

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2100



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Dai Jian (*Chairman*)

Mr. Wu Lili

Mr. Li Chong

Mr. Wang Xiaodong

Independent Non-executive Directors

Ms. Liu Qianli

Dr. Wang Qing

Mr. Ma Xiaofeng

AUDIT COMMITTEE

Ms. Liu Qianli (*Chairperson*)

Dr. Wang Qing

Mr. Ma Xiaofeng

NOMINATION COMMITTEE

Mr. Dai Jian (*Chairperson*)

Mr. Ma Xiaofeng

Ms. Liu Qianli

REMUNERATION COMMITTEE

Dr. Wang Qing (*Chairperson*)

Mr. Ma Xiaofeng

Mr. Wu Lili

CHIEF EXECUTIVE OFFICER

Mr. Dai Jian

ACTING CHIEF FINANCIAL OFFICER

Ms. Chen Xiao Hong

COMPANY SECRETARY

Ms. Lau Yee Wa

AUTHORIZED REPRESENTATIVES

Mr. Wu Lili

Mr. Dai Jian

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and Registered PIE Auditor

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Hong Kong

COMPANY'S WEBSITE

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STOCK CODE

2100

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Guangzhou, Guangdong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG SHARE REGISTRAR

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Hong Kong

REGISTERED OFFICE

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Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL BANKS

China Minsheng Bank, Guangzhou Branch
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PRC

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Ti Yu Dong Road Sub Branch
30/F, Goldlion Centre, No. 138 Ti Yu Dong Road
Tianhe District
Guangzhou
Guangdong 510620
PRC

The Hongkong and Shanghai Banking Corporation Limited
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Hong Kong

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LEGAL ADVISORS AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman (Cayman) Limited
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INVESTOR RELATIONS

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Company Profile

Founded in 2009 and listed on the Hong Kong Stock Exchange in 2014, BAIIO Family Interactive Limited is a leading internet content and service provider in China. BAIIO principally engages in developing and publishing mobile and PC games, producing comics and has recently expanded its footprint into AI technology. BAIIO strives to become a leading company in China's fast-growing pan-entertainment industry.

Since its establishment, BAIIO has been committed to the development and operation of various online content. The Company's key products have attracted nearly 300 million registered users. To drive further business expansion in the mobile internet era, BAIIO released a collection of popular mobile games that have generated significant interest within the mobile gaming industry.

At present, BAIIO primarily focuses on niche game genres in which it excels, namely female-oriented games, pet collection and raising games, and comic-adapted "nijigen" (「二次元」) games. Meanwhile, the Company has also been proactively exploring development of other types of games in recent years, for example, simulation and action games. BAIIO's key products include web-based virtual world Aobi Island (「奧比島」), Aola Star (「奧拉星」), Light of Aoya (「奧雅之光」) and Legend of Aoqi (「奧奇傳說」), as well as mobile games Zaowufaze II (「造物法則二: 先鋒英雄」), Shiwuyu (「食物語」) and Aola Star Mobile (「奧拉星手遊」). BAIIO successfully expanded its business from its web games platform to mobile games platform, and is committed to expanding into overseas markets. To complement its gaming content, BAIIO also operates several online comic series such as Aola Star: Parallel Universe (「奧拉星 • 平行時空」) and Shiwuyu (「食物語」).

The Company's philosophy is that original content creation should always be a focal point for continuous improvement of the user experience, the expansion of product portfolio and facilitating the incubation of valuable IP. In reflecting this belief, BAIIO will continue to pursue strategic cooperation with well-known comic IPs, leverage a well-incubated IP portfolio and pursue the development of fun and engaging products to drive improvement across its business.

Financial Summary

INCOME STATEMENT HIGHLIGHT

	Unaudited		Period-over-period change %
	six months ended 30 June		
	2020	2019	
	RMB'000	RMB'000	
Revenue	658,017	150,593	337.0%
Gross profit	250,586	107,811	132.4%
Operating profit	151,601	30,457	397.8%
Non-International Financial Reporting Standards (“IFRSs”) Measures			
— Adjusted Net Profit ⁽¹⁾	155,101	20,450	658.4%
— Adjusted EBITDA ⁽²⁾	164,266	26,261	525.5%

Notes:

- Adjusted net profit consists of profit for the period plus share-based compensation. Adjusted net profit eliminates the effect on non-cash share-based compensation expenses. The term of adjusted net profit is not defined under the IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the period.
- Adjusted EBITDA consists of adjusted net profit less finance income-net, plus income tax, depreciation of property and equipment and right-of-use assets and amortization of intangible assets.

BALANCE SHEET HIGHLIGHTS

	Unaudited As of 30 June 2020 RMB'000	Audited As of 31 December 2019 RMB'000
Assets		
Non-current assets	177,179	220,573
Current assets	1,827,205	1,712,162
Total assets	2,004,384	1,932,735
Equity and liabilities		
Total equity	1,628,019	1,550,441
Non-current liabilities	87,394	95,413
Current liabilities	288,971	286,881
Total liabilities	376,365	382,294
Total equity and liabilities	2,004,384	1,932,735

Chairman Letter

Dear Shareholders,

During the first half of 2020, the performance of games, short and long videos, and live streaming were all outstanding. The overall gaming market in China experienced robust growth, within which, the mobile game segment experienced a solid gain in market share.

As the domestic gaming market continues to expand and mature, the competitiveness of China's gaming enterprises in proprietary research and development ("R&D") of gaming products is strengthening, and has become the key impetus for the growth of China's gaming industry. With an aim to provide users with diversified and high-quality gaming content, BAIOO continued to reinforce its capabilities in gaming operations, content innovation and R&D, and enrich its product portfolio.

Over the years, we have been targeting niche game genres, and striving to develop female-oriented games, pet collection and raising games, and comic-adapted "nijigen" (「二次元」) games. To further diversify our portfolio and strengthen our market position, we also began to explore simulation games and action games this year, as we aim to create differentiated and innovative products. Our market-nicher strategy successfully positions BAIOO as the leader within several niches in China's gaming market and further differentiates us from others that operate in this competitive part of the industry.

OUTSTANDING PERFORMANCE IN DOMESTIC MARKET AND BREAKTHROUGHS IN OVERSEAS MARKETS

In the first half of 2020, we continued to optimize our existing mobile game operations and other products, and focused on offering innovative and diversified gaming content to game users, so as to increase user stickiness and expand our user base. Currently, our core mobile games accounted for nearly 70% of our total revenue, and our webpage games continued to contribute to revenue as we strengthened overall business operations. In leveraging our strong content innovation and R&D capabilities, we successfully expanded the business from beyond our webpage games platform to the mobile games platform, and successfully transitioned our core user base to elder users that command higher spending power. In the first half of this year, our mobile games have generated significant interest in both domestic and overseas markets and their performance in both instances were outstanding.

Chairman Letter

We launched three mobile games in China in the second half of 2019, namely Shiwuyu (「食物語」), Aola Star Mobile (「奧拉星手遊」) and Zaowufaze II (「造物法則二：先鋒英雄」). The three mobile games ranked among the top in several rankings and won multiple industry awards after launch, demonstrating both market and user-centric acclaim of our content creation capabilities. By continuously updating gaming content and launching new themed versions, we offered users a more diversified and interesting gaming experience. All three signature mobile games are showing a steady growth trajectory.

In the first half of 2020, we actively expanded our presence in overseas markets and achieved multiple breakthroughs. We launched Shiwuyu (「食物語」) and The Law of Destiny (「命運的法則：無限交錯」) (which is titled “Zaowufaze II (「造物法則二：先鋒英雄」)” in the PRC) in Hong Kong, Macau and Taiwan in February and April, respectively, and launched Shiwuyu (「食物語」) in Singapore and Malaysia in May. In order to attract and meet the demands of local game users, we introduced new localized features and characters to game title versions that were launched in different regions. This strategy enabled us to attract more new users and drive the robust performance of our international business during the first half of 2020.

Despite the ongoing adverse impact of Novel Coronavirus Disease (“COVID-19”) on the general economy, we have been able to proactively put in place active measures that strengthen our business development and core competitiveness. In many ways, COVID-19 has been a catalyst for the growth of our mobile game business, and particularly for in-app consumption, which has performed remarkably well in the first half of 2020.

OUTLOOK

Going forward, as we enter the second half of 2020, we will continue to consolidate the operations of our core webpage games and mobile games, increase investments in our innovation and R&D capabilities, actively develop more differentiated innovative products, and capture the emerging opportunities for business development in both the domestic and overseas markets. Furthermore, we will continue to explore and develop more game titles in the niche genres, including simulation and action games, which are more popular in the international market, in order to strengthen our mobile game business, further enrich product portfolio, and capitalize on the opportunities to attract young users. Meanwhile, we will continue to strategically convert our sizable base of webpage game users to the mobile terminal by driving adoption of BAIOO’s classic IP, thus maximizing the lifetime value of users.

While actively developing within the domestic market, we will also continue to strategically expand overseas and promote our mobile games to numerous overseas regions. We will continue to consolidate BAIOO’s brand influence in overseas markets and launch our original mobile games in new regions during the year, including Japan and Korea, in order to further expand our international user base and unlock value through expansion in overseas gaming markets.

ACKNOWLEDGEMENTS

On behalf of our management team, I would like to express my gratitude to our dedicated staff for their hard work, as well as to our numerous partners, users and investors for their long-term trust in and support for our Company. We are committed to meeting the entertainment needs of our users, and providing them with more interesting and innovative games, with the aim to build a sustainable business model that creates long-term value for shareholders.

