Feiyu Technology International Company Ltd.
飛魚科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1022)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board is pleased to announce the unaudited consolidated interim results (the "**Interim Results**") of the Group for the six months ended 30 June 2020 together with comparative figures for the corresponding period in 2019.

FINANCIAL PERFORMANCE HIGHLIGHTS

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

Note:

(1) Please refer to the section headed "Non-IFRSs measures – Adjusted net loss attributable to owners of the parent" for definition of adjusted net loss attributable to owners of the parent.

MANAGEMENT DISCUSSION AND ANALYSIS
BUSINESS REVIEW AND OUTLOOK

Overview

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

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

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

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

Outlook for 2020

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

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

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

Interim Dividend

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

FINANCIAL REVIEW

Operating Information

Our Games

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

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

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

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

Our Players

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

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

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

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

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

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

First Half of 2020 Compared with First Half of 2019

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

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

Revenue

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

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

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

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

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

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Other income and gains

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

Selling and distribution expenses

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

Administrative expenses

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

R&D costs

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

Finance costs

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

Other expenses

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

Income tax expense

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

Loss for the period

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

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

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

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

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

Financial Position

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

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

Liquidity and Financial Resources

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

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

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

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

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

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

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

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

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

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

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

(A) Straight Bonds

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

Notes:

1. The Group's investment in straight bonds has been accounted for as debt investments at fair value through other comprehensive income. The fair value of the straight bonds was estimated using a discounted cash flow valuation model based on the assumptions that were supported by observable market inputs. Please refer to note 12 to the financial statements for details of the investment in straight bonds.

2. On 17 February 2015, the Group invested in a bond issued by Huarong Finance II with a nominal amount of US$5,000,000 at a consideration of US$5,135,000 (equivalent to approximately RMB31.5 million). The bond has a coupon interest rate of 4.5% per annum with a maturity period of 5 years. On 26 December 2016, the Group sold part of the straight bond with a nominal amount of US$1,500,000 at a consideration of US$1,566,000 (equivalent to approximately RMB10.8 million). In the second half of 2018, the Group sold part of the above straight bond with a nominal amount of US$3,300,000 at a consideration of US$3,325,000 (equivalent to approximately RMB22.8 million). On the maturity date i.e. 16 January 2020, the remaining part of the straight bond with a nominal amount of US$200,000 was fully redeemed.

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

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

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

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

(B) Perpetual Bonds

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

Notes:

1. The Group's investment in perpetual bonds has been accounted for as financial assets at fair value through profit or loss. The fair value of the perpetual bonds was observed from Thomson Reuters Eikon system. Please refer to note 12 to the financial statements for details of the investment in perpetual bonds.

2. On 17 January 2020, the Group invested in a bond issued by CCB Life Insurance Company Limited ("**CCB Life Insurance**") with a nominal amount of US$1,500,000 at a consideration of US$1,547,000 (equivalent to approximately RMB10.6 million). The bond has a coupon interest rate of 4.5% per annum with the maturity date on 21 April 2077 and extendable for an additional 60 calendar years with no limit on the number of extension times at issuer's option.

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

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

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

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

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

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

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

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

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

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

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

(C) Convertible Bond

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

Notes:

1. The Group's investment in convertible bond has been accounted for as financial assets at fair value through profit or loss. Please refer to note 12 to the financial statements for details of the investment in convertible bonds.

2. On 6 April 2015, the Group invested in a perpetual convertible bond issued by Standard Chartered PLC, which is listed on the Main Board of the Stock Exchange (Stock Code: 02888) and London, Mumbai stock exchanges, with a nominal amount of US$8,000,000 and a coupon interest rate of 6.5% per annum at a consideration of US$8,101,000 (equivalent to approximately RMB49.7 million). In July and August 2016, the Group sold part of the above perpetual convertible bond with a nominal amount of US$5,000,000 for a consideration of US$4,788,000 (equivalent to approximately RMB31.9 million). In January 2018, the Group sold part of the above perpetual convertible bond with a nominal amount of US$1,000,000 for a consideration of US$1,056,000 (equivalent to approximately RMB6.7 million). On 2 April 2020, the bond with an aggregated nominal amount of US$2,000,000 was fully redeemed by Standard Chartered PLC in advance at an aggregated consideration of US$2,000,000 (equivalent to approximately RMB14.2 million).

(D) Fund

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

Notes:

1. The Group's investment in bond fund, UBS Asian Bonds, has been accounted for as financial assets at fair value through profit or loss. The fair value of the fund represented the net asset value of the sub-fund determined by UBS Asset Management (Singapore) Ltd, as manager (the "**Manager**") in consultation with HSBC Trustee (Cayman) Limited as trustee (the "**Trustee**"). Please refer to note 12 to the financial statements for details of the UBS Asian Bonds.

