advertising technology business revenue of US\$307.3 million (corresponding period in 2020: US\$266.7 million), 15.2% higher on a YoY basis. Our advertising technology business revenue comes from two business departments: Mintegral and Nativex. Among them, the revenue from Mintegral platform was US\$224.7 million, accounting for 73.1% of the advertising technology business revenue. Revenue from the Nativex platform was US\$82.6 million, accounting for 26.9% of advertising technology business revenue.

During the Reporting Period, the Group has accelerated the transformation to the programmatic advertising technology business with Mintegral as the core, and has actively reduced and withdrawn from Nativex's media agency business, which led to a decrease of 22.8% in the Nativex platform revenue on a YoY basis to US\$82.6 million (corresponding period in 2020: US\$107.0 million).

At the same time, benefiting from the Group's transformation strategy, and various factors such as the strengthened scale effect and platform effect of Mintegral platform, and the recovery after the shock of special events from the end of the third quarter of 2020 to the fourth quarter of 2020, Mintegral platform revenue achieved an increase of 40.6% on a YoY basis to US\$224.7 million (corresponding period in 2020: US\$159.8 million).

We believe that the media agency business occupies operating capital and has limited business growth potential, whereas the industry of which our programmatic business centered around Mintegral lies in, has grown rapidly with relatively large addressable market. Also our technology and business foundation in the related industry is solid, the business model is able to drive rapid growth of the business and maintain healthy cash flow. Thus, the Group will continue to persevere and accelerate strategic transformation.

2.1 Main Operation and Financial Data of Mintegral

2.1.1. Main financial data

In the first half of 2021, the Mintegral platform recorded revenue US\$224.7 million, a YoY increase of 40.6% compared to the first half of 2020 (corresponding period in 2020: US\$159.8 million), an increase of 53.9% compared to the second half of 2020 (the second half of 2020: US\$146.0 million). Among them, the first and second quarter of 2021 recorded revenue of US\$96.3 million and US\$128.4 million, with an increase of 80.2% and 33.3% from the previous quarter, respectively.

During the Reporting Period, the Group actively promoted the restoration of business partnerships with Mintegral's customers and traffic-side publishers, and continued to attract new customers and traffic publishers. The platform effect continued to strengthen and the business grew quickly. As of the release date of this financial report, major traffic publishers that had suspended cooperation with the platform due to the adverse effects of the late third quarter to the fourth quarter of last year have restarted their cooperation, and the impact has essentially been eliminated.

	Mintegral Platform Business Revenue (US\$'000)	Chain Growth Rate (%)	YoY Change (%)
2021H1	224,679	53.9%	40.6%
2021Q2	128,358	33.3%	53.9%
2021Q1	96,321	80.2%	26.1%
2020H2	146,028	-8.6%	57.5%
2020Q4	53,457	-42.3%	0.1%
2020Q3	92,571	11.0%	135.4%

- 1) The situation of customers whose Mintegral platform revenue contribution exceeded US\$100,000⁽¹⁾

We define customers as the subject that generates revenue in a specific period of time.

We have counted the number of scaled enterprise customers that contributed more than US\$100,000 in revenue⁽¹⁾ in the past 12 months. These scaled enterprise customers generally contribute most of the revenue of Mintegral platform. They have strong stability and platform stickiness, which promotes the expansion of the platform scale and improves the economic leverage of the platform.

As of the year ended 30 June of 2020 and 2021, there were 197 and 243 scaled enterprise customers that had a trailing twelve-month revenue contribution of more than US\$100,000⁽¹⁾.

	30 June 2021 ⁽²⁾	31 March 2021 ⁽²⁾	31 December 2020 ⁽²⁾	30 September 2020 ⁽²⁾	30 June 2020 ⁽²⁾
The number of customers whose revenue contribution exceeded US\$100,000 ⁽¹⁾	<u>243</u>	<u>231</u>	<u>215</u>	<u>221</u>	<u>197</u>
Total revenue of customers whose revenue contribution exceeded US\$100,000 ⁽¹⁾ (US\$'000)	<u>352,054.73</u>	<u>303,991.36</u>	<u>282,349.10</u>	<u>278,494.71</u>	<u>224,228.75</u>
Average revenue contribution of customers whose revenue contribution exceeded US\$100,000 ⁽¹⁾ (US\$'000)	<u>1,448.78</u>	<u>1,315.98</u>	<u>1,313.25</u>	<u>1,260.16</u>	<u>1,138.22</u>
Proportion of Mintegral platform revenue of the customers that contributed more than US\$100,000 ⁽¹⁾	<u>95.0%</u>	<u>93.3%</u>	<u>92.3%</u>	<u>91.1%</u>	<u>88.8%</u>
Dollar-based net expansion rate of customers whose revenue contribution exceeded US\$100,000 ⁽¹⁾	<u><u>127.3%</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

Notes :

- (1) In the figure and above, more than US\$100,000/US\$100,000 or more includes US\$100,000.
- (2) The quarter indicated in the figure refers to the trailing twelve-month as of the end of the indicated date.

- 2) Retention of customers whose Mintegral platform revenue contribution exceeded US\$100,000⁽¹⁾

Our customer retention rate is calculated by comparing the data of two consecutive twelve-month statistical periods to show how many customers in the previous statistical period are still active customers in the current period. In addition, the number of our customers may be adjusted based on acquisitions, mergers, spin-offs and other market activities.

Compared to the twelve-month as of 30 June 2020, the retention rate of customers with revenue contributions of more than US\$100,000 for the twelve-month as of 30 June 2021 was 85.8%, and the dollar-based net expansion rate⁽²⁾ is 126.3%. The details are as follows:

	Data for the twelve-month period as of 30 June 2021 and 30 June 2020
The number of retained customers for the current period ⁽³⁾ with revenue contribution of more than US\$100,000	<u>169</u>
The number of customers for the base period with revenue contribution of more than US\$100,000	<u>197</u>
Customer retention rate with revenue contribution of more than US\$100,000	<u>85.8%</u>
Dollar-based net expansion rate ⁽²⁾	<u><u>126.3%</u></u>

Notes:

- (1) In the figure and above, more than US\$100,000/US\$100,000 or more includes US\$100,000.
- (2) Dollar-based net expansion rate: (Average revenue contribution of current retained customers in the current period/Average revenue contribution of the current retained customers in the base period) * 100%.
- (3) Current period: twelve-month as of June 30, 2021.
- (4) Base period: twelve-month as of June 30, 2020.

- 3) Customers whose Mintegral platform revenue contribution exceeded US\$100,000, divided by revenue scale

Furthermore, we have calculated the number and revenue contribution of scaled enterprise customers whose revenue contribution was between US\$100,000 and US\$1 million (that is, US\$1 million > revenue contribution $\geq$ US\$100,000), between US\$1 million and US\$10 million (that is, US\$10 million > revenue contribution $\geq$ US\$1 million), and US\$10 million or more (that is, revenue contribution $\geq$ US\$10 million) in the past 12 months. According to the scale of revenue contribution, we define them as small-sized enterprise customer, medium-sized enterprise customer and large-sized enterprise customer. In addition, we define customers whose revenue contribution is less than US\$100,000 (i.e., US\$100,000 > revenue contribution > US\$0) as micro-sized enterprise customer.

