



Jiu Zun Digital Interactive Entertainment Group Holdings Limited
九尊數字互娛集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

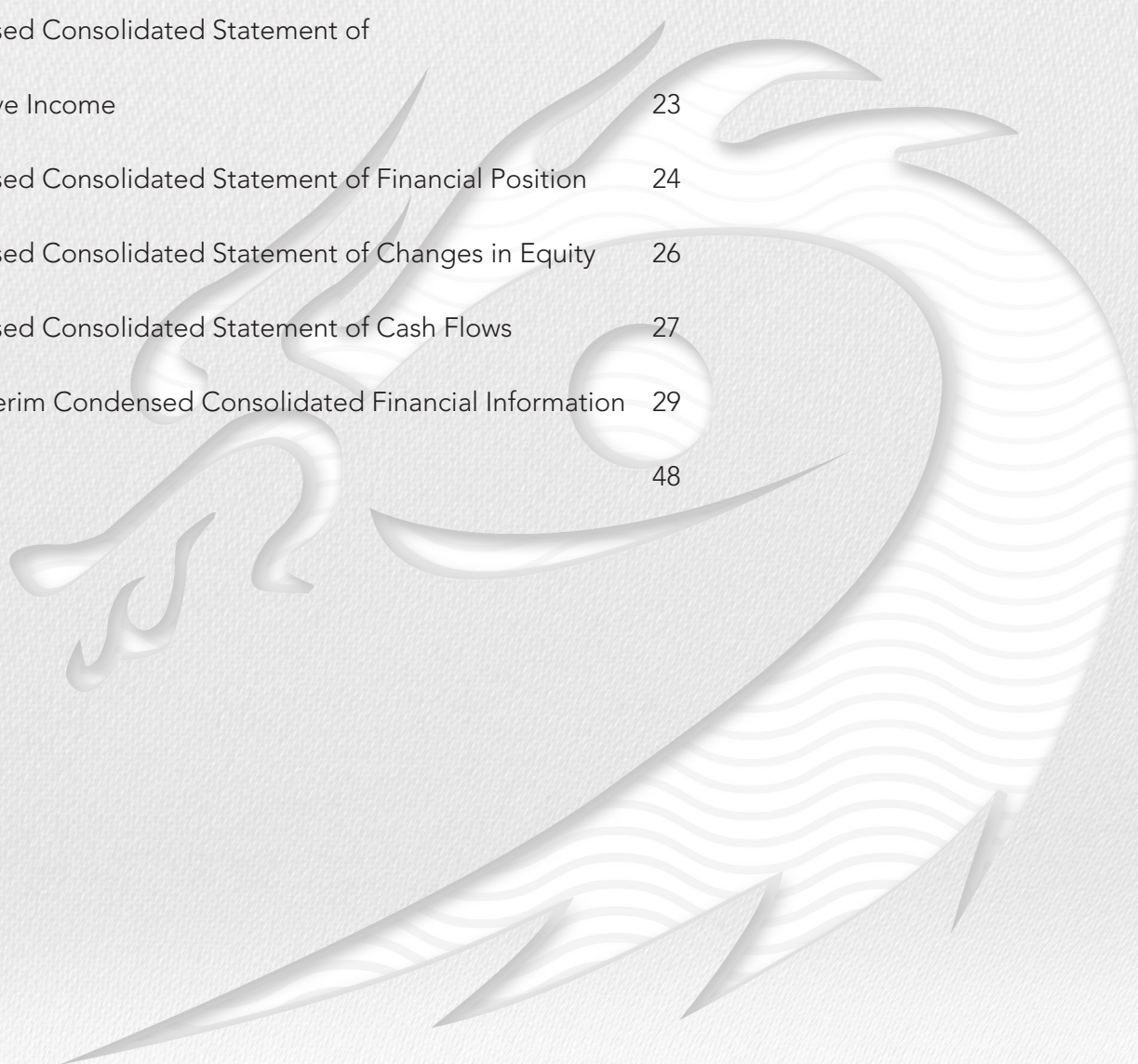
Stock Code: 1961



Interim Report
2020

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LU Jian (*Chairman and Chief Executive Officer*)
Mr. LIANG Junhua

Non-executive Directors

Ms. SU Shaoping
Mr. TSUI Wing Tak

Independent non-executive Directors

Mr. ZHAO Junfeng
Mr. ZHUANG Wensheng
Ms. SONG Yi

AUDIT COMMITTEE

Mr. ZHAO Junfeng (*Chairman*)
Mr. ZHUANG Wensheng
Ms. SONG Yi

REMUNERATION COMMITTEE

Mr. ZHUANG Wensheng (*Chairman*)
Mr. ZHAO Junfeng
Ms. SONG Yi

NOMINATION COMMITTEE

Mr. LU Jian (*Chairman*)
Mr. ZHAO Junfeng
Mr. ZHUANG Wensheng

AUTHORIZED REPRESENTATIVES

Mr. LIANG Junhua
Mr. TSUI Wing Tak

COMPANY SECRETARY

Mr. TSUI Wing Tak

COMPLIANCE ADVISER

Lego Corporate Finance Limited
Room 1601, 16/F
China Building
29 Queen's Road Central
Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Suite 1801
R&F To-win Building
30 Huaxia Road
Zhujiang New Town
Tianhe District
Guangzhou
PRC



PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6/F, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

China Merchants Bank
(Guangzhou Huangpu Avenue Branch)
5/F, Unicom New Space Time Plaza
No. 666 West Huangpu Road
Guangzhou
PRC

COMPANY'S WEBSITE

www.jiuzundigital.com

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

1961

Financial Highlights

RESULTS

	Six months ended 30 June		Change %
	2020 RMB'000	2019 RMB'000	
Revenue	99,809	113,148	-11.8
Gross profit	30,912	41,094	-24.8
Profit for the period	7,212	19,322	-62.7
Add:			
Listing expenses	11,089	8,039	+37.9
Adjusted profit for the period ⁽¹⁾	18,301	27,361	-33.1

Note:

- (1) "Adjusted profit" is not defined under the Hong Kong Financial Reporting Standards ("HKFRSs"). It is defined by the Group as net profit excluding the listing expenses and reversal of impairment of trade receivables. The board of directors (the "Directors") believe that they are useful supplements to the consolidated statement of profit or loss. The adjusted profit reflects another perspective to the profitability of the Group's operations after excluding the listing expenses and reversal of impairment of trade receivables.

ASSETS AND LIABILITIES

	As at 30 June		Change %
	2020 RMB'000	2019 RMB'000	
Assets			
Non-current assets	56,695	6,196	+815.0
Current assets	229,679	185,356	+23.9
Total assets	286,374	191,552	+49.5
Equity and liabilities			
Total equity	240,840	125,396	+92.1
Non-current liabilities	2,737	1,389	+97.0
Current liabilities	42,797	64,767	-33.9
Total liabilities	45,534	66,156	-31.2
Total equity and liabilities	286,374	191,552	+49.5



Dear Shareholders,

On behalf of the Board of the Company, I am pleased to present the interim report of the Group for the six months ended 30 June 2020.

OVERVIEW

We are a digital entertainment content provider in the People's Republic China (the "PRC") with a diversified content portfolio comprising (i) mobile games mainly played on Android operating system; (ii) e-magazines; and (iii) other digital media content such as comics and music. We commenced our digital media content distribution business in 2011, and expanded our product offerings to mobile games in 2014 when we first began to develop and/or operate a wide range of casual mobile games. Apart from casual mobile games which we focused primarily before 2017, we also commenced development and operation of boutique mobile games since 2017 and launched our first multi-player mobile game in January 2019.

RESULTS

The first half of 2020 was a challenging period to the Group, with the outbreak of the COVID-19 and the change of preference of the customers as a result, the profit of the group decreased. During the period, the Group invested in research and development ("R&D") and released new games in different genres to diversify its product offerings especially in multi-player mobile games.