DAI Jian

Chairman, Chief Executive Officer and Executive Director

BAIOO Family Interactive Limited

26 August 2020

Definitions and Glossaries

DEFINITIONS

“AGM”	the annual general meeting of the Company to be convened and held in accordance with the Articles of Association
“AI”	artificial intelligence
“Articles of Association”	the articles of association of the Company as amended, supplemented or revised from time to time
“associate”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of Directors
“BVI”	the British Virgin Islands
“CEO”	the chief executive officer of the Company
“Chairman”	the chairman of the Board
“Company” or “us” or “our Company”	BAIOO Family Interactive Limited (百奧家庭互動有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2009 with its Shares listed on the Main Board of the Stock Exchange on 10 April 2014
“Company Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Contractual Arrangements”	a series of agreements entered into among Guangzhou WFOE, Guangzhou Baitian and the registered shareholders on 4 December 2013 and amended on 20 March 2014
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. DAI Jian and Stmoritz Investment Limited
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“DAE Trust”	a discretionary trust set up by Mr. DAI Jian for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. DAI and his family members

Definitions and Glossaries

“Director(s)” or “our Director(s)”	the director(s) of our Company or any one of them
“Group” or “our Group” or “BAIOO”	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements), or, where the context so requires, in respect of the period before our Company became the holding company of its current subsidiaries, our Company’s current subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)
“Guangzhou Baiman”	Guangzhou Baiman Culture Communications Company Limited* (廣州百漫文化傳播有限公司), a company with limited liability incorporated on 5 January 2016 under the laws of the PRC. Guangzhou Baitian held 31.2% equity interests in Guangzhou Baiman and independent third parties held 68.8%. Pursuant to a sale and purchase agreement dated 9 August 2020, Guangzhou Baitian had disposed of the 31.2% of the equity interests in Guangzhou Baiman and upon completion of the disposal, Guangzhou Baiman had ceased to be an associate of the Company. For details, please refer to the announcement of the Company dated 9 August 2020
“Guangzhou Baitian” or “PRC Operating Entity”	Guangzhou Baitian Information Technology Ltd.* (廣州百田信息科技有限公司), a company incorporated on 2 June 2009 and existing under the laws of the PRC. As of the date hereof, Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. CHEN Ziming and Mr. WANG Xiaodong hold 46.92%, 28.37%, 12.9%, 7.08% and 4.73% equity interests in Guangzhou Baitian, respectively
“Guangzhou WFOE”	Baiduo (Guangzhou) Information Technology Limited* (百多(廣州)信息科技有限公司), a company incorporated on 29 October 2013 under the laws of the PRC, an indirect wholly-owned subsidiary of the Company
“independent third party”	any entity or party which is not connected (as defined in the Listing Rules) to any of our Directors, substantial shareholders or chief executives of our Company or its subsidiaries, or any of their respective associates
“IP”	intellectual property
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 10 April 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)

Definitions and Glossaries

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“Option(s)”	an option or right to purchase Shares under the Pre-IPO Share Option Scheme
“PC(s)”	personal computer(s)
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on 10 April 2014 and was amended on 19 June 2015
“PRC”	the People’s Republic of China
“Pre-IPO RSU Scheme”	the restricted share unit plan approved and adopted by the Company on 30 September 2013
“Pre-IPO Share Option Scheme”	the share option plan approved and adopted by the Company on 18 June 2010
“Prospectus”	the prospectus of the Company dated 28 March 2014
“R&D”	research and development
“Register of Members”	the register of members of the Company
“Registered Shareholders”	the registered shareholders of Guangzhou Baitian, namely Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. CHEN Ziming and Mr. WANG Xiaodong
“Remuneration Committee”	the remuneration committee of the Company
“RSU(s)”	restricted share unit(s), being a contingent right to receive Shares which is granted pursuant to the Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)” or “Ordinary Share(s)”	ordinary share(s) in the share capital of our Company with par value US\$0.0000005 each (or of such other nominal amount as shall result from capitalization, subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time) with the rights ascribed in the Articles of Association

Definitions and Glossaries

“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“The Zhen Family Trust”	a discretionary trust set up by Mr. LI Chong for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. LI and his family members
“WHZ Trust”	a discretionary trust set up by Mr. WU Lili for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. WU and his family members
“WSW Family Trust”	a discretionary trust set up by Mr. WANG Xiaodong for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. WANG and his family members

* English names are for identification purpose only

Definitions and Glossaries

GLOSSARY

“ARQPA”	average revenue per QPA, which is revenue from our virtual worlds in a particular quarter divided by the number of quarterly paying accounts in that quarter
“average quarterly ARQPA”	average quarterly average revenue per QPA, which is revenue from our virtual worlds in a particular period divided by the total number of QPA in that period
“QAA”	quarterly active accounts, which is the number of active accounts for our virtual worlds in the relevant quarter. A quarterly active account is defined as a registered account that was accessed at least once during a quarter. An account that logged into two virtual worlds in the same quarter is counted as two QAA. Average QAA for a particular period is the average of the QAA in each quarter during that period
“QPA”	quarterly paying accounts, which is the number of paying accounts in the relevant quarter. An account that paid subscription fees or for virtual items in two virtual worlds in the same quarter is counted as two QPA. Average QPA for a particular period is the average of the QPA in each quarter during that period
“RPG”	role-playing game

Management Discussion and Analysis

BUSINESS OVERVIEW

In the first half of 2020 (the “Period”), BAIOO continued to deliver steady operating metrics across the Company’s products for PC(s) and mobile devices. BAIOO achieved multiple breakthroughs in expanding its mobile game business across both domestic and international markets and overall reception was strong. This accomplishment demonstrates the Company’s strength in R&D and content creation. During the Period, BAIOO’s commitment to creating diversified and interesting gaming content for users, as well as its continued focus on game segmentation has met the increasing demands of users and increased user stickiness. As a result, BAIOO continued to solidify its leading position in the niche game segments.

During the Period, BAIOO continued to strengthen its core web game business. The Company leveraged its expertise in content creation in order to upgrade its gaming content and optimize operational model on a consistent basis, resulting in a continuous flow of new gaming experiences for users. This was particularly impactful in maintaining active core users for BAIOO’s two classic games, Aola Star (「奧拉星」) and Legend of Aoqi (「奧奇傳說」), both of which exhibit a high retention rate and user engagement. Currently, the operations of BAIOO’s core web games remain stable and will continue to contribute to the Company’s revenue growth.

BAIOO successfully launched three mobile games in late 2019, namely Shiwuyu (「食物語」), Aola Star Mobile (「奧拉星手遊」) and Zaowufaze II (「造物法則二：先鋒英雄」), all of which were well received by the market, which was a clear indication that the Company has successfully expanded from its web games to mobile games platform. During the Period, the Company was able to consistently update its mobile game content and launch new themed versions, provided users with a more diverse and interesting gaming experience. This attracted more new users, resulting in improved operating and financial performance during the Period.

Shiwuyu (「食物語」) is primarily designed for women and features traditional Chinese cuisine to promote local culture. The game received strong post-launch support from multiple users, was ranked first on the “Top Free Games” category of the Apple App Store on its launch date and has also received many awards following its launch. During the Period, in bringing even more novel gaming experiences to users, BAIOO updated and launched new game themes. In May, BAIOO launched a Peking Opera-themed version of Shiwuyu (「食物語」) in collaboration with Shanghai Jingju Theatre Company. This feature aims to attract the attention of more youthful users in order to help them appreciate the charm of Peking Opera through playing games. In addition, Shiwuyu (「食物語」) launched a dry noodle-themed version as part of its brand enhancement project in Wuhan, China, in July, with the aim to promote the city’s urban vitality. Currently, the number of new users and activeness of Shiwuyu (「食物語」) remains high and stable.

Aola Star Mobile (「奧拉星手遊」), another core mobile game, is a mobile version adapted from BAIOO’s classic web game, featuring pet raising and fighting. During the Period, BAIOO actively increased engagement with users through continuous experience upgrades and several product iterations. Zaowufaze II (「造物法則二：先鋒英雄」) is a sequel of Zaowufaze (「造物法則」), and one of BAIOO’s successful original comic IP. The game has performed well in both domestic and overseas markets since its debut. Moreover, current operations remain stable.

Management Discussion and Analysis

In recent years, BAIIO has strategically been expanding overseas, and remains committed to deepening international business ties. BAIIO has proactively promoted its games to different parts of the world since the start of 2020, providing the opportunity for more users to experience and enjoy BAIIO's gaming content. BAIIO launched Shiwuyu (「食物語」) in Hong Kong, Macau and Taiwan in February 2020, and subsequently in Singapore and Malaysia in May 2020. The domestic version of Zaowufaze II (「造物法則二：先鋒英雄」) was also launched in Hong Kong, Macau and Taiwan in April 2020, titled The Law of Destiny (「命運的法則：無限交錯」), and launched in Japan in July 2020, called Stella Chronicleステラクロニクル. To appeal and cater to local users, BAIIO added new features and characters to all the game versions released in different regions. Post launch reception by local users in overseas markets of these mobile games has been very strong, resulting in better-than-anticipated metrics and had significantly increased BAIIO's revenue from its overseas business. During the Period, revenue from overseas business as a percentage of total revenue had significantly increased to 17% from 4% during the same period last year.

During the Period, BAIIO continued to focus on the niche game genres in which it excels, namely female-oriented games, “nijigen” (「二次元」) games and pet collection and raising games, all of which remain popular with users and the market. In addition to successful mobile game platform and international expansion, BAIIO has also been successful in transitioning its core user base to elder customers who command stronger spending power, highlighting the Company's competitiveness as it further develops its gaming business in the niche gaming segments.

INDUSTRY TRENDS

According to the latest China Game Industry Report released by the Game Publishers Association Publications Committee of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委), the sales revenue generated from the domestic gaming sector reached RMB139.49 billion, representing a significant increase of 22.3% compared to last year. In particular, the mobile game market recorded revenue of RMB104.67 billion, and continued to take up the largest share of the industry, accounting for 75.0% of the total revenue. Overall, the gaming user base in China continued to expand at a rate of 2.0% to 660 million players as compared with the same period last year.

It is reported that continuous improvement across China's gaming industry during this Period has further promoted sustainable development of the industry. Game companies in China has accelerated the rate at which they innovate by actively developing new technologies, constantly exploring new game contents, and improving game R&D and operational capabilities. In addition, because Chinese gaming companies have been actively expanding in the overseas gaming market in recent years, China's domestically developed games continue to gain rapid growth momentum in overseas markets.

Driven by the continuous expansion of the mobile game segment and innovated game technology, BAIIO is actively seizing new development opportunities both at home and abroad, continuing to develop and explore game market segments that improve its competitive advantages, consistently meeting user demand, and enhancing user engagement.

