



# 2019

## INTERIM REPORT



China Parenting Network Holdings Limited

**中國育兒網絡控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

STOCK CODE: 1736



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Cheng Li  
Mr. Hu Qingyang  
Mr. Zhang Lake Mozi

### Non-Executive Directors

Ms. Li Juan (*Chairperson*)  
Mr. Wu Haiming  
Mr. Hsieh Kun Tse

### Independent Non-Executive Directors

Mr. Wu Chak Man  
Mr. Zhao Zhen  
Mr. Ge Ning

## BOARD COMMITTEES

### Audit Committee

Mr. Wu Chak Man (*Chairperson*)  
Ms. Li Juan  
Mr. Ge Ning

### Nomination Committee

Ms. Li Juan (*Chairperson*)  
Mr. Zhao Zhen  
Mr. Ge Ning

### Remuneration Committee

Mr. Ge Ning (*Chairperson*)  
Mr. Zhao Zhen  
Mr. Cheng Li

## COMPANY SECRETARY

Mr. Zhang Lake Mozi

## AUTHORISED REPRESENTATIVES

Mr. Cheng Li  
Mr. Zhang Lake Mozi

## AUDITOR

Baker Tilly Hong Kong Limited

## LEGAL ADVISERS TO OUR COMPANY

### As to Hong Kong Law

L&C Legal LLP  
(in association with Jingtian & Gongcheng)  
Suites 3205–3207, 32/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### As to PRC law

King & Wood Mallesons  
17th Floor, One ICC  
Shanghai International Commerce Centre  
999 Middle Huai Hai Road  
Xuhui District, Shanghai 200031  
The PRC

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

# CORPORATE INFORMATION

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## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

19/F., Gu Yang Building  
No. 600 Zhujiang Road  
Nanjing, Jiangsu Province  
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1905, China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANK

Bank of Communications (Xuanwu Branch)  
No. 519, Zhujiang Road, Xuanwu District  
Nanjing, Jiangsu Province, The PRC

## STOCK CODE

1736

## COMPANY WEBSITE

[www.ci123.com](http://www.ci123.com)

## HIGHLIGHTS

The board (the "Board") of directors (the "Directors") of China Parenting Networking Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group" or "we") is pleased to announce the unaudited condensed consolidated results of the Group for six months ended 30 June 2019 (the "Period").

	<b>For the six months ended</b>	
	<b>30 June 2019</b>	30 June 2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>	<b>50,857</b>	46,320
<b>Gross profit</b>	<b>30,905</b>	35,501
<b>Profit for the Period</b>	<b>12,483</b>	17,977
<b>Attributable to:</b>		
Owners of the parent	<b>12,530</b>	18,167
Non-controlling interests	<b>(47)</b>	(190)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a leading vertical online platform for the Children-Babies-Maternity (“CBM”) market in China, aiming at providing users with value-added services like new media, contents, community, smart hardware, e-commerce and cross-border services with such platforms as the CI Web (育兒網), mobile CI Web, mobile APPs and the IPTV APP, creating a one-stop mother-child experience platform. During the Period, the Company continued to develop the full platform ecosystem of CI Web with an aim to provide diversified mother-child family services, so as to expand its business to various aspects such as healthcare, education and entertainment and gradually develop a whole industry chain in the pan-maternal and child industry for providing comprehensive services to business (B端) brand organisations and customers (C端).

Fierce competition is brought by the rapid development of the internet industry. With the decline in traditional online growth bonus and the rising cost of mobile traffic migration, brand customers face the challenge of losing customers and brand loyalty. Meanwhile, long tail traffic has become a new opportunity along with the relative decrease in offline advertising costs and significant increase in the growth rate of the sinking market.

The Company pays great attention to the changing trend of the internet industry and timely responds to content innovation through technology which rise to the challenges together with other brands. During the Period, the Group has improved the all-platform ecosystem which continuously evokes synergy to enhance its core competitiveness. The Company accurately attracts mother-child users through its own traffic which empowers brand cooperation with information and technology platform. The utilisation of content matrix and full- scenario-based matrix would lead to accurate exposure and efficient dissemination.

Traditional marketing mainly strives for traffic by means of user communication, which gradually increases the cost of acquiring new customers and serving regular customers. As such, the enterprises and organisations are badly in need of changing the marketing strategy. CI web opens the platform resources and strengthens the capability of cross-border cooperation. Based on its traffic and scenario of accurate cooperation with maternal and child offline stores, it boosts the purchasing power of users and gives the fullest expression to the ability of social retailing with the aim of achieving customer’s sustainable operations and private domain traffic.

The Group has massive accumulation of data to develop and upgrade the underlying technology by building data platform and exploring data analysis, which would empower the brand customer, optimise user interface and refine operational segmentation for assisting the integration of brands’ CRM data assets. During the Period, the Company upgraded the brand content of milk powder provider by adjusting product features and operating mechanisms so as to improve the daily operation and maintenance of products and meet the diversified marketing needs of the brand. The Company continues to intensify the contents related to mother and child for unceasingly updating quality contents to enhance user loyalty and expand the MCN matrix with the aim of fully covering accurate users. During the Period, CI web strengthened cooperation with well-known e-commerce platforms such as JD.com which integrates its own content into the e-commerce ecosystem for providing a full-process marketing solution from consumption scenarios to consumption decisions.

We strengthen the linkage with the business partner to assist the brand move towards cross-scenario-based marketing upgrade. During the Period, the Company innovates offline scenario-based interaction and promotes in-depth connection with merchants and consumers. We provide brand customers with new intelligent scenario-based marketing solutions by applying data and underlying technology, and serve offline traders and physical stores in the same city by providing accurate data analysis and interactive marketing services, so as to establish more innovative and intelligent scenario-based marketing service model.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LOOKING FORWARD

Through upgrading and transforming into a platform-wide ecosystem, the Company continues to extend its service types centering on the family so as to expand the audience of brand customers and improve the ability of serving mother-child population. The Group will continue to integrate its own traffic, content matrix, full-scenario-based matrix and data technology platform, which gradually form mature external empowerment model to provide efficient marketing and promotion services and accurate solutions for the brand and facilitate completion of closed-loop of the brand. The Group will create more potential value for users and industry with the brand.

## Comparison of the business target and the actual business progress

The following table shows the comparison between the actual business progress during the six months ended 30 June 2019 and the plans set out in the prospectus dated 30 June 2015:

Business Target	Particulars	Actual business progress during the period from 1 January 2019 to 30 June 2019
Strengthening research and development capabilities of contents and service products	<p>Increase original contents on platforms and improve user interface;</p> <p>Develop new web-based and mobile APPs of CBM products in order to maintain market share;</p> <p>Develop interactive family entertainment system product, early learning and early education centers management system.</p>	<ul style="list-style-type: none"><li>The Group continues to strengthen its capability of producing original content and increasing content volume and quality output. During the Period, the Group continued to innovate by introducing a new specific programs, namely “開槓”, for voting and debate on the concerns about the maternal and child issues which inspired the latest values of contemporary users in a debate format. The Group keeps pace with the times and changes the pace by continuously keeping close to user’s behavior and keeping up with the user’s mind. The Group launched a one-minute vertical screen H5 animation video with the scenes showed up the maternal and child needs and pain points in a comedy’s shooting style which is the post-90s’ most favourite mode, so as to transmit practical knowledge of how to purchase useful maternal and child products to the users.</li></ul>

# MANAGEMENT DISCUSSION AND ANALYSIS

Business Target	Particulars	Actual business progress during the period from 1 January 2019 to 30 June 2019
		<ul style="list-style-type: none"><li>• “Mother Zone”, our Group’s hot product, has been continuously upgrading and innovating. Based on the traditional graphics, content, video and animation, and according to changes in users’ interest and habit of using internet, we have added multiple contents and forms to create a full coverage matrix of graphic, audio and video, which promotes users’ participation and enhances users’ loyalty for extending the useful lives of users.</li><li>• “Pregnancy Reminder” has been upgraded and changes its name to “Maternity Reminder”, such upgrade will enhance the conversion and retention of child caregivers by optimising our parenting tools and content. Parenting functions and services will be comprehensively strengthened based on the original pregnancy section. In addition to focusing on the pregnant women, we extend to fulfill the diversified demands of different child caregivers.</li></ul> <p>The Group innovated its advertising and marketing services to provide more scenic experience, identify targets in different ways and enhance its advertising effect.</p>



# MANAGEMENT DISCUSSION AND ANALYSIS

## Actual business progress during the period from 1 January 2019 to 30 June 2019

Business Target	Particulars	
Enhancing user loyalty and Internet traffic	<p>Increase number of visits of our CI Web through securing entrance slots in search engines and navigation sites;</p> <p>Increase the number of downloads and mobile APPs usage through obtaining entrances slots in online APP stores;</p> <p>Marketing of interactive family entertainment system product and early education.</p>	<ul style="list-style-type: none"> <li>The Group has various platforms to maintain a certain number of existing users, and occupied a leading position in the industry. As at 30 June, 2019, the monthly active users ("MAU") and daily active users ("DAU") of CI Web of the Company reached 112.2 million and 4.66 million respectively, representing a decrease of 5% and 5.09%, respectively, as compared to those of last year. In terms of the total volume of data of mobile APPs of the Company (representing the sum volume of data of "Maternity Reminder" APP and the "Mother Zone" APP, two major mobile APPs of CI Web), the MAU and DAU aggregated 11.01 million and 2.41 million respectively, representing a decrease of 5.82% and 3.60%, respectively, as compared to those of last year.</li> <li>The plan of marketing of interactive family entertainment system product and early education is under continuous development.</li> </ul>