The Group's revenue decreased by approximately RMB13.3 million or 11.8% from approximately RMB113.1 million for the six months ended 30 June 2019 to approximately RMB99.8 million for the six months ended 30 June 2020. The decrease of the Group's revenue is mainly due to the decrease in revenue from our mobile game development and operation business by RMB6.2 million and the decrease in revenue from digital media content distribution business of RMB6.4 million. The gross profit also decreased by approximately RMB10.2 million or 24.8% from approximately RMB41.1 million for the six months ended 30 June 2019 to approximately RMB30.9 million for the six months ended 30 June 2020, which was principally due to the substantial decline of approximately 69.4% in revenue attributable to the single-player mobile games for the six months ended 30 June 2020 ("First Half 2020") as compared to the six months ended 30 June 2019 ("First Half 2019"), which was principally due to the unexpected impacts against the Group in the second quarter of 2020 after the listing on 17 March 2020 on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing") caused by the COVID-19 epidemic and the subsequent quarantine measures imposed by the PRC government, including, among others: (i) change of player preference from the single-player mobile games (of which the Group historically and primarily relied on in its financial performance) to multi-player mobile games during the second quarter of 2020; and (ii) an unexpected increase in level of competition intensity during the second quarter of 2020 resulting in the top-set places in the distribution platforms were mostly occupied by the games operated by the major game operators. Although the revenue from the development and operation of the multi-player mobile games increased by approximately 120.3% as compared to the revenue of the same business line of approximately RMB32.0 million for the six months ended 30 June 2019, the decline of revenue attributable to the single-player mobile games outweighed the promising performance of the multi-player mobile games, the Group invariably recorded a decline in the Group's overall revenue and its financial results.

Chairman's Statement *(Continued)*

OUTLOOK

The Group has always been committed to be a digital entertainment content provider. According to an independent third-party research report, the gross billings from mobile online games grew from RMB56.2 billion in 2015 to RMB194.7 billion in 2019, with a compounded annual growth rate ("CAGR") of 36.4%. With the continuous rise in smartphone usage and major advancements in mobile internet technologies, mobile gaming, which is projected to remain as the most lucrative and the fastest-growing segment, is expected to grow at a CAGR of 19.3% from 2019 to reach RMB469.6 billion in 2024 and account for 80.3% of the overall online game industry.

An outbreak of COVID-19 in early 2020 has led to a major challenge for the global economy. Under the effective control measures of the PRC government, the epidemic has generally been under control. The COVID-19 is not expected to impact the mobile gaming industry as significant as other industries. Based on the current situation of the COVID-19, our mobile games can continue to be downloaded and played by players and digital media content can continue to be subscribed with all settlement services continued. We are also able to continue our cooperation with our suppliers and business partners through electronic media and telephone and remote access to our information technology system. However, the market competition was intense in the First Half 2020. In the First Half 2020, it was shown that most of the major active market players extra-released their games in the pipeline in order to capture the expanded market resulting in more intense competition. It was discovered that such hindsight was also shared by other mobile game developers and operators.

PROSPECTS

For the second half of 2020, the Company will continue to switch its focus from single-player mobile games development and operation business to multi-player mobile games development and operation business due to the change of player preference from single-player mobile games to multi-player mobile games in the second quarter of 2020. In the second half of 2020, the Company plans to launch a licensed multi-player mobile game, of which genre is sword and fairy. In addition, one more multi-player mobile game with board and card genre is expected to be launched in the first quarter of 2021. With the shift of focus of the Group to multi-player mobile game development and operation business, the majority of the Group's revenue is expected to be derived from multi-player mobile game development and operation business in the second half of 2020.

Under such economic uncertainty, the Company is actively looking for feasible strategic acquisitions and partnerships in order to utilise the net proceeds from the Listing to expand our business in the future.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my heartfelt gratitude to our shareholders, members of the Board, senior management and all our staffs for their dedication and contribution. On behalf of the Board, I would like to thank our clients, suppliers, and business partners for their relentless support and trust. Going forward, we shall strive to explore further opportunities and overcome challenges, as we remain steadfast and committed to attaining better results for the Group.

Lu Jian
Chairman
27 August 2020



REVIEW OF OPERATION

Jiu Zun Digital is a digital entertainment content provider in the PRC with a diversified content portfolio comprising (i) mobile games mainly played on Android operating system; (ii) e-magazines; and (iii) other digital media content such as comics and music. We commenced our digital media content distribution business in 2011, and expanded our product offerings to mobile games in 2014 when we first began to develop and/or operate a wide range of casual mobile games. Apart from casual mobile games which we focused primarily before 2017, we also commenced development and operation of boutique mobile games since 2017 and launched our first multi-player mobile game in January 2019. Since 2018, we have also cooperated with corporate customers who make use of the in-game airtime provided by us for placing their media content for advertising purpose. During the six months ended 30 June 2020, majority of our revenue was derived from the sale of virtual items in our multi-player mobile games.

The Group's revenue decreased by approximately RMB13.3 million or 11.8% from approximately RMB113.1 million for the six months ended 30 June 2019 to approximately RMB99.8 million for the six months ended 30 June 2020. The decrease of the Group's revenue was mainly due to the decrease in revenue from our mobile game development and operation business by approximately RMB6.2 million and the decrease in revenue from digital media content distribution business of approximately RMB6.4 million. The gross profit also decreased by approximately RMB10.2 million or 24.8% from approximately RMB41.1 million for the six months ended 30 June 2019 to approximately RMB30.9 million for the six months ended 30 June 2020, which was principally due to the substantial decline of approximately 69.4% in revenue attributable to the single-player mobile games in the First Half 2020 as compared to First Half 2019, which was principally due to the unexpected impacts against the Group in the second quarter of 2020 after the Listing caused by the COVID-19 epidemic and the subsequent quarantine measures imposed by the PRC government, including, among others: (i) change of player preference from the single-player mobile games (of which the Group historically and primarily relied on in its financial performance) to multi-player mobile games during the second quarter of 2020; and (ii) an unexpected increase in level of competition intensity during the second quarter of 2020 resulting in the top-set places in the distribution platforms were mostly occupied by the games operated by the major game operators. Although the revenue from the development and operation of the multi-player mobile games increased by approximately 120.3% as compared to the revenue of the same business line of approximately RMB32.0 million for the six months ended 30 June 2019, the decline of revenue attributable to the single-player mobile games outweighed the promising performance of the multi-player mobile games, the Group invariably recorded a decline in the Group's overall revenue and its financial results.

Management Discussion and Analysis *(Continued)*

The profit for the period decreased by approximately RMB12.1 million or 62.7% from approximately RMB19.3 million for the six months ended 30 June 2019 to approximately RMB7.2 million for the six months ended 30 June 2020. The decrease was primarily due to (i) the decrease in the gross profit generated from mobile games of approximately RMB6.3 million and gross profit generated from the digital media content distribution of approximately RMB3.5 million and (ii) the increase in the listing expenses of approximately RMB3.1 million which were net off by the decrease in the income tax expense of approximately RMB2.1 million. Excluding the listing expenses, the adjusted profit for the period decreased by approximately RMB9.1 million or 33.1% from approximately RMB27.4 million for the six months ended 30 June 2019 to approximately RMB18.3 million for the six months ended 30 June 2020. The net profit margin decreased from approximately 17.1% for the six months ended 30 June 2019 to approximately 7.2% for the six months ended 30 June 2020.

FINANCIAL REVIEW

Mobile Game

The mobile game consists of development and operation of mobile games and information services where the Group cooperated with corporate customers to integrate media content in some of the mobile games the Group operate.

The following table sets forth certain operating statistics relating to the mobile game of the Group in the periods indicated:

	Six months ended 30 June		
	2020	2019	Change %
Game			
Number of paying players (in million)	1.7	6.3	-73.0
Average MPUs (in million)	0.3	1.1	-72.7
Average ARPPU (RMB)	60.07	23.02	+160.9

- MPUs. The average monthly paying users (“MPUs”) for the game business decreased to approximately 0.3 million for the six months ended 30 June 2020 from approximately 1.1 million for the six months ended 30 June 2019. This decrease was primarily due to the change of player preference from single-player mobile games to multi-player mobile games in second quarter of 2020. The number of paying players from single-player mobile games decreased in the First Half 2020.
- ARPPU. Monthly average revenue per paying user (“ARPPU”) level of game business increased to approximately RMB60.07 for the six months ended 30 June 2020 as compared to approximately RMB23.02 for the six months ended 30 June 2019. This increase was primarily due to the fact that larger proportion of game revenue was derived from multi-player mobile game development and operation. The Group operated eight multi-player mobile games for the six months ended 30 June 2020 which offered virtual items at a relatively high unit purchase price.