OUTLOOK FOR THE REST OF 2020

Looking ahead to the second half of 2020, the Company plans to further strengthen its footprint across niche game segments in the market, continue to expand its mobile game business and consolidate its web gaming operations. BAIIO also intends to actively pursue development opportunities in both the domestic and overseas markets, in an effort to continuously enhance users' gaming experience and expand the Company's user base around the world.

The Company will continue to actively develop more new mobile games and enrich its product portfolio, including Legend of Aoqi Mobile Game (「奥奇傳說手遊」) and Aobi Island Mobile Game (「奧比島手遊」). These two games adopt the Company's classic virtual world IP, and each has accumulated more than 200 million registered users. Legend of Aoqi Mobile Game (「奥奇傳說手遊」) is an elf-themed and turn-based role-playing game, and it has been available for pre-registration on various major platforms since earlier this year in April. As at the date of this interim report, the number of pre-registered users for this new mobile game has reached nearly 5 million.

In addition to exploring innovation for the niche game genres in which it excels, namely female-oriented games, comic-adapted “nijigen” (「二次元」) games and pet collection and raising games, the Company has also focused on developing other gaming products that are popular in the international market, such as strategy games and action games, continuing to develop and explore game market segments and increasing the Company's revenues and user base.

Furthermore, the Company will continue to expand its original mobile games to overseas regions, including Hong Kong, Macau, Taiwan, Singapore, Malaysia, Japan, Korea and Europe and America as it executes its internationalization strategy. BAIIO launched Stella Chronicleステラクロニクル (referred as Zaowufaze II (「造物法則二：先鋒英雄」) in China) in Japan in July 2020, and it is expected to be one of the most anticipated Japanese role-playing games for Japanese users this summer. The game is also expected to be launched in Korea in September 2020. BAIIO is also planning to launch Shiwuyu (「食物語」) in Japan this October as it continues to expand the Company's business in that country. BAIIO intends to successively launch its original mobile games in various overseas regions to widen the brand influence of the Group and strengthen the Company's market position in the rapidly developing pan-entertainment industry.

Technology R&D and innovation are critical elements for the development of the game business. BAIIO will continue to optimize its technologies and IP productization capabilities, striving to enrich its production lines and further promoting its mobile gaming business. BAIIO is confident that it will remain competitive in a crowded, tightly regulated and rapidly growing gaming market. BAIIO will also continue to expand its loyal user base and diversify its revenue streams as it builds a healthy and sustainable business model.

Management Discussion and Analysis

OPERATION INFORMATION

The following table sets out average QAA, QPA and average quarterly ARQPA for our online virtual worlds for the periods indicated below:

	For the six months ended		
	30 June 2020 ⁽¹⁾	30 June 2019	Period- over-period change
	<i>(QAA & QPA in millions, ARQPA in RMB)</i>		
average QAA ⁽²⁾	15.3	11.5	33.0%
average QPA ⁽³⁾	1.9	1.1	72.7%
average quarterly ARQPA ⁽⁴⁾	175.3	70.9	147.2%

Notes:

1. As of 30 June 2020, our online virtual worlds under commercial operation included Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Aoyi Alliance, Zaowufaze, Helix Waltz, Shiwuyu (「食物語」), Aola Star Mobile (「奧拉星手遊」) and Zaowufaze II (「造物法則二：先鋒英雄」).
2. The average QAA for online virtual worlds was approximately 15.3 million for the six months ended 30 June 2020, representing an increase of approximately 33.0% compared with the same period last year. The increase was primarily due to new mobile games launched in the fourth quarter of 2019 ("Q4 2019").
3. The average QPA for online virtual worlds was approximately 1.9 million for the six months ended 30 June 2020, representing an increase of approximately 72.7% compared with the same period last year. This was primarily due to the successful new mobile games launched in Q4 2019.
4. The average quarterly ARQPA for online virtual worlds was approximately RMB175.3 for the six months ended 30 June 2020, representing an increase of approximately 147.2% compared with the same period last year. The strong performance was primarily due to users' stronger willingness to pay for our game products as well as our new launched mobile games helped upgrade its user base to a higher age bracket with greater paying power.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth our consolidated statements of comprehensive income for the six months ended 30 June 2020 and 2019, respectively:

	(Unaudited)			
	30 June 2020 RMB'000	% of Revenue	30 June 2019 RMB'000	% of Revenue
Revenue	658,017	100	150,593	100
Online entertainment business	656,939	100	149,904	100
Other businesses	1,078	0	689	0
Cost of revenue	(407,431)	(62)	(42,782)	(28)
Gross profit	250,586	38	107,811	72
Selling and marketing costs	(28,285)	(4)	(20,131)	(13)
Administrative expenses	(27,014)	(4)	(25,751)	(17)
Research and development expenses	(45,610)	(7)	(44,569)	(30)
Net impairment loss on financial assets	(337)	(0)	(4,214)	(3)
Other income	1,425	0	1,673	1
Other gains — net	836	0	8,364	6
Gain on disposal of an associate	—	—	7,274	5
Operating profit	151,601	23	30,457	20
Finance income — net	10,388	2	5,804	4
Share of loss of an associate	(1,527)	(0)	(15,340)	(10)
Profit before income tax	160,462	24	20,921	14
Income tax expense	(9,278)	(1)	(708)	(0)
Profit for the period	151,184	23	20,213	13

Management Discussion and Analysis

	(Unaudited)			
	For the six months ended		For the six months ended	
	30 June 2020 RMB'000	% of Revenue	30 June 2019 RMB'000	% of Revenue
Other comprehensive income, net of tax	—	—	—	—
Total comprehensive income for the period	151,184	23	20,213	13
Other financial data				
Adjusted net profit ⁽¹⁾ (unaudited)	155,101	24	20,450	14
Adjusted EBITDA ⁽²⁾ (unaudited)	164,266	25	26,261	17

Notes:

- Adjusted net profit consists of profit for the period plus share-based compensation. Adjusted net profit eliminates the effect on non-cash share-based compensation expenses. The term of adjusted net profit is not defined under the IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the period.
- Adjusted EBITDA consists of adjusted net profit less finance income-net, plus income tax, depreciation of property and equipment and right-of-use assets and amortization of intangible assets.

Revenue

Our revenue for the six months ended 30 June 2020 was RMB658.0 million, representing a 337.0% increase from RMB150.6 million for the six months ended 30 June 2019.

Online Entertainment Business: Our online business revenue for the six months ended 30 June 2020 was RMB656.9 million, a 338.2% increase from RMB149.9 million for the six months ended 30 June 2019. This was primarily due to the successful expansion of our business beyond web games to mobile games and our mobile games to various overseas markets.

Other Businesses: Revenue from other businesses for the six months ended 30 June 2020 was RMB1.1 million, a 57.1% increase from RMB0.7 million for the six months ended 30 June 2019, primarily due to the increase in rental income.

Cost of Revenue

Our cost of revenue for the six months ended 30 June 2020 was RMB407.4 million, representing an 851.9% increase from RMB42.8 million for the six months ended 30 June 2019.

Online Entertainment Business: Our cost of revenue on online entertainment business for the six months ended 30 June 2020 was RMB405.2 million, representing an 855.7% increase from RMB42.4 million for the six months ended 30 June 2019. The increase was driven by payment of third-party revenue sharing along with the new mobile games launched in Q4 2019.

Other Businesses: Our cost of revenue on other businesses for the six months ended 30 June 2020 was RMB2.2 million, representing a 450.0% increase from RMB0.4 million for the six months ended 30 June 2019. The increase was mainly due to the increase of employee benefit expenses.

Gross Profit

As a result of the foregoing, our gross profit for the six months ended 30 June 2020 was RMB250.6 million, compared with RMB107.8 million for the six months ended 30 June 2019. Gross profit margin was 38.1% for the six months ended 30 June 2020, compared with 71.6% for the six months ended 30 June 2019. The gross profit margin decreased mainly due to the increase in payment of distribution cost along with the new mobile games launched in Q4 2019.

Selling and Marketing Expenses

Our selling and marketing expenses for the six months ended 30 June 2020 were RMB28.3 million, a 40.8% increase from RMB20.1 million for the six months ended 30 June 2019. The increase was mainly driven by the increase in promoting expenses and employee benefit expenses.

Administrative Expenses

Our administrative expenses for the six months ended 30 June 2020 were RMB27.0 million, a 4.7% increase from RMB25.8 million for the six months ended 30 June 2019. The increase was mainly due to the increase in staff costs.

Research and Development Expenses

Our research and development expenses for the six months ended 30 June 2020 were RMB45.6 million, a 2.2% increase from RMB44.6 million for the six months ended 30 June 2019. This was primarily due to the increase in employee benefit expenses for more new games' development.

Net Impairment Loss on Financial Assets

We recorded net impairment loss on financial assets of RMB0.3 million for the six months ended 30 June 2020, which was primarily due to an accrued impairment of accounts receivable. This compares with RMB4.2 million for the six months ended 30 June 2019.

Management Discussion and Analysis

Other Income

The Company recognized RMB1.4 million in other income for the six months ended 30 June 2020, compared with RMB1.7 million for the six months ended 30 June 2019. The other income was generated from our fulfillment of certain performance conditions related to government grants.

Other Gains — net

The Company recognized net gain of RMB0.8 million primarily due to the interest income of structural deposits, fair value losses on financial assets at fair value through profit or loss and expenditure of donation for the six months ended 30 June 2020, compared with net gain of RMB8.4 million for the six months ended 30 June 2019.

Gain on disposal of an associate

We have nil gain on disposal of an associate for the six months ended 30 June 2020, compared with RMB7.3 million gain for the six months ended 30 June 2019. This was mainly attributable by one-off gain on partial disposal of certain equity interests in the Group's associate, Guangzhou Baiman in 2019.

Operating Profit

As a result of the foregoing, our operating profit for the six months ended 30 June 2020 was RMB151.6 million, compared with operating profit of RMB30.5 million for the six months ended 30 June 2019. This increase was due to new mobile games' outstanding performance since their launches.

