

# 2020 INTERIM REPORT



Feiyu Technology International Company Ltd.

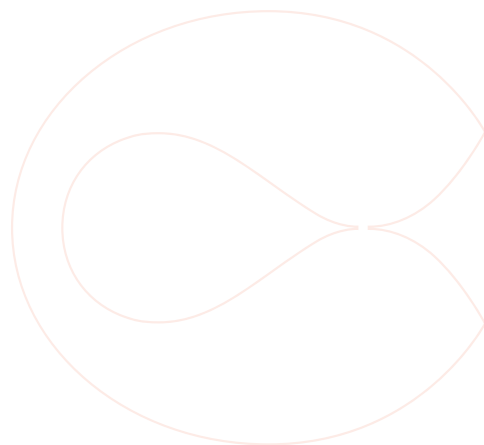
飛魚科技國際有限公司

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 1022



To Better The Virtual World



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. YAO Jianjun (*Chairman and Chief Executive Officer*)  
Mr. CHEN Jianyu (*President*)  
Mr. BI Lin (*Vice President*)  
Mr. LIN Jiabin (*Vice President*)  
Mr. LIN Zhibin (*Vice President*)

### Independent Non-executive Directors

Ms. LIU Qianli  
Mr. LAI Xiaoling  
Mr. MA Suen Yee Andrew

## AUDIT COMMITTEE

Ms. LIU Qianli (*Chairwoman*)  
Mr. LAI Xiaoling  
Mr. MA Suen Yee Andrew

## REMUNERATION COMMITTEE

Ms. LIU Qianli (*Chairwoman*)  
Mr. BI Lin  
Mr. LAI Xiaoling

## NOMINATION COMMITTEE

Mr. YAO Jianjun (*Chairman*)  
Ms. LIU Qianli  
Mr. MA Suen Yee Andrew

## AUTHORISED REPRESENTATIVES

Mr. BI Lin  
Ms. LUI Mei Ka

## JOINT COMPANY SECRETARIES

Ms. LUI Mei Ka  
Ms. WEI Yulan

## LEGAL ADVISERS

*As to Hong Kong law:*

**Dentons Hong Kong LLP**  
Suite 3201, Jardine House  
1 Connaught Place  
Central, Hong Kong

*As to Cayman Islands law:*

**Conyers Dill & Pearman (Cayman) Limited**  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## AUDITORS

**Ernst & Young**  
*Certified Public Accountants*  
22nd Floor, CITIC Tower  
1 Tim Mei Avenue Central  
Hong Kong

## CORPORATE INFORMATION



### REGISTERED OFFICE

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

### CORPORATE HEADQUARTERS

Floor 2, Block 2, No. 14 Wanghai Road  
Ruanjian Yuan Two, Siming District  
Xiamen, Fujian Province, PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F, Winsan Tower  
98 Thomson Road  
Wanchai, Hong Kong

### CAYMAN ISLANDS 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

**Computershare Hong Kong Investor  
Services Limited**  
Shops 1712–1716, 17th Floor  
Hopewell Centre, 183 Queen's Road East  
Wanchai, Hong Kong

### PRINCIPAL BANKERS

#### **The Industrial and Commercial Bank of China Xiamen Branch, Chengjian sub-branch**

No. 270 Lujiang Road  
Xiamen, Fujian Province  
PRC

#### **China Merchants Bank, Beijing branch Jianwaidajie sub-branch**

No. 0668, Block 6, Jianwai SOHO  
No. 39 Dongsanhuan Zhonglu  
Chaoyang District  
Beijing, PRC

### INVESTOR RELATIONS

#### **Christensen China Limited**

16/F, Methodist House  
36 Hennessy Road  
Wanchai, Hong Kong

### COMPANY'S WEBSITE

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

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

1022

### DATE OF LISTING

5 December 2014

# FINANCIAL HIGHLIGHTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 30 June		Change %
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Unaudited)	
Revenue	47,084	41,661	13.0
Gross profit	32,538	24,600	32.3
Loss before tax	(21,888)	(35,628)	(38.6)
Loss for the period attributable to owners of the parent	(22,409)	(33,420)	(32.9)
<b>Non-IFRSs Measures</b>			
– Adjusted net loss attributable to owners of the parent <sup>(1)</sup>	(21,110)	(32,310)	(34.7)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic & Diluted	RMB(0.01)	RMB(0.02)	

Note:

- (1) We define adjusted net loss attributable to owners of the parent as net loss attributable to owners of the parent excluding share-based compensation. The term of adjusted net loss attributable to owners of the parent is not defined under IFRSs. The use of adjusted net loss attributable to owners of the parent has material limitations as an analytical tool as it does not include all items that would impact our net loss attributable to owners of parent for the accounting period.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of	As of	Change %
	30 June 2020 (RMB' 000) (Unaudited)	31 December 2019 (RMB' 000) (Audited)	
<b>Assets</b>			
Non-current assets	526,975	487,454	8.1
Current assets	167,028	243,276	(31.3)
<b>Total assets</b>	<b>694,003</b>	730,730	(5.0)
<b>Equity and liabilities</b>			
Total equity	495,935	509,735	(2.7)
Non-current liabilities	62,830	54,963	14.3
Current liabilities	135,238	166,032	(18.5)
Total liabilities	198,068	220,995	(10.4)
Total equity and liabilities	694,003	730,730	(5.0)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

### OVERVIEW

The coronavirus (“**COVID-19**”) pandemic, which erupted in January 2020, has brought mixed results for China’s online game industry. On the one hand, due to China’s national lockdown policy following the 2020 Chinese New Year, people chose to spend more time playing online games than usual, and as a result, the total revenue of China’s online game industry for the first half of 2020 recorded RMB139.5 billion, representing a year-over-year growth of 22.3%, which is the highest growth rate since the first half of 2018, according to a report jointly published by the Game Publishers Association Publications Committee (GPC) of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委) and China Game Industry Research Institute (中國遊戲產業研究院). However, on the other hand, the lockdown also slowed down the pace of new game development and launch during the first half of this year.

During the reporting period, the Company continued to focus on developing and operating high-quality games from which proprietary IPs are incubated for future game series and cross-sector monetisation. For the six months ended 30 June 2020, the Company recorded total revenue of approximately RMB47.1 million, representing a year-over-year increase of 13.0% as compared to approximately RMB41.7 million for the same period of last year. Net loss attributable to owners of the parent for the reporting period decreased significantly by 32.9% to approximately RMB22.4 million from RMB33.4 million for the same period of last year. The increase in total revenue was primarily driven by the increase in revenue from online game distribution and advertising business, while revenue from game operation remained steady as compared with the same period of last year thanks to the long lifecycle of the Company’s games.

To further enhance the quality of new games, in particular the sequels to the hit titles, the Company decided to invest more time and resources in the development and testing processes, and therefore, the Company did not launch any new games during the reporting period. However, since the end of the reporting period, the Company has launched two new games, which are (i) Neon Abyss (霓虹深淵) launched in both console version on Nintendo Switch, Play Station 4 and Xbox One as well as PC version on Steam, Wegame and Gog on 14 July 2020; and (ii) Kaki Raid (卡嘰探險隊) launched in both iOS and Android versions on 16 July 2020. Neon Abyss (霓虹深淵), a shooter and roguelike game, reached and maintained top 10 on Steam’s best-selling list for the first week of its launch. Kaki Raid (卡嘰探險隊) is a highly-anticipated RPG mobile game and has achieved remarkable success since its launch. It ranked (i) No.1 on the free download list of Apple’s China App Store; (ii) No.1 on the Hot List of TapTap, a leading game distribution platform in China, and also received editor’s recommendation on this platform; and (iii) No. 1 on the Hot Game List on Bilibili, a leading online entertainment platform for young generations in China.

On the IP licensing front, the Company continued to enhance its partnership with licensees and expand the range of licensed products and services leveraging the great popularity of Carrot Fantasy (保衛蘿蔔) IP. However, the licensing activities were negatively impacted by the COVID-19 pandemic in the first half of this year, and further are subject to the planning of the launch of a sequel to Carrot Fantasy (保衛蘿蔔) game series and its namesake cartoon. During the reporting period, the Carrot Fantasy (保衛蘿蔔)-themed liner sleeve bags and cases for Apple Inc.’s tablet products were launched under the licensing arrangement with Beijing GuoYuan Blue Ocean Investment Co., Ltd. (北京國元藍海投資有限公司) for accessories of “3C” (Computer, Communication, and Consumer) products. In addition, the Company also renewed the licensing agreement for the image of major characters in the Carrot Fantasy (保衛蘿蔔) game series being used globally in Meitu (美圖) apps, which shared a major user base with the game series.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OUTLOOK FOR 2020

Entering the second half of 2020, the COVID-19 infections in Mainland China have in general been under control and the economic and social activities have mostly returned to normal levels, which have removed a major hurdle for the Company's normal business operations. Although China's online game industry still faces challenges including the intensified competition, increasing customer acquisition cost and regulatory policies on total quantity of new game approvals, the Company is uniquely positioned to continue to grow its business through crafting hit titles leveraging its proprietary IPs, such as Carrot Fantasy (保衛蘿蔔), Shen Xian Dao (神仙道), San Guo Zhi Ren (三國之刃) and Super Phantom Cat (超級幻影貓), etc.

The Company will stick with its strategy to develop, publish and operate a wide array of games while putting emphasis on casual Multiplayer Online Battle Arena (“MOBA”) games. Except for Neon Abyss (霓虹深淵) and Kaki Raid (卡嘰探險隊), which were launched subsequent to the reporting period, there are currently ten games under development by the Company's R&D teams located in Xiamen, Beijing, Shenzhen, Chengdu and Fuzhou respectively, four of which are targeted to be launched in the second half of 2020 with the rest in 2021 and beyond. In addition, the Company's publishing team also cooperates with third party game developers to publish different genres of games both domestically and internationally and currently there are four third-party-developed games in the publishing pipeline.

As an important pillar of the Company's business strategy, IP licensing will continue to contribute to the expansion of the relevant games' user base, the enhancement of the engagement with gamers and the diversification of revenue streams. In addition to further growing the category and stock keeping unit of licensed products and services for the Carrot Fantasy (保衛蘿蔔) IP, the Company expected to have the samples of the Carrot Fantasy (保衛蘿蔔) cartoon completed in the second half of 2020, which will be another major milestone in the development of the blockbuster IP following the launch of the licensed books in 2015.

### INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Operating Information

##### Our Games

During the six months ended 30 June 2020, the Company maintained a relatively limited product portfolio of high-quality games in order to focus on meeting the rapidly evolving demands of gamers. Reputable IP, such as Carrot Fantasy (保衛蘿蔔) and Shen Xian Dao (神仙道), have established large user bases and significant brand recognition, which provide a solid foundation for potential sequels. To ensure the future success of the sequels, the Company made a strategic decision to invest more time and resources in the development of the games. For this reason, the launch of some of the Company's new key games, such as Carrot Fantasy IV (保衛蘿蔔4), has been delayed.

The table below presents a breakdown of the Group's revenue from game operations in absolute amounts and as a percentage of the Group's total revenue:

	For the six months ended 30 June			
	2020	(% of Total Revenue)	2019	(% of Total Revenue)
	(RMB'000)		(RMB'000)	
Game Operations				
Web games	8,013	17.0	7,701	18.5
Mobile games				
RPGs	15,326	32.6	18,632	44.7
Casual	6,534	13.9	2,980	7.2
PC games	188	0.4	317	0.7
HTML5 games	106	0.2	170	0.4
Console games	290	0.6	202	0.5
<b>Total</b>	<b>30,457</b>	<b>64.7</b>	<b>30,002</b>	<b>72.0</b>

Revenue contributed by game operations was approximately RMB30.5 million for the six months ended 30 June 2020, which remained steady compared with approximately RMB30.0 million for the corresponding period in 2019. As a percentage of total revenue, game operation revenue decreased from approximately 72.0% for the six months ended 30 June 2019 to approximately 64.7% for the six months ended 30 June 2020, mainly due to the increases in revenue contribution from online game distribution and advertising business.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Our Players

The Company assesses its operating performance using a set of key performance indicators, which include MAUs, MPUs and ARPPU. Fluctuations in operating data were primarily a result of changes in the number of players who played, downloaded (in the case of mobile games and PC games) and paid for virtual items and premium features in the games. Using these operating data as key performance indicators help the Company monitor its ability to offer engaging online games, the popularity of its games, the monetisation potential of its player base and the degree of competition in the online game industry, and as a result the Company would be able to continuously improve its business strategies. As at 30 June 2020, the Company's (i) RPG mobile games and web games had approximately 227.9 million cumulative registered users, composed of approximately 172.4 million web game users and approximately 55.5 million mobile game users; (ii) casual games had approximately 587.3 million cumulative activated downloads; and (iii) HTML5 game had approximately 35.6 million cumulative registered users. For the month of June 2020, the Company's (i) RPG mobile games and web games had approximately 0.3 million MAUs in aggregate, composed of approximately 0.1 million mobile game MAUs and approximately 0.2 million web game MAUs; (ii) casual games had approximately 3.8 million MAUs; and (iii) HTML5 game had approximately 0.4 million MAUs. The following table sets forth certain operating statistics relating to the Company's businesses for the periods indicated:

	Six Months ended 30 June		
	2020	2019	Change %
Average MPUs			
Web games (RPGs) (000's)	9	9	–
Mobile games (RPGs) (000's)	28	34	(17.6)
Casual (000's)	130	89	46.1
ARPPU			
Web games (RPGs) (RMB)	147.8	138.1	7.0
Mobile games (RPGs) (RMB)	90.4	91.3	(1.0)
Casual (RMB)	8.4	5.6	50.0

Note: Duplicated paying users of games published on the Company's own platforms were not eliminated during calculation.