For the 12 months ended 30 June 2021, the number of customers including small-sized enterprise customer (US\$1 million > revenue contribution $\geq$ US\$100,000), medium-sized enterprise customer (US\$10 million > revenue contribution $\geq$ US\$1 million) and large-sized enterprise customer (revenue contribution $\geq$ US\$10 million) and their revenue contribution are as follows:

	Small-sized enterprise customer	Medium-sized enterprise customer	Large-sized enterprise customer
Number of customers	174	64	5
Total customer revenue (US\$'000)	57,502.81	182,235.99	112,315.93
Average revenue contribution of customers (US\$'000)	330.48	2,847.44	22,463.19
Percentage of total Mintegral revenue	15.5%	49.2%	30.3%

- 4) Retention of customers whose Mintegral platform revenue contribution exceeded US\$100,000, divided by revenue scale

In addition, we have calculated the retention rates of customers of different revenue scale. By comparing the two consecutive twelve-month statistical periods, we have calculated how many enterprise customers of different revenue scale in the previous statistical period were considered as active customers during the current period. The increase in revenue contribution of the customer group over time is driven by the increase in customer retention and dollar-based net expansion rate. Through the analysis of the retention of enterprise customer groups of different revenue scales and dollar-based net expansion rate, we can understand the internal growth of the business. In addition, the number of our customers may be adjusted based on acquisitions, mergers, spin-offs and other market activities.

		Data for the 12 months period as of 30 June 2021 and 30 June 2020
Small-sized enterprise customer (US\$1 million > Revenue contribution ≥ US\$100,000)	Number of customers retained in the current period ⁽²⁾	123
	Number of customers in the base period ⁽³⁾	149
	Customer retention rate	82.55%
	Dollar-based net expansion rate ⁽¹⁾	151.78%
Medium-sized enterprise customer (US\$10 million > Revenue contribution ≥ US\$1 million)	Number of customers retained in the current period ⁽²⁾	44
	Number of customers in the base period ⁽³⁾	46
	Customer retention rate	95.65%
	Dollar-based net expansion rate ⁽¹⁾	118.70%
Large-sized enterprise customer (Revenue contribution ≥ US\$10 million)	Number of customers retained in the current period ⁽²⁾	2
	Number of customers in the base period ⁽³⁾	2
	Customer retention rate	100.00%
	Dollar-based net expansion rate ⁽¹⁾	128.12%

Notes :

- (1) Dollar-based net expansion rate: (Average revenue contribution of current retained customers in the current period/Average revenue contribution of the current retained customers in the base period) * 100%.
- (2) Current period: twelve-month as of 30 June 2021.
- (3) Base period: twelve-month as of 30 June 2020.

2.1.2 Main operational data

Quarter-to-quarter change	2021Q2	2021Q1
Cooperating advertisers ⁽¹⁾ retention rate	86.0%	86.2%
Changes in the number of new cooperating advertisers	28.1%	24.3%
Cooperating traffic publishers ⁽²⁾ retention rate	92.9%	92.8%
Changes in the number of new cooperating traffic publishers	16.8%	18.3%
Changes in the number of new cooperating traffic apps	15.3%	10.3%

Notes :

- (1) Cooperating advertisers: defined as advertisers who have cooperated with the platform within a certain period of time. They may generate revenue for us, and may also be our potential customers.
- (2) Cooperating traffic publishers: defined as the subject of traffic publishers who sends fill requests to the platform within a certain period of time. It may be a traffic provider that we need to pay to, or it may be a traffic provider that we may pay to in the future.

At the end of the Reporting Period, the suspension of partnerships caused by the related incident have gradually resumed. The quarter-over-quarter retention rates of cooperating advertisers in 2021Q2 and 2021Q1 were 86.0% and 86.2%, respectively, and the number of new cooperating advertisers in 2021Q2 and 2021Q1 has increased by 28.1% and 24.3% respectively compared with last period; the cooperating traffic publishers' retention rate has increased from 92.8% in 2021Q1 to 92.9% in 2021Q2, the number of new cooperating traffic publishers has increased by 18.3% and 16.8% respectively compared with last period, and the number of cooperating traffic apps has increased by 10.3% and 15.3% compared with last period.

3. *Revenue from Advertising Technology Business by Mobile App Category*

The following table sets forth a breakdown of revenue from advertising technology business by mobile App category⁽¹⁾ for the periods indicated:

	For the six months ended 30 June				YoY Change
	2021		2020		
	<i>US\$'000</i>	<i>% of</i>	<i>US\$'000</i>	<i>% of</i>	
	<i>(unaudited)</i>	<i>advertising</i>	<i>(unaudited)</i>	<i>advertising</i>	
		<i>technology</i>		<i>technology</i>	
		<i>business</i>		<i>business</i>	
		<i>revenue</i>		<i>revenue</i>	
		<i>(unaudited)</i>		<i>(unaudited)</i>	
Game	185,056	60.2%	166,993	62.6%	10.8%
E-commerce	41,911	13.6%	50,506	18.9%	-17.0%
Social and content	44,309	14.4%	17,231	6.5%	157.1%
Lifestyle	16,767	5.5%	10,856	4.1%	54.4%
Utility	14,007	4.6%	9,984	3.7%	40.3%
Others	5,237	1.7%	11,177	4.2%	-53.1%
Total revenue from advertising technology business	307,287	100.0%	266,747	100.0%	15.2%

Note:

- (1) The application category division shown in the figure is based on the application type that uses our applications (customers).

During the Reporting Period, the game category recorded revenue of US\$185.1 million (corresponding period of 2020: US\$167.0 million), with a steady increase of 10.8% YoY, accounting for 60.2% of advertising technology business revenue. The main reasons for this increase are: 1) during the Reporting Period, the Group continued to strengthen the synergies between GA and advertising technology business, consolidating its long-term advantages in the casual/hyper-casual game field, laying a foundation for the further development of the game category, and making Mintegral's game category revenue grow rapidly; 2) However, due to the Group's initiative to reduce the top media agency business in Nativex, the revenue of Nativex's game category has declined significantly, thus dragging down the overall game category revenue growth;

The E-commerce category recorded revenue of US\$41.9 million (corresponding period of 2020: US\$50.5 million), a YoY decrease of 17.0%, accounting for 13.6% of advertising technology business revenue. The main reasons for the decline in E-commerce revenue are: 1) due to the Group's active strategic contraction of top media agency business and the impact of the epidemic, some Nativex's E-commerce customers in the Americas have reduced their display, resulting in a significant decline in Nativex's E-commerce revenue; 2) but at the same time, the rapid development of E-commerce on the Mintegral platform has partially offset the impact of the decline in E-commerce revenue in the Nativex business on revenue growth;

Social and content category has grown substantially by 157.1% to US\$44.3 million (corresponding period in 2020: US\$17.2 million), this increase is mainly due to the large increase of demand for overseas launches of Chinese social and content category, which resulted in faster growth in both Nativex and Mintegral's revenue contribution from customers in this category;

The advertising revenue of lifestyle apps has significantly increased. During the Reporting Period, revenues were recorded at US\$16.8 million (corresponding period in 2020: US\$10.9 million), a YoY increase of 54.4%. This increase is mainly due to: 1) as some lifestyle customers in the Asia-Pacific region have begun to actively establish cooperation with the Group, Nativex's income in lifestyle has increased significantly; 2) Mintegral's income in lifestyle has also maintained steady growth;

During the Reporting Period, the Group continued to improve the scenario coverage, actively expanded sub-categories, refined operations of mature application services, and deepened competitive barriers while gaining market share thereby laying a foundation for long-term development.