# MANAGEMENT DISCUSSION AND ANALYSIS

Business Target	Particulars	Actual business progress during the period from 1 January 2019 to 30 June 2019
Developing e-commerce business and related O2O business	<p>Expand e-commerce platform;</p> <p>Increase the O2O elements in mobile APPs;</p> <p>Develop and marketing fetal heart monitoring device (胎心儀) and other smart-hardware devices that can connect with Mobile APP.</p>	<ul style="list-style-type: none"> <li>• The Group sold CBM related services and products through self-developed mobile APP as well as the third party platform and continuously developed e-commerce business through multiple channels.</li> <li>• During the Period, the Group continued its industry chain planning and developed new offline retail markets by providing business intelligence solutions regarding new retail model to maternal and child stores, fully assisting small and medium-sized maternal and child stores to adapt to a new retail model. The Group also transferred its resources from online platform to an offline platform so as to satisfy higher demand for family services.</li> </ul>
Acquisition of or investment in other companies engaging in O2O and CBM related businesses	Expand business through acquisition of or investment in other companies engaging in CBM related business.	<ul style="list-style-type: none"> <li>• For details of the Group's investment in certain entities and loans, please see the paragraphs of "financial assets at fair value through other comprehensive income" and "Loan to other entities" under the section of Management Discussion and Analysis. The Group believes that this will help to expand the existing business boundaries of the Group and enhance its ability of resource integration, and is in line with the long-term goals of diversified development of the Group.</li> </ul>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Actual business progress during the period from 1 January 2019 to 30 June 2019

Business Target	Particulars	Actual business progress during the period from 1 January 2019 to 30 June 2019
Enhancing marketing and promotional services	Organize more social activities and expand marketing and promotion team.	<ul style="list-style-type: none"> <li>• “Mummy, You Should Buy This”: Mother’s Selection continues to carry out selection activities to constantly increase its online and offline influences.</li> <li>• The Group attaches great importance to social welfare activities. In the first half of 2019, we jointly initiated “Parent Alliance of Premature Babies (早安聯盟)” with the premature baby union and the charity groups from the community, which aims to help the premature infants throughout the country to succeed in pulling through the difficulty after discharge. Meanwhile, “Mother Zone” has launched a special project to assist more families by organising events and updating the knowledge sector on an on-going basis.</li> <li>• The Group increased its cooperation with complex media, stars and celebrities and web celebrities to increase its exposure and influence.</li> </ul>
Working capital and other general corporate purposes	Utilise the working capital according to our needs and for other general corporate purpose.	<ul style="list-style-type: none"> <li>• The Group has spent its working capital in its daily operations and other general corporate purposes.</li> </ul>

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the six months ended 30 June 2019 was approximately RMB50.9 million, representing an increase of approximately 10% over approximately RMB46.3 million for the six months ended 30 June 2018, primarily due to the increase in customers' budget as the results of innovation and reputation of the Group's marketing and promotion services.

### Cost of sales

The Group's cost of sales for the six months ended 30 June 2019 was approximately RMB20.0 million, representing an increase of approximately 85% over approximately RMB10.8 million for the six months ended 30 June 2018, primarily due to an increase in the relevant promotional fee of the Group caused by the intensify promotion of CI Web and its related APP during the Period.

### Gross profit and gross profit margin

The Group's gross profit for the six months ended 30 June 2019 was approximately RMB30.9 million, representing a decrease of approximately 13% over approximately RMB35.5 million for the six months ended 30 June 2018. At the same period, the Group's gross profit margin decreased from approximately 76.6% to approximately 60.8%, primarily due to an increase in the promotional fee of the Group.

### Other income and gains

The Group's other income and gains for the six months ended 30 June 2019 was approximately RMB5.8 million, representing an increase of approximately 332% compared to approximately RMB1.3 million for the six months ended 30 June 2018, primarily due to the increase of government grants provided by the local government.

### Selling and distribution expenses

The Group's selling and distribution expenses for the six months ended 30 June 2019 was approximately RMB8.6 million, representing an increase of approximately 89% over approximately RMB4.6 million for the six months ended 30 June 2018, primarily attributable to the increase in marketing and promotion fee and average salary paid to the employees.

### Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2019 was approximately RMB8.7 million, representing an increase of approximately 13% over approximately RMB7.7 million for the six months ended 30 June 2018, primarily attributable to the an increase in the professional service fee and increasing average salary paid to the employees in the administrative department.

### Research and development costs

The Group's research and development ("R&D") cost for the six months ended 30 June 2019 was approximately RMB5.0 million, representing a decrease of approximately 21% over approximately RMB6.4 million for the six months ended 30 June 2018, primarily attributable to the decrease in the number of R&D personnel.

### Income tax expense

The Group's income tax expense for the six months ended 30 June 2019 was approximately RMB0.27 million, representing an increase of approximately 80% over approximately RMB0.15 million for the six months ended 30 June 2018, mainly due to the effect caused by difference between adjustment to the settlement and payment of income tax for 2017 in the interim period of 2018 and adjustment to the settlement and payment of income tax for 2018 in the interim period of 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit for the Period

As a result of the factors described above, the Group's net profit for six months ended 30 June 2019 was approximately RMB12.5 million, representing a decrease of approximately 30% over approximately RMB18.0 million for the six months ended 30 June 2018.

## Gearing ratio

As at 30 June 2019, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was 14% (30 June 2018: 5%).

## Liquidity and capital resources

As at 30 June 2019, the net current assets of the Group was approximately RMB141.7 million (30 June 2018: approximately RMB253.9 million) and the cash and cash equivalents were approximately RMB53.6 million (30 June 2018: approximately RMB74.8 million).

As at 30 June 2019, the bank borrowing of the Group was approximately RMB43 million (30 June 2018: approximately RMB2.0 million). The bank borrowings of the Group were denominated in RMB, and the cash and cash equivalents were mainly held in RMB and Hong Kong dollars. As at 30 June 2019, the Group's outstanding loans are unsecured and bear interest at a fixed interest rate. The Group plans to retain an appropriate capital and debt portfolio to ensure that an effective capital structure is maintained during the Period. For the details of the cash flow of the Group during the Period, please refer to the consolidated statement of cash flows in this report.

## Capital commitment

As at 30 June 2019, the Group had no capital commitment (30 June 2018: Nil).

## Foreign exchange exposure

The Group's transactions are mainly denominated in RMB. Part of the cash and bank deposits of the Group are denominated in Hong Kong dollars. During the Period, the Group did not experience any material impact or liquidity problems in its operation resulting from the changes in exchange rate nor enter into hedging transaction or forward contract arrangement. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this regard, the Group is not exposed to any significant foreign currency exchange risk in its operation.

## Employees, training and remuneration policy

The remuneration committee of the Company will review and determine the remuneration and compensation packages of Directors with reference to their responsibilities, workload, and the time devoted to the Group and the performance of the Group. In general, the Group determines employees' salaries based on their performance and length of services. The Board believes the salaries and benefits provided to the employees are competitive with local market standards. The Group also contributes to the social insurance in the PRC.

The Group has implemented training for new employees during their course of employment in order to ensure that employees are able to meet the job requirements. In addition, the Group will occasionally arrange internal and external trainings for the Group's employees. For external trainings, external speakers who have extensive experience in information technology may be invited to attend the Group's office to perform the training, and for internal trainings, the topics may include finance, accounting, risk management or information technology and such trainings will be conducted by the relevant department. The Group considers these on job trainings are necessary for the employees to handle issues which may arise in their day to day operations and can enhance their ethic and morale.

As at 30 June 2019, the Group had a total of 181 (30 June 2018: 170) employees including executive Directors. Total staff costs were approximately RMB15.3 million for the Period (30 June 2018: approximately RMB13.4 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Material acquisitions and disposals of subsidiaries

During the Period, there was no material acquisition or disposal of subsidiaries by the Group.

## Charges of assets

As at 30 June 2019, the Group did not make any pledged bank deposit (30 June 2018: Nil).

## Contingent liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities (30 June 2018: Nil).

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2017, the Group made investment of RMB15.0 million on the equity of Nanjing Hongdou Information Technology Company Limited\* (南京紅豆信息技術有限公司) (“Hongdou Information”), a private company. The Group accounted for 12.3% of Hongdou Information’s registered capital. H5 games “Her Majesty” (女皇陛下) and “National Palace” (全民宮斗) developed by Hongdou Information successfully launched on Tencent QQ Games and Qzone Gaming Platform.

As at 7 November 2017, the Group made investment of RMB10.0 million on the equity of Shanghai Baiyi Animation Cultural Broadcasting Company Limited\* (上海百逸動漫文化傳播有限公司) (“Baiyi”). The change in industrial and administration registration was completed in April 2018. The Group accounted for 10.0% of Baiyi’s registered capital. Baiyi has its own professional animation team and can develop, produce, and distribute 2D/3D cartoon and peripheral toy products. Sales channels have expanded to all first and second-tier cities in PRC with more than 100 distributors, covering thousands of primary schools and terminal sales outlet.

In 2018, the Group has entered into the following investment agreements. The change of shareholder registration of the target companies has been approved, and the respective consideration, shareholding and business scopes of those companies are set out below:

The Group acquired 10% equity interest of Nanjing Depth Element Artificial Intelligence Technology Development Company Limited\* (南京深度元素人工智能技術研發有限公司) (“Depth Element”) from a third party at the consideration of RMB5.0 million. The principal activities of Depth Element are the provision of artificial intelligence-based technology: item identification, human body identification, path recognition, behavior recognition; and the provision of analysis services based on the above identification technologies: crowd analysis, business analysis, personalized recommendation and marketing, intelligent shopping guide.

The Group acquired 10% equity interest of Nanjing Shenkong Vision Artificial Intelligence Technology Development Company Limited\* (南京深空視線人工智能技術研發有限公司) (“Shenkong Vision”) from a third party at the consideration of RMB5.0 million. The principal activities of Shenkong Vision are the provision of auto-cruise, path planning and other functions for robots with the use of self-developed vSLAM system combined with artificial intelligence technology; and human tracking and educational interaction with natural language understanding with the use of monocular camera.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group invested in Nanjing Duoazan Health Technology Company Limited\* (南京多贊健康科技有限公司) (“Duoazan Health”) at the consideration of RMB13.0 million. The Group accounted for 17.20% of Duoazan Health’s registered capital. Duoazan Health is committed to establish the best healthy pregnancy management and knowledge service platform in China. It provides the best paid knowledge and online medical services to Chinese families, enabling the provision of paid knowledge and medical services to more families by the national obstetricians and pediatricians with the removal of institutional constraints.