MPUs for web games were approximately 9,000 for the six months ended 30 June 2020, which remained constant compared with the six months ended 30 June 2019. Average MPUs for mobile RPG games decreased from approximately 34,000 for the six months ended 30 June 2019 to approximately 28,000 for the six months ended 30 June 2020, primarily attributable to the termination of operation of several mobile RPG games such as Demon Tower (魔界塔), which contributed a large number of MPUs for the six months ended 30 June 2019, but started to decline in the second half of 2019. Average MPUs for casual games increased from approximately 89,000 for the six months ended 30 June 2019 to approximately 130,000 for the six months ended 30 June 2020, primarily attributable to the increase in the average MPUs for the Carrot Fantasy (保衛蘿蔔) series, which were updated with new features to retain existing gamers and attract new players during the stay-at-home period in the first half of 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

ARPPU for web games increased from approximately RMB138.1 for the six months ended 30 June 2019 to approximately RMB147.8 for the six months ended 30 June 2020, primarily driven by the increase in ARPPU for the web version of Shen Xian Dao (神仙道), which has entered the mature stage of its expected lifecycle when loyal players are more willing to make in-game purchase. ARPPU for casual games increased from approximately RMB5.6 for the six months ended 30 June 2019 to approximately RMB8.4 for the six months ended 30 June 2020, primarily attributable to the increase in ARPPU for the Carrot Fantasy (保衛蘿蔔) game series, which were updated frequently with new features and as a result, users have been more willing to pay. ARPPU for RPG mobile games was approximately RMB90.4 for the six months ended 30 June 2020, which remained steady compared with approximately RMB91.3 for the six months ended 30 June 2019.

As part of Feiyu's business strategies, the Company continued to launch various in-game promotions and activities, release regular updates for premium games and offer high-quality customer service, in order to enhance in-game features and maintain user interest. The Company believed all of these initiatives have had significant influence on retaining active players and expanding active player base for the Group.

### First Half of 2020 Compared with First Half of 2019

The following table sets forth the Group's income statement for the six months ended 30 June 2020 compared with the six months ended 30 June 2019.

	Six Months ended 30 June		Change %
	2020 (RMB'000)	2019 (RMB'000)	
<b>Revenue</b>	<b>47,084</b>	41,661	13.0
Cost of sales	<b>(14,546)</b>	(17,061)	(14.7)
<b>Gross profit</b>	<b>32,538</b>	24,600	32.3
Other income and gains	<b>7,893</b>	10,216	(22.7)
Selling and distribution expenses	<b>(8,867)</b>	(4,965)	78.6
Administrative expenses	<b>(19,456)</b>	(27,617)	(29.6)
Research and development costs	<b>(21,770)</b>	(35,186)	(38.1)
Finance costs	<b>(1,112)</b>	(1,604)	(30.7)
Other expenses	<b>(10,500)</b>	(212)	4,852.8
Share of losses of associates	<b>(614)</b>	(860)	(28.6)
<b>LOSS BEFORE TAX</b>	<b>(21,888)</b>	(35,628)	(38.6)
Income tax expense	<b>(1,401)</b>	(2,193)	(36.1)
<b>LOSS FOR THE PERIOD</b>	<b>(23,289)</b>	(37,821)	(38.4)
Attributable to:			
Owners of the parent	<b>(22,409)</b>	(33,420)	(32.9)
Non-controlling interests	<b>(880)</b>	(4,401)	(80.0)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2020 and 2019:

	Six Months ended 30 June		2019	
	2020 (RMB'000)	(% of Total Revenue)	(RMB'000)	(% of Total Revenue)
Game operations	30,457	64.7	30,002	72.0
Online game distribution	8,466	18.0	2,996	7.2
Licensing and IP-related income	375	0.8	3,327	8.0
Advertising revenue	7,771	16.5	4,586	11.0
Technical service income	15	–	750	1.8
<b>Total</b>	<b>47,084</b>	<b>100.0</b>	<b>41,661</b>	<b>100.0</b>

Total revenue increased by approximately 13.0% to approximately RMB47.1 million for the six months ended 30 June 2020 from the corresponding period in 2019.

Revenue from game operations was approximately RMB30.5 million for the six months ended 30 June 2020, which remained constant compared with approximately RMB30.0 million for the six months ended 30 June 2019.

Revenue from online game distribution increased significantly year-over-year by approximately 182.6% to approximately RMB8.5 million for the six months ended 30 June 2020, primarily due to the launch of Horcrux College (魂器學院) in the second half in 2019, which is a two-dimensional game developed by a third-party game developer, and the testing of a mobile game developed by another game developer in the first half of 2020.

Licensing and IP-related income decreased by approximately 88.7% to approximately RMB0.4 million for the six months ended 30 June 2020 from the corresponding period of 2019. The decrease was primarily attributable to the recognition of licensing fees related to Carrot Fantasy III (保衛蘿蔔3) of approximately RMB2.2 million and the web version of Shen Xian Dao II (神仙道2) of approximately RMB0.6 million for the six months ended 30 June 2019. No such licensing fees were recognised during the six months ended 30 June 2020 following the expiration of the licensing agreements in June 2019 and August 2019, respectively.

Advertising revenue increased by approximately 69.5% to approximately RMB7.8 million for the six months ended 30 June 2020 from the corresponding period in 2019, primarily due to the increase in advertising revenue contributed by the Carrot Fantasy (保衛蘿蔔) series as a result of advertising in Carrot Fantasy III (保衛蘿蔔3) since the expiration of the licensing agreement in the second half of 2019, and the increased MAUs for the Carrot Fantasy (保衛蘿蔔) series during the stay-at-home period in the first half of 2020 thanks to the long lifecycle of the games.

Technical service income of approximately RMB0.8 million recorded for the six months ended 30 June 2019 was generated by the provision of technical support services to Meitu's game distribution platforms in the first quarter of 2019 after the effective termination of the exclusive licensing agreement with Meitu Networks while there were no such technical support services rendered during the six months ended 30 June 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS



### Cost of sales

Cost of sales decreased by approximately 14.7% from approximately RMB17.1 million for the six months ended 30 June 2019 to approximately RMB14.5 million for the six months ended 30 June 2020, primarily due to a decrease in rental costs from approximately RMB2.0 million for the six months ended 30 June 2019 to approximately RMB0.7 million for the six months ended 30 June 2020. The decline was associated with a reduction of rental area for operational staff in the second half of 2019 due to a streamlining of the Company's corporate structure. The decrease was also attributable to the recognition of a one-off upfront fee of approximately RMB1.6 million for several overseas games upon termination of their operations during the six months ended 30 June 2019. No such fee was recognised during the six months ended 30 June 2020. The decrease was partially offset by an increase in server costs from approximately RMB0.8 million for the six months ended 30 June 2019 to approximately RMB1.4 million for the six months ended 30 June 2020, which was primarily due to the launch of Horcrux College (魂器學院) in the second half of 2019 and the testing of pipeline games in the first half of 2020.

### Gross profit and gross profit margin

Gross profit increased by 32.3% from approximately RMB24.6 million for the six months ended 30 June 2019 to approximately RMB32.5 million for the six months ended 30 June 2020. Gross profit margin for the six months ended 30 June 2020 was 69.1%, compared with 59.0% for the corresponding period in 2019.

### Other income and gains

Other income and gains decreased by approximately 22.7% from approximately RMB10.2 million for the six months ended 30 June 2019 to approximately RMB7.9 million for the six months ended 30 June 2020. The decrease was primarily due to a decline in investment income of approximately RMB0.9 million which was attributable to the changes in fair value of financial assets at fair value through profit or loss during the six months ended 30 June 2020. The decrease in other income and gains was also attributable to the decrease in bond interest income and bank interest income from approximately RMB2.2 million for the six months ended 30 June 2019 to approximately RMB1.7 million for the six months ended 30 June 2020, which was mainly due to the reduced balance of bond investments following the redemption of several bonds since the end of 2019 to support game distribution operations and the construction of the Company's R&D centre and headquarters building. In addition, the decrease in other income and gains was also due to the recognition of income from the disposal of company vehicles of approximately RMB0.7 million for the six months ended 30 June 2019, while there was no such income recognised during the six months ended 30 June 2020.

### Selling and distribution expenses

Selling and distribution expenses increased by approximately 78.6% from approximately RMB5.0 million for the six months ended 30 June 2019 to approximately RMB8.9 million for the six months ended 30 June 2020, which was mainly attributable to an increase in advertisement fees from approximately RMB3.7 million to approximately RMB6.8 million, primarily as a result of an increase in promotional activities for Horcrux College (魂器學院) launched in October 2019 and other games undergoing testing. The increase was also due to an increase in channel fees from approximately RMB0.8 million for the six months ended 30 June 2019 to approximately RMB1.3 million for the six months ended 30 June 2020. The increase in channel fees was resulted from the self-operation of Carrot Fantasy III (保衛蘿蔔3) since July 2019, when revenue generated by the game was recognised on a gross basis and all channel costs were borne by the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Administrative expenses

Administrative expenses decreased by approximately 29.6% from approximately RMB27.6 million for the six months ended 30 June 2019 to approximately RMB19.5 million for the six months ended 30 June 2020. The decrease was primarily attributable to a decline in professional fees from approximately RMB5.3 million for the six months ended 30 June 2019 to approximately RMB2.0 million for the six months ended 30 June 2020, mainly associated with the professional fees incurred for the proposed acquisition of the entire issued share capital of Sharelink during the six months ended 30 June 2019, while no such professional fees were incurred during the six months ended 30 June 2020. The decrease was also due to the recognition of provision for bad debt loss of approximately RMB1.6 million for the six months ended 30 June 2019 related to a deposit for the development of the land located in Huli District, Xiamen, the PRC (the “**Land**”) as disclosed in the announcement of the Company dated 21 July 2016. The Company does not expect to recover the deposit as the Company did not fulfill the tax contribution condition as agreed in the agreement in respect of the supervision of the Land. No such expenses were recognised during the six months ended 30 June 2020. In addition, the decrease in administrative expenses was also due to a decline in severance allowance and welfare expenses from approximately RMB4.6 million for the six months ended 30 June 2019 to approximately RMB1.9 million for the six months ended 30 June 2020 as a result of a streamlining of the Group’s structure in the first half of 2019.

### R&D costs

R&D costs decreased by approximately 38.1% from approximately RMB35.2 million for the six months ended 30 June 2019 to approximately RMB21.8 million for the six months ended 30 June 2020. The decline was primarily attributable to a decrease in employee costs from approximately RMB25.7 million for the six months ended 30 June 2019 to approximately RMB21.9 million for the six months ended 30 June 2020 as a result of a reduction in the number of R&D employees since mid-2019 to streamline the Group’s structure. The decrease was also due to a decline in outsourcing expenses from approximately RMB7.6 million for the six months ended 30 June 2019 to approximately RMB0.5 million for the six months ended 30 June 2020, as the Company reduced the outsourcing of certain aspects of game development such as graphic design for several pipeline games, of which most of them were launched in 2019 or have entered their testing phases in the first half of 2020. In addition, the decrease was also due to a decline in rental costs from approximately RMB2.4 million for the six months ended 30 June 2019 to approximately RMB1.9 million for the six months ended 30 June 2020, which was associated with the reduction of rental area for R&D staff since the second half of 2019 due to the streamlining of the Company’s corporate structure.

### Finance costs

Finance costs decreased by approximately 30.7% from approximately RMB1.6 million for the six months ended 30 June 2019 to approximately RMB1.1 million for the six months ended 30 June 2020. The decrease was primarily due to a decline in interest expenses on time loans from approximately RMB1.3 million for the six months ended 30 June 2019 to approximately RMB0.9 million for the six months ended 30 June 2020 as a result of lower interest rates during the six months ended 30 June 2020 and the partial repayment of the time loans taken out by the Company for general working capital purpose during the six months ended 30 June 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other expenses

Other expenses was approximately RMB10.5 million for the six months ended 30 June 2020 compared with approximately RMB0.2 million for the six months ended 30 June 2019. The increase was primarily due to a full impairment loss of investment in associate of approximately RMB10.4 million made for the six months ended 30 June 2020 related to the investment in Global OW Technology Co. Limited (“**Global OW**”). The full impairment loss made was because the business activities of Global OW were significantly impacted by the COVID-19 pandemic, the current working capital of Global OW is expected to be insufficient to maintain its future business operation. Considering the extremely low possibility of the investment recovery, the Company made a full impairment loss on the investment in Global OW.

### Income tax expense

Income tax expense decreased by approximately 36.1% from approximately RMB2.2 million for the six months ended 30 June 2019 to approximately RMB1.4 million for the six months ended 30 June 2020, which was mainly resulted from the decreases in revenue and profits of the subsidiaries which were not exempted from income tax.

### Loss for the period

As a result of the above, the loss for the period decreased by approximately 38.4% from approximately RMB37.8 million for the six months ended 30 June 2019 to approximately RMB23.3 million for the six months ended 30 June 2020. Loss attributable to owners of the parent decreased by approximately 32.9% from approximately RMB33.4 million for the six months ended 30 June 2019 to approximately RMB22.4 million for the six months ended 30 June 2020.

### Non-IFRSs measures – Adjusted net loss attributable to owners of the parent

In addition to the Company’s consolidated financial statements that are presented in accordance with IFRSs, Feiyu also provides further information based on the adjusted net loss attributable to owners of the parent as an additional financial measure. The Company presents this financial measure because it is used by management to evaluate financial performance by eliminating the impact of items that the Company does not consider indicative of business performance. The Company also believes that these non-IFRSs measures provide additional information to investors and others, helping them understand and evaluate the consolidated results of operations in the same manner as management and to compare financial results across accounting periods and with those of various peer companies.

For the six months ended 30 June 2020 and 2019, the Company defined the adjusted net loss attributable to owners of the parent as net loss attributable to owners of the parent excluding share-based compensation. The term of adjusted net loss or profit attributable to owners of the parent was not defined under IFRSs. The use of adjusted net loss attributable to owners of the parent has material limitations as an analytical tool as it did not include all items that would impact net loss attributable to owners of the parent for the accounting period.