3.1 Revenue from Mintegral business by Mobile App Category

The following table sets forth a breakdown of revenue from Mintegral by mobile App categories⁽¹⁾ during the indicated period:

	For the six months ended 30 June				
	2021		2020		
	US\$'000	% of	US\$'000	% of	YoY Change
	(unaudited)	Mintegral revenue (unaudited)	(unaudited)	Mintegral revenue (unaudited)	
Game	169,856	75.6%	120,205	75.2%	41.3%
E-commerce	18,179	8.1%	9,317	5.8%	95.1%
Social and content	24,216	10.8%	12,940	8.1%	87.1%
Lifestyle	7,741	3.4%	6,857	4.3%	12.9%
Utility	1,483	0.7%	2,416	1.5%	-38.6%
Others	3,204	1.4%	8,054	5.1%	-60.2%
Total revenue from Mintegral	224,679	100.0%	159,789	100.0%	40.6%

Note:

- (1) The application category division shown in the figure is based on the application type that uses our applications (customers).

During the Reporting Period, the game category recorded revenue of US\$169.9 million (corresponding period in 2020: US\$120.2 million), a YoY increase of 41.3%, accounting for 75.6% of Mintegral's revenue. During the Reporting Period, the Group continued to strengthen the synergies between GA and advertising technology businesses, and continued to strengthen its long-term advantages in the field of casual/hypercasual games, attracting many enterprise customers of casual games to cooperate with the platform, and at the same time, the casual games that have already cooperated with us continued to increase their delivery on the Mintegral platform, which has promoted the rapid growth of Mintegral's game category revenue;

The E-commerce category recorded revenue of US\$18.2 million (corresponding period of 2020: US\$9.3 million), a YoY increase of 95.1%, accounting for 8.1% of Mintegral's revenue. The substantial increase in E-commerce revenue was mainly due to the rapid development of the E-commerce category of the Mintegral platform during the Reporting Period. Medium and large E-commerce corporate customers in China and the Asia-Pacific region began to strengthen their cooperation with the platform, which led to the rapid increase of revenue from E-commerce customers at Mintegral platform;

Social and content revenue increased by 87.1% to US\$24.2 million (corresponding period in 2020: US\$12.9 million), this increase is mainly due to the large increase of demand for overseas launches of social and content apps in China and the Asia-Pacific Region, which resulted in fast growth of their budget spent on Mintegral platform;

The advertising revenue of lifestyle apps has shown steady growth, and during the Reporting Period, it recorded revenue of US\$7.7 million (corresponding period in 2020: US\$6.9 million), a YoY increase of 12.9%. This growth is mainly due to the substantial increase in the number of remaining lifestyle business customers on the Mintegral platform, but at the same time, due to the epidemic, many small and micro enterprise customers have reduced their display, which has slowed down the growth of this category's revenue to a certain extent;

During the Reporting Period, the Group continued to improve the scenario coverage, actively expanded sub-categories, refined operations of mature application services, and deepened competitive barriers while gaining market share thereby laying a foundation for long-term development.

4. *Revenue from Advertising Technology Business by Geographic Region*

The following table sets forth a breakdown of revenue from advertising technology business by geographic regions⁽¹⁾ for the period indicated:

	For the six months ended 30 June				YoY Change
	2021		2020		
	<i>US\$'000</i>	<i>% of Advertising Technology Business Revenue</i>	<i>US\$'000</i>	<i>% of Advertising Technology Business Revenue</i>	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
China ⁽²⁾	100,315	32.6%	80,328	30.1%	24.9%
EMEA ⁽³⁾ and Americas ⁽⁴⁾	142,162	46.3%	131,808	49.4%	7.9%
Asia-Pacific ⁽⁵⁾	56,890	18.5%	47,700	17.9%	19.3%
Rest of the world ⁽⁶⁾	7,920	2.6%	6,911	2.6%	14.6%
Total advertising technology business revenue	307,287	100.0%	266,747	100.0%	15.2%

Notes:

- (1) The regions classified in the table refers to the location of our advertisers' main business departments.
- (2) China: includes the PRC, Hong Kong, Macau and Taiwan.
- (3) EMEA: primarily includes the United Kingdom, Switzerland, Germany, Russia, Greece, Iceland, Saudi Arabia, Jordan, Egypt, Iraq, Turkey.
- (4) Americas: mainly includes the United States, Canada, Mexico, Brazil, Argentina, Chile, and Colombia.
- (5) Asia-Pacific: mainly includes Australia, New Zealand and other Asian countries excluding China.
- (6) Rest of the world: countries and regions other than the above countries and regions.

The division of regions in the table refers to the location of our advertisers' main business departments.

During the Reporting Period, the regional structure of advertising technology revenue was diversified. Among them, EMEA and Americas, China accounted for a relatively large proportion, the Asia-Pacific region remained basically unchanged, and the rest of the world accounted for a relatively small proportion.

Among them, EMEA and Americas are the largest source of income, with a total revenue of US\$142.2 million (corresponding period of 2020: US\$131.8 million), and the proportion of its contribution to advertising technology business revenue has decreased to 46.3%. The revenue growth in EMEA and Americas is mainly due to: 1) with the gradual enhancement of the Group's technology and delivery traffic scale in the casual game category, the casual game enterprise customers in the EMEA region continue to increase their display in the Mintegral platform, leading to the increase of the number of large enterprise customers in the EMEA region. Moreover, the increase in the average display of large enterprise customers has promoted the rapid growth of revenue in the EMEA region. Besides, due to the impact of the epidemic and other special factors, several enterprise customers above the designated size controlled the advertising budget, Mintegral's customer revenue in the Americas remained basically stable; 2) in addition, due to the impact of the epidemic and the Group's strategic contraction of part of Nativex's business, enterprise customers above designated size in EMEA and Americas, such as E-commerce, utility, and lifestyle, have controlled their budgets. At the same time, some micro business' operations have been affected to a certain extent, which has led to a certain decline in the revenue of Nativex customers in EMEA and Americas and dragged down the overall revenue growth in EMEA and Americas.

China is the second largest source of income, with revenue of US\$100.3 million (the same period in 2020: US\$80.3 million), an increase of 24.9% on a YoY basis, accounting for 32.6% of advertising technology business revenue. The advertising technology business revenue contribution slightly increased. The revenue growth in China was mainly due to: 1) during the Reporting Period, the large increase of demand for overseas launches of Chinese social and content category led to the rapid growth of Nativex business revenue in China; 2) At the same time, with the expansion of different verticals and the continuous enhancement of platform strength, the revenue of Mintegral's business in China has also maintained steady growth;

In addition, revenue in the Asia-Pacific region has grown steadily, with revenue of US\$56.9 million (corresponding period of 2020: US\$47.7 million), a YoY increase of 19.3%, and its contribution to advertising technology business revenue has remained basically stable. The growth in revenue in the Asia-Pacific region was mainly due to: 1) during the Reporting Period, the revenue of Nativex business from customers in the Asia-Pacific region increased rapidly, mainly due to the Group's deployment in E-commerce and other fields, some E-commerce and lifestyle customers in the Asia-Pacific region began to actively establish cooperation with the Group; 2) in addition, Mintegral's micro-enterprise customers in the Asia-Pacific region have been affected by the epidemic, which has caused Mintegral's revenue growth in the Asia-Pacific region to be relatively flat, which has dragged down the revenue growth in the Asia-Pacific region.