The Group acquired 10% equity interest of Nanjing Zhiren Cloud Information Technology Company Limited\* (南京智人雲信息技術有限公司) (“Zhiren Cloud”) from a third party at the consideration of RMB5.0 million. The principal activities of Zhiren Cloud are the provision of container cloud management platform, artificial intelligence cloud platform, public cloud and private cloud services based on microservices.

The Group invested in Nanjing Shen Jufeng Engine Information Technology Company Limited\* (南京颶風引擎信息技術有限公司) (“Jufeng Engine”) from a third party at the consideration of RMB13.0 million. The Group accounted for 18.10% of Jufeng Engine’s registered capital. The principal activities of Jufeng Engine are the operation of emerging distributed applications with the support of new blockchain, and the provision of high-performance computing with low cost and high yield by establishing a distributed cloud infrastructure.

The Group acquired 10% equity interest of Nanjing Free Chain Information Technology Company Limited\* (南京自由鏈信息技術有限公司) (“Free Chain”) from a third party at the consideration of RMB5.0 million. The principal activities of Free Chain are the establishment of interconnections between internet devices in different regions with its unique solutions, construction of decentralized transmission network to achieve independent collaboration and the expansion of business scale. Such kind of internet is not subject to the limitation of computing power and storage, thus empowers the internet with strong expansion capabilities to achieve true decentralization, openness, self-motivation, privacy and security.

The Group invested in Nanjing Duomai Information Technology Company Limited\* (南京多麥信息科技有限公司) (“Duomai Information”) at the consideration of RMB16.0 million. The Group accounted for 18.16% of Duomai Information’s registered capital. Duomai Information is a service company for mother-child businesses. It provides assistance for privatized customer assets during the Internet era, expanding the Internet customer base and improving operational efficiency through its products and services. In particular, through the provision of integrated solutions such as micromalls, new retailing and mini programs, it provides assistance for the transformation and upgrade towards smart business for small and medium-sized mother-child enterprises, thus helping those enterprises achieve smart business with technology-driven business innovation. Duomai Information is able to expand CI Web’s online and offline retailing channels for large business (大B) customers effectively, therefore playing an important role in securing the CI Web’s existing business customer base.

The Group acquired 15% equity interest of Nanjing Luobo Information Technology Company Limited\* (南京蘿播信息技術有限公司) (“Luobo Information”) from a third party at the consideration of RMB12.0 million. The principal activities of Luobo Information are the provision of educational, marketing and social services to its customers across the network for baby-children businesses through the distribution of audio and video contents and the management capabilities of the communities, effectively expanding and making up for the service capabilities of major customers of CI Web under the pan-network conditions.

The Group invested in Nanjing Baicheng Medical Technology Company Limited\* (南京柏橙醫療科技有限公司) (“Baicheng Medical”) at the consideration of RMB16.0 million. The Group accounted for 17.20% of Baicheng Medical’s registered capital. The principal activities of Baicheng Medical are the provision of one-stop integrated information system construction for hospitals, and the construction of end-to-end medical service platform covering pre-diagnosis, in-diagnosis and post-diagnosis stages. Having leading system capabilities and product advantages in cloud-based family medical and smart medical areas, Baicheng Medical is able to assist CI Web to better connect and serve the mother-child families through the internet.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group acquired 10% equity interest of Nanjing Suichuang Xiupu Information Technology Company Limited\* (南京速創秀普信息科技有限公司) (“Suichuang Xiupu”) from a third party at the consideration of RMB10.0 million. The principal activities of Suichuang Xiupu are the provision of micro-service cloud application platform, which is a one-stop PaaS platform service designed for mother-child enterprises, providing application cloud hosting solutions to assist enterprises simplify application lifecycle management such as deployment, control, operation and maintenance; and the provision of micro-service framework, compatible mainstream open source ecosystem, specific development framework and platform without binding. Suichuang Xiupu is able to assist the small and medium-sized mother-child enterprises that are connected to CI Web to quickly establish distributed applications based on micro-service structure.

The Group invested in Nanjing Yunqulu Network Technology Company Limited\* (南京雲曲率網絡科技有限公司) (“Yunqulu”) at the consideration of RMB10.0 million. The Group accounted for 17.20% of Yunqulu’s registered capital. Yunqulu is a leading mother-child business incubator company with branches in Australia and the United States. Its core role is to provide effective incubator services for startup mother-child enterprises on the CI Web. Similar to the innovative factory in the mother-child industry, Yunqulu provides angel funding, technical support and staff training for the startup mother-child enterprises.

The Group acquired 10% equity interest of Nanjing Xinmenghui Education Technology Company Limited\* (南京芯萌匯教育科技有限公司) (“Xinmenghui”) from a third party at the consideration of RMB5.0 million. Xinmenghui is a leading service provider for online baby and children education. It provides interactive learning systems and contents to families with babies and children through a combination of unique contents, technology and system, effectively extending the online educational service capabilities of CI Web to those families.

The Group acquired 19.5% equity interest of Beijing Changsheng Clinic Company Limited\* (北京昌盛門診部有限公司) (“Changsheng”) from a third party at the consideration of RMB5.0 million. The principal activity of Changsheng is the provision of family and general medical services with an aim to serving patients in the city center.

The Group acquired 19.5% equity interest of Beijing Chengjiyuan Clinic\* (北京誠濟源診所) (“Chengjiyuan”) from a third party at the consideration of RMB5.0 million. The principal activity of Chengjiyuan is the provision of family and general medical services with an aim to serving patients in the new suburban residential areas.

The Group acquired 18.0% equity interest of CLOUD TECH LIMITED from a third party at the consideration of HK\$50.0 million. The principal activities of CLOUD TECH LIMITED are the technology development and operation combining block chain technology with the entity economy and the provision of cross-border consumer service platform, cross-border global education platform, cross-border new retail business platform, block chain information service and technology trading platform, high-speed and cross-chain trading system based on intelligence contracts, system testing for block chain security system and block chain service platform.

The Group acquired 0.82% equity interest of Shanghai Shijiu Information Technology Co., Ltd.\* (上海視九信息科技有限公司) (“Shanghai Shijiu”) from a third party at the consideration of RMB0.65 million and entrusted Shanghai Tuanshang Enterprise Management Partnership (Limited Partnership)\* (上海團尚企業管理合夥企業(有限合夥)), a third party, to hold the equity interest of Shanghai Shijiu on behalf of the Group. The principal activities of Shanghai Shijiu are the provision of system integration, application development and operation services for devices such as smart TV set-top boxes based on its leading browser technologies such as HTML5.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group acquired 18.0% equity interest of DEEPFOLIO PTY LTD from a third party at the consideration of RMB0.5 million. The principal activity of DEEPFOLIO PTY LTD is the provision of a professional investment solution for artificial intelligence empowerment. Investors can use the most advanced artificial intelligence technologies to develop quantitative investment strategies and manage their own investment.

The Group acquired 18.0% equity interest of DYNAMIC PIXEL WORKS PTY LTD from a third party at the consideration of RMB0.5 million. The principal activity of DYNAMIC PIXEL WORKS PTY LTD is to provide assistance in the animation production process with artificial intelligence technologies in order to make the process easier and faster and significantly reduce the cost of animation production.

The Group acquired 18.0% equity interest of DAILY ROBOTICS PTY LTD from a third party at the consideration of RMB0.5 million. The principal activities of DAILY ROBOTICS PTY LTD are the use of artificial intelligence technology to identify scenarios and objects with accuracy rate as high as 98% and achieves continuous improvement of accuracy by using machine learning technology under manual intervention, and the provision of API and output technical services for various businesses and industries.

The Group invested in Guangzhou Muyun Electronic Commerce Co., Ltd.\* (廣州沐雲電子商務有限公司) (“Muyun Electronic”) at the consideration of RMB4.0 million. The Group accounted for 16.0% of Muyun Electronic’s registered capital. The principal activity of Muyun Electronic is the provision of services relating to quickly set up a foreign trade independent website of global sales for vendors and offer technical support for corporate and individual online shop and operators and integrated solutions from website building to management and operation. The business is also divided into B2C cross-border e-commerce independent station and B2B export trade independent station.

The Group invested in Guangzhou Baxianguohai Information Technology Co., Ltd.\* (廣州八仙過海信息科技有限公司) (“Baxianguohai”) at the consideration of RMB5.0 million. The Group accounted for 18.0% of Baxianguohai’s registered capital. The principal activity of Baxianguohai is the establishment of an omnichannel marketing and ordering platform for enterprises. This platform helps enterprises to develop collaboration between upstream and downstream business and make real-time data decision in six aspects of order management, inventory management, fund settlement, customer operations, business reporting and procurement management.

The Group invested in Hangzhou Xianju Information Technology Co., Ltd.\* (杭州先巨信息技術有限公司) (“Xianju Information”) at the consideration of RMB10.0 million. The Group accounted for 15.0% of Xianju Information’s registered capital. The principal activity of Xianju Information is the provision of hospital management system platform in four aspects: hospital information and management open platform, mobile clinic, intelligent monitoring module and chronic disease management module. This platform provides all-round medical care from patient admission to discharge; from hospital diagnosis to home monitoring; from computer to mobile terminal; and from infant health monitoring to smart retirement.

The Group invested in Suzhou Youchao Information Technology Co., Ltd.\* (蘇州優潮信息技術有限公司) (“Youchao Information”) at the consideration of RMB7.0 million. The Group accounted for 19.0% of Youchao Information’s registered capital. The principal activity of Youchao Information is the provision of enterprise online education platform which focuses on the training of product managers. The business is divided into three aspects: enterprise orientation training, internal enterprise staff training and vocational skill training. A number of well-known internet enterprise product directors acted as lecturers. Using platform technology, users can take online open classes and participate one-on-one tutoring after school so as to achieve offline practical training, internet project practice and innovative teaching processes with internships in famous enterprises.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group invested in Zhengzhou Lishi Information Technology Co., Ltd.\* (鄭州立時信息技術有限公司) (“Lishi Information”) at the consideration of RMB6.0 million. The Group accounted for 17.0% of Lishi Information’s registered capital. The principal activity of Lishi Information is the provision of integrated platform system for digital currency exchanges based on block chain technology. This system provides services of issuance, management and trading of digital currencies. On the basis of fully supporting the Bitcoin trading system, this system further improves its digital currency trading mechanism with block chain query and management functions and continuously optimizes its core functions and increases the comprehensive functional advantages of the product by enhancing of security protection level, leveraged financial transaction system and platform promotion and operation mechanism.

The Group invested in Nanjing Qianguang Information Technology Co., Ltd.\* (南京千光信息技術有限公司) (“Qianguang Information”) at the consideration of RMB5.0 million. The Group accounted for 10.0% of Qianguang Information’s registered capital. The principal activity of Qianguang Information is the provision of user-centered system for enterprise intelligence marketing. Based on seven business modules of social business strategy, social experience management, social branding and traffic management, social sales promotion, loyalty operations management, social product innovation and social advertising services, a one-stop platform for enterprise mobile marketing is established to create a rich, open and intelligent mobile marketing ecosystem.

The Group invested in Nanjing Yuanhui Information Technology Co., Ltd.\* (南京遠匯信息技術有限公司) (“Yuanhui Information”) at the consideration of RMB5.0 million. The Group accounted for 10.0% of Yuanhui Information’s registered capital. The principal activity of Yuanhui Information is the provision of software development tool system based on artificial intelligence technology. For those who are not capable of programming, this system can help them to develop internet products easily through PC client, development tool website and mobile APP mode.

The Group invested in Nanjing Youke Workshop Information Technology Co., Ltd.\* (南京優客工坊信息技術有限公司) (“Youke Workshop”) at the consideration of RMB5.0 million. The Group accounted for 10.0% of Youke Workshop’s registered capital. The principal activity of Youke Workshop is the provision of knowledge sharing platform. This platform provides computer-related professional and technical knowledge for corporate employees and individual members and provides users with mutual learning modules, so that everyone can be a teacher. Members who obtained platform instructor certification can also organize courses to earn commissions.

The Group invested in Nanjing Mengmiao Education Technology Co., Ltd.\* (南京萌苗教育科技有限公司) (“Mengmiao Education”) at the consideration of RMB8.0 million. The Group accounted for 18.0% of Mengmiao Education’s registered capital. The principal activity of Mengmiao Education is the provision of IM system with complete solution customized for internet education industry. Products are in line with the education industry, suitable for practical educational scenarios, and truly meet the needs of the teachers. In the form of PAAS+SAAS service, the product itself serves as a platform to provide SDK for third parties. At the same time, it also provides services for different users to develop different functions based on its own platform.

The Group invested in Nanjing Suyun Xiupu Information Technology Co., Ltd.\* (南京速雲秀普信息科技有限公司) (“Suyun Xiupu”) at the consideration of RMB3.0 million. The Group accounted for 10.0% of Suyun Xiupu’s registered capital. The principal activity of Suyun Xiupu is the development of a CRM system for training institutions. This system also applies its self-developed face recognition technology to specific CRM scenarios, achieving an innovative combination of “Face Recognition + Education CRM System”.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## LOANS TO OTHER ENTITIES

The balance represents loans extended to unrelated third parties, bearing interest rates of 6.0% to 8.0% per annum for periods of 24 to 36 months. The aim of entering into these loan facility agreements with these third parties are for the long term interest of the Group. In future, by evaluating the performance of these third parties over a period, the Group has the option to invest in shares of these companies in priority.

In October 2017, Nanjing Xihui Information Technology Company Limited (“Nanjing Xihui”), a wholly-owned subsidiary of the Company, as lender entered into a loan facility agreement with a third party. The third party operates a platform for parentchild consumption. The amount of the loan facility agreement is up to RMB12.0 million, bearing interest at a rate of 6.0% per annum for a period of 36 months. The loan was guaranteed by a subsidiary of an A share listed company.

In October 2017, Xibai (Nanjing) Information Technology Company Limited, a wholly-owned subsidiary of the Company, as lender entered into a loan facility agreement with a third party. The main business for the third party is providing equipment support to medical institution and developing online platform for health consultation. The amount of the loan facility agreement is up to RMB5.0 million, bearing interest at a rate of 8.0% per annum for a period of 18 months. The contract was expired in March 2019. Pursuant to a loan facility agreement renewed by the parties in March 2019, it is interest-bearing at a rate of 8% per annum for a period of 24 months and other terms remain unchanged. The loan made to the Borrower under the loan facility agreement amounted to RMB4.0 million.

In November 2017, Xibai (Nanjing) Information Technology Company Limited, a wholly-owned subsidiary of the Company, as lender entered into a loan facility agreement with a third party. The third party provides video stream media technology and service to other security organizations. The amount of the loan facility agreement is up to RMB2.0 million, bearing interest at a rate of 6.0% per annum for a period of 36 months. As at 30 June 2019, the loan made to the Borrower under the facility agreement amounted to RMB1.0 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS

The Company's net proceeds from the Placing amounted to approximately HK\$276.4 million (the "Net Proceeds") after taking into account the partial exercise of the over-allotment option in connection with the Listing (the "Over-allotment Option"). As at 30 June 2019, the Group had utilised approximately HK\$210.9 million of the Net Proceeds. The unutilised Net Proceeds in the amount of approximately HK\$65.5 million has been deposited in banks.

Details of the original allocation of net proceeds set out in the prospectus and the revised allocation of net proceeds of the Company as at the date of this report as follows:

Use of Net Proceeds	Original	Revised	Revised	Revised	Revised	Utilized	Unutilized
	Allocation	Allocation	Allocation	Allocation	Allocation	Amount	Amount
	as at	as at	as at	as at	as at	as at	as at
	2016	2017	2018	2018	2018	2019	2019
	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
Strengthening research and development capabilities	55.3	52.8	52.8	44.8	-	-	-
Enhancing the user base and internet traffic of our platform	55.3	49.6	49.6	49.6	-	-	-
Developing our e-commerce business and related O2O business	55.3	44.9	44.9	-	-	-	-
Acquisition of or investment in other companies engaging in O2O and CBM related businesses	55.3	19.3	19.3	-	-	-	-
Enhancing marketing and promotional services	27.6	24.9	24.9	24.9	24.9	19.4	5.5
Working capital and other general corporate purposes	27.6	24.9	24.9	24.9	24.9	24.9	-
Providing loan facilities	-	60.0	-	-	-	-	-
Acquisition of property or land for the construction of the Company headquarters	-	-	60.0	60.0	60.0	-	60.0
Acquisition of or investment in companies engaging in CBM and family related business chains and companies engaging in related technology research and development	-	-	-	72.2	166.6	166.6	-
<b>Total</b>	<b>276.4</b>	<b>276.4</b>	<b>276.4</b>	<b>276.4</b>	<b>276.4</b>	<b>210.9</b>	<b>65.5</b>

For details of the Group's acquisition of or investment in related companies engaging in CBM and family related business chain and related technology research and development during the Period, please refer to "financial assets at fair value through other comprehensive income" above.

As at the date of this report, the Company has not utilized the allocated amount for acquiring property or land for the construction of the headquarters of the Company. The Company is currently in negotiations with the Management Committee of the Software Valley of Nanjing, the PRC\* (中國(南京)軟件谷管理委員會) for acquiring land for construction and development of the Group's new headquarters in the PRC. Disclosure will be made if there are any subsequent developments.

\* For identification purposes only

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION

As at 30 June 2019, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules are as follows:

### LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Nature of Interest	Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Ms. Li Juan <sup>(1)</sup>	Interest in a controlled corporation	409,200,000	
	Interest of concert party	120,000,000	
	Total:	529,200,000	51.60%
Mr. Wu Haiming <sup>(1)</sup>	Interest of spouse	529,200,000	51.60%
Mr. Cheng Li <sup>(2)</sup>	Interest in a controlled corporation	120,000,000	
	Interest of concert party	409,200,000	
	Total:	529,200,000	51.60%

Notes:

- (1) Each of Loyal Alliance Management Limited ("Loyal Alliance") and Prime Wish Holdings Limited ("Prime Wish") is directly and wholly owned by Ms. Li Juan, who is therefore deemed to be interested in all the shares held by each of Loyal Alliance and Prime Wish. Ms. Li Juan and Mr. Cheng Li entered into an acting in concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other. Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore is deemed to be interested in the interests of Ms. Li Juan.
- (2) Victory Glory Holdings Limited ("Victory Glory") is directly and wholly owned by Mr. Cheng Li, who is therefore deemed to be interested in all the shares held by Victory Glory. Ms. Li Juan and Mr. Cheng Li entered into an acting in concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERESTS IN OTHER MEMBERS OF THE GROUP (LONG POSITIONS)

Name of Director	Name of Subsidiary	Nature of Interest	Approximate Percentage of Shareholding
Ms. Li Juan <sup>(1)</sup>	Nanjing Xihui Information Technology Company Limited* (南京矽滙信息技術有限公司) (“Nanjing Xihui”) <sup>(2)</sup>	Beneficial owner	85%
	Nanjing Xinchuang Micro Machinery and Electronic Technology Company Limited* (南京芯創微機電技術有限公司) (“Nanjing Xinchuang”) <sup>(2)</sup>	Beneficial owner	85%
Mr. Wu Haiming <sup>(1)</sup>	Nanjing Xihui <sup>(2)</sup>	Interest of spouse	85%
	Nanjing Xinchuang <sup>(2)</sup>	Interest of spouse	85%
Mr. Cheng Li	Nanjing Xihui <sup>(2)</sup>	Beneficial owner	15%
	Nanjing Xinchuang <sup>(2)</sup>	Beneficial owner	15%

Notes:

(1) Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore deemed to be interested in the interests of Ms. Li Juan.

(2) Pursuant to the contractual arrangement, each of Nanjing Xinchuang and Nanjing Xihui is deemed to be a wholly owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2019, none of the Directors nor chief executives of the Company held an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 June 2019, the following persons (not being Directors or chief executives of the Company) have or be deemed or taken to have interests and/or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

### LONG POSITIONS IN THE SHARES OF THE COMPANY

Name	Nature of Interest	Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Loyal Alliance <sup>(1)</sup>	Beneficial owner	193,200,000	18.84%
Prime Wish <sup>(1)</sup>	Beneficial owner	216,000,000	21.06%
Victory Glory <sup>(2)</sup>	Beneficial owner	120,000,000	11.70%
Properous Commitment <sup>(3)</sup>	Beneficial owner	51,600,000	5.03%
TMF Trust (HK) Limited <sup>(3)</sup>	Trustee	51,600,000	5.03%

Notes:

(1) Each of Loyal Alliance and Prime Wish is directly and wholly owned by Ms. Li Juan.

(2) Victory Glory is directly and wholly owned by Mr. Cheng Li.

(3) Properous Commitment is directly held by TMF Trust (HK) Limited, a professional trustee engaged by the Company for the operation of the Share Award Plan.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors of the Company whose interests and short positions are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 June 2015 (the "Share Option Scheme") for the purpose of providing incentive or rewarding eligible persons (including the Directors or employees (whether full time or part time), consultants or advisors of our Group) for their contribution to, and continuing efforts to promote the interests of our Group and for such other purposes as the Board may approve from time to time. No share option has been granted under the Share Option Scheme since its adoption by the Company.

The Share Option Scheme became effective on the date of the Company's listing (8 July 2015) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 100,000,000 shares, representing 10% of the shares of the Company in issue as at the date of listing of the Company's shares on GEM (i.e. 8 July 2015) and 9.75% of the shares of the Company in issue as at the date of this report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Option). In addition, any share options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, are subject to Shareholders' approval in advance at a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer upon payment of a nominal consideration of RMB1 in total by the grantee. The exercise period of the share options granted is determined by the Directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the date of offer of the share options, which must be a date on which the Hong Kong Stock Exchange is open for business of dealing in securities; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately before the date of offer; and (iii) the nominal value of the Company's share as at the date of offer.

No share options were granted from the date of adoption up to 30 June 2019. Therefore, no share options were outstanding under the Scheme.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above, as at 30 June 2019, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code regarding Directors' dealings in the Company's securities. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code during the Period.

## NON-COMPETITION UNDERTAKINGS

The controlling shareholders of the Company, namely Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance Management Limited, Prime Wish Holdings Limited and Victory Glory Holdings Limited (the "Controlling Shareholders") have entered into a deed of non-competition (the "Deed of Non-competition") on 19 June 2015. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus and the non-competition undertaking has become effective from the Listing Date. So far as the Directors are aware, as at the date of this report, the Controlling Shareholders have not breached any terms under the Deed of Non-competition.

## SHARE AWARD PLAN

The Board has adopted a share award plan (the "Plan") on 6 July 2016 so as to recognize and appreciate the contribution of any qualified employees towards the growth and development of the Group. On 8 September 2016, Mr. Hsieh Kun Tse, the non-executive Director, had transferred the entire issued share capital of Properous Commitment Holdings Limited ("Properous Commitment") which in turn holds 51,600,000 of the Shares of the Company, to TMF Trust (HK) Limited at nil consideration. The trustee holds on trust the award Shares for the benefit of the selected employees in accordance to the terms of the trust deed, until such award Shares are vested in the relevant selected employees in accordance with this Plan. For details of the Plan, please refer to the announcements of the Company dated 7 July 2016 and 14 July 2016. To the best knowledge of the Directors, as at the date of this report, both Properous Commitment and TMF Trust (HK) Limited have complied with the terms of the trust deed.

As at the date of this report, no Shares have been granted to qualified employees under the Plan.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH QUALIFICATION REQUIREMENTS AND LAWS AND REGULATIONS

The Group's primary business is considered to be value-added telecommunications service, a sector where foreign investment is subject to significant restrictions under the current PRC laws and regulations. Accordingly, with the restriction of the current PRC laws and regulations and the implementation of local competent authorities, the Company cannot acquire Nanjing Xihui and Nanjing Xinchuang, which hold certain licenses and permits required for our primary business. As a result, the Group entered into a series of contractual arrangement with Nanjing Xihui and Nanjing Xinchuang and their respective registered shareholders (the "Structural Contract") in order to conduct the said business, and to assert management control over the operations of and enjoy the economic benefits derived from Nanjing Xihui and Nanjing Xinchuang. For details of the Contractual Arrangement, please refer to the section headed "Contractual Arrangement" of the 2018 Annual Report.

In addition, under the current PRC laws and regulations, a foreign investor intending to acquire any equity interest in a value-added telecommunications business in the PRC must also demonstrate a good track record and possess operating experience in providing value-added telecommunications services overseas ("Qualification Requirements").

So far as the Directors are aware, as at the date of this report, the Company has taken all reasonable steps to ensure that such Qualification Requirements are met if and when the PRC laws and competent authorities substantially allow foreign investors to invest in value-added telecommunications services in the PRC. The Company will continue to communicate with the relevant governmental authorities and provide updates where necessary.

Due to the nature of our business, the Company is significantly affected by PRC laws and regulations, including laws and regulations of telecommunications services, those relevant to advertising service, information security and privacy protection as well as intellectual property rights. As far as the Directors are aware, the Company had no material breach of any relevant laws and regulations as at 30 June 2019. The Company reduced its potential legal risk through different management and monitoring systems, such as regular review of the effectiveness of internal control system, defined duty division and provided training to employees and management related to such laws and regulations and recruit legal adviser as professional consultant.

## COMPETING INTERESTS

So far as the Directors are aware, as at the date of this report, none of the Directors or the Controlling Shareholders and their respective close associates has any interests in a business which competes or may compete with the business of the Group or have any other conflict of interests with the Group.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the Audit Committee are to review the Company's annual reports and accounts and interim reports, the financial reporting, risk management and internal control systems of the Group and to provide advice to the Board. The Audit Committee consists of two independent non-executive Directors, namely Mr. Wu Chak Man (chairman of the Audit Committee) and Mr. Ge Ning, and one non-executive Director, namely Ms. Li Juan. The Audit Committee has reviewed the unaudited interim results of the Group for the Period and interim report. The interim condensed consolidated financial statements for the Period have not been audited.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## RISKS AND UNCERTAINTIES

Our Group believes that there are certain risks and uncertainties in our operations, some of which are beyond the Group's control, including (i) the Group is unable to guarantee that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will comply with future PRC laws and regulations, including but not limited to the new draft of the Foreign Investment Law of the People's Republic of China (中華人民共和國外國投資法); (ii) the Group relied on its major customers during the Period, hence new businesses may not be successfully developed and introduced going forward; and (iii) the future revenue of the Group relies significantly on the marketing and promotional services provided. However, providing such services was affected by numerous uncertainties and may be resulted in the decrease of the Group's revenue. The Directors of the Company have formulated relevant monitoring and responding measures in order to protect the business of the Group. Meanwhile, the Board will review the completeness and accuracy of its risk assessment and risk report and the appropriateness of its controlling measures. Moreover, the Group will proactively development diversified business and expand its business segments to diversify income source; (iv) The Company's investment scale is expanding which results in the failure to carry out timely and effective management that may affect realization of investment expectations. The Company pays close attention to investment risks and has established an investment team to make recommendations on investment matters. Our financial department, legal and other relevant professional teams are responsible for the managing the relevant risks and follow-up of post-investment management. The Company has established an investment management system to implement relevant risk management and internal control measures. The Company also obtains relevant professional experience and knowledge by consulting external experts.

## CORPORATE GOVERNANCE CODE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. To the best knowledge of the Directors, the Company had complied with all the code provisions as set out in the CG Code during the Period.

By order of the Board  
**China Parenting Network Holdings Limited**  
**Cheng Li**  
*Executive Director and Chief Executive Officer*

Nanjing, the PRC, 30 August 2019

*As at the date of this report, the executive Directors are Mr. CHENG Li, Mr. HU Qingyang, and Mr. ZHANG Lake Mozi; the non-executive Directors are Mr. WU Haiming, Ms. LI Juan and Mr. HSIEH Kun Tse; and the independent non-executive Directors are Mr. WU Chak Man, Mr. ZHAO Zhen and Mr. GE Ning.*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2019  
(Expressed in thousands of Renminbi)

The board of directors (the "Board") of China Parenting Network Holdings Limited (the "Company") hereby presents the unaudited interim report of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2019 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

		<b>For the six months ended 30 June</b>	
	Note	<b>2019 (Unaudited) RMB'000</b>	2018 (Unaudited) RMB'000
<b>Revenue</b>	5	<b>50,857</b>	46,320
Cost of sales		<b>(19,951)</b>	(10,819)
<b>Gross profit</b>		<b>30,906</b>	35,501
Other income and gains	5	<b>5,752</b>	1,333
Other expenses		<b>(91)</b>	(3)
Administrative expenses		<b>(8,679)</b>	(7,711)
Selling and distribution expenses		<b>(8,648)</b>	(4,580)
Research and development costs		<b>(5,019)</b>	(6,378)
Finance costs	7	<b>(1,468)</b>	(34)
<b>Profit before tax</b>	6	<b>12,753</b>	18,128
Income tax expenses	8	<b>(270)</b>	(151)
<b>Profit for the period</b>		<b>12,483</b>	17,977
<b>Profit attributable to:</b>			
Owners of the parent		<b>12,530</b>	18,167
Non-controlling interests		<b>(47)</b>	(190)
		<b>12,483</b>	17,977
		<b>RMB cents</b>	RMB cents
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted	9	<b>1.22</b>	1.77

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2019  
(Expressed in thousands of Renminbi)

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Profit for the period</b>	<b>12,483</b>	17,977
<b>Other comprehensive (loss)/income, net of tax:</b>		
Items that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income	<b>(507)</b>	–
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(498)</b>	565
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(1,005)</b>	565
<b>Total comprehensive income for the period</b>	<b>11,478</b>	18,542
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the parent	<b>11,525</b>	18,732
Non-controlling interests	<b>(47)</b>	(190)
	<b>11,478</b>	18,542

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

(Expressed in thousands of Renminbi)

	Note	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	858	703
Long-term receivables	11	28,195	26,509
Right-of-use assets		4,493	–
Other financial assets	12	262,617	262,192
Deferred tax assets		13	22
		<b>296,176</b>	289,426
<b>Current assets</b>			
Inventories		110	119
Trade receivables	13	42,693	22,495
Contract assets	14	34,686	54,561
Prepayments, deposits and other receivables	15	11,818	4,233
Other financial assets	12	2,150	–
Time deposit with original maturity over three months	16	60,000	–
Cash and cash equivalents	16	53,631	86,251
		<b>205,088</b>	167,659
<b>Current liabilities</b>			
Trade payables		–	2,269
Contract liabilities		2,203	2,211
Other payables and accruals	17	9,218	11,665
Lease liabilities		2,145	–
Tax payable		6,794	5,689
Interest-bearing bank borrowings	18	43,000	11,000
		<b>63,360</b>	32,834
<b>Net current assets</b>		<b>141,728</b>	134,825
<b>Total assets less current liabilities</b>		<b>437,904</b>	424,251
<b>Non-current liabilities</b>			
Lease liabilities		2,003	–
Deferred tax liabilities		2,441	2,269
		<b>4,444</b>	2,269
<b>NET ASSETS</b>		<b>433,460</b>	421,982
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		8,090	8,090
Reserves		425,429	413,904
		<b>433,519</b>	421,994
<b>Non-controlling interests</b>		<b>(59)</b>	(12)
<b>TOTAL EQUITY</b>		<b>433,460</b>	421,982

Cheng Li  
Director

Zhang Lake Mozi  
Director

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019  
(Expressed in thousands of Renminbi)

	Attributable to owners of the Company							Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium* RMB'000	Reserves funds* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Fair value reserve* RMB'000	Retained profits* RMB'000			
<b>At 1 January 2019 (audited)</b>	8,090	224,688	19,190	16,842	19,492	7,366	126,326	421,994	(12)	421,982
Profit for the period	-	-	-	-	-	-	12,530	12,530	(47)	12,483
Other comprehensive (loss)/income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	(498)	-	-	(498)	-	(498)
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	(507)	-	(507)	-	(507)
Total comprehensive (loss)/income for the period	-	-	-	-	(498)	(507)	12,530	11,525	(47)	11,478
Appropriation of statutory reserves	-	-	979	-	-	-	(979)	-	-	-
<b>At 30 June 2019 (unaudited)</b>	8,090	224,688	20,169	16,842	18,994	6,859	137,877	433,519	(59)	433,460
<b>At 1 January 2018 (audited)</b>	8,090	224,688	16,176	16,842	14,175	-	100,823	380,794	(1,494)	379,300
Profit for the period	-	-	-	-	-	-	18,167	18,167	(190)	17,977
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	565	-	-	565	-	565
Total comprehensive income/(loss) for the period	-	-	-	-	565	-	18,167	18,732	(190)	18,542
Appropriation of statutory reserves	-	-	3,172	-	-	-	(3,172)	-	-	-
<b>At 30 June 2018 (unaudited)</b>	8,090	224,688	19,348	16,842	14,740	-	115,818	399,526	(1,684)	397,842

\* These reserve accounts comprise the consolidated reserves of RMB425,429,000 (30 June 2018: RMB391,436,000) in the interim condensed consolidated statement of financial position.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019  
(Expressed in thousands of Renminbi)

	Note	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Operating activities</b>			
Profit before tax		12,753	18,128
Adjustments for:			
Depreciation of property, plant and equipment	6	153	189
Depreciation of right-of-use assets	6	1,199	–
Finance costs	7	1,468	34
Provision for impairment on trade receivables	6	28	–
Reversal of impairment on contract assets	6	(28)	–
Written off of inventories	6	9	–
Bank interest income	5	(628)	(103)
Other interest income	5	(634)	(555)
Staff costs arising from interest-free loans to employees		160	–
Loss on disposal of property, plant and equipment	6	–	3
Foreign exchange differences, net	6	(345)	135
		14,135	17,831
<b>Operating cash flows before working capital changes</b>			
Increase in prepayments, deposits and other receivables		(7,324)	(3,506)
Increase in trade receivables		(20,226)	(6,307)
Decrease in contract assets		19,903	–
Decrease/(increase) in long-term receivables		29	(144)
Decrease in inventories		–	4
(Decrease)/increase in contract liabilities		(8)	2,991
Decrease in trade payables		(2,280)	(433)
Decrease in other payables and accruals		(2,447)	(2,386)
		1,782	8,050
<b>Cash generated from operations</b>			
Income tax refund/(paid)		858	(318)
		2,640	7,732
<b>Net cash flows generated from operating activities</b>			



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019  
(Expressed in thousands of Renminbi)

	Note	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Investing activities</b>			
Refund of deposit paid for property, plant and equipment		–	60,101
Purchases of items of property, plant and equipment		(308)	(502)
Loan to employees		(2,100)	(1,953)
Repayment of loan to employees		120	2,500
Loan to others		–	(2,000)
Repayment of loan to others		–	5,015
Purchases of unlisted equity investments		–	(88,000)
Purchases of bank product investments		(2,150)	–
Interest received		628	658
Increase in time deposits with original maturity over three months		(60,000)	(109,425)
<b>Net cash used in investing activities</b>		<b>(63,810)</b>	<b>(133,606)</b>
<b>Financing activities</b>			
Repayment of bank loans		(8,000)	–
Interest paid		(1,340)	(34)
Principal portion of lease liabilities		(1,445)	–
New bank borrowings		40,000	2,000
<b>Net cash generated from financing activities</b>		<b>29,215</b>	<b>1,966</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(31,955)</b>	<b>(123,908)</b>
Cash and cash equivalents at beginning of the period		86,251	198,152
Effect of foreign exchange rate changes, net		(665)	603
<b>Cash and cash equivalents at end of the period</b>	16	<b>53,631</b>	<b>74,847</b>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 13 October 2014 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 July 2015 (the "Listing Date"). Upon approval by the Stock Exchange on 27 September 2018, the shares of the Company were listed on the Main Board on 8 October 2018 and delisted from the GEM since the last day of trading on 5 October 2018.

The principal activity of the Company is investment holding. The Group are principally engaged in (i) the provision of marketing and promotional services through the Group's platform, including CI Web, mobile CI Web, Mobile Application Software ("APPS") and IPTV APPS; and (ii) e-commerce business in China. There has been no significant change in the Group's principal activities during the period.

In the opinion of the directors of the Company, as of the date of approval of these financial statements, Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance Management Limited, Prime Wish Holdings Limited and Victory Glory Holdings Limited are the Company's controlling shareholders.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the International Accounting Standards ("IAS") 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with those of the annual report for the year ended 31 December 2018.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual report for the year ended 31 December 2018, except for the accounting policy changes that are expected to be reflected in the annual report for the year ended 31 December 2019. Details of any changes in accounting policies are set out in note 3.

The unaudited consolidated results for the six months ended 30 June 2019 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial statements. The nature and impact of the new and revised IFRSs are described below:

- (a)** IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases — Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, if any, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

### *New definition of a lease*

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### (a) (continued)

*As a lessee — Leases previously classified as operating leases*

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- Elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within 12 months of the date of initial application. In this case, a lessee:
  - (i) accounts for those leases in the same way as short-term leases; and
  - (ii) includes the cost associated with those leases within the disclosure of short-term lease expense in the annual reporting period that includes the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

The Group has not early adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### (a) (continued)

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	(Unaudited) RMB'000
<b>Assets</b>	
Right-of-use assets	5,621
Prepayments, deposits and other receivables	(228)
<b>Total assets</b>	<b>5,393</b>
<b>Liabilities</b>	
Lease liabilities	5,393
<b>Total liabilities</b>	<b>5,393</b>

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	(Unaudited) RMB'000
<b>Operating lease commitments as at 31 December 2018</b>	<b>5,935</b>
Weighted average incremental borrowing rate as at 1 January 2019	4.65%
Discounted operating lease commitments at 1 January 2019	5,393
<b>Lease liabilities as at 1 January 2019</b>	<b>5,393</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### (a) (continued)

#### *Summary of new accounting policies*

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

#### *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

#### *Lease liabilities*

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### (a) (continued)

*Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss*

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follow:

	Right-of- use assets Buildings (Unaudited) RMB'000	Lease liabilities (Unaudited) RMB'000
As at 1 January 2019	5,621	5,393
Additions	70	70
Depreciation expense	(1,199)	–
Interest expense	–	128
Payments	–	(1,445)
Exchange realignment	1	2
As at 30 June 2019	4,493	4,148
Analysed as:		
Current		2,145
Non-current		2,003
		4,148

- (b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The interpretation did not have any significant impact on the Group's interim condensed consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 4 OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of marketing and promotional services through the Group's platform and e-commerce business.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

### Geographical information

During the period, the Group operated within one geographical segment because nearly all of its revenue was generated in the Mainland China and all of its long-term assets/capital expenditure were located/incurred in the Mainland China. Accordingly, no geographical segment information is presented.

### Information about major customers

For the six months ended 30 June 2019, revenue of approximately RMB17,828,000 (six months ended 30 June 2018: RMB15,982,000) was derived from sales of marketing and promotional service to top three customers. Details are disclosed as follows:

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Customer A	6,819	5,944
Customer B	6,251	5,830
Customer C	4,758	4,208
	<b>17,828</b>	15,982



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 5 REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Revenue</b>		
Marketing and promotional services	50,840	46,228
E-commerce	17	92
	<b>50,857</b>	46,320
<b>Other income and gains</b>		
Bank interest income	628	103
Other interest income	634	555
Foreign exchange gain/(loss), net	345	(135)
Government grants — related to expense (note)	4,062	465
Other income	83	345
	<b>5,752</b>	1,333

Note:

Government grants were received from the government of the Mainland China mainly to encourage the Group's efforts on development and innovation or as listing incentives. There are no unfulfilled or contingencies relating to the grants.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 6 PROFIT BEFORE TAX

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

	Note	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Cost of inventories sold		–	7
Cost of services provided		10,822	2,745
Depreciation of property, plant and equipment		153	189
Depreciation of right-of-use assets		1,199	–
Research and development costs:			
Current period expenditure		5,019	6,378
Minimum lease payments under operating leases		–	984
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		12,295	11,183
Pension scheme contributions (defined contribution scheme)		912	665
Loss on disposal of items of property, plant and equipment	10	–	3
Written off of inventories		9	–
Foreign exchange differences, net	5	(345)	135
Provision for impairment on trade receivables		28	–
Reversal of impairment on contract assets		(28)	–
Bank interest income	5	(628)	(103)
Other interest income	5	(634)	(555)
Government grants	5	(4,062)	(465)
Other income	5	(83)	(345)

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 7 FINANCE COSTS

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Interest on bank borrowings	390	34
Interest on discounted bill	950	–
Interest expense on lease liabilities	128	–
	<b>1,468</b>	34

## 8 INCOME TAX EXPENSES

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Under the relevant income tax law, the Mainland China subsidiaries are subject to income tax at a statutory rate of 25% on their respective taxable income, except for Nanjing Xibai, Nanjing Xile, Khorgos Xizhi and Nanjing Xihui.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》) promulgated by the State Council on 20 April 2012, if a corporate enterprise is recognised as a software enterprise, from tax filing at its first profitable year, the corporate enterprise can enjoy a preferential treatment (i.e., 2-year exemption and 3-year half payment). Nanjing Xibai and Nanjing Xile have been recognised as software enterprises since 27 May 2016 and filed in local tax bureau. Therefore, Nanjing Xibai would be exempted from income tax for their first two profitable years (i.e., 2015 and 2016) followed by a preferential income tax rate of 12.5% from 2017 to 2019. Nanjing Xile would be exempted from income tax for their first two profitable years (i.e., 2017 and 2018) followed by a preferential income tax rate of 12.5% from 2019 to 2021.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Xinjiang Uygur Autonomous Region and Xinjiang Kashgar Autonomous Region (《財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》) promulgated by the State Council on 29 November 2011, if a corporate enterprise is newly established within calendar years 2010 to 2020 in two specific regions with business fallen in the scope of the Catalogue of Preferred Enterprise Income Tax for Key Encouraged Industries in Poor Areas of Xinjiang (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》), the corporate enterprise can enjoy a preferential treatment (i.e., 5-year exemption) from the first year when the entity begins to generate revenue. Khorgos Xizhi is exempted from income tax from calendar years 2017 to 2020 upon an approval by the State Taxation Bureau of the Xinjiang Uygur Autonomous Region in October 2017.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 8 INCOME TAX EXPENSES (CONTINUED)

Pursuant to the Notice of the Ministry of Science and Technology, the Ministry of Finance, and the State Administration of Taxation on Revising and Issuing the Measures for the Administration of the Certification of High-tech Enterprises (《科技部、財政部、國家稅務總局關於修訂印發《高新技術企業認定管理辦法》的通知》) promulgated by the State Council on 19 June 2017, if a corporate enterprise is recognised as a high-tech enterprise, the corporate enterprise can enjoy a preferential income tax rate of 15%. Nanjing Xihui has been recognised as a high-tech enterprise since 30 November 2018 and filed in local tax bureau. Therefore, Nanjing Xihui would enjoy a preferential income tax rate of 15% from 2018 to 2020.

The income tax expenses of the Group are analysed as follows:

	<b>For the six months ended 30 June</b>	
	<b>2019 (Unaudited) RMB'000</b>	<b>2018 (Unaudited) RMB'000</b>
<b>Current tax — Mainland China</b>		
Provision for the period	<b>1,596</b>	151
Over-provision in respect of prior periods	<b>(1,349)</b>	–
	<b>247</b>	151
<b>Deferred tax</b>		
Origination of temporary differences	<b>23</b>	–
Total tax charge for the period	<b>270</b>	151

## 9 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares of 1,025,662,000 (2018: 1,025,662,000) in issue during the six months ended 30 June 2019 and 2018. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: RMBNil).

There were no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019 and 2018, and therefore the diluted earnings per share amount is equivalent to the basic earnings per share.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 9 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	<b>12,530</b>	18,167
	Number of shares For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue	<b>1,025,662,000</b>	1,025,662,000
	For the six months ended 30 June	
	2019 (Unaudited) RMB cents	2018 (Unaudited) RMB cents
Earnings per share attributable to ordinary equity holders of the parent		
— Basic and diluted	<b>1.22</b>	1.77

## 10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of approximately RMB308,000 (six months ended 30 June 2018: RMB502,000).

Assets with a net book value of RMBNil were disposed of by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB3,000), resulting in a net loss on disposal of RMBNil (six months ended 30 June 2018: RMB3,000).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 11 LONG-TERM RECEIVABLES

	Note	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Rental deposit		918	944
Loans to employees	(i)	7,882	6,046
Loan to others	(ii)	19,395	19,519
<b>Total</b>		<b>28,195</b>	26,509

Notes:

- (i) Since September 2016, the Group had begun to offer certain employees interest-free loans which amounted to no more than RMB15,000,000 in aggregate. The employees, including key management personnel, who have served the Group for more than three years can apply for such interest-free loans to purchase home properties. The balance, including interest-free loans to key management personnel of RMB1,831,000 (31 December 2018: RMB1,847,000), represents the interest-free loans to employees (note 21(a)) which will be repaid within two to five years. The current portion which will be repaid within one year is presented in note 15.
- (ii) As at 30 June 2019, included in the balances was a loan measured at fair value of RMB13,875,000 (31 December 2018: RMB14,113,000), made to a private company, Nanjing Qianyu Information Technology Company Limited (「南京千魚信息技術有限公司」) ("Nanjing Qianyu"), at interest rate of 6.0% per annum for a period of 36 months. The directors of the Company are of the opinion that this loan facility agreement is for the long-term interest of the Group. In future, by evaluating the performance of Nanjing Qianyu over a period, the Group has the option to invest in shares of Nanjing Qianyu in priority. The loan was guaranteed by a subsidiary, Jiangsu Wansheng Weiye Network Technology Company Limited (「江蘇萬聖偉業網絡科技有限公司」) of an A-share company.

The balance as at 30 June 2019 also included loans with interest of RMB4,433,000 (31 December 2018: RMB4,349,000) and RMB1,087,000 (31 December 2018: RMB1,057,000) extended to two third parties, Beijing Hongwei Technology Company Limited (「北京宏偉科技有限公司」) and Shenzhen Feishikang Technology Company Limited (「深圳飛視康科技有公司」), respectively, bearing interest rates of 6.0% to 8.0% per annum for periods of 24 to 36 months.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 12 OTHER FINANCIAL ASSETS

	Note	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
<b>Current assets:</b>			
<b>Financial assets at fair value through profit or loss (FVPL)</b>			
Bank product investments	(i)	2,150	–
<b>Non-current assets:</b>			
<b>Equity investments designated at fair value through other comprehensive income (FVOCI)</b>			
Unlisted equity securities	(ii), (iii)	262,617	203,502
Prepayment for unlisted equity securities	(ii), (iv)	–	58,690
		<b>262,617</b>	262,192
Total other financial assets		<b>264,767</b>	262,192

Notes:

- (i) The bank product investments were wealth management products, principal not guaranteed with floating return ranging from 3.71% to 4.65%, issued by banks in the Mainland China. These products are redeemed at any time. They were mandatorily classified as financial assets at FVPL as their contractual cash flow are not solely payments of principle and interest.
- (ii) The unlisted equity securities and the relevant prepayment were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature. No dividends were received on these equity securities during the period (six months ended 30 June 2018: RMBNil). During the period ended 30 June 2019, the fair value gain recognised in the statement of other comprehensive income amounted to RMB249,000 (six months ended 30 June 2018: RMBNil). Details on the Group's fair value measurement are set out in note 23.
- (iii) The balances include RMB115,037,000 (31 December 2018: RMB114,052,000) of unlisted equity securities with derivative embedded which represents the Company's options to request for investees to repurchase the equity shares in certain situations including the investees' failure in meeting specific profits guarantee or developing specific techniques, fundamental change in investees' principal activities and/or investees and original shareholders violated integrity and damaged the investees' interest.
- (iv) During the period, the prepayment for unlisted equity securities were recognised as unlisted equity securities upon the completion of the changes of shareholders registration.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 13 TRADE RECEIVABLES

	<b>30 June 2019 (Unaudited) RMB'000</b>	31 December 2018 (Audited) RMB'000
Trade receivables	<b>42,743</b>	22,517
Impairment	<b>(50)</b>	(22)
	<b>42,693</b>	22,495

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 to 180 days after date of invoices, depending on contracts with individual customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to customers with a good track record, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	<b>30 June 2019 (Unaudited) RMB'000</b>	31 December 2018 (Audited) RMB'000
Within 3 months	<b>23,472</b>	12,099
3 to 6 months	<b>12,738</b>	4,628
6 months to 1 year	<b>2,799</b>	1,941
1 to 2 years	<b>3,545</b>	3,687
2 to 3 years	<b>139</b>	140
	<b>42,693</b>	22,495



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 14 CONTRACT ASSETS

	<b>30 June 2019 (Unaudited) RMB'000</b>	31 December 2018 (Audited) RMB'000
Contract assets arising from marketing and promotional services	<b>34,725</b>	54,628
Impairment	<b>(39)</b>	(67)
	<b>34,686</b>	54,561

Contract assets are initially recognised for revenue earned from the marketing and promotional services as the receipt of consideration is conditional on successful completion of services. Included in contract assets for marketing and promotional services are retention receivables. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at the end of the reporting period is as follows:

	<b>30 June 2019 (Unaudited) RMB'000</b>	31 December 2018 (Audited) RMB'000
Within one year	<b>34,686</b>	54,561

## 15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2019 (Unaudited) RMB'000</b>	31 December 2018 (Audited) RMB'000
Prepaid expenses	<b>616</b>	1,222
Employee advances	<b>1,143</b>	661
Deposits	<b>103</b>	29
Other receivables	<b>8,128</b>	637
Current portion of loans to employees (note 11(i))	<b>1,828</b>	1,684
	<b>11,818</b>	4,233

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 16 CASH AND CASH EQUIVALENTS

	<b>30 June 2019 (Unaudited) RMB'000</b>	31 December 2018 (Audited) RMB'000
Total cash and bank balances	<b>113,631</b>	86,251
Less: Time deposit with original maturity over three months (note (i))	<b>60,000</b>	–
Cash and cash equivalents (note (ii))	<b>53,631</b>	86,251

Notes:

- (i) At the end of the reporting period, the cash and cash equivalents of the Group amounted to RMB53.6 million (31 December 2018: RMB86.3 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (ii) Time deposits with original maturity over three months are made for varying periods of three months to one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The time deposits are deposited with creditworthy banks with no recent history of default.

## 17 OTHER PAYABLES AND ACCRUALS

	<b>30 June 2019 (Unaudited) RMB'000</b>	31 December 2018 (Audited) RMB'000
Other payables	<b>1,260</b>	1,321
Accruals	<b>111</b>	13
Other tax payables	<b>5,491</b>	6,098
Employee related payables	<b>2,356</b>	4,233
	<b>9,218</b>	11,665

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 18 INTEREST-BEARING BANK BORROWINGS

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans, unsecured	3.45%–4.35%	2019–2020	43,000	4.35%	2019	11,000
				<b>30 June 2019 (Unaudited) RMB'000</b>	<b>31 December 2018 (Audited) RMB'000</b>	
Analysed into:						
Bank loans:						
Within one year or on demand				43,000	11,000	

The Group's bank facilities amounted to RMB43,000,000 (31 December 2018: RMB11,000,000), all of which had been utilised as at the end of the reporting period and will be settled within one year.

## 19 CONTINGENT LIABILITIES

As at the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

## 20 OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Properties (Audited) RMB'000</b>
Within one year	2,524
In the second to fifth years, inclusive	3,411
	5,935

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 20 OPERATING LEASE ARRANGEMENTS (CONTINUED)

### As lessee (continued)

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3(a)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the interim condensed consolidated statement of financial position in accordance with the policies set out in note 3(a).

## 21 RELATED PARTY TRANSACTIONS

(a) Material transactions with key management personnel:

	<b>30 June 2019 (Unaudited) RMB'000</b>	31 December 2018 (Audited) RMB'000
For the period/year		
Maximum aggregate amount of loans	<b>1,847</b>	7,350
At the period/year-end		
Loans to key management personnel	<b>1,831</b>	1,847

The loans granted to key management personnel who are not directors of the Company are interest-free housing loans and have fixed terms of repayment of five years, which are included in loans to employees in note 11(i).

(b) Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June 2019 (Unaudited) RMB'000</b>	2018 (Unaudited) RMB'000
Short term employee benefits	<b>1,969</b>	1,500
Pension scheme contributions	<b>131</b>	65
	<b>2,100</b>	1,565

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 22 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### As at 30 June 2019

#### Financial assets

	Financial assets at amortised cost (Unaudited) RMB'000	Financial assets at FVPL (Unaudited) RMB'000	Financial assets at FVOCI (Unaudited) RMB'000	Total (Unaudited) RMB'000
Long-term receivables	13,402	–	13,875	27,277
Other financial assets	–	2,150	262,617	264,767
Trade receivables	42,693	–	–	42,693
Contract assets	34,686	–	–	34,686
Financial assets included in prepayments, deposits and other receivables	11,099	–	–	11,099
Time deposit with original maturity over three months	60,000	–	–	60,000
Cash and cash equivalents	53,631	–	–	53,631
	215,511	2,150	276,492	494,153

#### Financial liabilities

	Financial liabilities at amortised cost (Unaudited) RMB'000
Interest-bearing bank borrowings	43,000
Financial liabilities included in other payables and accruals	1,260
	44,260

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 22 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

As at 31 December 2018

*Financial assets*

	Financial assets at amortised cost (Audited) RMB'000	Financial assets at FVOCI (Audited) RMB'000	Total (Audited) RMB'000
Long-term receivables	11,452	14,113	25,565
Other financial assets	–	262,192	262,192
Trade receivables	22,495	–	22,495
Contract assets	54,561	–	54,561
Financial assets included in prepayments, deposits and other receivables	2,982	–	2,982
Cash and cash equivalents	86,251	–	86,251
	177,741	276,305	454,046

*Financial liabilities*

	Financial liabilities at amortised cost (Audited) RMB'000
Interest-bearing bank borrowings	11,000
Financial liabilities included in other payables and accruals	1,321
Trade payables	2,269
	14,590

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 23 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
<b>Financial assets</b>				
Long-term receivables	27,277	25,565	27,277	25,565
Other financial assets	264,767	262,192	264,767	262,192
	<b>292,044</b>	287,757	<b>292,044</b>	287,757
<b>Financial liabilities</b>				
Interest-bearing bank borrowings	43,000	11,000	43,000	11,000

Management has assessed that the fair values of cash and cash equivalents, time deposit with original maturity over three months, trade receivables, financial assets included in prepayments, deposits and other receivables, contract assets, trade payables and financial liabilities included in other payables and accruals, based on their notional amounts, reasonably approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of financial assets and liabilities at amortised costs included in long term receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credits risk and remaining maturities.

The fair value of financial assets at FVPL under Level 2 included bank product investments which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by discounting the expected future cash flow based on the market interest rates of instruments with similar terms and risk.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 23 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of financial assets at FVOCI under Level 3 included certain long term receivables and unlisted equity investments which have been assessed by the Appraiser using the valuation techniques of (i) income approach for well-developed and structured companies, (ii) market-based approach for new and growing companies, (iii) Black Scholes Model for financial assets with derivative embedded. The following table provides information about Level 3 fair value measurements.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2019 and 31 December 2018:

Financial assets	Valuation techniques	Significant unobservable input
Financial assets at FVOCI included in long-term receivables	Income approach and Black Scholes Model	Expected volatility of 44% (31 December 2018: 42%), taking into account volatility in listed entities in similar industry extracted from the financial database of Wind (萬得信息技術股份有限公司) ("Wind") (note (i))
Unlisted equity securities and prepayment for unlisted equity securities	Income approach	Long-term revenue growth rates, taking into account management's experience ranging from 3% to 200% (31 December 2018: ranging from 13% to 150%) (note (ii))  Discount rate, taking into account of WACC determined using the CAPM, ranging from 14.3% to 17% (31 December 2018: ranging from 13.8% to 15.2%) (note (iii))
	Market comparable companies	Discount for lack of marketability, determined by reference to the price/sales ratios of listed entities in similar industries extracted from database of Wind, ranging from 3.7 to 11.8 (31 December 2018: ranging from 3.7 to 6.8) (note (iv))
	Black Scholes Model	Expected volatility ranging from 26% to 44% (31 December 2018: ranging from 25% to 43%), taking into account the volatility in listed and unlisted entities in similar industry extracted from database of Wind (note (i))



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

## 23 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Notes:

- (i) An increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the financial assets at FVOCI included in long-term receivables and unlisted equity securities respectively, and vice versa. 5% increase/decrease in the volatility holding all other variables constant would increase/decrease the carrying amount of the financial assets at FVOCI included in long-term receivables and unlisted equity securities by RMB161,000 and RMB1,016,000 respectively (31 December 2018: RMB238,000 and RMB1,385,000 respectively).
- (ii) An increase in the long-term revenue growth rates used in isolation would result in an increase in the fair value measurement of the unlisted equity securities, and vice versa. 2% increase/decrease in the long-term revenue growth rates holding all other variables constant would increase/decrease the carrying amount of the unlisted equity securities by RMB1,030,000 (31 December 2018: RMB2,778,000).
- (iii) An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the unlisted equity securities, and vice versa. 2% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the unlisted equity securities by RMB2,810,000 (31 December 2018: RMB1,889,000).
- (iv) An increase in the price/sale ratios used in isolation would result in an increase in the fair value measurement of the unlisted equity investments, and vice versa. 5% increase/decrease in the price/sale ratio holding all other variables constant would increase/decrease the carrying amount of the unlisted equity investments by RMB1,660,000 (31 December 2018: RMB1,830,000).

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments for which fair values are disclosed:

As at 30 June 2019

	Fair value measurement using			Total (Unaudited) RMB'000
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
<b>Financial assets</b>				
Long-term receivables	–	–	13,875	13,875
Other financial assets	–	2,150	262,617	264,767
	–	2,150	276,492	278,642

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(Expressed in thousands of Renminbi)

## 23 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value hierarchy (continued)

As at 31 December 2018

	Quoted prices in active markets (Level 1) (Audited) RMB'000	Fair value measurement using		Total (Audited) RMB'000
		Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
<b>Financial assets</b>				
Long-term receivables	–	–	14,113	14,113
Other financial assets	–	–	262,192	262,192
	–	–	276,305	276,305

The movements in fair value measurements within Level 3 during the period are as follows:

	Financial assets at FVOCI included in long-term receivables RMB'000	Financial assets at FVOCI included in other financial assets RMB'000	Total RMB'000
At 1 January 2019 (audited)	14,113	262,192	276,305
Loan interest receivable	360	–	360
Exchange realignment	–	176	176
Changes in fair value recognised in other comprehensive income	(598)	249	(349)
At 30 June 2019 (unaudited)	13,875	262,617	276,492

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six month ended 30 June 2018: RMBNil).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

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## 24 EVENT AFTER THE REPORTING PERIOD

There was no material subsequent event during the period from 30 June 2019 to the approval date of these interim condensed consolidated financial statements.

## 25 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

## 26 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2019.