Finance Income — net

We had net finance income of RMB10.4 million for the six months ended 30 June 2020, compared with net finance income of RMB5.8 million for the six months ended 30 June 2019. Net finance income was primarily consisted of interest income on short-term deposits and cash and bank balance as well as exchange gains on cash and bank balance, which was partly offset by interest expenses on lease liabilities.

Share of loss of an associate

We recorded share of loss of an associate of RMB1.5 million for the six months ended 30 June 2020 due to our investee company registered loss, compared to share of loss of RMB15.3 million for the six months ended 30 June 2019.

Profit before Income Tax

As a result of the foregoing, we had a profit of RMB160.5 million for the six months ended 30 June 2020, compared with a profit of RMB20.9 million for the six months ended 30 June 2019.

Income Tax Expense

Our income tax expense for the six months ended 30 June 2020 was RMB9.3 million, compared with income tax expense of RMB0.7 million for the six months ended 30 June 2019. This was primarily due to the increase of assessable profit.

Profit for the Period

We had a profit of RMB151.2 million for the six months ended 30 June 2020, compared with a profit of RMB20.2 million for the six months ended 30 June 2019.

Non-IFRS Measure — Adjusted Net Profit/EBITDA

Our adjusted net profit for the six months ended 30 June 2020 was RMB155.1 million, representing a 658.4% increase from RMB20.5 million for the six months ended 30 June 2019. Our adjusted EBITDA for the six months ended 30 June 2020 was RMB164.3 million, representing a 525.5% increase from RMB26.3 million for the six months ended 30 June 2019. The adjusted net profit and EBITDA both increased mainly due to outstanding performance of mobile games' launches in Q4 2019.

The following table reconciles our adjusted net profit and adjusted EBITDA for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is net profit:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit for the period	151,184	20,213
Add:		
Share-based compensation	3,917	237
Adjusted net profit	155,101	20,450
Add:		
Depreciation and amortization	10,275	10,907
Finance income — net	(10,388)	(5,804)
Income tax	9,278	708
Adjusted EBITDA	164,266	26,261

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

During the Period, we met our working capital and other capital requirements principally from cash flow generated from our operating activities.

The Group's gearing ratios as of the dates below were as follows:

	Unaudited As of 30 June 2020 RMB'000	Audited As of 31 December 2019 RMB'000
Total liabilities	376,365	382,294
Total assets	2,004,384	1,932,735
Gearing ratio ⁽¹⁾	19%	20%

Note:

1. Gearing ratio is calculated by dividing total liabilities by total assets.

Cash and Cash Equivalents, Restricted Cash, Short-Term Deposits and Long-Term Deposits

As of 30 June 2020, our cash and cash equivalents consisted of cash in bank and cash on hand, which amounted to RMB1,441.6 million, compared with RMB1,274.0 million as of 31 December 2019. We had short-term deposits of RMB229.6 million as of 30 June 2020, compared with RMB226.0 million as of 31 December 2019, representing bank deposits which we intend to hold for over three months but less than one year.

As of 30 June 2020, the Group had no restricted cash or long-term deposits.

The effective interest rate per annum for cash in bank balances and deposits as of 30 June 2020 was 2.4%, compared with 1.9% as of 31 December 2019. Our policy is to place our cash in interest-bearing principal-protected demand or deposits with reputable PRC or international banks.

Management Discussion and Analysis

Our cash and cash equivalents and short-term deposits are denominated in the following currencies:

Group	Unaudited	Audited
	As of 30 June 2020 RMB'000	As of 31 December 2019 RMB'000
RMB	1,580,661	1,414,529
HK\$	41,486	56,618
US\$	48,997	28,801
Others	107	104
	1,671,251	1,500,052

Bank Loans and Other Borrowings

The Group had no bank loans or other borrowing as of 30 June 2020.

Treasury Policies

As of 30 June 2020, the Group had conservative treasury policies in terms of cash and financial management. The Group does not use any financial instruments for hedging purposes.

Foreign Currency Risk

As of 30 June 2020, RMB90.6 million of our financial resources were held in deposits in non-RMB currencies. Since there are no cost-effective hedges against the fluctuations of the RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our cash in bank balances.

Management Discussion and Analysis

Capital Expenditures and Investments

Our capital expenditures consist of purchases of property and equipment such as computers and intangible assets such as computer software. For the six months ended 30 June 2020, our total capital expenditures were RMB1.2 million, compared with RMB3.7 million for the six months ended 30 June 2019. The following table sets out our expenditures for the periods indicated:

	Unaudited	
	For the six months ended	
	2020	2019
	RMB'000	RMB'000
Capital Expenditures		
— Purchase of property and equipment	521	3,457
— Purchase of intangible assets	662	290
Total	1,183	3,747

Contingent Liabilities

As of 30 June 2020, the Group did not have any material contingent liabilities, guarantees or litigation against it.

Charges on Assets

As of 30 June 2020, there were no charges on the Group's assets.

Material Acquisitions and Future Plans for Major Investment

The Group currently has no specific plans for other major investments or acquisitions for significant capital assets or other businesses. However, the Group will continue to look for new opportunities for business development.

Employees and Staff Costs

As of 30 June 2020, the Group had 756 full-time employees. The following table sets forth the number of full-time employees by function as of 30 June 2020:

	As of 30 June 2020	
	Number of Employees	% of Total
Operations	321	42.46
Research and development	304	40.21
Sales and Marketing	64	8.47
General and administration	67	8.86
Total	756	100

Management Discussion and Analysis

In addition to salary, we also provide various incentives, including share-based awards, such as share options and RSUs granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees, covering pension, medical, unemployment, work injury and maternity leave. We are required by the PRC law to make contributions to these social insurance plans at specified percentages of the compensation of each employee, up to a maximum amount as may be specified by the local government from time to time. Such social insurance plans include defined contribution retirement benefit plans organized by the relevant governmental authorities. Forfeited contributions by the Group to these plans may not be used by the Group to reduce the existing level of contributions. The total amount of contributions we made for employee social insurance plans in the first half of 2020 were approximately RMB13.8 million, compared with RMB17.6 million in the first half of 2019. We incurred staff costs of approximately RMB113.2 million and RMB79.8 million, for the six months ended 30 June 2020 and 2019, representing 17.2% and 53.0% of our revenue for those periods respectively.

We also grant share options and RSUs to our employees to incentivize them to contribute to our growth. Pursuant to the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme, there were no shares of Pre-IPO Share Options and the Pre-IPO RSUs outstanding as of 30 June 2020.

We will continue to grant RSUs to our employees to incentivize them pursuant to the Post-IPO RSU Scheme. The maximum aggregate number of the Shares underlying all the RSUs which we may grant pursuant to the Post-IPO RSU Scheme is 55,012,680 shares, representing approximately 2.0% of our share capital as of the date of the AGM. Pursuant to the Post-IPO RSU Scheme, there were a total of 55,560,000 RSUs outstanding as of 30 June 2020.

Dividend

At the Company's AGM on 26 June 2020, shareholders approved the Board recommended special final dividend of HK\$0.025 (equivalent to approximately RMB0.023) per share for the year ended 31 December 2019. The final dividend was paid to shareholders on 22 July 2020.

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

CHANGES SINCE 31 DECEMBER 2019

Save as disclosed in this interim report, there were no other significant changes in the Group's financial position or from the information disclosed under management discussion and analysis in the annual report for the year ended 31 December 2019.

Management Discussion and Analysis

SIGNIFICANT EVENTS SINCE 30 JUNE 2020

On 29 July 2020, Guangzhou Baitian, an indirect subsidiary of the Group, entered into the Land Use Right Grant Contract with Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局) after successfully winning the bid for the Auction of the land use rights of a piece of land situated at south of Tian Kun Si Road, the east of Jian Ming San Road, the north of Tian Kun San Road, the west of Jian Ming Er Road, Tianhe District in Guangzhou, the PRC (the “Land”) with a site area of approximately 6,300 sq.m. for a consideration of RMB239.88 million (equivalent to approximately HK\$261.47 million). The Group intends to utilize the Land by building its new headquarters as part of its expansion strategies. For details, please refer to the announcement of the Company dated 29 July 2020.

On 9 August 2020, Guangzhou Baitian, as one of the vendors and Linzhi Lichuang Information Technology Co. Ltd.* (林芝利創信息技術有限公司), as the purchaser entered into a sale and purchase agreement in relation to the disposal of their equity interests in Guangzhou Baiman (the “Target Company”). Pursuant to the sale and purchase agreement, among others, Guangzhou Baitian has conditionally agreed to sell and the purchaser has conditionally agreed to acquire the approximately 31.2% of the equity interests of the Target Company at a consideration of RMB124,800,000 (equivalent to approximately HK\$136,032,000). Upon completion of the sale and purchase, Guangzhou Baitian will cease to have any equity interest in the Target Company and the Target Company will cease to be an associate of the Company. For details, please refer to the announcement of the Company dated 9 August 2020.

Save as disclosed above, there were no other significant events in connection with the Group’s operation and financial position since 30 June 2020.

Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF BAI00 FAMILY INTERACTIVE LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 59, which comprises the interim condensed consolidated balance sheet of BAI00 Family Interactive Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other 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”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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 International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. 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 International 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 of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2020

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Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	6	658,017	150,593
Cost of revenue		(407,431)	(42,782)
Gross profit		250,586	107,811
Selling and marketing expenses		(28,285)	(20,131)
Administrative expenses		(27,014)	(25,751)
Research and development expenses		(45,610)	(44,569)
Net impairment losses on financial assets		(337)	(4,214)
Other income		1,425	1,673
Other gains — net	7	836	8,364
Gain on partial disposal of an associate	12	—	7,274
Operating profit	8	151,601	30,457
Finance income		13,189	8,873
Finance costs		(2,801)	(3,069)
Finance income — net		10,388	5,804
Share of loss of an associate	12	(1,527)	(15,340)
Profit before income tax		160,462	20,921
Income tax expense	9	(9,278)	(708)
Profit for the period		151,184	20,213
Attributable to:			
— Shareholders of the Company		151,440	20,334
— Non-controlling interests		(256)	(121)
		151,184	20,213
Earnings per share for profit attributable to shareholders of the Company (expressed in RMB per share)	10		
Basic earnings per share		0.0571	0.0075
Diluted earnings per share		0.0571	0.0075

The notes on pages 37 to 59 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit for the period	151,184	20,213
Other comprehensive income	—	—
Total comprehensive income for the period	151,184	20,213
Attributable to:		
— Shareholders of the Company	151,440	20,334
— Non-controlling interests	(256)	(121)
	151,184	20,213

The notes on pages 37 to 59 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet

		Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
	Notes		
ASSETS			
Non-current assets			
Right-of-use assets	13	77,535	84,905
Property and equipment	13	24,644	26,631
Intangible assets	13	2,404	2,796
Investment in an associate	12	59,383	60,910
Prepayments and other receivables		6,556	6,766
Amounts due from an associate	21	5,000	20,000
Deferred income tax assets		1,657	13,494
Financial assets at fair value through profit or loss	15	—	5,071
		177,179	220,573
Current assets			
Contract costs		42,389	63,694
Trade receivables	14	85,387	134,533
Prepayments and other receivables		13,178	13,883
Amounts due from an associate	21	15,000	—
Short-term deposits	16	229,631	226,008
Cash and cash equivalents	16	1,441,620	1,274,044
		1,827,205	1,712,162
Total assets		2,004,384	1,932,735
EQUITY			
Share capital	17	8	8
Share premium	17	1,250,328	1,326,987
Treasury shares	17	(902)	—
Reserves	18	14,257	10,302
Retained earnings		357,078	205,638
Capital and reserves attributable to Shareholders of the Company		1,620,769	1,542,935
Non-controlling interests		7,250	7,506
Total equity		1,628,019	1,550,441

Interim Condensed Consolidated Balance Sheet

	Notes	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		76,424	83,161
Contract liabilities		7,873	8,613
Deferred income tax liabilities		3,097	3,639
		87,394	95,413
Current liabilities			
Trade payables	19	8,464	16,195
Other payables and accruals	20	103,743	53,209
Advances from distributors		38,915	17,871
Lease liabilities		18,179	17,807
Contract liabilities		111,766	159,234
Income tax liabilities		7,856	22,519
Bank overdrafts		48	46
		288,971	286,881
Total liabilities		376,365	382,294
Total equity and liabilities		2,004,384	1,932,735

Li Chong

Wang Xiaodong

The notes on pages 37 to 59 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to shareholders of the Company						Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000			
Balance as at 1 January 2019		9	1,457,324	11,350	55,154	1,523,837	6,964	1,530,801	
Comprehensive income									
Profit/(loss) for the period		—	—	—	20,334	20,334	(121)	20,213	
Other comprehensive income		—	—	—	—	—	—	—	
Total comprehensive income		—	—	—	20,334	20,334	(121)	20,213	
Transactions with owners, recognized directly in equity									
Share Option Scheme:									
— Exercise of share options		—	3	(1)	—	2	—	2	
RSU Scheme:									
— Value of employee services	18	—	—	237	—	237	—	237	
— Vesting of RSUs	18	—	2,196	(2,196)	—	—	—	—	
Final dividend of 2018	11	—	(49,793)	—	—	(49,793)	—	(49,793)	
Buy-back and cancellation of shares	17	(1)	(5,915)	—	—	(5,916)	—	(5,916)	
Capital injection in a subsidiary from a non-controlling shareholder		—	—	—	—	—	1,000	1,000	
Total transactions with owners, recognized directly in equity		(1)	(53,509)	(1,960)	—	(55,470)	1,000	(54,470)	
Balance at 30 June 2019		8	1,403,815	9,390	75,488	1,488,701	7,843	1,496,544	

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to shareholders of the Company							Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Treasury Shares RMB'000	Subtotal RMB'000			
Balance as at 1 January 2020		8	1,326,987	10,302	205,638	—	1,542,935	7,506	1,550,441	
Comprehensive income										
Profit/(loss) for the period		—	—	—	151,440	—	151,440	(256)	151,184	
Other comprehensive income		—	—	—	—	—	—	—	—	
Total comprehensive income		—	—	—	151,440	—	151,440	(256)	151,184	
Transactions with owners, recognized directly in equity										
Share Option Scheme:										
— Exercise of share options		—	61	(28)	—	—	33	—	33	
RSU Scheme:										
— Value of employee services	18	—	—	3,996	—	—	3,996	—	3,996	
— Vesting of RSUs	18	—	13	(13)	—	—	—	—	—	
Final dividend of 2019	11	—	(60,223)	—	—	—	(60,223)	—	(60,223)	
Buy-back and cancellation of shares	17	—	(16,510)	—	—	—	(16,510)	—	(16,510)	
Acquisition of treasury shares	17	—	—	—	—	(902)	(902)	—	(902)	
Total transactions with owners, recognized directly in equity		—	(76,659)	3,955	—	(902)	(73,606)	—	(73,606)	
Balance as at 30 June 2020		8	1,250,328	14,257	357,078	(902)	1,620,769	7,250	1,628,019	

The notes on pages 37 to 59 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations		195,499	41,554
Interest received		8,520	5,482
Income tax paid		(12,646)	(1,294)
Net cash generated from operating activities		191,373	45,742
Cash flows from investing activities			
Purchase of property and equipment		(539)	(3,747)
Purchase of intangible assets		(662)	—
Proceeds from disposal of an associate		—	16,000
Purchase of short-term deposits and structural deposits		(1,519,630)	(1,564,008)
Settlement of short-term deposits and structural deposits		1,516,007	1,320,465
Interest received from bank deposits and a related party		11,846	18,303
Net cash generated from/(used in) investing activities		7,022	(212,987)
Cash flows from financing activities			
Exercise of share options		33	2
Buy-back of shares		(17,413)	(5,916)
Principal elements of lease payments		(12,620)	(4,623)
Interest paid		(2,316)	(3,070)
Proceeds from capital contribution		—	1,000
Net cash generated from/(used in) financing activities		(32,316)	(12,607)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		1,273,998	1,145,647
Currency translation gains on cash and cash equivalents		1,495	—
Cash and cash equivalents at end of the period		1,441,572	965,795
Cash and cash equivalents comprises:			
Bank overdrafts		(48)	(38)
Cash and bank balances	16	1,441,620	965,833
Cash and cash equivalents		1,441,572	965,795

The notes on pages 37 to 59 form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

1 General information

BAIOO Family Interactive Limited (the “Company” or “Baioo”) was incorporated in the Cayman Islands on 25 September 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Hutchins Drive, Cricket Square, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies.

The Company and its subsidiaries and the PRC operating entities (collectively the “Group”) are principally engaged in the development and operation of online virtual world business for children in the People’s Republic of China (the “PRC”) and some other off-line businesses.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 April 2014.

The interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated, and have been approved for issue by the Board on 26 August 2020.

The interim condensed consolidated financial information has not been audited.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Notes to the Interim Condensed Consolidated Financial Information

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

3.1 The following new standards and amendments to existing standards and interpretation are mandatory for adoption for the financial year beginning 1 January 2020 for the Group:

Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
IFRS 3 (Amendment)	Definition of a Business
IAS 1 and IAS 8 (Amendment)	Definition of Material
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this interim period and there was no material impact on the Group.

3.2 The following new standards and amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendment to IFRS 16	COVID-19-Related Rent Concessions — Provided lessees (but not lessors)	Annual reporting periods beginning on or after 1 June 2020
IFRS 17	Insurance contract	1 January 2023
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing this interim condensed consolidated financial information. None of these is expected to have a significant effect on the interim condensed consolidated financial information of the Group.

Notes to the Interim Condensed Consolidated Financial Information

4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (mainly representing currency risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no changes in the risk management department or in any risk management policies since the period end.

5.2 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents for daily operations. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

Notes to the Interim Condensed Consolidated Financial Information

5 Financial risk management and financial instruments (continued)

5.2 Liquidity risk (continued)

The table below analyses the Group's financial liabilities into the relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
As at 30 June 2020						
Trade payables	8,464	—	—	—	8,464	8,464
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	65,316	—	—	—	65,316	65,316
Bank overdrafts	48	—	—	—	48	48
Lease liabilities	18,670	19,444	61,844	10,656	110,614	94,603
As at 31 December 2019						
Trade payables	16,195	—	—	—	16,195	16,195
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	8,642	—	—	—	8,642	8,642
Bank overdrafts	46	—	—	—	46	46
Lease liabilities	18,273	19,129	61,068	21,312	119,782	100,968

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Interim Condensed Consolidated Financial Information

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2020.

	Level 3 RMB'000
Recurring fair value measurements:	
Assets:	
Financial assets at fair value through profit or loss	—

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2019.

	Level 3 RMB'000
Recurring fair value measurements:	
Assets:	
Financial assets at fair value through profit or loss	5,071

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These financial instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the financial instrument is included in level 2.

Notes to the Interim Condensed Consolidated Financial Information

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the financial instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate
- A combination of observable inputs and unobservable inputs, including discount rate, risk-free interest rate, expected volatility and market multiples.

There were no changes in valuation techniques.

The following table presents the changes in level 3 financial instruments for the six months ended 30 June 2020.

	Financial assets at fair value through profit or loss RMB'000
At 1 January 2020	5,071
Addition	670,000
Net gains recognized in profit or loss	2,502
Settlement	(677,573)
At 30 June 2020	—
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under “Other gains — net”	2,502
Unrealised losses relating to assets held at the end of the reporting period	—

Notes to the Interim Condensed Consolidated Financial Information

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

	Financial assets at fair value through profit or loss RMB'000
At 1 January 2019	107,444
Addition	999,000
Gains recognized in profit or loss	9,097
Repayment of structural deposits	(820,068)
At 30 June 2019	295,473
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under “Other gains — net”	10,578
Unrealised losses relating to assets held at the end of the reporting period	(1,481)

6 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions.

The Group determined that it has operating segments as follows:

- Online entertainment business
- Other businesses

The Group's other businesses mainly include rental and kindergarten service.

The CODM assesses the performance of the operating segments mainly based on segment revenue of each operating segment. The selling and marketing expenses, administrative expenses, research and development expenses, net impairment losses on financial assets, other income, other gains — net, gains on partial disposal of an associate, finance income — net, income tax expense and share of loss of an associate are not included in the measure of the segments' performance.

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information (continued)

There were no material inter-segment sales during six months ended 30 June 2020 and 2019, respectively. The revenues from external customers reported to CODM are measured as segment revenue.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in the financial information. There was no separate segment assets and segment liabilities information provided to the CODM.

The segment revenue provided to the Group's CODM for the reportable segments for the six months ended 30 June 2020 and 2019, respectively, are as follows:

	Unaudited		
	Six months ended 30 June 2020		
	Online	Other	Total
	entertainment	businesses	
business	businesses		
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition			
– At a point in time	103,390	–	103,390
– Over time	553,549	1,078	554,627

	Unaudited		
	Six months ended 30 June 2019		
	Online	Other	Total
	entertainment	businesses	
business	businesses		
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition			
– At a point in time	95,375	–	95,375
– Over time	54,529	689	55,218

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information (continued)

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and outside Mainland China. For the six months ended 30 June 2020 and 2019, the geographical information on the total revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
— Mainland China	544,092	144,175
— Outside Mainland China	113,925	6,418
Total	658,017	150,593

	Six months ended 30 June	
	2020	2019
	Shiwuyu	50.3%
Aola Star mobile	18.8%	*
Legend of Aoqi	10.5%	40.2%
Aola Star	*	34.6%

* Less than 10%.

As at 30 June 2020, the total non-current assets, other than financial instruments and deferred tax assets, located in Mainland China and Hong Kong were RMB165,903,000 (31 December 2019: RMB187,081,000) and RMB328,000 (31 December 2019: RMB24,000), respectively.

Notes to the Interim Condensed Consolidated Financial Information

7 Other gains – net

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest income of financial assets at fair value through profit or loss	7,573	11,054
Financial assets at fair value through profit or loss:		
– Fair value loss (Note 15)	(5,071)	(1,957)
Donation	(1,500)	–
Foreign exchange losses	(256)	(724)
Others	90	(9)
	836	8,364

8 Operating profit

An analysis of the amounts presented as operating items in the financial information is given below.

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Distribution cost and payment handling fees	339,418	6,272
Employee benefit expenses	120,147	83,595
Promotion and advertising expenses	16,752	12,332
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	10,275	10,907
Net impairment losses on financial assets	337	4,214
Gain on partial disposal of an associate	–	7,274

Notes to the Interim Condensed Consolidated Financial Information

9 Income tax expense

The income tax expense of the Group for the six months ended 30 June 2020 and 2019 is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax (credit)/expense (Note e)	(2,017)	3,727
Deferred income tax expense/(credit)	11,295	(3,019)
	9,278	708

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2020 and 2019, respectively.

(c) PRC enterprise income tax ("EIT")

The Group's PRC subsidiaries and operating entities are subject to corporate income tax at the rate of 25% except Guangzhou Baitian and Guangzhou Tianti Internet Technology Limited ("Guangzhou Tianti"), which was qualified as "Key Software Enterprises" in 2019 and was entitled to a preferential income tax rate of 10% on its estimated assessable profits for the six months ended 30 June 2020 and 2019.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for its entities in ascertaining their assessable profits for the six months ended 30 June 2020 and 2019.

Notes to the Interim Condensed Consolidated Financial Information

9 Income tax expense (continued)

(d) PRC withholding tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

For the six months ended 30 June 2020 and 2019, respectively, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings to the Company as the Company's share premium is distributable under the Cayman Islands Law. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each of the reporting periods.

(e) Current income tax credit

The current income tax credit is mainly due to the difference between settlement and payment of annual EIT of 2019. EIT is recognised based on management's estimate. The estimated annual tax rate used in Guangzhou Tianti for the year 2019 was 25%, compared to the preferential income tax rate of 10% for the actual payment.

10 Earnings per share

(a) Basic

(i) Basic earnings per share for profit attributable to shareholders of the Company

Basic earnings per share is calculated by dividing the profit operations attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue less shares held for RSU Schemes during the period.

	Six months ended 30 June	
	2020	2019
Profit attributable to shareholders of the Company (RMB'000)	151,440	20,334
Weighted average number of ordinary shares in issue less shares held for RSU Schemes	2,650,292,290	2,703,416,810
Basic earnings per share (in RMB/share)	0.0571	0.0075

Notes to the Interim Condensed Consolidated Financial Information

10 Earnings per share (continued)

(b) Diluted

- (i) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares

For the six months ended 30 June 2020 and 2019, the Company had two categories of potential ordinary shares, the share options and the RSUs, which had to be considered for calculating diluted earnings per share. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average market price per share for the year) based on the total proceeds receivable upon exercising the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs. The difference is added to the denominator as the number of shares issued for no consideration.

Diluted earnings per share for profit attributable to shareholders of the Company

	Unaudited Six months ended 30 June	
	2020	2019
Earnings		
Profit attributable to shareholders of the Company and profit used to determine diluted earnings per share (RMB'000)	151,440	20,334
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue less shares held for RSU Scheme	2,650,292,290	2,703,416,810
Adjustments for:		
— Share options	325,982	1,115,331
— RSUs	1,612,600	1,773,109
Weighted average number of ordinary shares for diluted earnings per share	2,652,230,872	2,706,305,250
Diluted earnings per share (in RMB/share)	0.0571	0.0075

Notes to the Interim Condensed Consolidated Financial Information

11 Dividend

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Final dividend of HK\$0.025 (2019: HK\$0.021) per ordinary share (Note a)	62,788	51,595
Less: Dividend for shares held for the RSU Schemes	(2,565)	(1,802)
	60,223	49,793

- (a) The 2019 final dividend of HK\$0.025 (equivalent to approximately RMB0.023) per ordinary share, totaling HK\$68,741,000 (equivalent to approximately RMB62,788,000), was approved in the Company's annual general meeting held on 26 June 2020 and was paid on 22 July 2020.
- (b) The 2018 final dividend of HK\$0.021 (equivalent to approximately RMB0.018) per ordinary share, totaling HK\$58,651,000 (equivalent to approximately RMB51,595,000), was approved in the Company's annual general meeting held on 28 June 2019 and was paid on 31 July 2019.

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

12 Investment in an associate

	Unaudited	
	Six months ended 30 June	
	2020	2019
As at 1 January	60,910	87,780
Disposal (Note a)	—	(8,725)
Share of loss of an associate	(1,527)	(15,340)
As at 30 June	59,383	63,715

- (a) In 2019, the Group disposed of 8% equity interest of investment in Guangzhou Baiman to Shenzhen Litong Industrial Investment Fund Company Limited ("Shenzhen Litong"), a third party, for a consideration of RMB16,000,000. In addition, Shenzhen Litong also injected RMB33,330,000 into Guangzhou Baiman. Upon completion of the transaction, the disposal gain was around RMB7,274,000.

Notes to the Interim Condensed Consolidated Financial Information

13 Property and equipment, intangible assets and right-of-use assets

	Property and equipment RMB'000	Unaudited Intangible assets RMB'000	Right-of-use assets RMB'000
Six months ended 30 June 2020			
Opening net book amount	26,631	2,796	84,905
Additions	521	662	—
Depreciation and amortization charge	(2,508)	(1,054)	(7,370)
Closing net book amount	24,644	2,404	77,535
Six months ended 30 June 2019			
Opening net book amount	28,230	3,934	—
Adoption of IFRS 16	—	—	92,817
Additions	1,732	290	6,169
Depreciation and amortization charge	(2,785)	(918)	(7,204)
Closing net book amount	27,177	3,306	91,782

14 Trade receivables

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Receivables from third parties	89,440	138,249
Less: Allowance for impairment	(4,053)	(3,716)
	85,387	134,533

Trade receivables mainly arose from online payment agencies, third party web-based platforms and mobile platforms.

Notes to the Interim Condensed Consolidated Financial Information

14 Trade receivables (continued)

The credit terms of trade receivables granted to third party platforms are usually 30 to 120 days. The ageing analysis of trade receivables is as follows:

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
0–30 days	56,041	54,447
31–60 days	13,917	79,630
61–90 days	13,578	276
91–180 days	1,999	358
181–365 days	465	357
Over 365 days	3,440	3,181
	89,440	138,249

15 Financial assets at fair value through profit and loss

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Included in non-current assets		
Unlisted equity security (Note a)	—	5,071

- (a) Fair value loss of RMB5,071,000 was made during the six months ended 30 June 2020, because the Group did not anticipate any future cash flow generated from the investment as the investee has substantially wound down its operation. Changes in fair values of financial assets at fair value through profit or loss are recorded in “other gains — net” in the consolidated income statement (Note 7).

Notes to the Interim Condensed Consolidated Financial Information

16 Cash and cash equivalents and short-term deposits

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Short-term deposits (Note a)	229,631	226,008
Cash and cash equivalents		
– Cash at bank and on hand (Note b)	1,441,620	1,274,044
	1,671,251	1,500,052
Maximum exposure to credit risk (Note d)	1,671,146	1,499,781

- (a) Short-term deposits represent the Group's deposit placed in banks with an expected maturity of over three months but less than one year.
- (b) Cash and bank balances as at 30 June 2020 and 31 December 2019 were demand deposits in nature.
- (c) The effective interest rate per annum for all bank balances and term deposits as at 30 June 2020 was approximately 2.4% (31 December 2019: 1.9%).
- (d) To manage the credit risk, bank deposits are mainly placed with state-owned or reputable listed financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

Notes to the Interim Condensed Consolidated Financial Information

17 Share capital and share premium

As at 30 June 2020, the total number of issued ordinary shares of the Company was 2,786,634,000 shares (30 June 2019: 2,792,904,000 shares) which included 112,343,705 shares (30 June 2019: 97,553,350 shares) held under the RSU Scheme.