Cost of Sales

For the six months ended 30 June 2021, our cost of sales increased by 27.2% YoY to US\$265.3 million (corresponding period in 2020: US\$208.7 million). The cost mainly comes from the advertising technology business, and its growth is mainly due to: 1) the cost increase caused by the growth of the advertising technology business; 2) in the first quarter of 2021, the Mintegral platform is still in the recovery period after the impact of special factors from the end of the third quarter to the fourth quarter of 2020. The Group adopted an expansion strategy to promote the recovery and strengthening of cooperating relationships with traffic publishers and customers, which therefore resulted in an increase in traffic costs compared to normal periods.

The following table sets forth a breakdown of our cost of sales by type of costs for periods indicated:

	For the six months ended 30 June				YoY Change
	2021		2020		
	% of respective business		% of respective business		
	US\$'000 (unaudited)	revenue (unaudited)	US\$'000 (unaudited)	revenue (unaudited)	
Marketing technology business cost					
Advertising technology business costs	265,298	86.3%	208,655	78.2%	27.1%
Traffic cost	252,059	82.0%	196,178	73.5%	28.5%
Server cost	13,239	4.3%	12,477	4.7%	6.1%
Data analytics business cost	17	5.1%	4	2.5%	325.0%
Data analytics cost	17	5.1%	4	2.5%	325.0%
Cloud computing technology business cost	16	11.8%	—	—	—
Cloud computing product and service cost	16	11.8%	—	—	—
Total	265,331	86.2%	208,659	78.2%	27.2%

Advertising technology business costs mainly include traffic costs and server costs. The increase in server costs is mainly due to the increase in server demand caused by the expansion of the advertising technology platform. The increase in traffic costs is mainly due to: 1) changes in the revenue structure; 2) short-term impact from the end of the third quarter to the fourth quarter of last year. In the first quarter of the Reporting Period, the Mintegral platform adopted active traffic recovery and expansion strategies, resulting in higher traffic costs in the first quarter; 3) in the second quarter of the Reporting Period, the Mintegral platform maintained its platform expansion strategy, and its traffic purchase strategy was more active than the same period last year, which resulted in an increase in traffic costs as a percentage of the corresponding revenue in the second quarter compared to the same period last year;

The following table sets forth the breakdown of the cost of sales of the advertising technology business by quarter for the period indicated:

	2021Q2		2021Q1		
		% of		% of	
		advertising		advertising	
		technology		technology	
		business		business	
	US\$'000	revenue	US\$'000	revenue	QoQ
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	Change
Advertising technology business					
costs	146,343	83.1%	118,955	90.7%	23.0%
Traffic cost	139,555	79.2%	112,504	85.8%	24.0%
Server cost	6,788	3.9%	6,451	4.9%	5.2%

In addition, the cost of the data analytics business is mainly operation and maintenance costs, and the increase is primarily due to the increase in data analytics business revenue;

The cloud computing technology business is a new business during the Reporting Period, and its cost is mainly server costs, which primarily changed based on the increase in cloud computing technology business revenue.

Gross Profit and Gross Profit Margin

The following table sets forth the gross profit and gross profit margin of the Company's entire business activities for the periods indicated:

	For the six months ended 30 June				
	2021		2020		
	Gross	Gross profit	Gross	Gross profit	
	profit	margin	profit	margin	
	US\$'000		US\$'000		YoY
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	Change
Marketing technology business					
Advertising technology business	41,989	13.7%	58,092	21.8%	-27.7%
Data analytics business	316	94.9%	156	97.5%	102.6%
Cloud computing technology business					
business	120	88.2%	—	—	—
Total	42,425	13.8%	58,248	21.8%	-27.2%

During the Reporting Period, the Group recorded a gross profit of US\$42.4 million (corresponding period in 2020: US\$58.2 million), a YoY decrease of 27.2%. Gross profit margin fell to 13.8% (corresponding period in 2020: 21.8%).

Among them, the gross profit of the advertising technology business decreased by 27.7% to US\$42.0 million on a YoY basis, with a gross profit margin of 13.7%; changes in the gross profit margin of the advertising technology business are mainly caused by: 1) changes in gross profit structure; 2) in the first quarter of the Reporting Period, Mintegral's business was affected by the short-term impact of last year. It adopted an active recovery and expansion strategy, resulting in a rapid increase in traffic costs, which resulted in a lower gross profit for the Mintegral business in the first quarter; 3) in the second quarter of the Reporting Period, the Mintegral platform maintained the platform expansion strategy, and the traffic purchase strategy was more active compared with the same period last year, so that the gross profit margin in the second quarter is slightly lower than the gross profit margin in the same period last year;

The gross profit of the data analytics business is US\$0.3 million, and the gross profit margin is 94.9%, which is basically stable;

The gross profit of cloud computing technology business is US\$0.1 million, and the gross profit margin is 88.2%.

The following table sets forth the breakdown of the gross profit and gross profit margin of the advertising technology business by quarter for the period indicated:

	2021Q2		2020Q1		QoQ change
	Gross profit <i>US\$'000</i> (unaudited)	Gross profit margin (unaudited)	Gross profit <i>US\$'000</i> (unaudited)	Gross profit margin (unaudited)	
Advertising technology business	<u>29,780</u>	<u>16.9%</u>	<u>12,209</u>	<u>9.3%</u>	<u>143.9%</u>

Selling and Marketing Expenses

For the six months ended 30 June 2021, our selling and marketing expenses increased by 456.0% YoY to US\$22.8 million (corresponding period in 2020: US\$4.1 million). The main reasons for this increase are: 1) due to COVID-19, the travel and publicity related expenses of last year were relatively low; 2) this year, the active promotion of Mintegral's business recovery and market expansion led to the increase of related marketing expenses; 3) due to vigorous promotion of the early-stage layout of SaaS products in the cloud business unit, related promotional activities costs were incurred; 4) the share-based compensation included in selling and marketing expenses amounted to US\$0.1 million.

Research and Development Expenditure

For the six months ended 30 June 2021, our expensed R&D expenditures increased by 28.6% YoY to US\$17.6 million (corresponding period in 2020: US\$13.7 million). The increase of expensed R&D expenditures mainly comes from continuous R&D investment in marketing technology and cloud computing products. If we combine capitalized R&D expenses with expensed R&D expenditures, the total R&D expenditures will be US\$30.8 million, an increase of 28.7% over the same period last year.

The Group continues to firmly believes that R&D and technological upgrading are the core drivers of business growth. Therefore, share grants are given to R&D personnel as incentives. During the Reporting Period, the share-based compensation included in research and development expenses amounted to US\$2.9 million.

General and Administrative Expenses

For the six months ended 30 June 2021, our general administrative expenses has decreased by 12.9% YoY to US\$15.9 million (corresponding period in 2020: US\$18.2 million). The decrease was mainly due to a decrease in share compensation for general and administrative personnel by US\$2.9 million.

In addition, during the Reporting Period, share-based compensation included in general administrative expenses amounted to US\$0.5 million.

Trade Receivable Impairment loss

For the six months ended 30 June 2021, our impairment loss on trade receivables decreased by 92.0% YoY to US\$0.6 million (corresponding period in 2020: US\$7.7 million). The decrease was due to: 1) the bad debt rate of Mintegral business decreased and the proportion of Mintegral business increased; 2) the Group strengthened the management of customers' account of the Nativex business.

(Loss)/profit from Operations

For the six months ended 30 June 2021, our operating loss was US\$9.6 million (corresponding period in 2020: profit of US\$15.6 million). If we exclude the effects of share-based compensation, asset depreciation and amortization, and investment loss from financial assets at fair value through profit or loss during the Reporting Period, our operating profit will fall by 92.9% YoY to US\$2.2 million (corresponding period in 2020: US\$31.2 million).