The following table sets forth the Group's interim condensed consolidated statement of profit or loss for the six months ended 30 June 2020 as compared to the six months ended 30 June 2019:

	Six months ended 30 June		Change (%)
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	
Revenue	99,809	113,148	-11.8
Cost of sales	(68,897)	(72,054)	-4.4
Gross profit	30,912	41,094	-24.8
Other income and gain	1,525	1,181	+29.1
Selling and distribution expenses	(620)	(390)	+59.0
Administrative expenses	(6,303)	(3,607)	+74.7
Research and development expenses	(2,762)	(3,201)	-13.7
Impairment of trade receivables, net	(140)	(127)	+10.2
Other expenses	(10,934)	(8,701)	+25.7
Finance costs	(136)	(506)	-73.1
Profit before tax	11,542	25,743	-55.2
Income tax expense	(4,330)	(6,421)	-32.6
Profit for the period	7,212	19,322	-62.7

Revenue

Revenue decreased by approximately RMB13.3 million or 11.8% to approximately RMB99.8 million for the six months ended 30 June 2020 from approximately RMB113.1 million for the six months ended 30 June 2019. The following table sets forth the revenue of the Group by business segment for the six months ended 30 June 2019 and 2020:

	Six months ended 30 June			
	2020		2019	
	RMB'000 (Unaudited)	% to total revenue	RMB'000 (Unaudited)	% to total revenue
<i>Revenue from contracts with customers</i>				
Mobile games				
— Development and operation	90,329	90.5	96,501	85.3
— Information services	144	0.1	939	0.8
Digital media content distribution	9,336	9.4	15,708	13.9
Total revenue from contracts with customers	99,809	100.0	113,148	100.0

Management Discussion and Analysis *(Continued)*

- Revenue generated from the Group's mobile games decreased by approximately RMB6.9 million or 7.2% to approximately RMB90.5 million for the six months ended 30 June 2020 from approximately RMB97.4 million for the six months ended 30 June 2019. Such decrease was primarily due to the substantial decline of approximately 69.4% in revenue attributable to the single-player mobile games in the First Half 2020 as compared to the same period of 2019, which was principally due to the unexpected impacts against the Group in the second quarter of 2020 after the Listing caused by the COVID-19 epidemic and the subsequent quarantine measures imposed by the PRC government, including, among others: (i) change of player preference from the single-player mobile games (of which the Group historically and primarily relied on in its financial performance) to multi-player mobile games during the second quarter of 2020; and (ii) an unexpected increase in level of competition intensity during the second quarter of 2020 resulting in the top-set places in the distribution platforms were mostly occupied by the games operated by the major game operators. Although the revenue from the development and operation of the multi-player mobile games increased by approximately 120.3% as compared to the revenue of the same business line of approximately RMB32.0 million for the six months ended 30 June 2019, the decline of revenue attributable to the single-player mobile games outweighed the promising performance of the multi-player mobile games, the Group invariably recorded a decline in the Group's overall revenue from mobile games.
- Revenue generated from the Group's digital media content distribution decreased by approximately RMB6.4 million or 40.6% to approximately RMB9.3 million for the six months ended 30 June 2020 from approximately RMB15.7 million for the six months ended 30 June 2019. Such decrease was primarily due to the decrease in subscribers resulting from the temporary halt of services of the Group's major distribution platform for the upgrade of the user interface during the six months ended 30 June 2020.

Cost of sales

Cost of sales decreased by approximately RMB3.2 million or 4.4% to approximately RMB68.9 million for the six months ended 30 June 2020 from approximately RMB72.1 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in service fee charged by the Group's distribution channel providers in line with the decrease in revenue. For the six months ended 30 June 2020, the percentage of cost of sales to total revenue increased to approximately 69.0% (for the six months ended 30 June 2019: 63.7%) mainly due to lower gross profit margin of multi-player mobile games than the single-player mobile games.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB0.2 million or 59.0% to approximately RMB0.6 million for the six months ended 30 June 2020 from approximately RMB0.4 million for the six months ended 30 June 2019. The increase was mainly attributable to the increase in advertising expenses and staff costs and welfare for the six months ended 30 June 2020.



Administrative expenses

Administrative expenses increased by approximately RMB2.7 million or 74.7% to approximately RMB6.3 million for the six months ended 30 June 2020 from approximately RMB3.6 million for the six months ended 30 June 2019. The increase in administrative expenses was mainly attributable to the increase in the staff costs and welfare of approximately RMB1.7 million and the increase in the post-listing expenses of approximately RMB0.6 million for the six months ended 30 June 2020.

Research and development expenses

Research and development expenses decreased by approximately RMB0.4 million or 13.7% to approximately RMB2.8 million for the six months ended 30 June 2020 from approximately RMB3.2 million for the six months ended 30 June 2019. The decrease was primarily due to the movement of staff for the six months ended 30 June 2020.

Other income and gain

Other income and gains increased to approximately RMB1.5 million for the six months ended 30 June 2020 from approximately RMB1.2 million for the six months ended 30 June 2019. The increase was mainly due to increase in interest income and government grants.

Impairment of trade receivables, net

Impairment of trade receivables was approximately RMB0.1 million for the six months ended 30 June 2020 and 2019, which remained stable.

Other expenses

Other expenses were approximately RMB10.9 million for the six months ended 30 June 2020, as compared to other expenses of approximately RMB8.7 million for the six months ended 30 June 2019. The increase was mainly due to the increase in listing expenses of approximately RMB3.1 million for the six months ended 30 June 2020.

Finance costs

Finance costs decreased to approximately RMB0.1 million for the six months ended 30 June 2020 from approximately RMB0.5 million for the six months ended 2019, which was in relation to the issuance of pre-IPO convertible bonds during 2018.

Management Discussion and Analysis *(Continued)*

Income tax expense

The Group recognised income tax expense of approximately RMB4.3 million for the six months ended 30 June 2020 while the income tax expense was approximately RMB6.4 million for the six months ended 30 June 2019. The effective tax rate increased from approximately 24.9% for the six months ended 30 June 2019 to approximately 37.5% for the six months ended 30 June 2020 mainly due to (i) the increase in listing expenses of approximately RMB3.1 million for the six months ended 30 June 2020, which was non-deductible for tax purposes; and (ii) the impact of 10% withholding tax levied on a portion of the retained earnings of our Group's PRC subsidiaries distributable to foreign investment enterprises upon the set up of a series of contractual arrangements entered into between WFOE, Guangzhou Jiu Zun and the relevant Shareholders ("**Contractual Arrangements**") of our Group in February 2019 (i.e. our "**PRC Withholding Tax**"). Excluding the listing expenses and the impact of the PRC Withholding Tax, our effective tax rate would be 17.4% for the six months ended 30 June 2020.

Profit for the period

The profit for the six months ended 30 June 2020 was approximately RMB7.2 million, as compared to the profit of approximately RMB19.3 million for the six months ended 30 June 2019. The net profit margin decreased to approximately 7.2% for the six months ended 30 June 2020 from approximately 17.1% for the six months ended 30 June 2019 mainly due to (i) increase in listing expenses of approximately RMB3.1 million for the six months ended 30 June 2020; and (ii) decrease in gross profit margin as discussed above.

Adjusted profit for the period

Excluding the listing expenses, the adjusted profit for the six months ended 30 June 2020 was approximately RMB18.3 million, which decreased by approximately RMB9.1 million or 33.1% as compared to the adjusted profit of approximately RMB27.4 million for the six months ended 30 June 2019.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Cash and cash equivalents	89,869	50,899

The Group's total cash and cash equivalents amounted to approximately RMB89.9 million as at 30 June 2020, as compared to approximately RMB50.9 million as at 31 December 2019. The increase was mainly due to the receipt of net proceeds of approximately RMB79.2 million after the Listing.



The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of fundings, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi ("RMB"), followed by Hong Kong dollars ("HKD").

The Group did not have any bank borrowing balance as at 30 June 2020 and 31 December 2019. As at 30 June 2020, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was nil (As at 31 December 2019: nil). The borrowing requirements of the Group are not subject to seasonality.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2020, the Group did not have any material acquisition or disposal.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 30 June 2020, the Group had a total of 87 employees, the majority of whom are based in Guangzhou. Total staff costs were approximately RMB5.6 million for the six months ended 30 June 2020. The Group provides employees with competitive remuneration and various benefits including housing, pension, medical and unemployment benefit plan, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provide customized and continuous on-the-job training to our new employees by experienced mentors from relevant teams or departments.

EVENT AFTER THE REPORTING PERIOD

There were no significant subsequent events during the period from 30 June 2020 to the approval date of the unaudited interim condensed consolidated financial Information of the Company for the six months ended 30 June 2020 by the Board.

USE OF PROCEEDS FROM THE LISTING

The net proceeds raised by the Company from the Listing are approximately RMB79.2 million (after deduction of the underwriting commissions in respect of the offering and other estimated expenses). For the six months ended 30 June 2020, the IPO proceeds were utilized in accordance with the intended purposes stated in the Prospectus published by the Company, with the balance amounted to approximately RMB58.7 million. The balance of IPO proceeds will continue to be utilized according to the manner and proportions as disclosed in the Prospectus.

Management Discussion and Analysis *(Continued)*

Since the Listing Date and up to 30 June 2020, the net proceeds from the Listing had been applied as follows:

	Net amount available as at 17 March 2020 RMB million	Actual net amount utilized for the six months ended 30 June 2020 RMB million	Unutilized net amount as at 30 June 2020 RMB million	Expected timeline for utilising the remaining net proceeds (Note)
Expand market share in single-player mobile games	19.2	1.1	18.1	By 31 December 2021
Expedite multi-player mobile game market	12.2	2.6	9.6	By 31 December 2021
Obtain licensing rights of popular entertainment properties	16.1	16.1	–	N/A
Enrich our digital media content	1.0	0.1	0.9	By 31 December 2021
Strategic acquisitions and partnerships with mobile game developers	24.1	–	24.1	By 31 December 2021
Working capital and general corporate use	6.6	0.6	6.0	N/A
Total	79.2	20.5	58.7	

Note: The expected timeline for utilising the remaining net proceeds is based on the best estimation of future market conditions made by the Group and is consistent with that as described in the Prospectus. It might be subject to changes based on the current and future development of the market conditions.

PRINCIPAL RISKS AND UNCERTAINTIES

Although the Group has successfully established its mobile games, there are certain risks that could adversely affect the Group's operations and financial results due to the immaturity of the mobile game industry in PRC. The major hurdles include (i) new policies or any amendment to current policies in relation to mobile game industry, (ii) reliance on distribution channel providers, (iii) the game portfolio included games that are self-developed or licensed games, so the Group's operations may be adversely affected if the Group cannot seek alternatives in a timely manner; (iv) the Group may be exposed to payment delays or defaults from settlement agents, which would adversely affect the Group's cash flow and financial results.

Meanwhile, for the Group's established digital media content, the major hurdles include external interruptions such as system disruption, hacking or service suspension on any of the distribution platforms or the publishing platforms.



DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executives at the relevant time being 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), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of Interest	Number of Shares or securities held ⁽¹⁾	Approximate percentage of shareholding
Mr. Liang ⁽²⁾⁽⁵⁾	Interest in a controlled corporation/interest held jointly with other persons	337,688,008 (L)	61.85%
Mr. Lu ⁽³⁾⁽⁵⁾	Interest in a controlled corporation/interest of spouse/interest held jointly with other persons	337,688,008 (L)	61.85%
Ms. Su ⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation/interest held jointly with other persons	337,688,008 (L)	61.85%
Mr. Tsui ⁽⁶⁾	Interest in a controlled corporation	16,801,570 (L)	3.07%

Notes:

- (1) The letter "L" denotes a person's long position in our Shares.
- (2) Mr. Liang is the sole shareholder of JLCY SAGA which holds 126,632,022 Shares (representing approximately 23.19% of the shareholding of our Company) upon the completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalization Issue and the Global Offering. By virtue of the SFO, Mr. Liang is deemed to be interested in the Shares in which JLCY SAGA is interested.
- (3) Mr. Lu and Ms. He owns 99.90% and 0.10% shareholding in LJHJH SAGA respectively. LJHJH SAGA holds 105,527,993 Shares (representing approximately 19.33% of the shareholding of our Company) upon the completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalization Issue and the Global Offering. Mr. Lu is the husband of Ms. He. By virtue of the SFO, each of Mr. Lu and Ms. He is deemed to be interested in the Shares in which LJHJH SAGA is interested.
- (4) Ms. Su is the sole shareholder of WW SAGA which holds 105,527,993 Shares (representing approximately 19.33% of the shareholding of our Company) upon the completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalization Issue and the Global Offering. By virtue of the SFO, Ms. Su is deemed to be interested in the Shares in which WW SAGA is interested.
- (5) Pursuant to the Second Acting-In-Concert Confirmation, Mr. Liang, Mr. Lu and Ms. Su are parties acting in concert. As such, each of Mr. Liang, Mr. Lu and Ms. Su is deemed to be interested in the Shares held by the others under the SFO.
- (6) Mr. Tsui holds 86.67% shareholding in AE Majoris Tech which holds 16,801,570 Shares (representing approximately 3.07% of the shareholding of our Company) upon the completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalization Issue and the Global Offering. By virtue of the SFO, Mr. Tsui is deemed to be interested in the Shares in which AE Majoris Tech is interested.

Other Information *(Continued)*

(ii) Interest in associated corporations

Name of Director	Name of our Company's associated corporation	Capacity/Nature of Interest	Approximate percentage of shareholding
Mr. LIANG Junhua	JLCY SAGA	Interest in a controlled corporation	100%
	Guangzhou Jiu Zun ⁽¹⁾	Beneficial interest/interest held jointly with other persons	86.02%
Mr. LU Jian	LJHJH SAGA	Interest in a controlled corporation	100%
	Guangzhou Jiu Zun ⁽²⁾	Interest in a controlled corporation/ interest of spouse/interest held jointly with other persons	86.02%
Ms. SU Shaoping	WW SAGA	Interest in a controlled corporation	100%
	Guangzhou Jiu Zun ⁽³⁾	Interest in a controlled corporation/ interest held jointly with other persons	86.02%

Notes:

- Mr. Liang owns 32.26% capital contribution in Guangzhou Jiu Zun. Pursuant to the Second Acting-In-Concert Confirmation, Mr. Liang, Mr. Lu and Ms. Su are parties acting in concert. Mr. Liang, Mr. Lu and Ms. Su directly or indirectly own an aggregate of 86.02% capital contribution in Guangzhou Jiu Zun. As such, Mr. Liang is deemed to be interested in 86.02% capital contribution in Guangzhou Jiu Zun under the SFO.
- Mr. Lu owns 100% capital contribution in Yingtan Jianming Investment, which in turn owns 99.90% capital contribution in Yujiang Yingming Investment, which in turn owns 26.88% capital contribution in Guangzhou Jiu Zun. Ms. He owns 100% capital contribution in Yingtan Jianying Investment, which in turn owns 0.10% capital contribution in Yujiang Yingming Investment. Mr. Lu is the husband of Ms. He. By virtue of the SFO, each of Mr. Lu and Ms. He is deemed to be interested in the capital contribution in which their spouse is interested. As such, Mr. Lu is deemed to be interested in 26.88% capital contribution in Guangzhou Jiu Zun in which Yujiang Yingming Investment is interested. Pursuant to the Second Acting-In-Concert Confirmation, Mr. Liang, Mr. Lu and Ms. Su are parties acting in concert. Mr. Liang, Mr. Lu and Ms. Su directly or indirectly own an aggregate of 86.02% capital contribution in Guangzhou Jiu Zun. As such, Mr. Lu is deemed to be interested in 86.02% capital contribution in Guangzhou Jiu Zun under the SFO.
- Ms. Su owns 100% capital contribution in each of Yingtan Jiancheng Investment and Yingtan Jianhe Investment. Yingtan Jiancheng Investment and Yingtan Jianhe Investment own 99.90% and 0.10% capital contribution in Yujiang Chenghe Investment respectively, which in turn owns 26.88% capital contribution in Guangzhou Jiu Zun. Pursuant to the Second Acting-In-Concert Confirmation, Mr. Liang, Mr. Lu and Ms. Su are parties acting in concert. Mr. Liang, Mr. Lu and Ms. Su directly or indirectly own an aggregate of 86.02% capital contribution in Guangzhou Jiu Zun. As such, Ms. Su is deemed to be interested in 86.02% capital contribution in Guangzhou Jiu Zun under the SFO.



SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following persons will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/Nature of Interest	As at the date of this report		Immediately following completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalization Issue and the Global Offering	
		Number of Shares or securities held ⁽¹⁾	Approximate percentage of shareholding	Number of Shares or securities held ⁽¹⁾	Approximate percentage of shareholding
JLCY SAGA ⁽²⁾	Beneficial owner	86,022	86.02%	337,688,008 (L)	61.85%
Mr. Liang ⁽²⁾	Interest in a controlled corporation/interest held jointly with other persons	86,022	86.02%	337,688,008 (L)	61.85%
LJHJH SAGA ⁽³⁾	Beneficial owner	86,022	86.02%	337,688,008 (L)	61.85%
Mr. Lu ⁽³⁾	Interest in a controlled corporation/interest of spouse/interest held jointly with other persons	86,022	86.02%	337,688,008 (L)	61.85%
Ms. He ⁽³⁾	Interest in a controlled corporation/interest of spouse/interest held jointly with other persons	86,022	86.02%	337,688,008 (L)	61.85%
WW SAGA ⁽⁴⁾	Beneficial owner	86,022	86.02%	337,688,008 (L)	61.85%
Ms. Su ⁽⁴⁾	Interest in a controlled corporation/interest held jointly with other persons	86,022	86.02%	337,688,008 (L)	61.85%
DW SAGA ⁽⁵⁾	Beneficial owner	7,527 (L)	7.53%	29,547,995 (L)	5.41%
Mr. Xu ⁽⁵⁾	Interest in a controlled corporation	7,527 (L)	7.53%	29,547,995 (L)	5.41%

Notes:

- (1) The letter "L" denotes a person's long position in our Shares.
- (2) Mr. Liang is the sole shareholder of JLCY SAGA which holds 126,632,022 Shares (representing approximately 23.19% of the shareholding of our Company) upon the completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalization Issue and the Global Offering. By virtue of the SFO, Mr. Liang is deemed to be interested in the Shares in which JLCY SAGA is interested. Pursuant to the Second Acting-In-Concert Confirmation, Mr. Liang, Mr. Lu and Ms. Su are parties acting in concert. As such, each of Mr. Liang, Mr. Lu and Ms. Su is deemed to be interested in the Shares held by the others under the SFO.
- (3) Mr. Lu and Ms. He owns 99.90% and 0.10% shareholding in LJHJH SAGA respectively. LJHJH SAGA holds 105,527,993 Shares (representing approximately 19.33% of the shareholding of our Company) upon the completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalization Issue and the Global Offering. Mr. Lu is the husband of Ms. He. By virtue of the SFO, each of Mr. Lu and Ms. He is deemed to be interested in the Shares in which LJHJH SAGA is interested. Pursuant to the Second Acting-In-Concert Confirmation, Mr. Liang, Mr. Lu and Ms. Su are parties acting in concert. As such, each of Mr. Liang, Mr. Lu and Ms. Su is deemed to be interested in the Shares held by the others under the SFO.

Other Information *(Continued)*

- (4) Ms. Su is the sole shareholder of WW SAGA which holds 105,527,993 Shares (representing approximately 19.33% of the shareholding of our Company) upon the completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalization Issue and the Global Offering. By virtue of the SFO, Ms. Su is deemed to be interested in the Shares in which WW SAGA is interested. Pursuant to the Second Acting-In-Concert Confirmation, Mr. Liang, Mr. Lu and Ms. Su are parties acting in concert. As such, each of Mr. Liang, Mr. Lu and Ms. Su is deemed to be interested in the Shares held by the others under the SFO.
- (5) Mr. Xu is the sole shareholder of DW SAGA which holds 29,547,995 Shares (representing approximately 5.41% of the shareholding of our Company) upon the completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalization Issue and the Global Offering. By virtue of the SFO, Mr. Xu is deemed to be interested in the Shares in which DW SAGA is interested.

Save as disclosed in this report, our Directors are not aware of any person who will, immediately following completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalization Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme), have an interest or a short position in our Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may result in a change of control of our Company at a subsequent date.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors and chief executives' interests and short positions in shares, underlying shares and debentures" above, at no time during the six months ended 30 June 2020 and up to the date of this report was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group (including the PRC Operational Entities), none of the Directors was interested in any business which competes or is likely to compete with the businesses of the Group for the six months ended 30 June 2020.



CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

The related party transactions which were undertaken in the six months ended 30 June 2020 are set out in Note 27 to the financial information in this interim report. For those related party transactions which constituted connected transactions or continuing connected transactions (other than those described in the section headed "Report of Directors – Contractual Arrangements") of the Company under the Listing Rules, the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules, where applicable.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Group nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the six months ended 30 June 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or his connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its parent company, or any of its subsidiaries or fellow subsidiaries was a party during the six months ended 30 June 2020 and up to the date of this report.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the six months ended 30 June 2020.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 21 February 2020. No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (the "CG Code").

Save as disclosed below, the Directors consider that the Company has complied with the code provisions as set out in the CG Code throughout the six months ended 30 June 2020.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. LU Jian serves as the chairman of the Board and the chief executive officer of the Company. In view of the ever-changing business environment in which the Group operates, the chairman and chief executive officer of the Company must be proficient in IT knowledge and be sensitive to fast and rapid market changes, including changes in users' preferences, in order to promote the different businesses of the Group. The Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Further, the Board considers that a separation of the roles of the chairman and chief executive officer may create unnecessary costs for the daily operations of the Group. Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team.

The Board is therefore of the view that there are adequate balance of power and safeguards in place. Nevertheless, the Board will continue to monitor and review the Company's current structure and to make necessary changes at an appropriate time.

PERMITTED INDEMNITY PROVISION

The Articles provide that every Director shall be indemnified out of the assets and profits of the Company against all liability and loss suffered by him as such Director in any action, suit or proceeding, whether civil or criminal, administrative or investigative, in which judgment is given in his favour, or in which he is acquitted.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the directors of any company of the Group.



EQUITY-LINKED AGREEMENTS

Save for the share option schemes as disclosed in this interim report, no equity-linked agreement was entered into during the six months ended 30 June 2020 or subsisted at the end of the six months of 2020.

AUDIT AND COMPLIANCE COMMITTEE

The audit and compliance committee of the Company has reviewed together with the Board the accounting standards and practices adopted by the Group and the unaudited condensed consolidated financial information of the Company for the six months ended 30 June 2020.

By order of the Board

LU Jian

Chairman and Chief Executive Officer

Hong Kong, 27 August 2020

The Board of Jiu Zun Digital Interactive Entertainment Group Holdings Limited (the “Company”), together with its subsidiaries (collectively the “Group”), hereby presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020 together with comparative figures for the corresponding period in 2019. This interim condensed consolidated financial information for the six months ended 30 June 2020 has not been audited, but has been reviewed by the Audit Committee of the Company.

Interim Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	4	99,809	113,148
Cost of sales		(68,897)	(72,054)
Gross profit		30,912	41,094
Other income and gain	4	1,525	1,181
Selling and distribution expenses		(620)	(390)
Administrative expenses		(6,303)	(3,607)
Research and development expenses		(2,762)	(3,201)
Impairment of trade receivables, net		(140)	(127)
Other expenses		(10,934)	(8,701)
Finance costs		(136)	(506)
PROFIT BEFORE TAX	5	11,542	25,743
Income tax expense	6	(4,330)	(6,421)
PROFIT FOR THE PERIOD		7,212	19,322
Attributable to:			
Owners of the parent		5,758	17,314
Non-controlling interests		1,454	2,008
		7,212	19,322
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB1.2 cents	RMB4.4 cents
Diluted		RMB1.2 cents	RMB4.2 cents

Interim Condensed Consolidated Statement of Comprehensive Income



	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	7,212	19,322
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,247	(231)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,459	19,091
Attributable to:		
Owners of the parent	7,005	17,083
Non-controlling interests	1,454	2,008
	8,459	19,091

Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,008	536
Right-of-use assets		1,970	–
Prepayment and deposits	11	53,717	5,660
Total non-current assets		56,695	6,196
CURRENT ASSETS			
Trade receivables	10	66,940	66,733
Prepayments, deposits and other receivables	11	63,270	54,111
Financial asset at fair value through profit or loss		9,600	–
Due from shareholders		–	13,613
Cash and cash equivalents		89,869	50,899
Total current assets		229,679	185,356
CURRENT LIABILITIES			
Trade payables	12	9,665	16,032
Contract liabilities		2,430	4,304
Other payables and accruals	13	24,975	16,731
Convertible bonds		–	16,578
Lease liabilities		1,053	–
Tax payable		4,674	11,122
Total current liabilities		42,797	64,767
NET CURRENT ASSETS		186,882	120,589
TOTAL ASSETS LESS CURRENT LIABILITIES		243,577	126,785

Interim Condensed Consolidated Statement of Financial Position *(Continued)*



	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		957	–
Deferred tax liabilities		1,780	1,389
Total non-current liabilities		2,737	1,389
Net assets		240,840	125,396
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	4,946	1
Equity component of convertible bonds		–	1,128
Reserves		225,717	114,519
		230,663	115,648
Non-controlling interests		10,177	9,748
Total equity		240,840	125,396

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent									
	Issued capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Equity component		Statutory reserve funds RMB'000 (Unaudited)	Exchange fluctuation reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
			convertible bonds	Other reserve						
			RMB'000 (Unaudited)	RMB'000 (Unaudited)						
At 1 January 2019	1	-	1,128	10,000	8,865	-	58,581	78,575	5,784	84,359
Profit for the period	-	-	-	-	-	-	17,314	17,314	2,008	19,322
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(231)	-	(231)	-	(231)
Total comprehensive income for the period	-	-	-	-	-	(231)	17,314	17,083	2,008	19,091
Disposal of subsidiaries	-	-	-	-	(780)	-	780	-	-	-
At 30 June 2019 (unaudited)	1	-	1,128	10,000	8,085	(231)	76,675	95,658	7,792	103,450
At 31 December 2019 and at 1 January 2020	1	-*	1,128	10,000*	8,585*	(171)*	96,105*	115,648	9,748	125,396
Profit for the period	-	-	-	-	-	-	5,758	5,758	1,454	7,212
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	1,247	-	1,247	-	1,247
Total comprehensive income for the period	-	-	-	-	-	1,247	5,758	7,005	1,454	8,459
Conversion of convertible bonds	-	18,045	(1,128)	-	-	-	-	16,917	-	16,917
Issue of shares under initial public offering	4,945	149,146	-	-	-	-	-	154,091	-	154,091
Share issue expenses	-	(37,023)	-	-	-	-	-	(37,023)	-	(37,023)
Dividend paid by a subsidiary to its then shareholders	-	-	-	-	-	-	(13,613)	(13,613)	-	(13,613)
Dividend to a non-controlling shareholder	-	-	-	-	-	-	-	-	(1,025)	(1,025)
Dividend paid by the Company to its shareholders	-	-	-	-	-	-	(12,362)	(12,362)	-	(12,362)
At 30 June 2020 (unaudited)	4,946	130,168*	-	10,000*	8,585*	1,076*	75,888*	230,663	10,177	240,840

* These reserve accounts comprise the consolidated reserves of RMB225,717,000 (31 December 2019: RMB114,519,000) in the interim condensed consolidated statement of financial position as at 30 June 2020.

Interim Condensed Consolidated Statement of Cash Flows



	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		11,542	25,743
Adjustments for:			
Finance costs		136	506
Interest income	4	(831)	(472)
Depreciation of property, plant and equipment	5	168	168
Depreciation of right-of-use assets	5	182	–
Impairment of trade receivables, net	5	140	127
(Reversal of impairment)/impairment of deposits	5	(155)	661
Write-off of items of property, plant and equipment	5	2	–
Gains on disposal of subsidiaries	4	–	(497)
		11,184	26,236
Increase in trade receivables		(347)	(35,026)
Increase in prepayments, deposits and other receivables		(57,061)	(86,624)
Increase/(decrease) in trade payables		(6,367)	11,482
Increase/(decrease) in contract liabilities		(1,874)	3,170
Increase/(decrease) in other payables and accruals		(843)	987
Increase in amounts due from shareholders		–	(384)
		(55,308)	(80,159)
Cash used in operations		(55,308)	(80,159)
Taxes paid		(10,387)	(3,060)
		(65,695)	(83,219)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		831	472
Purchases of items of property, plant and equipment		(642)	(187)
Purchases of financial assets at fair value through profit or loss		(43,600)	(223,550)
Proceeds from disposals of financial assets at fair value through profit or loss		34,000	223,550
Disposal of subsidiaries		–	51,835
		(9,411)	52,120
Net cash flows from/(used in) investing activities		(9,411)	52,120

Interim Condensed Consolidated Statement of Cash Flows *(Continued)*

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares under initial public offering	154,091	–
Share issue expenses	(37,023)	–
Lease payments	(159)	–
Dividend paid by a subsidiary to its then shareholders	(4,300)	(17,000)
Net cash flows from/(used in) financing activities	112,609	(17,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	50,899	89,270
Effect of foreign exchange rate changes, net	1,467	(265)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	89,869	40,906
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	89,869	40,906



1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in 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 principal place of business of the Company is located at Suite 1801, R & F To-win Building, 30 Huaxia Road, Zhujiang New Town, Tianhe, District, Guangzhou, People's Republic of China (the "PRC"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 March 2020.

The Company is an investment holding company. During the period, the Company's subsidiaries were principally engaged in the development and operation of mobile games and the provision of digital media in Mainland China.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for financial asset at fair value through profit or loss. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis for consolidation

The interim condensed consolidated financial information includes the financial information of the Group for the six months ended 30 June 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis for consolidation *(Continued)*

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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



2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include HKASs and interpretations, that the Group has adopted for the first time for the current period's financial information:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have material impact on the Group's interim condensed consolidated financial information.

The adoption of other revised HKFRSs has had no material impact on the interim condensed consolidated financial information of the Group.

Details of the Group's accounting policies applicable from 1 January 2020 are as follows:

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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



2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognized 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 recognized as an expense in the period in which the event or condition that triggers the payment occurs.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Investments and other financial assets

Subsequent measurement — Financial assets at fair value through profit or loss

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

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

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

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



3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in mobile game development and operation and digital media content distribution in Mainland China. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) *Revenue from external customers*

All significant external customers of the Group are located in the Mainland China. Accordingly, no geographical information of external customers is presented.

(b) *Non-current assets*

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

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue for the six months ended 30 June 2020 and 2019.

4. REVENUE, OTHER INCOME AND GAIN

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Mobile games		
— Development and operation	90,329	96,501
— Information services	144	939
Digital media content distribution	9,336	15,708
Total revenue from contracts with customers	99,809	113,148
Timing of revenue recognition		
Point in time (note (a))	29,230	81,106
Over time (note (b))	70,579	32,042
Total revenue from contracts with customers	99,809	113,148

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

4. REVENUE, OTHER INCOME AND GAIN *(Continued)*

Notes:

- (a) Including revenue from single player mobile games. Since they are downloaded and are fully functional once installed on each individual mobile device, the Group does not have the obligation for game operation and maintenance once the game is downloaded and neither has the access to the game data of each mobile device. Revenue is recognized upon the purchase of in-game items and premium features by players and all other criteria for revenue recognition are met.
- (b) Including revenue from multi-player mobile games. Since the Group has an implied obligation to provide the service which enables the virtual items to be consumed, revenue is recognized ratably over the estimated average playing period of paying players, starting from the time when virtual items are delivered to the player's account and all other revenues recognition criteria are met.

An analysis of other income and gain is as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other income		
Interest income	831	472
Government grants*	447	–
Others	247	212
	1,525	684
Gain		
Gains on disposal of subsidiaries	–	497
	1,525	1,181

- * Various government grants have been received by certain subsidiaries as these subsidiaries were qualified as a High and New Technology Enterprises in the PRC. There were no unfulfilled conditions or contingencies relating to these grants.



5. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of sales		68,897	72,054
Depreciation of property, plant and equipment		168	168
Depreciation of right-of-use assets		182	–
Lease payments not included in the measurement of lease liabilities		554	565
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages, salaries, bonuses and allowances		5,378	3,742
Pension scheme contributions		208	260
		5,586	4,002
Impairment of trade receivables, net		140	127
(Reversal of impairment)/impairment of deposits [#]		(155)	661
Write-off of items of property, plant and equipment		2	–

[#] Included in "Other expenses" in the interim condensed consolidated statement of profit or loss

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

6. INCOME TAX

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% (six months ended 30 June 2019: 25%) during the period, except for:

- (i) Certain subsidiaries of the Group which qualified as High and New Technology Enterprises in Mainland China, were entitled to a lower PRC corporate income tax rate of 15% (six months ended 30 June 2019: 15%); and
- (ii) Certain subsidiaries of the Group applied the Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy announced by the PRC's State Administration of Taxation.

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current — Mainland China		
Charge for the period	3,939	6,421
Deferred	391	—
Total tax charge for the period	4,330	6,421

7. DIVIDENDS

During the six months ended 30 June 2020, a subsidiary of the Group declared dividend of approximately RMB13,613,000 (six months ended 30 June 2019: Nil) to its then shareholders for settlement of amounts due from the then shareholders to the Group before Listing.

During the six months ended 30 June 2020, the Company declared a final dividend of HK\$2.52 cents per ordinary share, equivalent to a total of approximately RMB12,362,000, for the year ended 31 December 2019 to its shareholders.

The board of directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).



8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the period is based on the profit for the period attributable to owners of the parent of RMB5,758,000 (six months ended 30 June 2019: RMB17,314,000), and the weighted average number of ordinary shares of 465,944,615 (six months ended 30 June 2019: 392,560,000) in issue during the period, as if that the reorganization and the capitalization issue had been completed on 1 January 2019.

During the six months ended 30 June 2020 and 2019, the calculation of the diluted earnings per share is based on the profit for the period attributable to owners of the parent, adjusted to reflect the interest on the convertible bonds.

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of the convertible bonds of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation:	5,758	17,314
Interest on convertible bonds	119	506
Profit attributable to owners of the parent before interest on convertible bonds	5,877	17,820

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares	
	Six months ended 30 June	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	465,944,615	392,560,000
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	11,609,231	27,440,000
	477,553,846	420,000,000

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, additions of items of property, plant and equipment amounted to RMB642,000 (six months ended 30 June 2019: RMB187,000).

10. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	69,842	69,495
Impairment	(2,902)	(2,762)
	66,940	66,733

The Group's trading terms with its trade debtors are on credit. The credit periods range from 30 to 90 days during the period. The Group seeks to maintain strict control over its outstanding trade receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.



10. TRADE RECEIVABLES *(Continued)*

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 30 days	4,508	13,913
31 to 60 days	4,184	7,834
61 to 90 days	3,103	9,236
91 to 180 days	15,984	21,529
181 to 365 days	32,384	12,489
Over 365 days	6,777	1,732
	66,940	66,733

During the six months ended 30 June 2020, the impairment of trade receivables, net amounted to RMB140,000 (six months ended 30 June 2019: RMB127,000).

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Prepayments	35,978	22,321
Deposits and other receivables	81,009	37,450
	116,987	59,771
Less: Portion classified as non-current assets	(53,717)	(5,660)
	63,270	54,111

12. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the period, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 month	1,482	5,661
1 to 2 months	1,543	3,751
2 to 3 months	1,177	2,805
Over 3 months	5,463	3,815
	9,665	16,032

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



13. OTHER PAYABLES AND ACCRUALS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Other payables	10,436	10,645
Other tax payables	35	694
Accruals	1,960	1,092
Dividend payable	12,544	4,300
	24,975	16,731

14. ISSUED CAPITAL

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Authorized: 2,000,000,000 (30 June 2019: 39,000,000) ordinary shares of HK\$0.01 each	18,015	314
Issued and fully paid: 546,000,000 (30 June 2019: 100,000) ordinary shares of HK\$0.01 each	4,946	1

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

14. ISSUED CAPITAL *(Continued)*

A summary of movements in the Company's authorized and issued share capital during the period is as follows:

	<i>Notes</i>	Number of shares	Share capital HK\$'000	Equivalent to RMB RMB'000
Authorized:				
39,000,000 ordinary shares of HK\$0.01 each on 5 February 2018 (date of incorporation), at 31 December 2019 and at 1 January 2020	(a)	39,000,000	390	314
Increase of 1,961,000,000 ordinary shares of HK\$0.01 each on 21 February 2020	(b)	1,961,000,000	19,610	17,701
At 30 June 2020		2,000,000,000	20,000	18,015
Issued and fully paid:				
Issuance of 100,000 ordinary shares of HK\$0.01 on 5 February 2018 (date of incorporation), at 31 December 2019 and at 1 January 2020	(a)	100,000	1	1
Issuance of 6,990 ordinary shares of HK\$0.01 each upon conversion of convertible bonds on 17 March 2020	(c)	6,990	–	–
Capitalization issue of 419,893,010 ordinary shares of HK\$0.01 each on 17 March 2020	(d)	419,893,010	4,199	3,804
Issuance of 126,000,000 ordinary shares of HK\$0.01 each on 17 March 2020	(e)	126,000,000	1,260	1,141
At 30 June 2020		546,000,000	5,460	4,946



14. ISSUED CAPITAL *(Continued)*

Notes:

- (a) On 5 February 2018, the Company was incorporated as an exempted company with limited liability incorporated in the Cayman Islands with authorized share capital of HK\$390,000 divided into 39,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, 100,000 ordinary shares were issued at par for cash.
- (b) Pursuant to the written resolutions of the shareholders of the Company passed on 21 February 2020, the authorized share capital of the Company was increased from HK\$390,000 divided into 39,000,000 shares of a par value of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of a par value of HK\$0.01 each, by the creation of additional 1,961,000,000 shares with a par value of HK\$0.01 each, ranking *pari passu* in all respects with the existing shares of the Company.
- (c) On 17 March 2020, 6,990 ordinary shares of the Company with par value of HK\$0.01 each were issued upon the conversion of convertible bonds with principal amounts totaling HK\$19,000,000 (equivalent to RMB15,505,000).
- (d) Pursuant to the written resolutions of the shareholders of the Company passed on 21 February 2020 and the minutes of the Board of Directors on the same day, 392,460,000 and 27,433,010 ordinary shares of HK\$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalization from the share premium account to the holders of shares whose names appeared on the register of shareholders of the Company and to the convertible bondholders from the conversion of convertible bonds, respectively, on 17 March 2020.
- (e) In connection with the Company's initial public offering, 126,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$1.35 per share for a total cash consideration, before share issue expenses, of approximately HK\$170,100,000 (equivalent to approximately RMB154,091,000). Dealing in the shares of the Company on the Stock Exchange commenced on 17 March 2020.

15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<i>A related company:</i>		
Financial advisory and company secretary service fee <i>(note)</i>	462	42

Note: The service fee was charged by a related company based on terms agreed between the relevant parties. Mr. Tsui Wing Tak is a director and/or beneficial shareholder of the related company.

15. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short term employee benefits	964	234
Post-employment benefits	46	78
Total compensation paid to key management personnel	1,010	312

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, and amounts due from shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments or the effect of discounting is not material.

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

The fair values of financial asset at fair value through profit or loss are assessed to approximate the net asset values indicated on the net asset value statements issued by the investment fund managers, which take into consideration the fair values of the underlying assets held under the investments. In the opinion of the directors, the carrying amounts approximate to their fair values.



16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

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

Asset measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial asset at fair value through profit or loss	–	–	9,600	9,600

The movement in fair value measurements in Level 3 hierarchy represented an addition of financial asset at fair value through profit or loss, amounted to RMB9,600,000, during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

The Group did not have any financial assets measured at fair value as at 31 December 2019.

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

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 months ended 30 June 2019: Nil).

17. APPROVAL OF THE FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorized for issue by the Board on 27 August 2020.