	Six Months ended 30 June		Change %
	2020 (RMB'000)	2019 (RMB'000)	
<b>Loss for the period attributable to owners of the parent</b>	<b>(22,409)</b>	(33,420)	(32.9)
Add:			
Share-based compensation	<b>1,299</b>	1,110	17.0
<b>Total</b>	<b>(21,110)</b>	(32,310)	(34.7)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Position

As at 30 June 2020, total equity of the Group was approximately RMB495.9 million, compared with approximately RMB509.7 million as at 31 December 2019. The decrease was mainly due to the loss of approximately RMB23.3 million recognised for the six months ended 30 June 2020. The decrease was partially offset by the exchange differences on translation of foreign operations of approximately RMB3.0 million and changes in fair value of equity investments at fair value through other comprehensive income of approximately RMB5.2 million recognised for the six months ended 30 June 2020.

As at 30 June 2020, the Group recorded net current assets of approximately RMB31.8 million, representing a decrease of 58.8% compared with approximately RMB77.2 million as at 31 December 2019. The decrease was mainly due to an increase of investments in perpetual bonds and a bond fund of approximately RMB43.2 million in total in the first half of 2020.

### Liquidity and Financial Resources

	<b>30 June 2020 (RMB'000)</b>	31 December 2019 (RMB'000)	<b>Change %</b>
Cash at bank and on hand	<b>114,537</b>	179,218	(36.1)
<b>Total</b>	<b>114,537</b>	179,218	(36.1)

Total cash and cash equivalents was approximately RMB114.5 million as at 30 June 2020, compared with approximately RMB179.2 million as at 31 December 2019. The decrease was primarily due to the utilisation of current financial resources for investments and the utilisation of cash and cash equivalents in operating activities.

As at 30 June 2020, approximately RMB24.2 million of financial resources (31 December 2019: RMB53.3 million) were held in deposits denominated in non-RMB currencies. The Company currently does not hedge transactions undertaken in foreign currencies, rather it manages foreign exchange exposure by limiting foreign currency exposure and constantly monitoring foreign currency levels. The Group has adopted a prudent cash and financial management policy. In order to better control costs and minimise costs of funds, the Group's treasury activities were centralised and cash was generally deposited at banks, denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

As at 30 June 2020, the Group had aggregate bank loans of approximately RMB128.3 million (31 December 2019: RMB116.7 million), of which approximately RMB72.6 million is payable within one year, approximately RMB47.5 million is payable after one year but within five years and approximately RMB8.2 million is payable after five years. The Group had lease liabilities of approximately RMB6.5 million, which are to be repaid based on the agreed repayment schedule ranging from 1 to 2 years as set out in the agreements.

As at 30 June 2020, the Group's bank loans included a time loan of approximately HK\$68.6 million (31 December 2019: HK\$67.7 million) with an interest rate of 1.824% which was secured by certain life insurance policies as detailed below. This was used by the Company as financial leverage for the life insurance policies. In addition, a bank loan of approximately RMB65.7 million with an interest rate of approximately 5.05%, which was used by the Company for the construction of the Company's R&D center, was secured by the land use rights and construction-in-progress on the Land.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Significant Debt Investments at Fair Value Through Other Comprehensive Income, Equity Investments Designated at Fair Value Through Other Comprehensive Income and Financial Assets at Fair Value Through Profit or Loss

As at 30 June 2020, the Company had debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss of approximately RMB246.2 million (31 December 2019: RMB197.9 million), which represented the Company's investment in straight bonds, perpetual bonds and a bond fund issued by banks or reputable companies, with Standard & Poor ratings above BB-, Moody's ratings above Ba2 and coupon rates ranging from 4.5% to 6.25% per annum, the investment in life insurance policies by the Company, and interests held by the Group in seven unlisted companies and one company listed on the National Equities Exchange And Quotations of the PRC.

The principal of the debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss as at 30 June 2020 were not protected.

According to the Company's current internal investment management policies, no less than 50% of total investments can be invested in risk-free or principal protected investments, while the remainder, up to 50% of the total investment is invested in low risk products. The Company has a diversified investment portfolio to mitigate risks. In addition, the above investments were made in line with the Company's effective capital and investment management policies and strategies.

### Performance and Future Prospect of Significant Debt Investments at Fair Value Through Other Comprehensive Income, Equity Investments Designated at Fair Value Through Other Comprehensive Income and Financial Assets at Fair Value Through Profit or Loss

Details of the Group's debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss as at 30 June 2020 are presented as follows:

#### (A) Straight Bonds

Name of the straight bonds	Notes	Interest income	Gain on fair	Fair value	Percentage	Percentage of
		recognised in consolidated statement of profit or loss for the six months ended 30 June 2020 (RMB'000)	value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2020 (RMB'000)			
Huarong Finance II Co., Ltd. ("Huarong Finance II")	2	3	-	-	-	-
Huarong Finance 2017 Co., Ltd. ("Huarong Finance 2017")	3	460	395	22,924	9.3%	3.3%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Notes:

1. The Group's investment in straight bonds has been accounted for as debt investments at fair value through other comprehensive income. The fair value of the straight bonds was estimated using a discounted cash flow valuation model based on the assumptions that were supported by observable market inputs. Please refer to note 12 to the financial statements for details of the investment in straight bonds.
2. On 17 February 2015, the Group invested in a bond issued by Huarong Finance II with a nominal amount of US\$5,000,000 at a consideration of US\$5,135,000 (equivalent to approximately RMB31.5 million). The bond has a coupon interest rate of 4.5% per annum with a maturity period of 5 years. On 26 December 2016, the Group sold part of the straight bond with a nominal amount of US\$1,500,000 at a consideration of US\$1,566,000 (equivalent to approximately RMB10.8 million). In the second half of 2018, the Group sold part of the above straight bond with a nominal amount of US\$3,300,000 at a consideration of US\$3,325,000 (equivalent to approximately RMB22.8 million). On the maturity date i.e. 16 January 2020, the remaining part of the straight bond with a nominal amount of US\$200,000 was fully redeemed.
3. On 23 June 2017, the Group invested in a bond issued by Huarong Finance 2017 with a nominal amount of US \$3,000,000 at a consideration of US\$3,142,000 (equivalent to approximately RMB21.4 million). The bond has a coupon interest rate of 4.75% per annum with a maturity period of 10 years.

Huarong Finance 2017, the issuer of the bond, is a wholly-owned subsidiary of China Huarong International Holdings Limited, which is in turn a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. ("**China Huarong**"), of which its shares are listed on the Main Board of the Stock Exchange since 30 October 2015 (Stock Code: 2799). China Huarong (together with its subsidiaries, "**Huarong Group**") is a leading asset management company ("**AMC**") and one of the four largest state-owned AMCs in the PRC. The principal businesses of Huarong Group are distressed asset management, financial intermediary services, principal investments, banking, financial leasing, securities, trust and special asset management.

Pursuant to the profit warning announcement of Huarong Group dated 12 August 2020, Huarong Group is expected to record a decrease of approximate 90% to 95% in the net profit attributable to the shareholders of Huarong Group for the six months ended 30 June 2020 as compared to the corresponding period in 2019. For the year ended 31 December 2019, net profit for Huarong Group has increased by 50.4% compared with that for the year ended 31 December 2018, owing to structural adjustment, strengthened assets and liabilities management and improved capital condition. During the first half of 2020, however, the performance was severely impacted by COVID-19 epidemic and the challenges of complex and volatile business environment, which led to a decrease of interest income and a significant drop in the gains generated from fair value changes on part of financial assets held by Huarong Group. In spite of the temporary decline in the achievement, Huarong Group will continue to forge the core business of distressed assets to be strong and precise, accelerate the transformation and innovation of core business, promote risk resolution and downsizing and deepen reforms, striving to achieve the goal of high-quality development.

The Group believes that Huarong Group is using a number of measures to prevent and mitigate the financial risks as well as promote the transformational development and is therefore optimistic about the future prospect of the bond issued by Huarong Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (B) Perpetual Bonds

Name of the perpetual bonds	Notes	Interest income	Loss on fair	Fair value as at	Percentage	Percentage of
		recognised in	value changes		of total FVOCI	total assets
		consolidated	recognised in	30 June 2020	and FVPL	of the Group
		statement of	consolidated	(RMB'000)	Investments	as at 30 June
		profit or loss for	statement of		at 30 June	2020
		the six months	profit or loss		2020	2020
		ended 30 June	for the			
		2020	six months			
		(RMB'000)	ended 30 June			
			2020			
			(RMB'000)			
CCB Life Insurance Co. Ltd 2017	2	239	(508)	10,440	4.2%	1.5%
Chalieco Hong Kong Corp. Ltd 2019	3	264	(389)	10,555	4.3%	1.5%
FWD Ltd 2017	4	-	(452)	10,542	4.3%	1.5%

#### Notes:

- The Group's investment in perpetual bonds has been accounted for as financial assets at fair value through profit or loss. The fair value of the perpetual bonds was observed from Thomson Reuters Eikon system. Please refer to note 12 to the financial statements for details of the investment in perpetual bonds.
- On 17 January 2020, the Group invested in a bond issued by CCB Life Insurance Company Limited ("**CCB Life Insurance**") with a nominal amount of US\$1,500,000 at a consideration of US\$1,547,000 (equivalent to approximately RMB10.6 million). The bond has a coupon interest rate of 4.5% per annum with the maturity date on 21 April 2077 and extendable for an additional 60 calendar years with no limit on the number of extension times at issuer's option.

CCB Life Insurance, the issuer of the bond, was established in 1998 and had been named as Pacific-Antai Life before it became a subsidiary of China Construction Bank Corporation ("**CCB**") in 2011, as one of the first bank-controlled insurance companies approved by the State Council. CCB Life Insurance is the sole insurance platform of CCB and a crucial value-generating segment of CCB, which serves the needs of CCB's customers on insurance protection, long-term savings and wealth inheritance. Leveraging CCB's rich resources and continuous strategic support, CCB Life Insurance has become a leading player with one of the largest premium volume and one of the highest profitability among all bank-controlled life insurance companies in the PRC.

Pursuant to the Information Disclosure Report of CCB Life Insurance for the year ended 31 December 2019, CCB Life Insurance recorded a total income of approximately RMB32,439 million and net profit for the year of approximately RMB757 million. Going forward, CCB Life Insurance is actively developing a comprehensive product portfolio to meet clients' needs and to capture the growing opportunities in China's life insurance market, aiming at developing into a mature company with stable growth and significant increase in value with solid customer base, diversified product suite, improved business structure, safer and more efficient uses of insurance funds, more reasonably organised distribution channels, and more resilient operational support systems.

The Group believes that CCB Life Insurance is benefiting from continuous and comprehensive strategic support from CCB and its established diversified distribution channels with distinct bancassurance features and is therefore optimistic about the future prospect of the bond issued by CCB Life Insurance.

## MANAGEMENT DISCUSSION AND ANALYSIS

- On 17 January 2020, the Group invested in a senior guaranteed perpetual capital bond issued by Chalieco Hong Kong Corporation Limited. ("**Chalieco HK**") with a nominal amount of US\$1,500,000 at a consideration of US\$1,546,000 (equivalent to approximately RMB10.7 million) and a coupon interest rate of 5.0% per annum with no fixed redemption date. The bond was unconditionally and irrevocably guaranteed by China Aluminum International Engineering Corporation Limited (the "**Guarantor**"), shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2068). Chalieco HK and the Guarantor are subsidiaries of Aluminum Corporation of China which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Chalieco HK, a company incorporated in Hong Kong on 10 December 2013, is a wholly-owned subsidiary of the Guarantor (together with its subsidiaries, the "**Chalieco**") and serves as a special purpose vehicle for offshore financing as well as some trading transactions which forms part of Chalieco's overall trading business. Chalieco, established in 2011 and listed on the Main Board of the Stock Exchange in 2012, is a leading technology, engineering service and equipment provider in the nonferrous metals industry in China, capable of providing fully integrated engineering solutions covering the complete value chain of various stages in the nonferrous metals industry. Chalieco is also an industry leader in the world covering the full value chain of the nonferrous metals industry, providing planning, design, mining, processing, smelting, equipment manufacturing and trading services. In August 2018, Chalieco was listed on the main board of the Shanghai Stock Exchange. It became the first nonferrous engineering technology company with both listed A Shares and H Shares, and has established two capital market platforms in the PRC and Hong Kong, laying a foundation for the rapid development and scientific advancement for Chalieco in the future.

Pursuant to the interim results announcement of Chalieco for the six months ended 30 June 2020, Chalieco recorded revenue of approximately RMB9,947 million and net loss after tax of approximately RMB83 million, compared with net profit after tax of approximately RMB95 million for the six months ended 30 June 2019. The performance was severely impacted by the COVID-19 epidemic, which led to Chalieco's engineering projects construction being suspended from January to the end of March 2020. Though Chalieco actively strove to improve its production and operation conditions, the overall operating income scale still experienced a significant year-on-year decline. Looking forward into the second half of 2020, however, benefiting from the resilience of the domestic economy, Chalieco is well positioned to capture business opportunities in the PRC nonferrous metals market and will create a new splendid achievement by virtue of the strong capability for continuous technological innovation in the nonferrous metals industry.

The Group believes Chalieco will vitalise the impetus for high-quality development with solidarity and is therefore optimistic about the future prospect of the bond issued by Chalieco HK.

- On 2 March 2020, the Group invested in a subordinated perpetual capital bond issued by FWD LIMITED (together with its subsidiaries, "**FWD**") with a nominal amount of US\$1,500,000 at a consideration of US\$1,553,000 (equivalent to approximately RMB10.8 million). The bond has a coupon interest rate of 6.25% per annum without fixed maturity date.

FWD, the issuer of the bond, comprises life insurance, general insurance, employee benefits and financial planning businesses in Hong Kong and Macau, including the ninth largest life insurance company in Hong Kong on an Annual Premium Equivalent ("**APE**", a common measure of new business sales in the life insurance industry) basis as of 30 June 2016 (according to Hong Kong Office of the Commissioner of Insurance statistics) and the fifth largest life insurance company in Macau on an APE basis as of 30 June 2016 (according to The Monetary Authority of Macau (the primary regulator of the insurance industry in Macau) statistics). The businesses within FWD have operated for 32 years in Hong Kong and for 17 years in Macau. FWD believes it has a strong reputation in each market for delivering innovative products and superior customer service. FWD also benefits from the experience of its shareholders, Richard Li and Swiss Re.