2. On 23 January 2020, the Group invested in 16,000 units of the UBS (CAY) Investment Fund Series – UBS Asian Bonds Series 5 (USD) Class A-qdist (USD) Units (the "**Sub-Fund**") at the subscription price of US$100 per unit with a consideration of US$1,614,000 (equivalent to approximately RMB11.1 million). The Sub-Fund has a maturity period of 4.5 years and a target yield to maturity of 4.8% to 5.3% per annum, assuming no defaults and is held to maturity.

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

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

(E) Investment in Life Insurance Policies

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

Notes:

1. The Group's investment in life insurance policies has been accounted for as financial assets at fair value through profit or loss. The fair value of the life insurance policies represented the surrender value of such insurance policies. Please refer to note 12 to the financial statements for details of the investments in life insurance policies.

2. In August 2015, the Group entered into life insurance policies with the Bermuda branch of The Manufacturers Life Insurance Company ("**Manulife**") to insure certain members of the key management of the Group. Under these policies, the Company is the beneficiary and policyholder. The Company has paid out the total insurance premium with an aggregate amount of approximately US$14.5 million (equivalent to approximately RMB89.0 million) at the inception of the insurance.

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

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

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

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

(F) Unlisted Equity Investments

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

Notes:

1. The Group's unlisted equity investments have been accounted for as equity investments designated at fair value through other comprehensive income. The fair value of the unlisted equity investments were assessed by management or employed by other available methods.

2. Xiamen eName Technology Co., Ltd. (together with its subsidiaries, "**eName**") is a company listed on China New Third Board (Stock Code: 838413) principally engaged in domain related businesses and providing domain registration, transfer and transaction services for internet customers. It is a well-known domain service provider in China.

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

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

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

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

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

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

(G) Unlisted Debt Investments

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

Notes:

1. The Group's unlisted debt investments have been accounted for as financial assets at fair value through profit or loss. The fair value of the unlisted debt investments were assessed by management or employed by other available methods.

2. Future Capital is an unlisted limited partnership principally engaged in investment in companies which are primarily in the sectors of intelligent system, auto system and information technology to achieve earnings in the form of medium to long term capital appreciation.

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

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

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

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

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

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

Gearing ratio

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

Capital expenditures

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

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

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

Pledge of Assets

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

Contingent liabilities and guarantees

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

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

Use of Net Proceeds from Listing

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

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

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

Note: The figures above are approximate figures.

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

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

Event after the six months ended 30 June 2020

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2020

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2020

	Notes	**30 June 2020 *RMB'000* (Unaudited)**	31 December 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**117,803**	110,214
Right-of-use assets		**106,023**	110,804
Goodwill	*9*	**20,121**	20,121
Other intangible assets		**2,502**	2,898
Investment in associates		**17,063**	28,208
Prepayments, other receivables and other assets	*11*	**16,101**	13,781
Equity investments designated at fair value through other comprehensive income	*12*	**40,393**	23,056
Debt investments at fair value through other comprehensive income	*12*	**22,924**	23,955
Financial assets at fair value through profit or loss	*12*	**182,852**	150,905
Deferred tax assets		**1,193**	3,512
Total non-current assets		**526,975**	487,454
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	*10*	**19,066**	32,106
Prepayments, other receivables and other assets	*11*	**21,225**	20,302
Cash and cash equivalents		**114,537**	179,218
Other current assets		**12,200**	11,650
Total current assets		**167,028**	243,276
CURRENT LIABILITIES			
Other payables and accruals		**51,071**	84,362
Interest-bearing bank and other borrowings		**72,666**	69,926
Lease liabilities		**3,456**	4,432
Tax payable		**1,699**	2,960
Contract liabilities		**6,346**	4,352
Total current liabilities		**135,238**	166,032
NET CURRENT ASSETS		**31,790**	77,244
TOTAL ASSETS LESS CURRENT LIABILITIES		**558,765**	564,698

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2020

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

Information about geographical areas

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Online web and mobile games	**23,451**	27,648
Single-player games	**7,006**	2,354
Game operations	**30,457**	30,002
– Gross basis	**1,195**	3,160
– Net basis	**29,262**	26,842
Online game distribution	**8,466**	2,996
Licensing income	**359**	3,322
Advertising revenue	**7,771**	4,586
Sale of goods	**16**	5
Technical service income	**15**	750
	47,084	41,661

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Services transferred over time	**359**	3,322
Services and goods transferred at a point of time	**46,725**	38,339
Total revenue from contracts with customers	**47,084**	41,661
Other income		
Government grants	**4,433**	4,315
Interest income	**1,674**	2,205
	6,107	6,520
Gains		
Fair value gains, net:		
Financial assets	**1,760**	2,619
Gain on disposal of items of property, plant and equipment	**–**	715
Other gains	**26**	362
	7,893	10,216