Definitions

“AE Majoris Tech”	AE Majoris Tech Investment Company Limited, a company incorporated under the laws of the BVI on 14 May 2018 owned as to 86.67% by Mr. Tsui and 13.33% collectively by Mr. Jim Rogers and Ms. Paige Parker
“Android operating system”	a mobile operating system developed by Google, designed primarily for touchscreen mobile devices such as smartphones and tablets
“ARPPU”	monthly average gross receipts per paying user, calculated by dividing the average monthly gross receipts during a certain period by the MPUs during the same period
“Articles”	the amended and restated articles of association of the Company adopted on 21 February 2020 with effect from March 17, 2020, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“CAGR”	compound annual growth rate
“Capitalization Issue”	the capitalization of an amount standing to the credit of the share premium account of our Company by applying such sum in paying up in full 419,893,010 Shares for allotment and issue to our Shareholders as resolved by our Shareholders on 21 February 2020
“Cayman Islands”	the Cayman Islands
“Chairman”	the chairman of the Board
“China”, “PRC” or “Mainland China”	the People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan



“Company”, “the Company” or “our Company”	Jiu Zun Digital Interactive Entertainment Group Holdings Limited (九尊數字互娛集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands under the Cayman Islands Companies Law on 5 February 2018, whose Shares became listed on the Main Board of the Stock Exchange on the Listing Date
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“Contractual Arrangement(s)”	the series of contractual arrangements entered into between WFOE, Guangzhou Jiu Zun and the Relevant Shareholders, details of which are set out in the section headed “Contractual Arrangements”
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Director(s)” or “our Directors”	director(s) of our Company
“distribution channel provider”	in relation to mobile games, include operators of game website, search engine, telecommunication operator app store, manufacturer-specific app store, advertising alliance
“DW SAGA”	Captain Player Dragon Wing SAGA Investment Company Limited, a limited liability company incorporated under the laws of the BVI on 7 May 2018 wholly owned by Mr. Xu
“Executive Director(s)”	executive director(s) of the Company
“Family Doctor”	廣州家庭醫生信息技術有限公司 (Guangzhou Family Doctor Information Technology Company Limited*), a company established under the laws of the PRC with limited liability on 5 May 2011 and, by virtue of the Contractual Arrangements, accounted for as our subsidiary owned as to 93% by Guangzhou Jiu Zun and 7% by the late Mr. Chen

Definitions *(Continued)*

“Global Offering”	the offer of 12,600,0000 Shares for subscription by the public in Hong Kong pursuant to the Hong Kong Public Offering and the offer of 113,400,000 Shares for subscription by institutional, professional, corporate and other investors pursuant to the International Offering (as respectively defined in the Prospectus)
“Group”, “the Group”, “we” or “us”	the Company and its subsidiaries, collectively
“Guangzhou Jiu Zun”	廣州市九尊數娛科技發展有限公司 (Guangzhou Jiu Zun Digital Entertainment Technology Development Company Limited*), a company established under the laws of the PRC with limited liability on 13 April 2018 and by virtue of the Contractual Arrangements, accounted for as our subsidiary owned as to 32.26%, 26.88%, 26.88%, 7.53% and 6.45% by Mr. Liang, Yujiang Yingming Investment, Yujiang Chenghe Investment, Mr. Xu and Ms. Zhang
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Non-executive Director(s)”	independent non-executive Director(s) of the Company
“IPO”	initial public offering of the Shares on the Stock Exchange
“JLCY SAGA”	Captain Player JLCY SAGA Investment Company Limited, a limited liability company incorporated under the laws of the BVI on 7 May 2018 wholly owned by Mr. Liang
“Listing”	the Listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	The date which dealings in Shares first commence on the Stock Exchange, i.e. 17 March 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“LJHJH SAGA”	Captain Player LJHJH SAGA Investment Company Limited, a limited liability company incorporated under the laws of the BVI on 7 May 2018 owned as to 99.9% by Mr. Lu and 0.1% by Ms. He (being Mr. Lu’s spouse)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPU(s)”	monthly paying users
“Mr. Liang”	Mr. Liang Junhua (梁俊華), our chief financial officer, and executive Director and one of our Controlling Shareholders
“Mr. Lu”	Mr. Lu Jian (呂建), our Chairman, chief executive officer and executive Director and one of our Controlling Shareholders, and the spouse of Ms. He
“Mr. Tsui”	Mr. Tsui Wing Tak (徐穎德), our non-executive Director and the company secretary of our Company
“Mr. Xia”	Mr. XIA Wenlong (夏文龍), one of our senior management
“Mr. Xu”	Mr. Xu Guangming (徐光明), the beneficial owner of 7.53% equity interest in Guangzhou Jiu Zun
“Ms. He”	Ms. He Junhong (何軍紅), the spouse of Mr. Lu and one of our Controlling Shareholders
“Ms. Rong”	Ms. Rong Hongmei (榮紅梅), one of our senior management
“Ms. Su”	Ms. Su Shaoping (蘇少萍), our non-executive Director and one of our Controlling Shareholders

Definitions *(Continued)*

“Ms. Zhang”	Ms. Zhang Li (張麗), the beneficial owner of 6.45% equity interest in Guangzhou Jiu Zun
“Nomination Committee”	the nomination committee of the Board
“Non-executive Director(s)”	non-executive director(s) of the Company
“Pre-IPO Convertible Bonds”	the zero coupon convertible bonds issued by our Company in the aggregate principal amount of HK\$19,000,000 to AEM PIPO and AE Majoris Tech pursuant to the Subscription Agreement, as amended and supplemented by the Supplemental Deed
“Prospectus”	the prospectus issued by the Company dated February 27, 2020
“R&D”	research and development
“Relevant Shareholders”	Mr. Liang, Yujiang Chenghe Investment, Yujiang Yingming Investment, Mr. Xu and Ms. Zhang, all of whom are registered shareholders of Guangzhou Jiu Zun
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganization”	the reorganization of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganization and Group Structure — Corporate Reorganization” in the Prospectus
“Senior Management”	senior management of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time



“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 21 February 2020 for the benefit of our Directors, members of senior management, employees and other eligible participants defined in the scheme
“Share(s)”	ordinary share(s) in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Listing Rules
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“virtual item”	virtual item(s) which enhance the players’ gaming experience, by, for example, enhancing the powers, abilities or attractiveness
“WFOE”	廣州市九尊互娛科技發展有限公司 (Guangzhou Jiu Zun Interactive Entertainment Company Limited*), a limited liability company established under the laws of the PRC on 31 May 2018 with limited liability and an indirect wholly-owned subsidiary of our Company
“WW SAGA”	Captain Player WW SAGA Investment Company Limited, a limited liability company incorporated under the laws of the BVI on 7 May 2018 wholly owned by Ms. Su
“Yingtian Jiancheng Investment”	鷹潭建成投資中心 (Yingtian Jiancheng Investment Center)*, a sole proprietorship established under the laws of the PRC with limited liability on 29 October 2015 wholly owned by Ms. Su
“Yingtian Jianhe Investment”	鷹潭建和投資中心 (Yingtian Jianhe Investment Center)*, a sole proprietorship established under the laws of the PRC with limited liability on 29 October 2015 wholly owned by Ms. Su
“Yingtian Jianming Investment”	鷹潭建明投資中心 (Yingtian Jianming Investment Center)*, a sole proprietorship established under the laws of the PRC with limited liability on 29 October 2015 wholly owned by Mr. Lu

Definitions *(Continued)*

“Yingtian Jianying Investment”	鷹潭建盈投資中心 (Yingtian Jianying Investment Center*), a sole proprietorship established under the laws of the PRC with limited liability on 29 October 2015 wholly owned by Ms. He
“Yujiang Chenghe Investment”	余江縣成和投資中心(有限合夥) (Yujiang Chenghe Investment Center (Limited Partnership)*), a limited partnership established in the PRC on 16 November 2015 with 99.90% and 0.10% capital contribution by Yingtian Jiancheng Investment and Yingtian Jianhe Investment respectively
“Yujiang Yingming Investment”	余江縣盈明投資中心(有限合夥) (Yujiang Yingming Investment Center (Limited Partnership)*), a limited partnership established in the PRC on 16 November 2015 with 99.90% and 0.10% capital contribution by Yingtian Jianming Investment and Yingtian Jianying Investment respectively
“%”	per cent

* *The English name is translated for reference purpose only in this Interim Report*