	Number of shares	Nominal value of shares US\$'000	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
As at 1 January 2020	2,770,894,000	2	8	1,326,987	—	1,326,995
Share Option Scheme:						
— Proceeds from shares issued upon exercise of share options	526,000	—	—	61	—	61
RSU Scheme:						
— Vesting of RSUs	—	—	—	13	—	13
2019 final dividend payable to equity holders of the Company (Note 11)	—	—	—	(60,223)	—	(60,223)
Acquisition of treasury shares	(1,000,000)	—	—	—	(902)	(902)
Buy-back and cancellation of shares	(20,786,000)	—	—	(16,510)	—	(16,510)
As at 30 June 2020	2,749,634,000	2	8	1,250,328	(902)	1,249,434

Notes to the Interim Condensed Consolidated Financial Information

17 Share capital and share premium (continued)

	Number of shares	Nominal value of shares US\$'000	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
As at 1 January 2019	2,807,152,000	2	9	1,457,324	—	1,457,333
Share Option Scheme:						
— Proceeds from shares issued upon exercise of share options	28,000	—	—	3	—	3
RSU Scheme:						
— Vesting of RSUs	—	—	—	2,196	—	2,196
2018 final dividend paid to equity holders of the company	—	—	—	(49,793)	—	(49,793)
Buy-back and cancellation of shares	(14,276,000)	—	(1)	(5,915)	—	(5,916)
As at 30 June 2019	2,792,904,000	2	8	1,403,815	—	1,403,823

The Company acquired repurchased 21,786,000 of its own shares from the stock market through purchases on the Hong Kong Stock Exchange during the six months ended 30 June 2020 for cash totaling HKD19,913,000 (equivalent to RMB17,412,000) and which was deducted from shareholders' equity.

Notes to the Interim Condensed Consolidated Financial Information

18 Reserves

	Other reserves RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Total RMB'000
As at 1 January 2020	2,069	6,224	2,009	10,302
Share Option Scheme:				
– Exercise of share options	–	–	(28)	(28)
RSU Scheme:				
– Value of employee services	–	–	3,996	3,996
– Vesting of RSUs	–	–	(13)	(13)
As at 30 June 2020	2,069	6,224	5,964	14,257
As at 1 January 2019	2,069	5,083	4,198	11,350
Share Option Scheme:				
– Exercise of share options	–	–	(1)	(1)
RSU Scheme:				
– Value of employee services	–	–	237	237
– Vesting of RSUs	–	–	(2,196)	(2,196)
As at 30 June 2019	2,069	5,083	2,238	9,390

In accordance with the relevant laws and regulations in the PRC and the Articles of Association of the companies incorporated in the PRC now comprising the Group, the companies are required to appropriate 10% of the annual net profits, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve reaches 50% of the registered capital of the companies, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to offset prior years' losses, if any, and may be capitalized as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not be made.

Notes to the Interim Condensed Consolidated Financial Information

19 Trade payables

Trade payables primarily relate to advertising fees and the revenue sharing collected by the Group's own platforms which is payable to cooperating game developers according to the respective cooperation agreements.

The ageing analysis of trade payables based on recognition date is as follows:

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
0–30 days	6,682	10,622
31–60 days	623	4,365
61–180 days	281	648
181–365 days	327	9
Over 365 days	551	551
	8,464	16,195

20 Other payables and accruals

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Dividend payable (Note 11)	60,223	—
Staff costs and welfare accruals	32,919	35,668
Professional service fees payable	3,493	6,146
Other tax liabilities	5,508	8,899
Others	1,600	2,496
	103,743	53,209

Notes to the Interim Condensed Consolidated Financial Information

21 Significant related party transactions

The ultimate parent of the Group is TMF (Cayman) Ltd. (incorporated in the Cayman Islands).

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

(a) Name and relationship with related parties

The following entity is a related party of the Group that had balances and transactions with the Group for the period ended 30 June 2020 and 2019:

Name	Relationship
Guangzhou Baiman	An associate of the Group

(b) Balances with related parties

(i) Amounts due from an associate

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Guangzhou Baiman	20,000	20,000

As at 30 June 2020, the amounts due from an associate are 3 unsecured loans of RMB15,000,000, RMB3,000,000 and RMB2,000,000 with an interest rate of 5.4% per annum. The due dates were 5 March 2021, 19 July 2021 and 14 September 2021, respectively.

(c) Transactions with an associate

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Interest income from Guangzhou Baiman	509	581
Office rental income from Guangzhou Baiman	986	419
Advertising fees to Guangzhou Baiman	(478)	—
	1,017	1,000

Notes to the Interim Condensed Consolidated Financial Information

21 Significant related party transactions (continued)

(d) Key management personnel compensations

Key management compensation amounted to RMB4,005,000 for the six month ended 30 June 2020 (2019: RMB4,154,000).

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	3,803	3,780
Pension costs — defined contribution plans	68	140
Other social security costs, housing benefits and other employee benefits	134	151
Share-based compensation expenses	—	83
	4,005	4,154

22 Contingencies

The Group did not have any material contingent liabilities as at 30 June 2020 and 31 December 2019.

23 Subsequent event

On 9 August 2020, Guangzhou Baitian disposed its remaining approximately 31.2% equity interests in Guangzhou Baiman to Linzhi Lichuang Information Technology Co., Ltd. at a consideration of RMB124,800,000. The Group recorded a disposal gain after tax of approximately RMB60,937,000 in this regard.

Other Information

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the Group's unaudited Interim Condensed Consolidated Financial Information for the six months ended 30 June 2020 and this interim results. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial statements were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The Company's Auditor has reviewed the Interim Condensed Consolidated Financial Information in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by directors of securities in the Company and other matters covered by the Model Code. The Company has made specific enquiry with all Directors and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the period under review.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with applicable laws and regulations. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

Save as the deviation from code provision A.2.1 of the CG Code, the Company has applied the principles and complied with all applicable code provisions of the CG Code during the six months ended 30 June 2020.

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and chief executive officer ("CEO") should be segregated and should not be performed by the same individual. Mr. DAI Jian currently acts as the CEO and the Chairman. Mr. DAI, as one of the founders of the Group, is instrumental to the Group's growth and business expansion since 2009. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

BOARD OF DIRECTORS AND BOARD COMMITTEES

The compositions of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee remain the same as set out in the annual report of the Company for the year ended 31 December 2019.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

The Company is not aware of any changes in the Directors' information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules for the six months ended 30 June 2020.

INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

During the six months ended 30 June 2020, the Company repurchased a total of 21,786,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$19,043,720. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases during the six months ended 30 June 2020 are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	3,520,000	0.78	0.75	2,731,920
February	Nil	—	—	—
March	Nil	—	—	—
April	9,300,000	0.93	0.86	8,386,720
May	4,410,000	0.95	0.80	3,761,580
June	4,556,000	0.99	0.84	4,163,500
Total	21,786,000	—	—	19,043,720

Save as disclosed above, the Group did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2020.

Other Information

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows

Name	Position	Relevant company (including associated corporation)	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholding ⁽⁹⁾
DAI Jian (戴堅) ⁽¹⁾	Chairman, Executive Director and Chief Executive Officer	The Company	Founder of a discretionary trust Interest of controlled corporation	769,460,000(L) ⁽⁸⁾	27.97%(L)
		The Company	Beneficial owner	10,000,000(L)	0.36%(L)
WU Lili (吳立立) ⁽²⁾	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	447,112,000(L)	16.25%(L)
LI Chong (李冲) ⁽³⁾	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	203,304,000(L)	7.39%(L)
WANG Xiaodong (王曉東) ⁽⁴⁾	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	74,544,000(L)	2.71%(L)
LIU Qianli (劉千里) ⁽⁵⁾	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.01%(L)
WANG Qing (王慶) ⁽⁶⁾	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.01%(L)
MA Xiaofeng (馬肖風) ⁽⁷⁾	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.01%(L)

Notes:

- (1) Mr. DAI established DAE Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of DAE Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of DAE Holding Investments Limited, a trust holding company owns 100% of equity interest in Stmoritz Investment Limited. In addition, 10,000,000 RSUs were granted to Mr. DAI under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares and subject to vesting. As at 30 June 2020, all the RSUs granted to Mr. DAI were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (2) Mr. WU established WHZ Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of WHZ Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of WHEZ Holding Ltd., a trust holding company owns 100% of equity interest in Bright Stream Holding Limited.
- (3) Mr. LI established The Zhen Family Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of The Zhen Family Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of Golden Water Management Limited, a trust holding company owns 100% of equity interest in LNZ Holding Limited.
- (4) Mr. WANG established WSW Family Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of WSW Family Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of Charlotte Holding Limited, a trust holding company owns 100% of equity interest in Angel Wang Holding Limited.
- (5) Ms. LIU was interested in 200,000 RSUs granted to her under the Pre-IPO RSU Scheme entitling her to receive 200,000 Shares subject to vesting. As at 30 June 2020, all the RSUs granted to Ms. LIU were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (6) Dr. WANG was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at 30 June 2020, all the RSUs granted to Dr. WANG were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (7) Mr. MA was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at 30 June 2020, all the RSUs granted to Mr. MA were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (8) The Letter "L" denotes the person's Long position in such Shares.
- (9) These percentages are calculated on the basis of 2,750,634,000 Shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company and their respective associates had registered an interest or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that are required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following persons had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital of the Company ⁽⁸⁾
TMF (Cayman) Ltd. ⁽¹⁾	Trustee of trusts	1,519,888,000(L) ⁽⁷⁾	55.26%(L)
DAE Holding Investments Limited ⁽²⁾	Trust holding company	769,460,000(L)	27.97%(L)
Stmoritz Investment Limited ⁽²⁾	Registered owner	769,460,000(L)	27.97%(L)
DAI Jian (戴堅) ⁽²⁾⁽⁵⁾	Founder of a discretionary trust Interest of a controlled corporation	769,460,000(L)	27.97%(L)
	Beneficial owner	10,000,000(L)	0.36%(L)
Bright Stream Holding Limited ⁽³⁾	Registered owner	447,112,000(L)	16.25%(L)
WHEZ Holding Ltd. ⁽³⁾	Trust holding company	447,112,000(L)	16.25%(L)
WU Lili (吳立立) ⁽³⁾	Founder of a discretionary trust	447,112,000(L)	16.25%(L)
LNZ Holding Limited ⁽⁴⁾	Registered owner	203,304,000(L)	7.39%(L)
Golden Water Management Limited ⁽⁴⁾	Trust holding company	203,304,000(L)	7.39%(L)
LI Chong (李冲) ⁽⁴⁾	Founder of a discretionary trust	203,304,000(L)	7.39%(L)
The Core Trust Company Limited ⁽⁶⁾	Trustee of a trust	158,626,733(L)	5.77%(L)

Notes:

- (1) TMF (Cayman) Ltd. is the trustee of DAE Trust, WHZ Trust, The Zhen Family Trust and WSW Family Trust.
- (2) The entire share capital of Stmoritz Investment Limited is wholly-owned by DAE Holding Investments Limited and ultimately owned by TMF (Cayman) Ltd. as the trustee of the DAE Trust, which is a discretionary trust set up by Mr. DAI Jian ("Mr. DAI") on 27 December 2013 for the benefit of himself and his family members, and Mr. DAI is a settlor and protector. Mr. DAI (as founder of the DAE Trust), DAE Holding Investments Limited and TMF (Cayman) Ltd. are taken to be interested in 769,460,000 Shares held by Stmoritz Investment Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.
- (3) The entire share capital of Bright Stream Holding Limited is wholly-owned by WHEZ Holding Ltd. and ultimately owned by TMF (Cayman) Ltd. as the trustee of the WHZ Trust, which is a discretionary trust set up by Mr. WU Lili ("Mr. WU") on 27 December 2013 for the benefit of himself and his family members, and Mr. WU is a settlor and protector. Mr. WU (as founder of the WHZ Trust), WHEZ Holding Ltd. and TMF (Cayman) Ltd. are taken to be interested in 447,112,000 Shares held by Bright Stream Holding Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.
- (4) The entire share capital of LNZ Holding Limited is owned by Golden Water Management Limited, which is wholly owned by TMF (Cayman) Ltd. as the trustee of The Zhen Family Trust, which is a discretionary trust set up by Mr. LI Chong ("Mr. LI") on 27 December 2013 for the benefit of himself and his family members, and Mr. LI is a settlor and protector. Mr. LI (as founder of The Zhen Family Trust), Golden Water Management Limited and TMF (Cayman) Ltd. are taken to be interested in 203,304,000 Shares held by LNZ Holding Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme) pursuant to Part XV of the SFO.
- (5) 10,000,000 RSUs were granted to Mr. DAI under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares and subject to vesting. As at 30 June 2020, all the RSUs granted to Mr. DAI were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (6) The Core Trust Company Limited is the trustee to administer the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme.
- (7) The Letter "L" denotes the person's Long position in such Shares.
- (8) These percentages are calculated on the basis of 2,750,634,000 Shares in issue as of 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Directors and the chief executive of the Company are not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EQUITY-LINKED AGREEMENTS/SHARE INCENTIVE SCHEMES

In order to incentivize the Directors, senior management and other employees of the Group for their contribution to the Group and to attract and retain suitable personnel of our Group, the Company adopted the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme, respectively.

Summaries of the terms of the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme have been disclosed in the sections headed “Statutory and General Information — Pre-IPO Share Option Scheme”, “Statutory and General Information — Pre-IPO RSU Scheme” and “Statutory and General Information — Post-IPO RSU Scheme” in Appendix IV to the Prospectus, the previous annual reports of the Company, the circular of the Company dated 24 April 2015 and the supplementary circular of the Company dated 14 May 2015.

Outstanding Share Options

During the six months ended 30 June 2020, no Options has been lapsed and no Option has been cancelled. As at 30 June 2020, there were no Options outstanding under the Pre-IPO Share Option Scheme. Save as set out above, no further Options have been or would be granted by the Company after the Listing pursuant to the Pre-IPO Share Option Scheme.

The Company appointed The Core Trust Company Limited as the trustee and Duoduo Holding Limited, a company incorporated in the BVI and an independent third party, as the nominee to administer the Pre-IPO Share Option Scheme pursuant to its scheme rules. As at 30 June 2020, Duoduo Holding Limited holds 52,000 Shares underlying the Options granted under the Pre-IPO Share Option Scheme for the benefit of eligible participants pursuant to the Pre-IPO Share Option Scheme.

Movements of the Options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2020

Name of Grantees	Nature	Number of Shares represented by Options at 1 January 2020	Date of grant	Exercise price (US\$)	Exercised during the period	Lapsed during the period	Number of Shares represented by Options at 30 June 2020	Vesting Period	Exercise period	Approximate percentage of issued Shares of the Company ⁽³⁾
Other employees of the Group										
11 employees	Options	204,000	20 June 2010	0.0090	204,000	—	204,000	Note 1	Note 2	0.0079
2 employees	Options	322,000	15 January 2011	0.0090	322,000	—	322,000	Note 1	Note 2	0.0129
Total		526,000		—	526,000	—	526,000			0.0199

Notes:

- (1) The vesting period of the Options under the Pre-IPO Share Option Scheme is 36 months from the date of grant of such Options.
- (2) The exercise period of the Options under the Pre-IPO Share Option Scheme is 10 years after the date of grant of such Options.
- (3) Approximate percentage of issued Shares of the Company is calculated by dividing the Options held by the relevant grantees by the issued and outstanding Shares of the Company (as enlarged by the exercise in full of all the Options granted under the Pre-IPO Share Option Scheme) as at 30 June 2020.

As disclosed in the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in relation to the Pre-IPO Share Option Scheme” in the Prospectus, the Company had applied for, and had been granted, an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous) Ordinance, and a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules in connection with the particulars of the grantees under the Pre-IPO Share Option Scheme.

Other Information

Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus and the previous annual reports of the Company.

Outstanding RSUs

(1) Pre-IPO RSU Scheme

As at 30 June 2020, there were no outstanding RSU under the Pre-IPO RSU Scheme.

Prior to the Listing on 10 April 2014, the Company appointed The Core Trust Company Limited as the trustee (the “Pre-IPO RSU Trustee”) and Peto Holding Limited, a company incorporated in the BVI and an independent third party, as its nominee (the “Pre-IPO RSU Nominee”) to administer the Pre-IPO RSU Scheme. To increase the public float, the Company further engaged The Core Services Limited, as the new trustee (the “New RSU Trustee”), and ZEA Holding Limited, a company incorporated in the BVI and an independent third party, as the new nominee (the “New RSU Nominee”), to administer certain RSUs granted to the Directors and the senior management under our Pre-IPO RSU Scheme on 10 June 2014. As at 30 June 2020, the Pre-IPO RSU Nominee holds 84,174,000 Shares and the New RSU Nominee hold 24,098,000 Shares respectively, underlying the RSUs granted under the Pre-IPO RSU Scheme for the benefit of eligible participants pursuant to the Pre-IPO RSU Scheme.

(2) Post-IPO RSU Scheme

As at 30 June 2020, there were a total of 55,560,000 RSUs outstanding under the Post-IPO RSU Scheme. If all the outstanding RSUs under the Post-IPO RSU Scheme are vested according to the relevant vesting schedules, there would be a dilution effect on the issued share capital of the Company of approximately 2.0% as at 30 June 2020.

The Company appointed The Core Trust Company Limited as the trustee and Baiduo Investment Holding Limited, a company incorporated in the BVI and an independent third party, as the nominee to administer the Post-IPO RSU Scheme pursuant to its scheme rules. As at 30 June 2020, Baiduo Investment Holding Limited holds 74,400,733 Shares underlying the RSUs granted under the Post-IPO RSU Scheme for the benefit of eligible participants pursuant to the Post-IPO RSU Scheme.

Movements of the RSUs under the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme during the six month ended 30 June 2020

Name of Grantees	Nature	Number of Shares underlying the RSUs as at 31 December 2019	Granted during the period	Date of grant	Consideration (US\$)	Vested during the period	Lapsed during the period	Number of Shares underlying the RSUs as at 30 June 2020	Vesting Schedule	Approximate percentage of issued Shares of the Company ⁽³⁾
Post-IPO RSU scheme										
Other grantees										
1 employee	RSUs	90,000	—	10 November 2017	—	30,000	—	60,000	Note 1	0.002%
	Sub-total	90,000	—	—	—	30,000	—	60,000	—	—
38 employees	RSUs	—	55,700,000	2 April 2020	—	—	200,000	55,500,000	Note 2	2.0%
	Sub-total	—	55,700,000	—	—	—	200,000	55,500,000	—	—
	Total	90,000	55,700,000	—	—	30,000	200,000	55,560,000	—	2.0%

Notes:

- For details of the vesting schedules for the RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme, please refer to the announcement of the Company dated 10 November 2017.
- For details of the vesting schedules for the RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme, please refer to the announcement of the company dated 2 April 2020.
- Approximate percentage of issued Shares of the Company is calculated by dividing the RSUs held by the relevant grantees by the issued and outstanding Shares of the Company (as enlarged by the vest in full of all the RSUs granted under the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme) as at 30 June 2020.

Further details of the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme are set out in the Prospectus and the previous annual reports of the Company.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the six months ended 30 June 2020.

Other Information

PUBLIC FLOAT

As of the date of this report, based on information that is publically available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares of the Company were listed on the main board of the Stock Exchange on 10 April 2014 with net proceeds from the initial public offering of approximately RMB1,121.2 million, after deducting underwriting fees and commissions and other expenses paid by the Company in connection with the initial public offering.

As of 31 December 2019, unutilised proceeds from the abovementioned issuances amounted to RMB410.5 million. During the reporting period, a total of RMB3.7 million had been utilised in accordance with the intended use as disclosed in the Prospectus. Unutilised proceeds from the aforementioned issuances as of 30 June 2020, being RMB406.8 million, are intended to be applied in the manner consistent with the intended use as disclosed in the Prospectus in the coming financial year.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT

As set out in the section headed “Contractual Arrangements — Legality of the Contractual Arrangements” in the Prospectus, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “Qualification Requirement”). Despite the lack of clear guidance or interpretation on the Qualification Requirement, we have been gradually building up our track record of overseas business operations to comply with the Qualification Requirement. We have continued to engage a local distributor in Hong Kong through whom our overseas users can purchase our physical prepaid cards. In addition, we have launched a Hong Kong website offering investor relations and other corporate information. Save as above, as of 30 June 2020, the Company has no further update to disclose in relation to the Qualification Requirement.

MATERIAL LITIGATION

As of 30 June 2020, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.