Trade Receivable/Trade Payable

For the six months ended 30 June 2021, we recorded trade receivables and trade payables of US\$229.3 million and US\$162.1 million, respectively, most of which came from the Nativex business.

The following table sets out the breakdown of trade receivables and trade payables by business during the period indicated:

	For the six months ended 30 June 2021			
	Trade	% of total	Trade	% of total
	receivables	trade	payables	trade
	(US\$'000)	receivables	(US\$'000)	payables
	(unaudited)		(unaudited)	
Nativex business	139,765	61.0%	86,253	53.2%
Mintegral platform	89,488	39.0%	75,826	46.8%
Total	<u>229,253</u>	<u>100.0%</u>	<u>162,079</u>	<u>100.0%</u>

During the Reporting Period, the Nativex business accounted for 61.0% and 53.2% of the Group's trade receivables and trade payables, respectively, which was the main factor affecting the Group's overall account management performance and capital efficiency.

The Mintegral platform recorded trade receivables and trade payables US\$89.5 million and US\$75.8 million, mainly due to Mintegral's easy-to-manage fragmented upstream and downstream structure and the benignity of Mintegral's business model operating cash flow cycle.

Trade receivable turnover days

During the Reporting Period, the Group's overall trade receivable turnover days was 115, a significant improvement compared to the second half of 2020 or the same period in 2020. This was mainly due to: 1) Mintegral business continued to strengthen its bargaining power for customers and the trade receivables turnover days have been further decreased. And the proportion of Mintegral's business has continued to increase, making the overall trade receivable turnover days continue to decrease; 2) Nativex's business turnover days are basically the same as the second half of 2020, and have been extended compared to the same period in 2020. This is mainly because Nativex's historical trade receivable accounted for a relatively large proportion, and the payment has not yet been collected;

During the Reporting Period, the trade receivable of the Group's business in the corresponding accounting period was basically collected according to the agreed accounting period, and the Group's trade receivable management continued to be strengthened.

(Days)	Total trade receivable turnover days (unaudited)	Mintegral trade receivable turnover days (unaudited)	Nativex trade receivable turnover days (unaudited)
2021H1	115	52	215
2020H2	146	73	216
2020H1	<u>126</u>	<u>66</u>	<u>172</u>

Finance Costs

For the six months ended 30 June 2021, our financial costs increased by 85.6% YoY to US\$2.1 million (corresponding period in 2020: US\$1.1 million).

Income Tax

For the six months ended 30 June 2021, we received tax benefits US\$1.4 million (corresponding period in 2020: tax expenditures US\$1.4 million), mainly due to losses during the Reporting Period.

(Loss)/profit Attributable to Equity Holder of the Company

For the six months ended 30 June 2021, the loss attributable to equity shareholders of the company was US\$38.8 million (corresponding period in 2020: profit of US\$13.1 million).

Other Financial Information (Non-IFRS measures)

To supplement our consolidated financial statements presented in accordance with IFRS, we also use non-IFRS measures, namely EBITDA and adjusted EBITDA, as additional financial measures, which are not required by or presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from time to time by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of our results of operations or financial conditions as reported under IFRS.

	For the six months ended 30 June				
	2021		2020		
	<i>US\$'000</i>	<i>% of Total</i>	<i>US\$'000</i>	<i>% of Total</i>	YoY
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	Change
(Loss)/profit from operations	-9,610	-3.1%	15,627	5.9%	-161.5%
Add back:					
Depreciation and amortization	8,266	2.7%	5,397	2.0%	53.2%
EBITDA	-1,344	-0.4%	21,024	7.9%	-106.4%
Add back:					
Share-based compensation	3,494	1.1%	9,308	3.5%	-62.5%
Investment loss from financial assets at fair value through profit or loss	75	0.0%	900	0.3%	-91.7%
Non-IFRS measures Adjusted EBITDA⁽¹⁾	2,225	0.7%	31,232	11.7%	-92.9%
(Loss)/profit for the period	-38,773	-12.6%	13,098	4.9%	-396.0%
Add back:					
Share-based compensation	3,494	1.1%	9,308	3.5%	-62.5%
Investment loss from financial assets at fair value through profit or loss	75	0.0%	900	0.3%	-91.7%
Loss from financial liabilities at fair value through profit or loss	28,432	9.2%	—	—	—
Non-IFRS measures Adjusted net (loss)/profit⁽²⁾	-6,772	-2.2%	23,306	8.7%	-129.1%

Note:

- (1) We define adjusted EBITDA as EBITDA (which is (loss)/profit from operations plus depreciation and amortization expenses) for the period adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing expenses (if any) and investment loss from financial assets at fair value through profit or loss.
- (2) We define adjusted net (loss)/profit as (loss)/profit for the period adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing expenses (if any), investment loss from financial assets at fair value through profit or loss and loss from financial liabilities at fair value through profit or loss.

During the Reporting Period, the adjusted EBITDA profit of the Group was US\$2.2 million (corresponding period in 2020: US\$31.2 million), which has decreased by 92.9% YoY, and the adjusted net loss was US\$6.8 million (corresponding period in 2020: profit of US\$23.3 million), a YoY decrease of 129.1%.

Capital Structure and Gearing Ratio

The Company was incorporated in the Cayman Islands, and as at 30 June 2021 the Company's authorized share capital US\$100,000,000 divided into 10,000,000,000 shares of US\$0.01 each. As at 30 June 2021, the number of issued ordinary shares of the Company was 1,606,685,000, which has been fully paid up.

The Group's primary objectives in capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group's gearing ratio is defined as the Group's total liabilities over its total assets. As at 30 June 2021, our total assets were US\$616.3 million (31 December 2020: US\$497.6 million), while our total liabilities were US\$340.5 million (31 December 2020: US\$229.8 million). The gearing ratio (total liabilities divided by total assets) has increased to 55.2% (31 December 2020: 46.2%).

We operate our business internationally and the major currencies of the receipt of our payments and the payments we make are denominated in US dollars. The Group's interest rate risk arises primarily from variable rates bank loans, the effective interest rate of variable rate borrowings in 2021H1 is 1.20%–4.79% (2020H1: 1.55%–4.79%).

Financial Resources

Our Company's cash flow is principally sourced from capital contribution from shareholders, cash generated from our operations and bank loans. As at 30 June 2021, our cash and cash equivalents amounted to US\$164.7 million (31 December 2020: US\$39.3 million).

Capital Expenditure

The following table sets forth our capital expenditure for the periods indicated:

	For the six months ended 30	
	June	
	2021	2020
	US\$'000	US\$'000
Property, plant and equipment	281	66
Intangible assets and development costs	23,200	10,248
Total	23,481	10,314

Our capital expenditure primarily consisted of expenditures on (i) property, plant and equipment, and (ii) intangible assets, including developed technologies (capitalized research and development expenditures), royalties, software and trademark. As at 30 June 2021, capital expenditure has increased by 127.7% on a YoY basis to US\$23.5 million (corresponding period in 2020: US\$10.3 million).

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

There were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures during the Reporting Period.

Charges on Group's Assets

As at 30 June 2021, none of the Group's assets were charged with any parties or financial institutions, except for the restricted cash of US\$5.2 million pledged for the bank loan.

Material Investments or Future Plan for Major Investment

As at 30 June 2021, the Group did not hold any material investment and there was no specific plan for material investments or capital assets, except for the proposed acquisition of Reyun Data set out in the section headed “Business Review”.

Contingent Liabilities and Financial Guarantees

As at 30 June 2021, there is no contingent liability or financial guarantee granted to third parties of the Group.