According to the offering circular of FWD, FWD has always been committed to placing strategic importance on its general insurance business to generate profit and to acquire new customers through undertaking a number of initiatives for establishing corporate brand, including printed and outdoor advertisements (for example, in Hong Kong, display of the Light Emitting Diode (LED) signage at the Excelsior Hotel, advertisements on tram shelters and buses and in Mass Transit Railway (MTR) stations, and a series of printed advertisements and press releases in newspaper and magazines), advertisements on television and through online media as well as face-to-face interactions with FWD's customers. FWD has also undertaken internal measures to increase staff and agent engagement with the new brand.

The Group believes that FWD's branding efforts have been successful and is therefore optimistic about the future prospect of the bond issued by FWD.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (C) Convertible Bond

Name of the convertible bond	Note	Interest income	Gain on fair	Fair value	Percentage	Percentage of
		recognised in consolidated statement of profit or loss for the six months ended 30 June 2020 (RMB'000)	value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2020 (RMB'000)		as at 30 June 2020 (RMB'000)	of total FVOCI and FVPL Investments at 30 June 2020
Standard Chartered PLC	2	457	-	-	-	-

#### Notes:

- The Group's investment in convertible bond has been accounted for as financial assets at fair value through profit or loss. Please refer to note 12 to the financial statements for details of the investment in convertible bonds.
- On 6 April 2015, the Group invested in a perpetual convertible bond issued by Standard Chartered PLC, which is listed on the Main Board of the Stock Exchange (Stock Code: 02888) and London, Mumbai stock exchanges, with a nominal amount of US\$8,000,000 and a coupon interest rate of 6.5% per annum at a consideration of US\$8,101,000 (equivalent to approximately RMB49.7 million). In July and August 2016, the Group sold part of the above perpetual convertible bond with a nominal amount of US\$5,000,000 for a consideration of US\$4,788,000 (equivalent to approximately RMB31.9 million). In January 2018, the Group sold part of the above perpetual convertible bond with a nominal amount of US\$1,000,000 for a consideration of US\$1,056,000 (equivalent to approximately RMB6.7 million). On 2 April 2020, the bond with an aggregated nominal amount of US\$2,000,000 was fully redeemed by Standard Chartered PLC in advance at an aggregated consideration of US\$2,000,000 (equivalent to approximately RMB14.2 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

(D) Fund

Name of the fund	Note	Interest income	Loss on fair	Fair value	Percentage	Percentage
		recognised in consolidated statement of profit or loss for the six months ended 30 June 2020 (RMB'000)	value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2020 (RMB'000)			
UBS Asian Bonds Series 5 (USD) ("UBS Asian Bonds")	2	89	(155)	11,273	4.6%	1.6%

Notes:

- The Group's investment in bond fund, UBS Asian Bonds, has been accounted for as financial assets at fair value through profit or loss. The fair value of the fund represented the net asset value of the sub-fund determined by UBS Asset Management (Singapore) Ltd, as manager (the "Manager") in consultation with HSBC Trustee (Cayman) Limited as trustee (the "Trustee"). Please refer to note 12 to the financial statements for details of the UBS Asian Bonds.
- On 23 January 2020, the Group invested in 16,000 units of the UBS (CAY) Investment Fund Series – UBS Asian Bonds Series 5 (USD) Class A-qdist (USD) Units (the "Sub-Fund") at the subscription price of US\$100 per unit with a consideration of US\$1,614,000 (equivalent to approximately RMB11.1 million). The Sub-Fund has a maturity period of 4.5 years and a target yield to maturity of 4.8% to 5.3% per annum, assuming no defaults and is held to maturity.

UBS (CAY) Investment Fund Series is an open-ended unit trust established under the Trusts Law (as amended) of the Cayman Islands as an umbrella fund by the Trust Deed dated 24 May 2017 between the Manager and the Trustee. The investment objective of the Sub-Fund is to achieve total return by investing primarily in a portfolio of USD-denominated fixed income securities issued by Asia Pacific ex-Japan issuers.

The Sub-Fund in general take a buy-and-hold to maturity approach, investing in a diversified USD bond portfolio. Given the short maturity of the portfolio, it has relatively low interest risk. Besides, compared to global peers, Asian bonds usually provide higher yields with lower duration risk. Finally, it is operated by a professional Asian fixed maturity funds team consisted of managers with more than 10 years of experiences. The Manager, in general, actively monitors and reviews all the securities in the Sub-Fund's portfolio on a regular basis and takes appropriate action where necessary (including but not limited to re-investing proceeds from securities that have matured prior to the Sub-Fund's maturity date). Therefore, the Group is optimistic about the Sub-Fund operated by the Manager in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (E) Investment in Life Insurance Policies

Name of the investment in life insurance policies	Note	Interest income	Gain on fair	Fair value	Percentage	Percentage of
		recognised in consolidated statement of profit or loss for the six months ended 30 June 2020 (RMB'000)	value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2020 (RMB'000)		of total FVOCI and FVPL Investments at 30 June 2020	total assets of the Group as at 30 June 2020
Investment in life insurance policies	2	–	2,800	101,777	41.3%	14.7%

#### Notes:

- The Group's investment in life insurance policies has been accounted for as financial assets at fair value through profit or loss. The fair value of the life insurance policies represented the surrender value of such insurance policies. Please refer to note 12 to the financial statements for details of the investments in life insurance policies.
- In August 2015, the Group entered into life insurance policies with the Bermuda branch of The Manufacturers Life Insurance Company ("Manulife") to insure certain members of the key management of the Group. Under these policies, the Company is the beneficiary and policyholder. The Company has paid out the total insurance premium with an aggregate amount of approximately US\$14.5 million (equivalent to approximately RMB89.0 million) at the inception of the insurance.

The Company can terminate the policies at any time and receive the refund based on the surrender value of the contract(s) at the date of withdrawal, which is determined by the insurance premium of each insurance policy plus the accumulated interest earned and minus the insurance costs ("**Surrender Value**"). In addition, if the withdrawal is made between the first and tenth policy years, there is a special amount of surrender charged by Manulife ("**Surrender Charge**"). Manulife has declared a guaranteed interest of 3.9% per annum plus a premium determined by Manulife on the outstanding Surrender Value of the contract for the first three years. Commencing from the fourth year, the guaranteed interest rate would be reduced to 2% per annum.

Pursuant to the annual performance review of the life insurance policies in 2019, the credit interest rate of each insurance policy for the year ended 31 December 2019 is 3.9%. Considering the insurance nature of the life insurance policies, the historical performance of the life insurance policies and the clause regarding the guaranteed interest, the Group considers that the performance of the life insurance policies has been stable.

There has been no interest income recognised in the consolidated profit or loss of the Group before the Group terminates the life insurance policies and the accumulated interests earned were reflected in changes in cash value of the life insurance policies. The fair value changes were recognised in the consolidated statement of profit or loss.

Subsequent to the reporting period, on 28 August 2020, the Company, as the policyholder and beneficiary, submitted relevant forms to Manulife for the withdrawal of the life insurance policies at the Surrender Value (after deduction of any policy debt and Surrender Charge), which is subject to the Shareholders' approval at an extraordinary general meeting to be convened by the Company. For details, please refer to the Company's announcement dated 28 August 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (F) Unlisted Equity Investments

Company Name	Note	Percentage of shareholdings at 30 June 2020	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2020 (RMB'000)	Fair value as at 30 June 2020 (RMB'000)	Percentage of total FVOCI and FVPL Investments at 30 June 2020	Percentage of total assets of the Group as at 30 June 2020
Xiamen eName Technology Co., Ltd.	2	2%	7,921	24,922	10.1%	3.6%
Xiamen Relian Tianxia Technology Co., Ltd. ("Xiamen Relian")	3	10%	–	10,000	4.1%	1.4%
Others	4	–	(584)	5,471	2.2%	0.8%

#### Notes:

- The Group's unlisted equity investments have been accounted for as equity investments designated at fair value through other comprehensive income. The fair value of the unlisted equity investments were assessed by management or employed by other available methods.
- Xiamen eName Technology Co., Ltd. (together with its subsidiaries, "eName") is a company listed on China New Third Board (Stock Code: 838413) principally engaged in domain related businesses and providing domain registration, transfer and transaction services for internet customers. It is a well-known domain service provider in China.

Pursuant to eName's interim report for the six months ended 30 June 2020, eName recorded revenue of approximately RMB80.9 million, representing a year-over-year increase of 19.4% compared with the corresponding period in 2019, and net profit after tax of approximately RMB6.7 million, compared with net loss after tax of approximately RMB73,000 for the six months ended 30 June 2019. eName has established a leading position in the domain transaction and service industry through mature technical support, convenient transaction procedure and humanized service management. Since 2019, eName has actively increased promotional efforts and successfully maintained its transactions despite of the gloomy industry environment. eName also adhered to expand its domain name business and applied itself to undertake purchase service for large-scale enterprise customers. Besides, trademark transaction became profitable owing to national preferential policy, which also made a great contribution to the sharp increase of its net profit.

The Group is optimistic about the domain service market in China and the performance of eName in the future.

- Xiamen Relian is an unlisted company which principally engaged in the sale of merchandise through intelligent vending machines and is managed by an experienced technical team.

The Company believes that there are significant opportunities in the self-service sector. On 22 June 2020, the Company, through Kailuo Tianxia (our indirect wholly-owned subsidiary), entered into an agreement to make an investment of RMB10.0 million into Xiamen Relian. With the closing of the investment, the Company owns a 10% equity stake in Xiamen Relian. As at 30 June 2020, RMB5.0 million had been paid.

In view that the growing demand for intelligent vending machines from the retail industry will offer immense growth opportunities and that intelligent vending machines could also be expected to form an extensive sales and distribution network to reach intelligent products consumers, the Group considers that the future business prospect of Xiamen Relian is positive.

- Others comprised three (3) unlisted limited liability companies and none of these investments accounted for more than 0.6% of the total assets of the Group as at 30 June 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS



### (G) Unlisted Debt Investments

Company Name	Notes	Percentage of shareholdings at 30 June 2020	Gain/(loss) on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2020	Fair value as at 30 June 2020	Percentage of total FVOCI and FVPL Investments at 30 June 2020	Percentage of total assets of the Group as at 30 June 2020
			(RMB'000)		(RMB'000)	(RMB'000)
Future Capital Discovery Fund II, L.P. ("Future Capital")	2	1.8797%	1,882	19,597	8.0%	2.8%
Others	3	–	(1,258)	18,668	7.6%	2.7%

#### Notes:

- The Group's unlisted debt investments have been accounted for as financial assets at fair value through profit or loss. The fair value of the unlisted debt investments were assessed by management or employed by other available methods.
- Future Capital is an unlisted limited partnership principally engaged in investment in companies which are primarily in the sectors of intelligent system, auto system and information technology to achieve earnings in the form of medium to long term capital appreciation.

Pursuant to Future Capital's financial statements for the six months ended 30 June 2020, Future Capital recorded income of approximately US\$2,432 and net increase in partners' capital resulting from operations of approximately US\$12.2 million. Future Capital expected to realise its investments at a later stage in order to enjoy a higher capital appreciation.

The Group believes that Future Capital has sufficient capital and is managed by an experienced management team and the sectors it invests in have positive future and its future business prospect is positive and is expected to grow continuously.

- Others comprised two (2) unlisted debt investments and was not accounted for more than 1.5% of the total assets of the Group as at 30 June 2020.

There was no impairment made for any investments in debt instruments for the six months ended 30 June 2020. Investments in equity instruments did not involve any separate impairment accounting under IFRS 9 – Financial Instruments.

### Other significant investments held, significant acquisitions and disposal of subsidiaries, associates and joint ventures and future plans for material investments or capital assets

Save as disclosed in this interim report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020. Apart from those disclosed in this interim report, there was no plan authorised by the Board for other significant investment or acquisition of major capital assets or other businesses in the second half of 2020. However, the Group will continue to identify new opportunities for business development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gearing ratio

On the basis of total liabilities divided by total assets, the Group's gearing ratio was 28.5% as at 30 June 2020 and 30.2% as at 31 December 2019.

### Capital expenditures

The following table sets forth the Group's capital expenditures for the six months ended 30 June 2020 and 2019:

	Six Months Ended 30 June		Change %
	2020 (RMB'000)	2019 (RMB'000)	
Property, plant and equipment	282	855	(67.0)
Construction in progress	7,234	17,746	(59.2)
<b>Total</b>	<b>7,516</b>	<b>18,601</b>	<b>(59.6)</b>

Capital expenditures consisted of property, plant and equipment and construction in progress, of which the former include but are not limited to office equipment, company vehicles for employees' use and leasehold improvement. The total capital expenditures for the six months ended 30 June 2020 were approximately RMB7.5 million, compared with RMB18.6 million for the six months ended 30 June 2019, representing a decrease of approximately 59.6%, which was primarily due to the decrease in construction costs for the Company's R&D centre and headquarters building in Xiamen, the PRC from approximately RMB17.7 million for the six months ended 30 June 2019 to approximately RMB7.2 million for the six months ended 30 June 2020. The decrease in construction costs was primarily attributable to the delay in construction due to the COVID-19 pandemic. The decrease was also due to the purchase of motor vehicles for employee use of approximately RMB0.8 million for the six months ended 30 June 2019 while no such purchase was made in the first half of 2020.

### Pledge of Assets

As at 30 June 2020, a bank loan of the Group amounting to HK\$68.6 million (equivalent to approximately RMB62.7 million) which was used as a lever of our investment in life insurance policies was secured by the life insurance policies with a fair value of US\$14.4 million (equivalent to approximately RMB101.8 million). In addition, a bank loan of the Group of approximately RMB65.7 million (under a loan facility of up to RMB120.0 million) was used for the construction of the Company's R&D center, which was secured by land use rights and construction-in-progress on the Land with a total carrying value of approximately RMB213.2 million.