5. OTHER EXPENSES

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

6. LOSS BEFORE TAX

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

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

7. INCOME TAX EXPENSE

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

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

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

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

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

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

9. GOODWILL

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

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

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

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

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

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

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

As at 30 June 2020

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

As at 31 December 2019

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

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

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

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

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

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

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

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

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

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

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

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

(5) In January 2020, the Group invested in a bond fund issued by UBS (CAY) Fund Series with a nominal amount of US$1,600,000 and with income stream from a diversified portfolio at a consideration of US$1,614,000 (equivalent to approximately RMB11.1million).

(6) On 17 January 2020, the Group invested in a perpetual bond issued by CCB Life Insurance Company Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 4.5% per annum at a consideration of US$ 1,547,000 (equivalent to approximately RMB10.6 million). On 17 January 2020, the Group invested in a perpetual bond issued by Chalieco Hong Kong Corporation Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 5.0% per annum at a consideration of US$ 1,546,000 (equivalent to approximately RMB10.7 million). On 2 March 2020, the Group invested in a perpetual bond issued by FWD Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 6.25% per annum at a consideration of US$ 1,553,000 (equivalent to approximately RMB10.8 million).

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Purchase, Sale or Redemption of the Company's Listed Securities

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

Audit Committee

The Company established the Audit Committee on 17 November 2014 with written terms of reference adopted in compliance with the CG Code and the terms of reference was amended on 28 December 2015 and 27 December 2018 respectively. As at the date of this announcement, the Audit Committee comprises Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. MA Suen Yee Andrew, all of whom are independent non-executive Directors.

The Audit Committee, together with the Board and the auditor of the Company, has reviewed the accounting standards and practices adopted by the Group and the unaudited consolidated interim results of the Group for the six months ended 30 June 2020.

Compliance with the CG Code

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

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

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

Compliance with Model Code

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

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

Publication of the Interim Results Announcement and 2020 Interim Report

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.feiyuhk.com), and the 2020 interim report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the abovementioned websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their continued support and contribution.

GLOSSARY

"ARPPU"	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Cayman Islands"	the Cayman Islands
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"Company", "Feiyu", "we", "us" or "our"	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
"Director(s)"	director(s) of the Company
"Global Offering"	the offer of 30,000,000 Shares for subscription by the public in Hong Kong pursuant to the Hong Kong Public Offering and the offer of 270,000,000 Shares for subscription by institutional, professional, corporate and other investors pursuant to the International Offering (as respectively defined in the Prospectus)
"Group" or "the Group"	our Company, its subsidiaries and the PRC Operating Entities
"HK$", "Hong Kong dollars" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"IAS(s)"	International Accounting Standards
"IASB"	International Accounting Standard Board
"IFRS(s)"	International Financial Reporting Standards, amendments and interpretations issued by the IASB
"IP(s)"	Intellectual Property(ies)
"Kailuo Tianxia"	Beijing Kailuo Tianxia Technology Co., Ltd. ("北京凱羅天下科技有限公司"), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing 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)
"MAUs"	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period

"Meitu"	Meitu, Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands, shares of which are listed on the Main Board of Stock Exchange (Stock Code:1357)
"Meitu Networks"	Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有限公司), a limited liability company established under the laws of the PRC, is one of the important consolidated variable interest entities controlled through a series of contractual arrangement by Meitu
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPUs for a particular period is the average of the MPUs in each month during that period
"PC"	personal computer
"PRC Operating Entities"	Xiamen Guanghuan and its subsidiaries and "PRC Operating Entity" means any one of them
"Prospectus"	the prospectus dated 25 November 2014 issued by the Company
"R&D"	research and development
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"RPG"	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more "characters" who develop specific skill sets (such as melee combat or casting magic spells) and control the character's actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
"RSU(s)"	restricted share units or any one of them

"Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of US$0.0000001 each
"Shareholder(s)"	holder(s) of Shares
"Sharelink"	Sharelink Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
"US$", "United States Dollars"	United States dollars, the lawful currency of the United States of America
"Xiamen Guanghuan"	Xiamen Guanghuan Information Technology Co., Ltd. (廈門光環信息科技有限公司), a limited company incorporated under the laws of the PRC on 12 January 2009

By Order of the Board
Feiyu Technology International Company Ltd.
YAO Jianjun
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises Messrs. YAO Jianjun, CHEN Jianyu, BI Lin, LIN Zhibin and LIN Jiabin, as executive Directors; and Ms. LIU Qianli and Messrs. LAI Xiaoling and MA Suen Yee Andrew, as independent non-executive Directors.