Employee and Remuneration Policies

As at 30 June 2021, the Group has 18 offices around the world, with 634 full-time employees (31 December 2020: 670 employees), mainly based in the headquarters in Guangzhou, China. We have 328 employees engaged in R&D activities, and R&D employees are composed of 51.7% of full-time employees. The number of employees employed by the Group changes from time to time based on needs, and employee salaries are determined with reference to market conditions and the performance, qualifications and experience of individual employees.

In order to nurture and retain talents, the Group has formulated systematic recruitment procedures and offers competitive benefits and training opportunities. The remuneration policy and package of the Group’s employees are reviewed on a regular basis. Employees will be evaluated according to their appraisals, which would determine their performance bonus and share awards.

Foreign Exchange Risk Management

We operate our business internationally and the major currencies of the receipts of our payments and the payments we make are denominated in US dollars. We are exposed to non-US dollar currencies risk primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a foreign currency. We manage foreign exchange risk by performing regular reviews of our foreign exchange exposures.

OTHER INFORMATION

Major Customers and Suppliers

During the six months ended 30 June 2021, the Group's five largest customers in aggregate accounted for approximately 31.2% of the Group's total revenue. The Group's largest customer accounted for 9.9% of the Group's total revenue.

During the six months ended 30 June 2021, the Group's five largest suppliers in aggregate accounted for approximately 36.74% of the Group's total purchase. The Group's largest supplier accounted for 11.38% of the Group's total purchase.

To the best of the knowledge of the Directors, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers.

Interim Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021.

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standard of corporate governance to safeguard the interest of the Shareholders and to enhance corporate value and accountability. The Company has adopted the corporate governance code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules.

During the six months ended 30 June 2021, the Company had complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules other than code provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. DUAN Wei (“**Mr. DUAN**”) was the chairman of the Board and chief executive officer of our Company during the period from 1 January 2021 to 13 January 2021. With extensive experience in the mobile advertising and mobile analytics industry, during the period from 1 January 2021 to 13 January 2021, Mr. DUAN was responsible for the overall strategic planning and general management of our Group and has been an instrumental part of our growth and business expansion since the establishment of our Group. During the same period, the balance of power was ensured by the following reasons: (i) the audit committee of the Company was comprised of all independent non-executive Directors; and (ii) the independent non-executive Directors had free and direct access to the Company’s external auditor and independent professional advisers when considered necessary. The Board believes that such structure was considered to be appropriate under the size of operation, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. DUAN, and believes that his appointment to the posts of chairman and chief executive officer was beneficial to the business prospects of the Company during the period from 1 January 2021 to 13 January 2021. Save for the above, the Company has applied the principles and code provisions as set out in the CG Code during the Reporting Period.

On 14 January 2021, Mr. DUAN resigned as chief executive officer of the Company, and Mr. CAO Xiaohuan was appointed as chief executive officer of the Company. After such change, the Company has complied with all the provisions of code as set out in the CG Code thereafter.

Model Code

The Group has adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules for securities transactions by Directors as its own code of conduct. Having made specific enquiry of all Directors, each of the Directors has complied with the required standards as set out in the Model Code during the Reporting Period.

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the six months ended 30 June 2021.

Funding to Management RSU Trustee

On 1 April 2021, the Company provided HK\$19,950,000, being the first funding, to the Management RSU Trustee by wire transfer. The first funding will be used to purchase Shares on market for the purposes of the Management RSU Scheme at any time when the Board sees fit. It is expected that the Company would provide the funding to the Management RSU Trustee in a total of not less than 2 tranches. For further details, please refer to the Company’s announcement dated 1 April 2021.

Placing Existing Shares and Top-up Subscription of New Shares Under the General Mandate

On 13 April 2021, the Company and Seamless Technology Limited (the “**Vendor**”) entered into a placing and subscription agreement (the “**Placing and Subscription Agreement**”) with CMB International Capital Limited (the “**Placing Agent**”), pursuant to which:

- (a) the Vendor agreed to appoint the Placing Agent, and the Placing Agent agreed, to procure, as agent of the Vendor, purchasers to purchase, on a best effort basis, an aggregate of 72,481,000 existing Shares at the Placing Price; and
- (b) the Vendor agreed to subscribe for, and the Company agreed to issue to the Vendor, an aggregate of 72,481,000 new Shares at HK\$5.90 per Share (the “**Subscription Price**”) (being the same as the Placing Price), in each case upon the terms and subject to the conditions set out in the Placing and Subscription Agreement.

On 15 April 2021, the completion of the Placing took place, as a result of which (i) a total of 72,481,000 Sale Shares were successfully placed by the Placing Agent to the Placee, being GIC, who together with its ultimate beneficial owners (to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries), save for its existing interest in the Company, (a) are independent of, and not connected with, the Company and their respective associates and connected persons and (b) are independent of, and not acting in concert with the Vendor, their respective associates and persons acting in concert with the Vendor, at the Placing Price of HK\$5.90 per Sale Share; and (ii) a total of 72,481,000 new Subscription Shares (being the same number as the Sale Shares), were allotted and issued to the Vendor at the Subscription Price of HK\$5.90 per Subscription Share (being the same as the Placing Price) on 21 April 2021.

The net proceeds from the Subscription amounted to approximately HK\$425.9 million (equivalent to approximately US\$54.86 million). For further details, please refer to the announcements of the Company dated 13 April 2021 and 21 April 2021 respectively.

As at 30 June 2021, a total of HK\$10.71 million (equivalent to approximately US\$1.38 million) of the net proceeds from the subscription has been utilised for the development and expansion of Cloud Business Unit and SaaS tooling matrix in line with the proposed use of proceeds as set out in the announcement of the Company dated 13 April 2021.

Purchase, Sale and Redemption of the Company’s Listed Securities

Neither the Company nor any of the Group’s subsidiaries has purchased, sold or redeemed any of the Company’s shares during the Reporting Period.

Use of Proceeds from the Initial Public Offering

The shares of the Company were listed on the Main Board of the Stock Exchange on the 12 December 2018 by way of global offering. The total net proceeds including the partial exercise of the over-allotment option was approximately US\$154.20 million.

The following table sets out the breakdown of the use of proceeds from the global offering as at 30 June 2021:

Purpose of Net Proceeds		Amount Allocated US\$'000,000	Amount Utilized US\$'000,000	Balance US\$'000,000
1	Big data and AI technologies and IT infrastructure	46.26	32.73	13.53
2	Improvement of services on our mobile advertising and mobile analytics platform	46.26	43.34	2.92
3	Implement our “Glocal” strategy by enhancing our local service capabilities and expanding our global footprint	15.42	9.83	5.59
4	Strategic investments and acquisitions	30.84	1.34	29.50
5	General working capital	15.42	8.02	7.40
Total of net proceeds		154.20	95.26	58.94

Considering that (a) there was no immediate demand for the Company to utilise part of the proceeds from the global offering and (b) the Company had reserved sufficient cash for its operation and immediate usage plan for utilising the proceeds from the global offering, and the Company believed that the investment in wealth management product is similar to traditional deposits placed with banks or financial institutions; the Company entered into an investment management agreement (the “**Investment Management Agreement**”) in December 2018 with a financial institution in Hong Kong (the “**Financial Institution**”), being an independent third party, pursuant to which the Company invested in wealth management product (the “**Wealth Management Product**”) with a principal amount of US\$70,000,000 (the “**Principal Amount**”). According to the usage plan for utilising the proceeds from the global offering and taking into account the then available internal resources, the Company entered into a supplemental agreement to the Investment Management Agreement (the “**Supplemental Agreement**”) with the Financial Institution in March 2019 and as of May 2021, the Company has withdrawn all the remaining Principal Amount from the Financial Institution. Pursuant to terms of the Investment Management Agreement and the Supplemental Agreement, the Wealth Management Product was renewed upon its maturity by December 2020 with guaranteed Principal Amount and no fixed interest rate attached to it and the Company may withdraw part or all of Principal Amount at any time upon the written consent by the parties.