### Contingent liabilities and guarantees

As at 30 June 2020, the Company did not have any unrecorded significant contingent liabilities, guarantees or litigation with claims against it.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Company had 406 full-time employees, the majority of whom are based in Xiamen, the PRC. The following table sets forth the number of employees categorised by function as at 30 June 2020:

	<b>Number of Employees</b>	<b>% of Total</b>
Development	218	53.7
Operations	97	23.9
Administration	86	21.2
Sales and marketing	5	1.2
<b>Total</b>	<b>406</b>	<b>100.0</b>

The remuneration of the Group's employees is determined based on their performance, experience, competence and market comparables. Their remuneration package includes salaries, bonuses related to the Group's performance, allowances, equity settled share-based payments and state-managed retirement benefit schemes for employees in the PRC. The Company also provides customised training to its staff to enhance their technical and product knowledge.

The remuneration of Directors and members of the senior management is determined on the basis of each individual's responsibilities, qualification, position, experience, performance, seniority and time devoted to the Group's business. They receive compensation in the form of salaries, bonuses, share options, RSUs, and other allowances and benefits-in-kind, including the Company's contribution to their pension scheme on their behalf. The remuneration policy of the Directors and the senior management is reviewed by the Remuneration Committee and approved by the Board.

In addition, the Group has adopted the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, Pre-IPO RSU Plan, Post-IPO RSU Plan and RSU Plan II as its long-term incentive schemes.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Use of Net Proceeds from Listing

The net proceeds from the Global Offering were approximately HK\$585.0 million (equivalent to approximately RMB463.2 million) after deducting the underwriting fees and commissions, and related total expenses paid and payable by us in connection with the Listing.

The following table sets forth the use of net proceeds from the Global Offering:

	Net Proceeds from Global Offering			Unused balance RMB'000
	Available to utilise RMB'000	Percentage	Utilised (up to 30 June 2020) RMB'000	
Expanding and enhancing game portfolio	185,281	40%	185,281	–
Expanding marketing and promotion activities	92,641	20%	92,641	–
Establishing and expanding international operations in selected overseas markets	69,480	15%	62,960	6,520
Potential acquisitions of technologies and complimentary online games or business, partnerships and licensing opportunities	69,480	15%	69,480	–
Supplementing working capital and for other general corporate purposes	46,320	10%	46,320	–
	463,202	100%	456,682	6,520

Note: The figures above are approximate figures.

As at 30 June 2020, the Group had utilised net proceeds from the Global Offering of RMB456.7 million as detailed above in accordance with the intended use of net proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The unused balance of the net proceeds of approximately RMB6.5 million is currently placed with reputable banks as the Group’s cash and cash equivalents, and is intended to be used for establishing and expanding the Company’s international operations in selected overseas markets, in particular for introducing and promoting new games by the Company’s overseas game distribution and operation team in overseas markets in the second half of 2020, and the budgeted amount is expected to cover the selling & marketing expenses till the end of 2020.

### Event after the six months ended 30 June 2020

On 28 August 2020, the Company, as the policyholder and beneficiary, submitted relevant forms to Manulife for the withdrawal of the life insurance policies at the Surrender Value (after deduction of any policy debt and Surrender Charge), which is subject to the Shareholders’ approval at an extraordinary general meeting to be convened by the Company. For details, please refer to the Company’s announcement dated 28 August 2020.

# OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and 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 are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Long positions in Shares

Name of Director/ chief executive	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding <sup>7</sup> %
YAO Jianjun	Founder of a Discretionary Trust Interest of Controlled Corporation and Beneficial owner <sup>1 and 2</sup>	489,884,500	31.67
CHEN Jianyu	Founder of a Discretionary Trust Interest of Controlled Corporation <sup>1 and 3</sup>	161,538,000	10.44
BI Lin	Founder of a Discretionary Trust Interest of Controlled Corporation <sup>1 and 4</sup>	112,470,000	7.27
LIN Jiabin	Founder of a Discretionary Trust Interest of Controlled Corporation <sup>1 and 5</sup>	44,890,500	2.90
LIN Zhibin	Founder of a Discretionary Trust Interest of Controlled Corporation <sup>1 and 6</sup>	44,890,500	2.90

Notes:

- 1 TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Lin Family Trust and The Zhi Family Trust.
- 2 These interests represented:
  - (a) 8,485,500 Shares held directly by Mr. YAO; and
  - (b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 161,538,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.
- 4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 112,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.
- 5 The entire share capital of LINT Holdings Limited is wholly owned by Supreme Top Global Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Lin Family Trust, which was established by Mr. LIN Jiabin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Jiabin and his family members. Mr. LIN Jiabin (as founder of The Lin Family Trust) and Supreme Top Global Limited are taken to be interested in 44,890,500 Shares held by LINT Holdings Limited pursuant to Part XV of the SFO.
- 6 The entire share capital of LINCEN Holdings Limited is wholly owned by Sheen Field Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Zhi Family Trust, which was established by Mr. LIN Zhibin on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN and his family members. Mr. LIN (as founder of The Zhi Family Trust) and Sheen Field Limited are taken to be interested in 44,890,500 Shares held by LINCEN Holdings Limited pursuant to Part XV of the SFO.
- 7 The percentage is calculated on the basis of 1,546,943,455 Shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

#### POST-IPO SHARE OPTION SCHEME

The Company has currently adopted a share options scheme, namely the Post-IPO Share Option Scheme.

As at 30 June 2020, the total number of options granted under the Post-IPO Share Option Scheme was 146,160,000, which represented approximately 9.45% of the Shares in issue as at 30 June 2020. As at 30 June 2020, 20,725,000 options granted under the Post-IPO Share Option Scheme, which represented approximately 1.34% and 1.34% of the Shares in issue as at 30 June 2020 and the date of this interim report respectively, were vested to the named grantees.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

The table below sets out details of the outstanding options granted to the grantee under the Post-IPO Share Option Scheme and movements during the six months ended 30 June 2020:

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Shares						
						Granted on the date of grant	Outstanding as at 1/1/2020	Granted during the six months ended 30/6/2020	Exercised during the six months ended 30/6/2020	Cancelled/Lapsed during the six months ended 30/6/2020	Outstanding as at 30/6/2020	
<b>Senior management</b>												
Mr. YANG Guangwen ("Mr. Yang")	10/6/2015	25% of options on 10 June 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK\$3.934	HK\$3.62	3,000,000 <sup>(1)</sup>	3,000,000	-	-	-	-	3,000,000
Mr. Yang	27/3/2017	50% of options on 30 June 2017 and 25% of options on 30 June 2018 and 2019 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,000,000 <sup>(3)</sup>	3,000,000	-	-	-	-	3,000,000
Mr. Yang	21/1/2020	8,000,000 options on 31 December 2021 and 10,000,000 options on 31 December 2022	8 May 2020 to 21 January 2024	HK\$0.1804	HK\$0.154	18,000,000 <sup>(8)</sup>	-	18,000,000	-	-	-	18,000,000
Ms. XU Yiqing ("Ms. Xu")	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,000,000 <sup>(3)</sup>	3,000,000	-	-	-	-	3,000,000
Ms. Xu	21/1/2020	7,000,000 options on 31 December 2020, and 31 December 2021 respectively and 8,000,000 options on 31 December 2022	8 May 2020 to 21 January 2024	HK\$0.1804	HK\$0.154	22,000,000 <sup>(8)</sup>	-	22,000,000	-	-	-	22,000,000
Ms. WEI Yulan	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	600,000 <sup>(3)</sup>	600,000	-	-	-	-	600,000
Ms. TU Qin ("Ms. Tu")	13/11/2017	1/3 of options on 13 November 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.026	HK\$1.00	15,000,000 <sup>(3)</sup>	15,000,000	-	-	-	-	15,000,000
Ms. Tu	21/1/2020	10,000,000 options on 31 December 2020, 15,000,000 options on 31 December 2021 and 25,000,000 options on 31 December 2022	8 May 2020 to 21 January 2024	HK\$0.1804	HK\$0.154	50,000,000 <sup>(8)</sup>	-	50,000,000	-	-	-	50,000,000
Ms. LUI Mei ka	21/1/2020	10% of options on 31 December 2020, 40% of options on 31 December 2021 and 50% of options on 31 December 2022	4 years from the date of grant	HK\$0.1804	HK\$0.164	10,000,000 <sup>(8)</sup>	-	10,000,000	-	-	-	10,000,000
Mr. SHENG Xiang	21/1/2020	1/3 of options on 31 December 2020, 2021, 2022 respectively	4 years from the date of grant	HK\$0.1804	HK\$0.164	12,000,000 <sup>(8)</sup>	-	12,000,000	-	-	-	12,000,000

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Shares						
						Granted on the date of grant	Outstanding as at 1/1/2020	Granted during the six months ended 30/6/2020	Exercised during the six months ended 30/6/2020	Cancelled/Lapsed during the six months ended 30/6/2020	Outstanding as at 30/6/2020	
<b>Other Grantees</b>												
1 other grantee	5/7/2016	25% of options on 31 December 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK\$1.634	HK\$1.57	1,000,000 <sup>(1)</sup>	-	-	-	-	-	-
9 other grantees	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,560,000 <sup>(3)</sup>	2,700,000	-	-	-	-	2,700,000
2 other grantees	15/5/2017	25% of options on 15 May 2018, 2019, 2020 and 2021 respectively	10 years from the date of grant	HK\$1.10	HK\$1.11	5,000,000 <sup>(4)</sup>	1,500,000	-	-	(1,500,000) <sup>(5)</sup>	-	-
<b>Total</b>						<b>146,160,000</b>						<b>139,300,000</b>

### Notes:

- On 10 June 2015, 3,000,000 share options were granted to a senior management with exercise price of HK\$3.934 per Share, which represents the highest of: (i) the closing price of HK\$3.69 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 10 June 2015; (ii) the average of the closing price of HK\$3.934 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- On 5 July 2016, 1,000,000 share options were granted to an eligible participant with exercise price of HK\$1.634 per Share, which represents the highest of: (i) the closing price of HK\$1.42 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 5 July 2016; (ii) the average of the closing price of HK\$1.634 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- On 27 March 2017, 10,160,000 share options were granted to three senior management and other 9 eligible participants with exercise price of HK\$1.256 per Share, which represents the highest of: (i) the closing price of HK\$1.23 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 27 March 2017; (ii) the average of the closing price of HK\$1.256 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- On 15 May 2017, 5,000,000 share options were granted to two eligible participants with exercise price of HK\$1.10 per Share, which represents the highest of: (i) the closing price of HK\$1.10 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 15 May 2017; (ii) the average of the closing price of HK\$1.096 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- On 13 November 2017, 15,000,000 share options were granted to a senior management with exercise price of HK\$1.026 per Share, which represents the highest of: (i) the closing price of HK\$0.99 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 13 November 2017; (ii) the average of the closing price of HK\$1.026 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.



## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 6) On 21 January 2020, 112,000,000 share options, of which 90,000,000 share options (the “**Conditional Grant**”) were subject to the approval of the independent Shareholders, were granted to 5 senior management with exercise price of HK\$0.1804 per Share, which represents the highest of: (i) the closing price of HK\$0.165 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer of the Share Options, i.e. 21 January 2020; (ii) the average of the closing price of HK\$0.1804 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of offer of the Share Options, i.e. 21 January 2020; and (iii) the nominal value of a Share of US\$0.0000001. At the extraordinary general meeting of the Company held on 8 May 2020, the resolutions in respect of approving the Conditional Grant were duly passed by the independent Shareholders. For details, please refer to the Company’s announcement dated 21 January 2020, circular dated 8 April 2020 and poll results announcement dated 8 May 2020.
- 7) 1,500,000 share options granted to other grantees lapsed immediately upon their resignation from the Company during the six months ended 30 June 2020.

### SUMMARY OF THE POST-IPO SHARE OPTION SCHEME

- |   |   |
|---|---|
| <b>1. Purpose</b>                                 | To provide an incentive or reward for the participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.  |
| <b>2. Eligible Participants</b>                   | Full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries, and suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, has contributed or will contribute to the Group and whom the Board may in its absolute discretion select and think fit.   |
| <b>3. Maximum number of shares</b>                | <p>The total number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme is 150,000,000 Shares which is equivalent to 12.50% and 9.70% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.</p> <p>The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be granted under the Post-IPO Share Option Scheme and any other schemes must not in aggregate exceed 30% of the total number of Shares in issue from time to time.</p> |
| <b>4. Maximum entitlement of each participant</b> | 1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer  |
| <b>5. Option period</b>                           | The Board may in its absolute discretion specify conditions or performance targets at the time of grant of options which shall be satisfied by the grantee before his options may be exercised.   |
| <b>6. Exercise price</b>                          | Exercise price shall be higher of: (1) the official closing price of the Shares as stated on the Stock Exchange’s daily quotations sheets on the date of offer of option; (2) average of the official closing prices of the Shares stated on the Stock Exchange’s daily quotation sheets for the 5 business days before the date of offer and (3) nominal value of a Share.   |
| <b>7. Remaining life of the scheme</b>            | It shall be valid and effective from 17 November 2014 to the 10th anniversary of the Listing Rule (i.e. 5 December 2024) (both dates inclusive).  |

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### RESTRICTED SHARE UNIT PLAN

#### RSU PLAN II

The Company has currently adopted a RSU plan, namely the RSU Plan II.

As approved by the Shareholders at the annual general meeting held on 27 May 2020, the maximum number of Shares underlying all grants of RSUs under the annual mandate of the RSU Plan II given to the Directors shall not exceed 45,000,000 Shares, which represented approximately 2.91% and 2.91% of the Shares in issue as at 30 June 2020 and the date of this interim report respectively. No RSU was granted under the RSU Plan II from the date of its adoption up to the date of this interim report.

#### Summary of the RSU Plan II

- 1. Purpose**

To reward the participants for their contribution to the success of the Group and to provide incentives to them to further contribute to the Group, and to attract suitable personnel for further development to the Group.
- 2. Eligible Participants**
  - (i) Full-time employees or officers (including executive, non-executive and independent non-executive Directors) of the Company;
  - (ii) Full-time employees of any subsidiaries and the PRC Operating Entities;
  - (iii) Suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, have contributed or will contribute to the Group; and
  - (iv) Any other person who, in the absolute discretion of the Board, has contributed or will contribute to the Group.
- 3. Maximum number of shares**

No Award shall be granted pursuant to the RSU Plan II if as a result of such grant the aggregate number of Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the RSU Plan II (excluding Awards that have lapsed or been cancelled in accordance with the rules of the RSU Plan II) will exceed 3% of the total issued Shares at the relevant date of Shareholders' approval (i.e. 28 May 2018).

If the limit of the RSU Plan II is refreshed with prior approval of the Shareholders, the total number of Shares underlying the awards shall not exceed 3% of the number of issued Shares as at the date of approval of the refreshed limit.
- 4. Term of the RSU Plan II**

It shall be valid and effective for a period of 10 years commencing from 28 May 2018.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 5. Grant of Award** The Board may grant an award of RSUs any time during the term of the respective RSU Plan on terms and conditions specified by it.
- 6. Rights attached** An award of RSUs does not carry any right to vote at general meetings of the Company. No grantee shall enjoy any right of a shareholder by virtue of the grant of award unless and until the Shares underlying the award are allotted and issued or transferred (as the case may be) to the grantee. Notwithstanding the foregoing, the Board may specify in its sole discretion that a grantee may enjoy rights to cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the award.

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of shareholding <sup>8</sup> %
TMF (Cayman) Ltd. <sup>1</sup>	Trustee of the family trusts	1,001,257,955	64.72
YAO Holdings Limited <sup>2</sup>	Beneficial owner	481,399,000	31.12
Jolly Spring International Limited <sup>2</sup>	Interest in a controlled corporation	481,399,000	31.12
Mr. YAO Jianjun <sup>3</sup>	Founder of a discretionary trust Interest in a controlled corporation and Beneficial owner	489,884,500	31.67
Fishchen Holdings Limited <sup>4</sup>	Beneficial owner	161,538,000	10.44
Honour Gate Limited <sup>4</sup>	Interest in a controlled corporation	161,538,000	10.44
Mr. CHEN Jianyu <sup>4</sup>	Founder of a discretionary trust Interest in a controlled corporation	161,538,000	10.44
BILIN Holdings Limited <sup>5</sup>	Beneficial owner	112,470,000	7.27
Rayoon Limited <sup>5</sup>	Interest in a controlled corporation	112,470,000	7.27
Mr. BI Lin <sup>5</sup>	Founder of a discretionary trust Interest in a controlled corporation	112,470,000	7.27
Eastep Holdings Limited <sup>6</sup>	Beneficial owner	145,765,000	9.42
Ace Kingdom Limited <sup>6</sup>	Interest in a controlled corporation	145,765,000	9.42
Mr. SUN Zhiyan <sup>7</sup>	Founder of a discretionary trust Interest in a controlled corporation and Beneficial owner	150,765,000	9.75

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### Notes:

- 1 TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Sun Family Trust, The Lin Family Trust, The Zhi Family Trust and The Dong Family Trust, seven trusts in total.
- 2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.
- 3 These interests represented:
  - (a) 8,485,500 Shares held directly by Mr. YAO; and
  - (b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 shares held by YAO Holdings Limited pursuant to Part XV of the SFO.
- 4 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 161,538,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.
- 5 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 112,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.
- 6 The entire share capital of Eastep Holdings Limited is wholly owned by Ace Kingdom Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Sun Family Trust, which was established by Mr. SUN Zhiyan (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. SUN and his family members. Mr. SUN (as founder of The Sun Family Trust) and Ace Kingdom Limited are taken to be interested in 145,765,000 Shares held by Eastep Holdings Limited pursuant to Part XV of the SFO.
- 7 These interests represented:
  - (a) 5,000,000 Shares held directly by Mr. SUN Zhiyan; and
  - (b) 145,765,000 Shares held by Eastep Holdings Limited. The entire share capital of Eastep Holdings Limited is wholly owned by Ace Kingdom Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Sun Family Trust, which was established by Mr. SUN Zhiyan (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. SUN and his family members. Mr. SUN (as founder of The Sun Family Trust) and Ace Kingdom Limited are taken to be interested in 145,765,000 Shares held by Eastep Holdings Limited pursuant to Part XV of the SFO.
- 8 The percentage is calculated on the basis of 1,546,943,455 Shares in issue as at 30 June 2020.

Other than as disclosed above, as at 30 June 2020, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

During the six months ended 30 June 2020, neither the Company, its subsidiaries nor any of the PRC Operational Entities has purchased, sold or redeemed any of the Company's listed securities.

### SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this interim report, the Company has always maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2020 and up to the date of this interim report.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. Save as disclosed herein below, the Company has complied with all applicable code provisions under the CG Code during six months ended 30 June 2020.

Code provision A.2.1 of the CG Code stipulates the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. YAO Jianjun serves as the Chairman and Chief Executive Officer of the Company. In view of Mr. YAO Jianjun's extensive experience in the industry, personal profile and role in the Group and its historical development, the Board believes that it is appropriate and beneficial to the business prospects of the Group that Mr. YAO Jianjun acts as both Chairman and Chief Executive Officer. Furthermore, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. YAO Jianjun would provide strong and consistent leadership, allowing the Company to more effectively plan and implement business decisions and strategies. Besides, all major decisions have been made in consultation with members of the Board, which comprises experienced and high caliber individuals, appropriate Board committees, as well as the senior management team. The Board is, therefore, of the view that there are adequate checks and balances in place. Nevertheless, the Board will continue to monitor and review the Company's current structure and make necessary changes at an appropriate time.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

### The Board

The Board currently comprises eight Directors, including five Executive Directors, viz, Mr. YAO Jianjun, Mr. CHEN Jianyu, Mr. BI Lin, Mr. LIN Jiabin and Mr. LIN Zhibin; and three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, viz, Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. MA Suen Yee Andrew.

The Corporate Information on pages 2 to 3 of this interim report includes changes up to the date of this interim report.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### Model Code for Securities Transactions

The Company has adopted the Model Code for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2020.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2020.

### Review of Interim Results

The Audit Committee, comprising three Independent Non-executive Directors, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

The unaudited interim results of the Group for the six months ended 30 June 2020 have been reviewed by Ernst & Young, the external auditors of the Company.

### Change in Directors' Biographical Details under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' biographical details since the date of the 2019 annual report of the Company are as follows:

- (i) Mr. BI Lin (畢林), an Executive Director, has ceased to be director of Xiamen Kailuo Tianxia Information Technology Co., Ltd. (廈門凱羅天下信息科技有限公司) (previously named as Xiamen Heihuo Internet Technology Co., Ltd. (廈門黑火網絡科技有限公司)) which is a subsidiary of the Company since 9 April 2020; and
- (ii) Mr. CHEN Jianyu (陳劍瑜), an Executive Director, has been acting as director of Xiamen Kailuo Tianxia Information Technology Co., Ltd. (廈門凱羅天下信息科技有限公司) (previously named as Xiamen Heihuo Internet Technology Co., Ltd. (廈門黑火網絡科技有限公司)) which is a subsidiary of the Company since 9 April 2020 and has ceased to be director of Guangzhou Big Firebird Cultural Media Co., Ltd (廣州大火鳥文化傳媒有限公司, an animation company) since 28 August 2020.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules since the date of the 2019 annual report of the Company and up to the date of this interim report.

# INDEPENDENT REVIEW REPORT



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## To the board of directors of Feiyu Technology International Company Ltd.

(Incorporated in the Cayman Islands with limited liability)

### INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 38 to 72, which comprises the interim condensed consolidated statement of financial position of Feiyu Technology International Company Ltd. (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2020 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

#### Ernst & Young

*Certified Public Accountants*  
Hong Kong

28 August 2020

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>47,084</b>	41,661
Cost of sales		<b>(14,546)</b>	(17,061)
<b>Gross profit</b>		<b>32,538</b>	24,600
Other income and gains	4	<b>7,893</b>	10,216
Selling and distribution expenses		<b>(8,867)</b>	(4,965)
Administrative expenses		<b>(19,456)</b>	(27,617)
Research and development costs		<b>(21,770)</b>	(35,186)
Finance costs		<b>(1,112)</b>	(1,604)
Other expenses	5	<b>(10,500)</b>	(212)
Share of losses of associates	13	<b>(614)</b>	(860)
<b>LOSS BEFORE TAX</b>	6	<b>(21,888)</b>	(35,628)
Income tax expense	7	<b>(1,401)</b>	(2,193)
<b>LOSS FOR THE PERIOD</b>		<b>(23,289)</b>	(37,821)
Attributable to:			
Owners of the parent		<b>(22,409)</b>	(33,420)
Non-controlling interests		<b>(880)</b>	(4,401)
		<b>(23,289)</b>	(37,821)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
– Basic & Diluted		<b>RMB(0.01)</b>	RMB(0.02)



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>LOSS FOR THE PERIOD</b>	<b>(23,289)</b>	(37,821)
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	(6)	2,756
Exchange differences:		
Exchange differences on translation of foreign operations	3,040	693
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</b>		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	7,337	8,239
Income tax effect	(2,181)	–
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>8,190</b>	11,688
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(15,099)</b>	(26,133)
Attributable to:		
Owners of the parent	(14,226)	(21,724)
Non-controlling interests	(873)	(4,409)
	<b>(15,099)</b>	(26,133)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	117,803	110,214
Right-of-use assets		106,023	110,804
Goodwill	11	20,121	20,121
Other intangible assets	12	2,502	2,898
Investment in associates	13	17,063	28,208
Prepayments, other receivables and other assets	15	16,101	13,781
Equity investments designated at fair value through other comprehensive income	16	40,393	23,056
Debt investments at fair value through other comprehensive income	16	22,924	23,955
Financial assets at fair value through profit or loss	16	182,852	150,905
Deferred tax assets		1,193	3,512
<b>Total non-current assets</b>		<b>526,975</b>	487,454
<b>CURRENT ASSETS</b>			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	14	19,066	32,106
Prepayments, other receivables and other assets	15	21,225	20,302
Cash and cash equivalents	17	114,537	179,218
Other current assets		12,200	11,650
<b>Total current assets</b>		<b>167,028</b>	243,276
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	18	51,071	84,362
Interest-bearing bank and other borrowings	19	72,666	69,926
Lease liabilities		3,456	4,432
Tax payable		1,699	2,960
Contract liabilities	20	6,346	4,352
<b>Total current liabilities</b>		<b>135,238</b>	166,032
<b>NET CURRENT ASSETS</b>		<b>31,790</b>	77,244
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>558,765</b>	564,698

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	19	55,680	46,770
Lease liabilities		3,010	5,346
Deferred tax liabilities		1,491	62
Contract liabilities	20	2,649	2,785
Total non-current liabilities		62,830	54,963
<b>Net assets</b>		<b>495,935</b>	509,735
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	21	1	1
Share premium		498,453	498,453
Reserves		13,135	28,163
		511,589	526,617
<b>Non-controlling interests</b>		<b>(15,654)</b>	(16,882)
<b>Total equity</b>		<b>495,935</b>	509,735

**YAO Jianjun**  
Director

**CHEN Jianyu**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Financial assets revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	1	498,453	18,524	148,176	349,089	(629)	36,727	(523,724)	526,617	(16,882)	509,735
Loss for the period	-	-	-	-	-	-	-	(22,409)	(22,409)	(880)	(23,289)
Other comprehensive loss for the period:											
Changes in fair value of financial assets at fair value through other comprehensive income with gains or losses may be recycled	-	-	-	-	-	(6)	-	-	(6)	-	(6)
Changes in fair value of financial assets at fair value through other comprehensive income with gains or losses will not be recycled	-	-	-	-	-	5,156	-	-	5,156	-	5,156
Exchange differences on translation of foreign operations	-	-	-	-	-	-	3,033	-	3,033	7	3,040
Total comprehensive loss for the period	-	-	-	-	-	5,150	3,033	(22,409)	(14,226)	(873)	(15,099)
Acquisition of non-controlling interests	-	-	-	-	(2,101)	-	-	-	(2,101)	2,101	-
Equity-settled share-based payments expenses	-	-	-	1,299	-	-	-	-	1,299	-	1,299
At 30 June 2020 (unaudited)	1	498,453	18,524*	149,475*	346,988*	4,521*	39,760*	(546,133)*	511,589	(15,654)	495,935

\* These reserve accounts comprise the consolidated reserves of RMB13,135,000 (For the six months ended 30 June 2019: RMB67,439,000) in the consolidated statement of financial position.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2020

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Financial assets revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (audited)	1	498,453	15,995	146,554	349,089	36,418	32,910	(492,913)	586,507	(8,533)	577,974
Loss for the period	-	-	-	-	-	-	-	(33,420)	(33,420)	(4,401)	(37,821)
Other comprehensive loss for the period:											
Changes in fair value of financial assets at fair value through other comprehensive income with gains or losses may be recycled	-	-	-	-	-	2,756	-	-	2,756	-	2,756
Changes in fair value of financial assets at fair value through other comprehensive income with gains or losses will not be recycled	-	-	-	-	-	8,239	-	-	8,239	-	8,239
Exchange differences on translation of foreign operations	-	-	-	-	-	-	701	-	701	(8)	693
Total comprehensive loss for the period	-	-	-	-	-	10,995	701	(33,420)	(21,724)	(4,409)	(26,133)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	(52,060)	-	52,060	-	-	-
Equity-settled share-based payments expenses	-	-	-	1,110	-	-	-	-	1,110	-	1,110
At 30 June 2019 (unaudited)	1	498,453	15,995*	147,664*	349,089*	(4,647)*	33,611*	(474,273)*	565,893	(12,942)	552,951