The Company temporarily used part of the proceeds from the global offering to invest in the Wealth Management Product on the condition that no delay will be caused to the intended usage plan of such proceeds and the timetable. The Company will make sure the proceeds from the global offering will be used as planned.

During the Reporting Period, save as discussed in the foregoing paragraph, the Group has followed the plan for the use of proceeds as set out in the Prospectus of the Company and expects to utilise the balance of the net proceeds of approximately US\$58.94 million in the following half year.

Audit Committee

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed the financial matters and internal control systems, including reviewed and approved of the Group's unaudited Interim Results for the six months ended 30 June 2021.

Subsequent Events

On 7 July 2021, the Company, as borrower was granted with a commitment to a loan facility (include short-term and long-term) in an amount of up to US\$120,000,000 by The Hongkong Shanghai Banking Corporation Limited, as lender. For further details, please refer to the Company's announcement dated 7 July 2021.

On 30 July 2021 (the **"Date of Grant"**), the Group granted a total of 20,000,000 share options to certain eligible grantees for their contribution to the Company with an exercise price of HK\$7.24 to subscribe for one ordinary share. The share options shall be valid for a period of 10 years from the Date of Grant. For further details, please refer to the Company's announcement dated 16 August 2021.

Publication of 2021 Interim Results and Interim Report

This interim results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mobvista.com). The interim report of the Company for the Reporting Period will be despatched to shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in September 2021.

INTERIM RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021-unaudited

(Expressed in United States dollar)

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	3	307,756	266,907
Cost of sales		<u>(265,331)</u>	<u>(208,659)</u>
Gross Profit		42,425	58,248
Selling and marketing expenses		(22,813)	(4,103)
Research and development expenses		(17,649)	(13,729)
General and administrative expenses		(15,864)	(18,220)
Expected credit loss allowances on trade receivables		(611)	(7,679)
Other net income		<u>4,902</u>	<u>1,110</u>
(Loss)/profit from operations		(9,610)	15,627
Change in fair value of derivative financial liabilities	9	(28,432)	—
Finance costs		<u>(2,103)</u>	<u>(1,133)</u>
(Loss)/profit before taxation	4	(40,145)	14,494
Income tax	5	<u>1,372</u>	<u>(1,396)</u>
(Loss)/profit for the period attributable to equity shareholders of the Company		<u>(38,773)</u>	<u>13,098</u>
(Loss)/earnings per share	6		
Basic (United States dollar per cents)		<u>(2.52)</u>	<u>0.87</u>
Diluted (United States dollar per cents)		<u>(2.52)</u>	<u>0.86</u>

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021-unaudited

(Expressed in United States dollar)

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
(Loss)/profit for the period	(38,773)	13,098
Other comprehensive (loss)/income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(336)</u>	<u>47</u>
Total comprehensive (loss)/income for the period attributable to equity shareholders of the Company	<u>(39,109)</u>	<u>13,145</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 30 June 2021-*unaudited*

(Expressed in United States dollar)

		At 30 June 2021 US\$'000	At 31 December 2020 US\$'000
	Note		
Non-current assets			
Property, plant and equipment		9,082	10,888
Intangible assets		60,558	43,324
Goodwill		28,998	28,998
Deferred tax assets		16,891	15,111
Financial assets measured at fair value through profit or loss (FVPL)		3,096	3,065
Deposits and prepayments		472	676
		<u>119,097</u>	<u>102,062</u>
Current assets			
Trade and other receivables	7	325,423	296,523
Restricted cash		5,250	4,887
Cash and cash equivalents		164,701	39,311
Financial assets measured at fair value through profit or loss (FVPL)		940	54,274
Current tax recoverable		914	549
		<u>497,228</u>	<u>395,544</u>
Current liabilities			
Trade and other payables	8	188,139	149,863
Current tax payable		8,232	9,670
Bank loans		74,170	56,441
Lease liabilities		4,120	4,600
Derivative financial liabilities	9	30,830	—
		<u>305,491</u>	<u>220,574</u>
Net current assets		<u>191,737</u>	<u>174,970</u>
Total assets less current liabilities		<u>310,834</u>	<u>277,032</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

At 30 June 2021-*unaudited*

(Expressed in United States dollar)

		At 30 June 2021 US\$'000	At 31 December 2020 US\$'000
	Note		
Non-current liabilities			
Convertible bonds	9	26,806	—
Deferred tax liabilities		2,597	2,101
Lease liabilities		5,308	6,972
Bank Loans		133	—
Other non-current liabilities		157	157
		<u>35,001</u>	<u>9,230</u>
NET ASSETS		<u>275,833</u>	<u>267,802</u>
CAPITAL AND RESERVES	10		
Share Capital		16,066	15,341
Reserves		<u>259,767</u>	<u>252,461</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		<u>275,833</u>	<u>267,802</u>

NOTES

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 31 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Mobvista Inc. (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The interim financial report is unaudited but has been reviewed by KPMG 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.

2 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Revenue and segment reporting

(a) Revenue

The principal services of the Group are the provisions of mobile advertising related services, data analytics related services and cloud related products and services. Further details regarding the Group's principal activities are disclosed in note 3(b).

The disaggregation of revenue from contracts with customers by service lines is as follows:

	Six months ended 30 June	
	2021 US\$'000	2020 US\$'000
Revenue from mobile advertising related services	307,287	266,747
Revenue from data analytics services	333	160
Revenue from cloud related products and services	136	—
	<u>307,756</u>	<u>266,907</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(c) respectively.

The Group's customer base is diversified. During the six months ended 30 June 2021, no single customer contributed to 10% or more of the Group's revenue (six months ended 30 June 2020: Nil).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both by service lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation a performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Mobile marketing business: this segment provides its customers globally with mobile advertising services through a similar Software-as-a-Service ("SaaS") programmatic advertising platform, top media and affiliate ad-serving platform.
- Data analytics business: this segment provides its customers globally with mobile application data analytics service through a SaaS platform of the Group.
- Cloud business: this segment provides its customers with Cloud-native technology services, which include deployment and optimizing services of cloud infrastructures and implementation service of cloud computing engine and big data computing framework.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker ("CODM") monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The CODM assesses the performance of the operating segments mainly based on segment revenue and segment gross profit. The revenues from external customers reported to CODM are measured as segment revenue, which are the revenue derived from the customers in each segment. The segment gross profit is calculated as segment revenue minus segment cost of sales. This is the measure reported to the Group's most senior executive management.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the period is set out below:

For the six months ended	Mobile marketing business		Data analytics business		Cloud business		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Disaggregated by timing of revenue recognition								
Point in time	307,287	266,747	281	85	8	—	307,704	266,832
Over time	—	—	52	75	128	—	52	75
Reportable segment revenue	307,287	266,747	333	160	136	—	307,756	266,907
Reportable segment costs	(265,298)	(208,655)	(17)	(4)	(16)	—	(265,331)	(208,659)
Gross profit	<u>41,989</u>	<u>58,092</u>	<u>316</u>	<u>156</u>	<u>120</u>	<u>—</u>	<u>42,425</u>	<u>58,248</u>

The Group's CODM makes decision according to gross profit of each segment. Therefore, only above segment results are presented.

(ii) Segment assets and liabilities

No segment assets and liabilities information are provided as no such information is regularly provided to CODM of the Group on making decision for resources allocation and performance assessment.

(c) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location of the customers' headquarters.

	Revenue from external customers for six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
China (<i>note (i)</i>)	100,315	80,328
EMEA and Americas (<i>note (ii)</i>)	142,631	131,968
Asia Pacific (<i>note (iii)</i>)	56,890	47,700
Others	7,920	6,911
	<u>307,756</u>	<u>266,907</u>

Notes:

- (i) Includes Mainland China, the Hong Kong Special Administrative Region of the People's Republic of China (the "PRC"), the Macau Special Administrative Region of the PRC and Chinese Taiwan.
- (ii) EMEA primarily includes United Kingdom, Switzerland, Germany, Russia, Greece, Iceland, Saudi Arabia, Jordan, Egypt, Iraq and Turkey, Americas primarily includes United States, Canada, Mexico, Brazil, Argentina, Chile and Colombia.
- (iii) Primarily includes Australia, New Zealand, Asia other than China.

4 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
(a) Finance costs		
Interest on bank loans	793	926
Interest on lease liabilities	260	207
Interest on convertible bonds	1,050	—
	<u>2,103</u>	<u>1,133</u>
(b) Staff costs		
Contributions to defined contribution retirement plans	1,351	334
Share-based compensation expenses	3,494	9,308
Salaries, wages and other benefits	15,866	15,475
	<u>20,711</u>	<u>25,117</u>
(c) Other items		
Interest income	(4,737)	(1,115)
Gain on disposal of property, plant and equipment	(8)	(6)
Net realised and unrealised losses on trading securities	75	900
Depreciation charge		
— owned property, plant and equipment	157	156
— right-of-use assets	1,925	2,148
Amortisation	6,184	3,093
Operating lease charges in respect of properties	397	421

5 Income tax

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
Current tax	(88)	2,787
Deferred tax	(1,284)	(1,391)
	<u>(1,372)</u>	<u>1,396</u>

6 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of US\$38,773,000 (2020: profit of US\$13,098,000) and the weighted average of 1,541,434,033 ordinary shares (2020: 1,500,087,294 shares) in issue during the period, is as follows:

	Six months ended 30 June	
	2021	2020
Ordinary shares as at 1 January	1,503,248,900	1,474,115,242
Effect of vested RSUs	17,034,829	25,972,052
Effect of shares purchase for RSUs	(10,485,050)	—
Effect of issuance of ordinary shares	31,635,354	—
	<u>1,541,434,033</u>	<u>1,500,087,294</u>
Weighted average number of ordinary shares as at 30 June	<u>1,541,434,033</u>	<u>1,500,087,294</u>

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share are calculated by adjusting the weighted average number of shares in issue and outstanding to assume conversion of all dilutive potential shares.

For the six months ended 30 June 2021, as the Group incurred losses, the potential ordinary shares of RSUs and convertible bonds were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2021 are the same as basic loss per share.

For the six months ended 30 June 2020, the potential ordinary shares of RSUs were dilutive due to their effect to ordinary shares would decrease the earnings per share.

Weighted average number of ordinary shares (diluted)

	2021	2020
Weighted average number of ordinary shares as at 30 June	1,541,434,033	1,500,087,294
Effect of unvested shares under the Company's share award scheme	<u>—</u>	<u>26,746,197</u>
Weighted average number of ordinary shares (diluted) as at 30 June	<u>1,541,434,033</u>	<u>1,526,833,491</u>

7 Trade and other receivables

As of the end of the Reporting Period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2021 <i>US\$'000</i>	At 31 December 2020 <i>US\$'000</i>
Within 3 months	135,615	97,833
3 to 6 months	19,324	47,801
6 to 12 months	58,138	47,702
Over 12 months	<u>16,176</u>	<u>5,749</u>
Trade Receivables, net of allowance for doubtful accounts	229,253	199,085
Deposits and prepayments	12,077	10,368
Other receivables	<u>84,565</u>	<u>87,746</u>
	325,895	297,199
Less: Non-current deposits and prepayments	<u>(472)</u>	<u>(676)</u>
	<u>325,423</u>	<u>296,523</u>

Trade receivables are mainly due within 30-60 days from the date of receipt of invoice.

8 Trade and other payables

As of the end of the Reporting Period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2021 US\$'000	At 31 December 2020 US\$'000
Within 1 month	57,190	26,745
1 to 2 months	47,852	24,753
2 to 3 months	7,167	9,657
Over 3 months	49,870	61,820
Trade payables	162,079	122,975
Amounts due to related parties	1,740	193
Other payables	5,873	7,627
Receipt in advance	11,360	11,198
Staff costs payable	5,485	6,285
VAT and other tax payables	1,602	1,585
	188,139	149,863

9 Convertible bonds and derivative financial liabilities

	Debt component US\$'000	Derivative component US\$'000	Total US\$'000
At 1 January 2021	—	—	—
Issuance of convertible bonds	25,756	2,398	28,154
Loss arising on changes of fair value	—	28,432	28,432
Interest charge	1,050	—	1,050
At 30 June 2021	26,806	30,830	57,636

On 22 January 2021 (“**Issue Date**”), the Company issued convertible bonds to an independent third party (the “**holder**”) with principal amount of US\$30,000,000 with a maturity period of three years to 21 January 2024 (“**Maturity Date**”). The Maturity Date may be extended to the date falling 48 months or 60 months from the Issue Date (“**the Extended Maturity Date**”) at the request of the holder.

The convertible bonds bear interest at a coupon rate of 3.5% per annum on a compounded basis payable every twelve months.

The convertible bonds can be converted into ordinary shares of the Company at the holder’s option at an initial conversion price of HK\$5.54 per share subject to adjustment for, among other matters, sub-division, consolidation of shares, issue of shares in lieu of the whole or any part of a specifically declared cash dividend, capital distributions, issue of convertible securities, issue of new shares in discount, consideration issues and other dilutive events.

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is financial liability.

The convertible bonds contain two components, a debt component and a derivative component representing the conversion option, maturity date extension option, mandatory redemption option and other options. At initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as “Derivative financial liabilities”. Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the host liability component and presented as “Convertible bonds”. Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values.

The derivative component is subsequently remeasured with fair value and any change in fair value are recognised in the profit or loss immediately. The host liability component is subsequent carried at amortised cost with interest expense calculated using the effective interest method.

There is no conversion or redemption of the convertible bonds during the six months ended 30 June 2021.

10 Capital, reserves and dividends

Dividends

No dividend has been declared or paid by the Company during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the period. I would also like to express my appreciation to the guidance from the regulators and continuing support from our shareholders and customers.

By order of the Board
Mobvista Inc.
DUAN Wei
Chairman

Guangzhou, PRC, 31 August 2021

As at the date of this announcement, the Board comprises Mr. DUAN Wei (chairman), Mr. CAO Xiaohuan (chief executive officer), Mr. FANG Zikai and Mr. SONG Xiaofei as executive Directors; Mr. WONG Tak-Wai as a non-executive Director, and Mr. YING Lei, Mr. HU Jie and Mr. SUN Hongbin as independent non-executive Directors.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Shareholders and potential investors should therefore not place undue reliance on such statements.

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.