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months end 30 June 2020

	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Loss before tax		<b>(21,888)</b>	(35,628)
Adjustments for:			
Finance costs		<b>1,112</b>	1,604
Interest income	4	<b>(1,674)</b>	(2,205)
Depreciation of property, plant and equipment	6	<b>1,304</b>	2,132
Depreciation of right-of-use assets	6	<b>2,107</b>	1,225
Amortisation of other intangible assets	12	<b>396</b>	375
Gain on disposal of items of property, plant and equipment	10	<b>–</b>	(715)
Loss on disposal of right-of-use assets		<b>81</b>	–
Equity-settled share-based payment expenses	6	<b>1,299</b>	1,110
Fair value gains, net:			
Financial assets	4	<b>(1,760)</b>	(2,619)
Share of losses of associates	13	<b>614</b>	860
Impairment loss of investment in an associate	5	<b>10,442</b>	–
Impairment loss of other receivables		<b>–</b>	1,605
		<b>(7,967)</b>	(32,256)
Decrease in accounts receivable and receivables due from third-party game distribution platforms and payment channels		<b>13,040</b>	14
Increase in prepayments, other receivables and other assets		<b>(706)</b>	(5,389)
Decrease in other payables and accruals		<b>(28,147)</b>	(17,113)
Increase in other current assets		<b>(550)</b>	(2,482)
Increase in contract liabilities		<b>1,858</b>	3,059
Cash used in operations		<b>(22,472)</b>	(54,167)
Interest paid		<b>(914)</b>	(388)
Income tax paid		<b>(1,094)</b>	(1,342)
Net cash flows used in operating activities		<b>(24,480)</b>	(55,897)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months end 30 June 2020

Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	2,772	2,823
Purchases of items of property, plant and equipment	(17,666)	(22,933)
Proceeds from disposal of items of property, plant and equipment	-	792
Purchases of financial assets	(48,264)	(61,145)
Proceeds from disposal of financial assets	15,425	193,062
Investment in associates	-	(2,443)
Dividends received from an associate	200	-
Net cash flows (used in)/from investing activities	(47,533)	110,156
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Addition of bank loans	1,634,426	2,077,146
Repayment of bank loans	(1,623,310)	(2,079,177)
Principal portion of lease payments	(2,344)	(1,336)
Net cash flows from/(used in) financing activities	8,772	(3,367)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	179,218	104,922
Effect of foreign exchange rate changes, net	(1,440)	1,241
Cash and cash equivalents at end of period	114,537	157,055
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the statement of financial position	17	114,537
		157,055

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

## 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 6 March 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at the offices of Conyers Trust Company (Cayman) Ltd. at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Group is principally engaged in the operation and development of web and mobile games in Mainland China. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") on 5 December 2014.

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### 2.1 BASIS OF PREPARATION

The interim condensed financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. 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.

### 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 International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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

- (a) Amendments to IFRS 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.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

- (b) Amendments to IFRS 9, IAS 39 and IFRS 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.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendment did not have any impact on the Group's interim condensed consolidated financial information.
- (d) Amendments to IAS 1 and IAS 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 any impact on the Group's interim condensed consolidated financial information.

## 3. OPERATING SEGMENT INFORMATION

### Information about geographical areas

Since over 90% of the Group's revenue and operating profit were generated from the provision of online game services in Mainland China and all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

### Information about major customers

Revenue from continuing operations of approximately RMB6,592,000 was derived from a single customer (which amounted to 10% or more of the Group's revenue) for game operation for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Revenue</b>		
Online web and mobile games	23,451	27,648
Single-player games	7,006	2,354
Game operations	30,457	30,002
– Gross basis	1,195	3,160
– Net basis	29,262	26,842
Online game distribution	8,466	2,996
Licensing income	359	3,322
Advertising revenue	7,771	4,586
Sale of goods	16	5
Technical service income	15	750
	47,084	41,661
<b>Timing of revenue recognition</b>		
Services transferred over time	359	3,322
Services and goods transferred at a point of time	46,725	38,339
Total revenue from contracts with customers	47,084	41,661

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 4. REVENUE, OTHER INCOME AND GAINS (Continued)

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Other income</b>		
Government grants	4,433	4,315
Interest income	1,674	2,205
	<b>6,107</b>	6,520
<b>Gains</b>		
Fair value gains, net:		
Financial assets	1,760	2,619
Gain on disposal of items of property, plant and equipment	–	715
Other gains	26	362
	<b>7,893</b>	10,216

### 5. OTHER EXPENSES

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Impairment of investment in an associate	10,442	–
Foreign exchange loss	44	186
Others	14	26
	<b>10,500</b>	212

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Channel costs	1,322	831
Rental fee	1,524	4,237
Depreciation of property, plant and equipment	1,304	2,132
Depreciation of right-of-use assets	2,107	1,225
Amortisation of other intangible assets	396	375
Advertising expenses	6,804	3,668
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	40,022	40,614
Pension scheme contributions	992	3,715
Share-based payment expenses	1,299	1,110
	<b>42,313</b>	45,439
Interest income	(1,674)	(2,205)
Government grants	(4,433)	(4,315)

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

## 7. INCOME TAX EXPENSE

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

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Xiamen Feixin Internet Technology Co., Ltd. ("Xiamen Feixin") which was certified as Software Enterprises and is exempted from income tax for two years starting from the first year in which it generates taxable profit, followed by a 50% reduction for the next three years. 2016 is the first profitable years for Xiamen Feixin. Xiamen Guangling Investment Management Co., Ltd. ("Xiamen Guangling"), Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou") and Beijing Kailuo Tianxia Technology Co., Ltd. ("Kailuo Tianxia") are subject to 15% preferential tax rate for High and New Technology Enterprises.

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax	(166)	1,767
Deferred tax	1,567	426
Total tax charge for the period	1,401	2,193

## 8. DIVIDEND

The Board does not recommend the payment of an interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,546,943,455 (for the six months ended 30 June 2019: 1,546,943,455) in issue during the period, as adjusted to reflect the share issuance, repurchase and treasury shares on hand during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the impact of the share option outstanding had an anti-dilution effect in the basic loss per share amounts presented.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of RMB8,893,000 (for the six months ended 30 June 2019: RMB19,979,000). Depreciation for items of property, plant and equipment was RMB1,304,000 during the period (for the six months ended 30 June 2019: RMB2,132,000).

During the six months ended 30 June 2020, the Group did not dispose of any items of property, plant and equipment (for the six months ended 30 June 2019: RMB77,000).

### 11. GOODWILL

	RMB'000
At 30 June 2020 and 31 December 2019:	
Cost	432,278
Accumulated impairment	(412,157)
Net carrying amount	20,121

### 12. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2020, the Group did not acquire any intangible asset (for the six months ended 30 June 2019: Nil). Amortisation for intangible assets were RMB396,000 during the period (for the six months ended 30 June 2019: RMB375,000).

No intangible asset was disposed of for the six months ended 30 June 2020 and 2019.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 13. INVESTMENT IN ASSOCIATES

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Shares of net assets	2,557	(220)
Goodwill on acquisition	14,506	28,428
	<b>17,063</b>	28,208

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

	<b>30 June 2020 RMB'000 (Unaudited)</b>	30 June 2019 RMB'000 (Unaudited)
Share of the associates' loss for the period	(614)	(860)

### 14. ACCOUNTS RECEIVABLE AND RECEIVABLES DUE FROM THIRD-PARTY GAME DISTRIBUTION PLATFORMS AND PAYMENT CHANNELS

The Group's credit terms with customers generally range from one month to four months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its receivable balances. These receivables are non-interest-bearing.

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

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 3 months	19,066	32,106

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 14. ACCOUNTS RECEIVABLE AND RECEIVABLES DUE FROM THIRD-PARTY GAME DISTRIBUTION PLATFORMS AND PAYMENT CHANNELS (Continued)

Set out below is the information about the credit risk exposure on the Group's accounts receivable and receivables due from third-party game distribution platforms and payment channels using a provision matrix:

As at 30 June 2020

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount (RMB'000)	19,066	-	-	-	19,066
Expected credit losses (RMB'000)	-	-	-	-	-

As at 31 December 2019

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount (RMB'000)	32,106	-	-	-	32,106
Expected credit losses (RMB'000)	-	-	-	-	-



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<b>Non-current</b>		
Prepayments	<b>14,918</b>	13,345
Prepaid land lease payments related deposits	<b>1,605</b>	1,605
Other receivables	<b>4,183</b>	3,436
	<b>20,706</b>	18,386
Impairment allowance	<b>(4,605)</b>	(4,605)
	<b>16,101</b>	13,781
<b>Current</b>		
Prepayments	<b>5,743</b>	7,486
Deposits	<b>6,218</b>	6,404
Other receivables	<b>25,168</b>	22,316
	<b>37,129</b>	36,206
Impairment allowance	<b>(15,904)</b>	(15,904)
	<b>21,225</b>	20,302

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 16. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<b>Debt investments at fair value through other comprehensive income</b>			
Straight bonds	(1)	<b>22,924</b>	23,955
<b>Equity investments designated at fair value through other comprehensive income</b>			
Unlisted equity investments, at fair value	(2)	<b>40,393</b>	23,056
<b>Financial assets at fair value through profit or loss</b>			
Unlisted debt investments, at fair value	(3)	<b>38,265</b>	37,642
Convertible bonds		–	14,286
Investment in life insurance policies	(4)	<b>101,777</b>	98,977
Fund	(5)	<b>11,273</b>	–
Perpetual bonds	(6)	<b>31,537</b>	–
		<b>182,852</b>	150,905

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 16. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- (1) On 23 June 2017, the Group invested in a bond issued by Huarong Finance 2017 Co., Ltd. with a nominal amount of US\$3,000,000 at a consideration of US\$3,142,000 (equivalent to approximately RMB21.4 million). The bond has a coupon interest rate of 4.75% per annum with a maturity period of 10 years.

Debt investments at fair value through other comprehensive income are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

- (2) The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature, which represented equity investments in one company listed on the National Equities Exchange And Quotations of the PRC, and four unlisted entities incorporated in PRC and Singapore.

On 22 June 2020, the Group acquired 10% interest in an unlisted entity at a consideration of RMB10 million.

- (3) The above unlisted debt investment represented the investments in two unlisted limited partnerships, and one unlisted entity incorporated in Cayman Islands.

- (4) In August 2015, the Group entered into life insurance policies with an insurance company to insure certain members of the key management of the Group. Under these policies, the beneficiary and policy holder is the Company. The Company has paid out the total insurance premium with an aggregate amount of approximately US\$14.5 million (equivalent to approximately RMB89.0 million) at the inception of the insurance. The Company can terminate the policy at any time and receive back based on the surrender value of the contract at the date of withdrawal, which is determined by the insurance premium of each insurance policy plus the accumulated interest earned and minus the insurance costs ("Surrender Value"). In addition, if the withdrawal is made between the first and tenth policy years, there is a special amount of surrender charge by the insurance company. The insurance company will declare a guaranteed interest of 3.9% per annum plus a premium determined by the insurance company on the outstanding Surrender Value of the contract for the first three years. Commencing from the fourth year, the guaranteed interest will be reduced to 2% per annum.

As at 30 June 2020, the insurance premium was pledged to a bank to secure a short-term advance facility granted to the Group (note 19).

- (5) In January 2020, the Group invested in a bond fund issued by UBS (CAY) Fund Series with a nominal amount of US\$1,600,000 and with income stream from a diversified portfolio at a consideration of US\$1,614,000 (equivalent to approximately RMB11.1 million).
- (6) On 17 January 2020, the Group invested in a perpetual bond issued by CCB Life Insurance Company Limited with a nominal amount of US\$1,500,000 and a coupon interest rate of 4.5% per annum at a consideration of US\$1,547,000 (equivalent to approximately RMB10.6 million). On 17 January 2020, the Group invested in a perpetual bond issued by Chalieco Hong Kong Corporation Limited with a nominal amount of US\$1,500,000 and a coupon interest rate of 5.0% per annum at a consideration of US\$1,546,000 (equivalent to approximately RMB10.7 million). On 2 March 2020, the Group invested in a perpetual bond issued by FWD Limited with a nominal amount of US\$1,500,000 and a coupon interest rate of 6.25% per annum at a consideration of US\$1,553,000 (equivalent to approximately RMB10.8 million).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 17. CASH AND CASH EQUIVALENTS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Cash and cash equivalents	<b>114,537</b>	179,218
Denominated in RMB	<b>90,370</b>	125,967
Denominated in United States Dollars ("US\$")	<b>21,566</b>	48,538
Denominated in Hong Kong Dollars ("HK\$")	<b>2,601</b>	4,027
Denominated in Great Britain Pounds ("GBP")	<b>–</b>	686
Cash and cash equivalents	<b>114,537</b>	179,218

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

### 18. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Salaries and welfare payables	<b>25,116</b>	38,698
Other payables and accruals	<b>24,884</b>	44,317
Other tax payables	<b>973</b>	1,288
Advance from customers	<b>98</b>	59
	<b>51,071</b>	84,362

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

## 19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2020			As at 31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans-secured	1.824	Weekly renewable	62,666	3.776	Weekly renewable	60,586
Bank loans-secured	5.047	2020	5,000	5.047	2020	9,340
	5.047	2021	5,000	–	–	–
			72,666			69,926
<b>Non-current</b>						
Other-secured bank loans	5.047	2021	5,000	5.047	2021	10,670
	5.047	2022	10,000	5.047	2022	10,000
	5.047	2023	6,940	5.047	2023	6,940
	5.050	2023	3,060	5.047	2023	3,060
	5.050	2024	15,000	5.050	2024	15,000
	5.050	2025	15,000	5.050	2025	1,100
	5.050	2026	680	–	–	–
			55,680			46,770
			128,346			116,696

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	72,666	69,926
In the second year	10,000	10,670
In the third to fifth years, inclusive	37,500	35,000
Beyond five years	8,180	1,100
	128,346	116,696

Notes:

- The Group's short term loan facility amounted to US\$20,000,000 (2019: US\$20,000,000), of which HK\$68,805 thousand (equivalent to approximately US\$8.9 million) (2019: HK\$67,656 thousand) had been drawn as at the end of the reporting period, and is secured by the Group's investment in the insurance policies (note 16). The period of the loan is seven days and renewable on a weekly basis.
- The Group's long term loan facility amounted to RMB120,000,000 (2019: RMB120,000,000), and is secured by the Group's right-of-use assets. The loan will be repaid year by year in accordance with the contracts.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 20. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2020 and 31 December 2019 are as follows:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<i>Short-term advances received</i>		
Online web and mobile games	<b>5,047</b>	3,229
Licensing income	<b>1,299</b>	1,123
<i>Long-term advances received</i>		
Online web and mobile games	<b>129</b>	129
Licensing income	<b>2,520</b>	2,656
Total contract liabilities	<b>8,995</b>	7,137

Contract liabilities mainly represented prepaid unconsumed virtual currencies, virtual items from players and upfront revenue sharing and remaining upfront licenses fee for online game services from game distribution platforms, for which the related services had not been rendered as at 30 June 2020.

### 21. SHARE CAPITAL

#### Shares

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Issued and fully paid or credited as fully paid:		
Ordinary shares of US\$0.0000001 each	<b>1,546,943,455</b>	1,546,943,455
Equivalent to RMB'000	<b>1</b>	1

## 22. EQUITY-SETTLED SHARE-BASED PAYMENTS

### Share option schemes

The Company approved and adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a post-IPO share option scheme (the “Post-IPO Share Option Scheme”, together as the “Schemes”) pursuant to shareholders’ written resolutions and directors’ written resolution passed on 17 November 2014. The purpose of the Schemes is to provide rewards to eligible participants for their service to the Group. Eligible participants include any full-time employees, consultants, executives or officers of the Company and any of its subsidiaries who, in the sole opinion of the Board, have contributed or will contribute to the Group.

The total number of ordinary shares subject to the Pre-IPO Share Option Scheme is 105,570,000. On 17 November 2014, under the Pre-IPO Share Option Scheme, share options were granted to 2 members of senior management and 120 other employees to subscribe for 105,570,000 shares at an exercise price of HK\$0.55 per share. All share options granted will be vested equally in four tranches as to 25% of the aggregate number of shares on 31 December 2015, 2016, 2017 and 2018, respectively. Each option granted if not exercised subsequently expired on 5 December 2019.

The maximum number of shares to be issued upon exercise of all share options to be granted under the Post-IPO Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 150,000,000 shares and 30% of the shares of the Company in issue from time to time. On 1 January 2020, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 22,000,000 shares at an exercise price of HK\$0.1804 per share. 10,000,000 share options granted will be vested in three tranches as to 10%, 40%, 50% of the number of shares on 31 December 2020, 2021 and 2022, respectively. 12,000,000 share options granted will be vested equally in three tranches as to 33% of the number of shares on 31 December 2020, 2021 and 2022, respectively. Each option granted if not exercised subsequently will expire on 21 January 2024. On 8 May 2020, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 90,000,000 shares at an exercise price of HK\$0.1804 per share. 50,000,000 share options granted will be vested in three tranches as to 20%, 30%, 50% of the number of shares on 31 December 2020, 2021 and 2022, respectively. 18,000,000 share options granted will be vested in two tranches as to 44%, 56% of the number of shares on 31 December 2021 and 2022, respectively. 22,000,000 share options granted will be vested in three tranches as to 32%, 32%, 36% of the number of shares on 31 December 2020, 2021 and 2022, respectively. Each option granted if not exercised subsequently will expire on 21 January 2024.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 22. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

#### Share option schemes (Continued)

The following share options were outstanding under the Schemes during the period/year:

	2020	Number of options
	Weighted average exercise price HK\$'000 per share	'000
At 1 January	1.35	28,800
Granted during the period	0.18	112,000
Forfeited during the period	1.10	(1,500)
At 30 June	0.41	139,300

	2019	Number of options
	Weighted average exercise price HK\$'000 per share	'000
At 1 January	0.94	72,029
Forfeited during the year	1.75	(3,500)
Expired during the year	0.57	(39,729)
At 31 December	1.35	28,800



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 22. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

#### Share option schemes (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

#### 30 June 2020

Number of options '000	Exercise price* HK\$ per share	Exercise period
3,000	3.93	10-06-2016 to 09-06-2025
6,300	1.26	31-12-2017 to 26-03-2027
3,000	1.26	30-06-2017 to 26-03-2027
15,000	1.03	13-11-2018 to 12-11-2027
22,000	0.18	31-12-2020 to 21-01-2024
90,000	0.18	31-12-2020 to 21-01-2024
139,300		

#### 31 December 2019

Number of options '000	Exercise price* HK\$ per share	Exercise period
3,000	3.93	10-06-2016 to 09-06-2025
6,300	1.26	31-12-2017 to 26-03-2027
3,000	1.26	30-06-2017 to 26-03-2027
1,500	1.10	15-05-2018 to 14-05-2027
15,000	1.03	13-11-2018 to 12-11-2027
28,800		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the period was approximately RMB5,494,000 (2019: Nil), of which the Group recognised a share option expense of RMB753,000 during the six months ended 30 June 2020.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 22. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

#### Share option schemes (Continued)

The fair value of the share options granted during the period was estimated at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists out inputs used in the model:

	30 June 2020
Dividend yield (%)	–
Expected volatility (%)	49.42-50.97
Risk-free interest rate (%)	1.69-2.64
Expected life of options (year)	4
Share price (HK\$ per share)	0.15-0.17

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

At the end of the reporting period, the Company had 139,300,000 share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 139,300,000 additional ordinary shares of the Company, an additional share capital of approximately RMB99 and a share premium of approximately RMB53,964,000.

At the date of approval of these financial statements, the Company had 139,300,000 share options outstanding under the Schemes, which represented 9.00% of the Company's shares in issue as at that date.

The Group recognised total share option expenses of RMB1,299,000 for the six months ended 30 June 2020 (for the year ended 31 December 2019: RMB1,622,000).

### 23. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for: Construction in progress	30,170	31,152

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 24. RELATED PARTY TRANSACTIONS

#### (a) Name and relationship of related parties

Name	Relationship
Shanghai Kamao Network Technology Co., Ltd. ("Shanghai Kamao")	Associate
Xiamen Chenxing Interactive Technology Co., Ltd. ("Xiamen Chenxing")	Associate

#### (b) Transactions with related parties

The following transactions were carried out with related parties:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Loan to (note (i))		
Xiamen Chenxing	-	2,700
Shanghai Kamao	1,759	200
	1,759	2,900
Game research service from (note (ii))		
Shanghai Kamao	-	1,617
Revenue sharing to (note (iii))		
Shanghai Kamao	378	-
Xiamen Chenxing	-	547
	378	547

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

## 24. RELATED PARTY TRANSACTIONS (Continued)

### (b) Transactions with related parties (Continued)

Notes:

- (i) The Group offered a non-interest-bearing loans amounting to RMB2,700,000 to Xiamen Chenxing in 2019. The loans to Xiamen Chenxing were fully impaired.

The Group offered a non-interest-bearing loan amounting to RMB1,759,000 and RMB200,000 to Shanghai Kamao in the first half of 2020 and 2019 respectively. The loan of RMB200,000 was repaid by 30 June 2019.

- (ii) The purchase of game research services from Shanghai Kamao was mutually agreed after taking into account the prevailing market prices.
- (iii) The online game's revenue sharing to Shanghai Kamao and Xiamen Chenxing was mutually agreed after taking into account the prevailing market prices.

### (c) Amount due from related parties:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Shanghai Kamao	<b>3,823</b>	2,442

### (d) Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2020 RMB'000 (Unaudited)</b>	2019 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	<b>3,126</b>	2,177
Equity-settled share-based payment expenses	<b>1,243</b>	1,356
Pension scheme contributions	<b>105</b>	102
	<b>4,474</b>	3,635

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 25. FINANCIAL INSTRUMENTS BY CATEGORY

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

#### Financial assets

As at 30 June 2020

	Financial assets at fair value through other comprehensive income				Total RMB'000 (Unaudited)
	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Debt investments RMB'000 (Unaudited)	Equity investments RMB'000 (Unaudited)	Financial assets at amortised cost RMB'000 (Unaudited)	
Debt investments at fair value through other comprehensive income	-	22,924	-	-	22,924
Equity investments designated at fair value through other comprehensive income	-	-	40,393	-	40,393
Financial assets at fair value through profit or loss	182,852	-	-	-	182,852
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	-	-	-	19,066	19,066
Financial assets included in prepayments, other receivables and other assets	-	-	-	21,357	21,357
Cash and cash equivalents	-	-	-	114,537	114,537
	182,852	22,924	40,393	154,960	401,129

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 25. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at 31 December 2019

	Financial assets at fair value through other comprehensive income				Total RMB'000 (Audited)
	Financial assets at fair value through profit or loss RMB'000 (Audited)	Debt investments RMB'000 (Audited)	Equity investments RMB'000 (Audited)	Financial assets at amortised cost RMB'000 (Audited)	
Debt investments at fair value through other comprehensive income	–	23,955	–	–	23,955
Equity investments designated at fair value through other comprehensive income	–	–	23,056	–	23,056
Financial assets at fair value through profit or loss	150,905	–	–	–	150,905
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	–	–	32,106	32,106
Financial assets included in prepayments, other receivables and other assets	–	–	–	18,351	18,351
Cash and cash equivalents	–	–	–	179,218	179,218
	150,905	23,955	23,056	229,675	427,591

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 25. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

#### Financial liabilities

	<b>Financial liabilities at amortised cost</b>	
	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Financial liabilities included in other payables and accruals	<b>10,611</b>	17,163
Interest-bearing bank and other borrowings (other than lease liabilities)	<b>128,346</b>	116,696
	<b>138,957</b>	133,859

### 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Certain equity investments	Valuation multiple	Average EV/Revenue multiple of peers	2020: 7.5 to 8.3 (2019: 6.3 to 6.7)	5% (2019:5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB1,310,000/ RMB1,321,000 (2019: RMB946,000)
		Discount for lack of marketability	2020: 7% to 15% (2019: 7% to 15%)	5% (2019:5%) increase/decrease in multiple would result in decrease/increase in fair value by RMB227,000/ RMB229,000 (2019: RMB190,000/ RMB171,000)

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted price in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Debt investments at fair value through other comprehensive income	-	22,924	-	22,924
Equity investments designated at fair value through other comprehensive income	-	-	40,393	40,393
Financial assets at fair value through profit or loss	-	182,852	-	182,852
	-	205,776	40,393	246,169

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

### 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2019

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted price in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Debt investments at fair value through other comprehensive income	–	23,955	–	23,955
Equity investments designated at fair value through other comprehensive income	–	–	23,056	23,056
Financial assets at fair value through profit or loss	–	150,905	–	150,905
	–	174,860	23,056	197,916

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

For the year ended 30 June 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

### 27. EVENTS AFTER THE REPORTING PERIOD

On 28 August 2020, the board of the directors approved the withdrawal of life insurance policies for certain insured members of the key management. The withdrawal by the Company, as the policyholder and beneficiary, is at the Surrender Value (after deduction of any policy debt and surrender charge) which is subject to the Shareholder's approval at an extraordinary meeting to be convened by the Company.

### 28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the board of the directors on 28 August 2020.

# GLOSSARY

“ARPPU”	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Cayman Islands”	the Cayman Islands
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“Chief Executive Officer”	the chief executive officer of the Company
“China” or “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”, “we”, “us” or “our”	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
“Director(s)”	director(s) of the Company
“Executive Director(s)”	the executive Director(s)
“Global Offering”	the offer of 30,000,000 Shares for subscription by the public in Hong Kong pursuant to the Hong Kong Public Offering and the offer of 270,000,000 Shares for subscription by institutional, professional, corporate and other investors pursuant to the International Offering (as respectively defined in the Prospectus)
“Group” or “the Group”	our Company, its subsidiaries and the PRC Operating Entities
“HK\$”, “Hong Kong dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IAS(s)”	International Accounting Standards
“IASB”	International Accounting Standard Board

## GLOSSARY

“IFRS(s)”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“IP”	Intellectual Property
“Independent Non-executive Director(s)”	the independent non-executive Director(s)
“Kailuo Tianxia”	Beijing Kailuo Tianxia Technology Co., Ltd (北京凱羅天下科技有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
“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. 5 December 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“MAU”	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period
“Meitu”	Meitu, Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands, share of which are listed on the Main Board of Stock Exchange (Stock Code:1357)
“Meitu Networks”	Xiamen Meitu Networks Technology Co., Ltd.(廈門美圖網科技有限公司), a limited liability company established under the laws of the PRC, is one of the important consolidated variable interest entities controlled through a series of contractual arrangement by Meitu
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPUs for a particular period is the average of the MPUs in each month during that period

## GLOSSARY

“Nomination Committee”	the nomination committee of the Board
“PC”	personal computer
“Post-IPO RSU Plan”	the post-IPO restricted share unit plan adopted by the Shareholders on 17 November 2014
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Shareholders on 17 November 2014
“PRC Operating Entities”	Xiamen Guanghuan and its subsidiaries and “PRC Operating Entity” means any one of them
“Pre-IPO RSU Plan”	the pre-IPO restricted share unit plan adopted by the Shareholders on 17 November 2014
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Shareholders on 17 November 2014
“Prospectus”	the prospectus dated 25 November 2014 issued by the Company
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“RPG”	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more “characters” who develop specific skill sets (such as melee combat or casting magic spells) and control the character’s actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
“RSU(s)”	restricted share unit(s)
“RSU Plan II”	the RSU Plan II adopted by the Shareholders on 28 May 2018
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Shares”	ordinary share(s) in the share capital of our Company with nominal value of US\$0.0000001 each

## GLOSSARY

“Shareholders”	holder(s) of Shares
“Sharelink”	Sharelink Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“US\$”, “United States Dollars” or “USD”	United States dollars, the lawful currency of the United States of America
“Xiamen Guanghuan”	Xiamen Guanghuan Information Technology Co., Ltd. (廈門光環信息科技有 限公司), a limited company incorporated under the laws of the PRC on 12 January 2009.

In this interim report, the terms “associate”, “connected person”, “connected transaction” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires