



Boyaa Interactive International Limited 博雅互動國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code:0434



2020中期報告
2020 Interim Report



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Dai Zhikang (*Chairman*)

Ms. Tao Ying (*Acting Chief Executive Officer*)

Independent Non-executive Directors

Mr. Cheung Ngai Lam

Mr. Choi Hon Keung Simon

Mr. Sun Zihua (*retired on 16 July 2020*)

Mr. Kong Fanwei (*appointed on 16 July 2020*)

AUDIT COMMITTEE

Mr. Cheung Ngai Lam (*Chairman*)

Mr. Choi Hon Keung Simon

Mr. Sun Zihua (*retired on 16 July 2020*)

Mr. Kong Fanwei (*appointed on 16 July 2020*)

NOMINATION COMMITTEE

Ms. Tao Ying (*Chairman*)

Mr. Choi Hon Keung Simon

Mr. Sun Zihua (*retired on 16 July 2020*)

Mr. Kong Fanwei (*appointed on 16 July 2020*)

REMUNERATION COMMITTEE

Mr. Cheung Ngai Lam (*Chairman*)

Mr. Choi Hon Keung Simon

Mr. Sun Zihua (*retired on 16 July 2020*)

Mr. Kong Fanwei (*appointed on 16 July 2020*)

COMPANY SECRETARY

Ms. Lai Siu Kuen

AUTHORISED REPRESENTATIVES

Ms. Lai Siu Kuen

Ms. Tao Ying

AUDITOR

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Unit 701, 7th Floor

Citicorp Centre

18 Whitfield Road

Causeway Bay

Hong Kong

COMPANY'S WEBSITE

www.boyaa.com.hk

STOCK CODE

0434



Corporate Information

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Nanshan District, Shenzhen, PRC
Postal code: 518000

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Wanchai
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

The offices of Maples Corporate Services Limited
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Ugland House
Grand Cayman KY1-1104
Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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188 Des Voeux Road Central
Hong Kong

PRINCIPAL BANK

China Merchants Bank, Shenzhen Branch
Industrial Bank, Hong Kong Branch



Business Overview and Outlook

In terms of financial performance, we recorded a revenue of approximately RMB95.4 million for the second quarter of 2020, representing a year-on-year increase of approximately 18.8% compared to the same period in 2019; we recorded a revenue of approximately RMB188.5 million for the first half of 2020, representing a year-on-year increase of approximately 17.4% compared to the same period in 2019. The year-on-year increase in revenue in the second quarter and the first half of 2020 was primarily attributable to (i) the quarantine and social distance measures imposed by component authorities in Mainland China, Hong Kong, Taiwan and overseas regions during the outbreak of novel coronavirus (“**COVID-19**”); and (ii) the holding of certain online operating activities by the Group increasing the online time of game users and their consumption in online games. The revenue of the Group for the second quarter of 2020 increased by approximately 2.5% compared to the first quarter of 2020, which was mainly due to the holding of operating promotion activities leading to a slight increase in revenue of the second quarter of 2020.

We recorded an unaudited non-IFRS adjusted loss of approximately RMB25.5 million in the second quarter of 2020, representing a year-on-year decrease of approximately 209.9% compared to the second quarter of 2019; and we recorded an unaudited non-IFRS adjusted loss of approximately RMB13.6 million in the first half of 2020, representing a year-on-year decrease of approximately 121.3% compared to the first half of 2019. The year-on-year decrease in unaudited non-IFRS adjusted profit for the second quarter and first half of 2020 was mainly attributable to the decrease in fair value of financial assets such as equity investment partnerships of the Group for the six months ended 30 June 2020 due to the economic downturn and market factors caused by the COVID-19 pandemic. Excluding the impact of non-operating one-off factors such as the changes in the fair value of financial assets, including equity investment partnerships, the unaudited non-IFRS adjusted profit in the second quarter and first half of 2020 represented an increase of approximately 29.0% and approximately 11.9%, respectively, compared to the corresponding period in 2019, mainly due to the increase in revenue. Our unaudited non-IFRS adjusted profit in the second quarter of 2020 recorded a quarter-to-quarter decrease of approximately 314.0% compared to the first quarter of 2020. Excluding the impact of non-operating one-off factors such as the changes in the fair value of equity investment partnerships, the unaudited non-IFRS adjusted profit for the second quarter of 2020 represented a quarter-to-quarter increase of 14.1%, mainly due to the increase in revenue.

In terms of the operating data performance of the Group, we recorded a decrease in the number of paying players and users during the second quarter of 2020 as compared to the first quarter of 2020. In particular, the number of paying players decreased by 32.3% from approximately 0.43 million in the first quarter of 2020 to approximately 0.29 million in the second quarter of 2020. The number of DAUs decreased by 12.8% from approximately 2.5 million in the first quarter of 2020 to 2.2 million in the second quarter of 2020. The number of MAUs decreased by 22.4% from approximately 7.8 million in the first quarter of 2020 to approximately 6.1 million in the second quarter of 2020. The number of paying players and users in the second quarter of 2020 experienced a decrease as compared to the first quarter, mainly due to the relief of COVID-19 pandemic and gradual recovery of various industries in the Mainland China. However, the ARPPU of web-based games and mobile games of both Texas Hold'em Series and other card and board recorded a slight increase.

The Group will continue to conduct more intensive market surveys, launch innovative game rules, explore various operation modes for card and board games at home and abroad, improve the experience of our game players, remain dedicated to product refinement and operation diversification, ramp up the quality of our games in an all-rounded manner, and spare no effort to build our brand for online and offline match series. On top of consolidating our existing market, more efforts will be made to further expand our overseas market as well as other chess and card games business, so as to offset the impact of risks arising from policy. The Group will strictly comply with various laws and regulations of the PRC, develop high-quality puzzle games and matches, and continue with its journey to forge a century-old brand for chess and card games.



Management Discussion and Analysis

FINANCIAL REVIEW

Second Quarter of 2020 Compared to Second Quarter of 2019

Revenue

Our revenue for the three months ended 30 June 2020 amounted to approximately RMB95.4 million, representing a year-on-year increase of approximately 18.8% from approximately RMB80.3 million recorded for the same period in 2019. The year-on-year increase was primarily due to the increased time spent and spending of users on the online gaming products of the Group due to the preventive measures and social distancing policies imposed by the relevant government authorities to combat the COVID-19 pandemic in Mainland China, Hong Kong, Taiwan and other overseas countries, and the online operational activities held by the Group. For the three months ended 30 June 2020, revenue generated from our mobile games and web-based games accounted for approximately 59.8% and 40.2% of our total revenue, respectively, as compared with approximately 57.1% and 42.9%, respectively, for the three months ended 30 June 2019.

Cost of revenue

Our cost of revenue for the three months ended 30 June 2020 amounted to approximately RMB28.0 million, representing a year-on-year increase of approximately 6.4% from approximately RMB26.3 million recorded for the same period in 2019. The year-on-year increase was primarily due to the increase in commission charges by platforms and third party payment vendors.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit for the three months ended 30 June 2020 amounted to approximately RMB67.4 million, representing a year-on-year increase of approximately 24.9% from approximately RMB54.0 million recorded for the same period in 2019.

Our gross profit margin were approximately 70.7% and 67.2%, respectively, for the three months ended 30 June 2020 and the same period in 2019.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 30 June 2020 amounted to approximately RMB6.1 million, representing a year-on-year increase of approximately 43.3% from approximately RMB4.3 million recorded for the same period in 2019. The year-on-year increase was mainly attributable to the increase in the expenses incurred for advertising and promotional activities.



Management Discussion and Analysis

Administrative expenses

Our administrative expenses for the three months ended 30 June 2020 amounted to approximately RMB31.2 million, representing a year-on-year increase of approximately 12.5% from approximately RMB27.8 million recorded for the same period in 2019. The year-on-year increase was mainly attributable to the increase in professional service expenses.

Other (losses)/gains, net

For the three months ended 30 June 2020, we recorded other losses, net of approximately RMB51.7 million, compared to other losses, net of approximately RMB3.4 million recorded for the same period in 2019. The other (losses)/gains, net primarily consisted of fair value changes on investment at fair value through profit or loss and dividend income relating to the non-quoted investments in equity investment partnerships and certain wealth management products we purchased, and government subsidies.

Finance income, net

Our net finance income for the three months ended 30 June 2020 was approximately RMB5.1 million, compared to approximately RMB6.7 million recorded for the same period in 2019. The year-on-year change was primarily due to the decrease in interest revenue as compared to the same period in 2019.

Share of result of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd.* (深圳市飯後科技有限公司), Shenzhen Huifu World Network Technology Co., Ltd.* (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd.* (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd.* (深圳市極思維智能科技有限公司) and Allin Network Technology Co., Limited* (上海傲英網絡科技有限公司) and its subsidiaries as at 30 June 2020 (31 December 2019: five), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB1.1 million for the three months ended 30 June 2020, compared to a share of profit of associates of approximately RMB0.02 million recorded for the same period in 2019.

Income tax expenses

Our income tax expenses for the three months ended 30 June 2020 was approximately RMB7.8 million, representing an increase of approximately 251.5% from approximately RMB2.2 million recorded for the three months ended 30 June 2019. The increase in income tax expenses is resulted from no provision of deferred tax assets is recognized for the fair value loss of investments at fair value through profit or loss.



Management Discussion and Analysis

(Loss)/profit attributable to owners of the Company

As a result of the foregoing, our loss attributable to owners of the Company for the three months ended 30 June 2020 amounted to approximately RMB25.5 million, representing a year-on-year decrease of approximately 210.6%, from the profit attributable to owners of the Company of approximately RMB23.0 million recorded for the same period in 2019.

Non-IFRS Measure – Adjusted loss/profit

To supplement our unaudited condensed consolidated financial statements which are presented in accordance with IFRS, we also use unaudited non-IFRS adjusted loss/profit as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. The term “adjusted loss/profit” is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS item differently from the Group. The use of adjusted loss/profit has material limitations as an analytical tool, as adjusted loss/profit does not include all items that impact our loss/profit for the Reporting Period and should not be considered in isolation or as a substitute for analysis of the Group’s results as reported under IFRS.

Our unaudited non-IFRS adjusted loss for the three months ended 30 June 2020 amounted to approximately RMB25.5 million, as compared to our unaudited non-IFRS adjusted profit for the three months ended 30 June 2019 of approximately RMB23.2 million derived from our unaudited profit for the three months ended 30 June 2019 excluding share-based compensation expenses of approximately RMB0.04 million, RMB0.04 million and RMB0.07 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

First Half of 2020 Compared to First Half of 2019

Revenue

Our revenue for the six months ended 30 June 2020 amounted to approximately RMB188.5 million, representing a year-on-year increase of approximately 17.4% from approximately RMB160.5 million recorded for the same period in 2019. The year-on-year increase was primarily due to the increased time spent and spending of users on the online gaming products of the Group due to the preventive measures and social distancing policies imposed by the relevant government authorities to combat the COVID-19 pandemic in Mainland China, Hong Kong, Taiwan and other overseas countries, and the online operational activities held by the Group. For the six months ended 30 June 2020, revenue generated from our mobile games and web-based games accounted for approximately 60.1% and 39.9% of our total revenue, respectively, as compared with approximately 56.2% and 43.8%, respectively, for the six months ended 30 June 2019.



Management Discussion and Analysis

Cost of revenue

Our cost of revenue for the six months ended 30 June 2020 amounted to approximately RMB55.9 million, representing a year-on-year increase of approximately 8.9% from approximately RMB51.3 million recorded for the same period in 2019. The year-on-year increase was mainly due to the increase in commission charges by platforms and third party payment vendors.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit for the six months ended 30 June 2020 amounted to approximately RMB132.6 million, representing a year-on-year increase of approximately 21.5% from approximately RMB109.2 million recorded for the same period in 2019.

Our gross profit margin were approximately 70.4% and 68.0%, respectively, for the six months ended 30 June 2020 and the same period in 2019.

Selling and marketing expenses

Our selling and marketing expenses for the six months ended 30 June 2020 amounted to approximately RMB11.2 million, representing a year-on-year increase of approximately 29.7% from approximately RMB8.6 million recorded for the same period in 2019. The year-on-year increase was mainly attributable to the increase in the expenses incurred for advertising and promotional activities.

Administrative expenses

Our administrative expenses for the six months ended 30 June 2020 amounted to approximately RMB59.2 million, representing a year-on-year increase of approximately 10.6% from approximately RMB53.5 million recorded for the same period in 2019. The year-on-year increase was mainly attributable to the increase in professional service expenses.

Other (losses)/gains, net

For the six months ended 30 June 2020, we recorded other losses, net of approximately RMB70.7 million, compared to other gains, net of approximately RMB14.0 million recorded for the same period in 2019. The other (losses)/gains, net primarily consisted of fair value changes on investment at fair value through profit or loss and dividend income relating to the non-quoted investments in equity investment partnerships and certain wealth management products we purchased, and government subsidies.



Management Discussion and Analysis

Finance income, net

Our net finance income for the six months ended 30 June 2020 was approximately RMB10.5 million, compared to approximately RMB11.7 million recorded for the same period in 2019. The year-on-year change was primarily due to the decrease in interest revenue as compared to the same period in 2019.

Share of results of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd.* (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd.* (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd.* (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd.* (深圳市極思維智能科技有限公司) and Allin Network Technology Co., Limited* (上海傲英網絡科技有限公司) and its subsidiaries as at 30 June 2020 (31 December 2019: five), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB1.7 million for the six months ended 30 June 2020, compared to a share of loss of associates of approximately RMB0.2 million recorded for the same period in 2019.

Income tax expenses

Our income tax expenses for the six months ended 30 June 2020 was approximately RMB14.0 million, representing an increase of approximately 47.6% from approximately RMB9.5 million recorded for the six months ended 30 June 2019. The increase in income tax expenses is resulted from no provision of deferred tax assets is recognized for the fair value loss of investments at fair value through profit or loss.

(Loss)/profit attributable to owners of the Company

As a result of the foregoing, our loss attributable to owners of the Company for the six months ended 30 June 2020 amounted to approximately RMB13.6 million, representing a year-on-year decrease of approximately 121.5%, from the profit attributable to owners of the Company of approximately RMB63.1 million recorded for the same period in 2019.

Non-IFRS Measure – Adjusted loss/profit

Our unaudited non-IFRS adjusted loss for the six months ended 30 June 2020 of approximately RMB13.6 million, as compared to our unaudited non-IFRS adjusted profit for the six months ended 30 June 2019 of approximately RMB63.5 million derived from our unaudited profit for the six months ended 30 June 2019 excluding share-based compensation expenses of approximately RMB0.1 million, RMB0.1 million and RMB0.2 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.



Management Discussion and Analysis

Liquidity and Capital Resources

For the six months ended 30 June 2020, we financed our operations primarily through cash generated from our operating activities as well as the net proceeds we received from the global offering completed in November 2013. We intend to finance our expansion, investment and business operations by internal resources and through organic and sustainable growth. We will make investments in line with our capital and investment management policies and strategies.

Gearing ratio

As at 30 June 2020, the Group's gearing ratio (total liabilities divided by total assets) was 12.0% (31 December 2019: 11.8%).

Term deposits

As at 30 June 2020, we had term deposits of approximately RMB728.3 million (31 December 2019: approximately RMB388.2 million), which were mainly denominated in RMB and United States dollars ("USD"). The original maturities of the term deposits are over 3 months and less than 1 year. The effective interest rate for the term deposits of the Group for the six months ended 30 June 2020 was approximately 1.9%.

Cash and cash equivalents

As at 30 June 2020, we had cash and cash equivalents of approximately RMB326.2 million (31 December 2019: approximately RMB487.3 million), which primarily consisted of cash at banks and in hand and short-term bank deposits, which were mainly denominated in RMB (as to approximately 43.6%), USD (as to approximately 39.9%) and other currencies (as to approximately 16.5%). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

As at 30 June 2020, the total amount of the net proceeds from our initial public offering had been fully utilized.

Equity investment at fair value through other comprehensive income

We accounted for equity investments at fair values through other comprehensive income at their respective fair values. As at 30 June 2020, the fair value of our unlisted and listed investments classified as equity investments at fair value through other comprehensive income amounted to approximately RMB45.6 million (31 December 2019: approximately RMB45.2 million). These equity investments at fair value through other comprehensive income mainly consisted of both listed and unlisted equity securities, which are mainly represented by our equity investment in Dalian Zeus Entertainment Co., Ltd. (Shenzhen Stock Exchange: 002354), Xiaomi Corporation (Hong Kong Stock Exchange: 1810) and Qudian Inc. (New York Stock Exchange: QD).



Management Discussion and Analysis

We consider that, none of the other unlisted and listed investments classified as equity investments at fair value through other comprehensive income in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5.0% of our total assets as at 30 June 2020.

Investments at fair value through profit or loss

As at 30 June 2020, we also recorded investments at fair value through profit or loss amounted to approximately RMB818.9 million (31 December 2019: approximately RMB997.4 million), which consisted of non-quoted investments in asset management plans, equity investment partnerships and wealth management products. As at 30 June 2020, the fair values of the investments in asset management plans were determined by discount cash flows model; the fair values of the investments in equity investment partnerships were determined by market approach and discount cash flows model; and the fair values of investments in wealth management products, which have an initial term ranging from immediate to 360 days, were determined based on the estimated rate of return of investments. For the six months ended 30 June 2020, we recorded fair value losses on investments at fair value through profit or loss of approximately RMB71.1 million (fair value gains for the six months ended 30 June 2019: approximately RMB4.9 million).

The investments in wealth management products under investments at fair value through profit or loss were made in line with our treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Group has in the past selected wealth management products that are principal guaranteed and relatively low risk products. Prior to making an investment, the Group had also ensured that there remains sufficient working capital for the Group's business needs even after the investments in wealth management products. During the six months ended 30 June 2020, each of the investments made by the Group does not constitute a notifiable transaction or a connected transaction of the Group under the Listing Rules. As agreed with the financial institutions, the underlying investment portfolio of the wealth management products of the Group were primarily represented by inter-bank loan market instruments and exchange traded fixed-income financial instruments, such as inter-bank loans, government bonds, central bank bills and similar products, which were highly liquid with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return.

On 28 December 2016, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Limited (深圳市東方博雅科技有限公司), established a limited partnership namely Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise ("**Jiaxing Boyaa**") with Shanghai Tailai Tianji Asset Management Co., Limited (上海泰來天濟資產管理有限公司). During the six months ended 30 June 2020, the Group's accumulated contribution of RMB300.0 million represented 99.0% of the total capital contribution of Jiaxing Boyaa. The fair value of the investment in Jiaxing Boyaa as at 30 June 2020 was approximately RMB203.8 million. Jiaxing Boyaa is established for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions. We will continue to closely monitor the performance of Jiaxing Boyaa on an on-going basis.



Management Discussion and Analysis

On 25 October 2018, the Group, through Boyaa On-line Game Development (Shenzhen) Co., Ltd* (博雅網絡遊戲開發(深圳)有限公司), had subscribed for two RMB wealth management products issued by Industrial and Commercial Bank of China at the amount of RMB200.0 million and RMB128.5 million, respectively (the “**Wealth Management Products**”). As at 30 June 2020, the fair value of the two Wealth Management Products were approximately RMB211.8 million and RMB135.0 million, respectively. The Wealth Management Products were assessed by the Group as very low-risk products. As at 30 June 2020, the bank accounts which holds the Wealth Management Products had been frozen. For details as to the circumstance leading to the freezing of the accounts, please refer to Note 22 under the section headed “Notes to the Condensed Consolidated Financial Statements” of this report and the announcements of the Company dated 1 September 2019, 13 December 2019, 3 January 2020 and 6 January 2020.

Save for our capital investment in Jiaying Boyaa and the subscription of the Wealth Management Products, no other single investment that was designated as investments at fair value through profit or loss in our investment portfolio has a carrying amount that accounts for more than 5.0% of our total assets as at 30 June 2020.

Borrowings

For the six months ended 30 June 2020, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilised or unutilised banking facilities.

Capital expenditure

For the six months ended 30 June 2020, our capital expenditure amounted to approximately RMB2.9 million (for the six months ended 30 June 2019: approximately RMB5.9 million). The capital expenditure mainly included purchasing equipment and leasehold improvements of approximately RMB2.9 million (for the six months ended 30 June 2019: approximately RMB5.9 million), which was funded by using our cash flows generated from our operations.

Commitment

The Group did not have significant outstanding commitments as at 30 June 2020.

Contingent liabilities and guarantees

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



Management Discussion and Analysis

Significant investments and future plans for major investments

For the six months ended 30 June 2020, the Group's investment in Jiaxing Boyaa amounted to RMB300.0 million. Jiaxing Boyaa mainly carried out equity investments and venture capital investments. In addition, the Group had subscribed for the Wealth Management Products, which had an aggregate fair value of approximately RMB346.8 million as at 30 June 2020.

In the coming future, the Group will continue to identify new opportunities for business development. As at 30 June 2020, the Group has not executed any agreement in respect of material acquisitions, investments or capital asset and did not have any other future plans relating to material acquisitions, investments or capital asset. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

Pledge/charge of the Group's assets

As at 30 June 2020, none of the Group's assets was pledged or charged.

Employees and staff costs

As at 30 June 2020, we had a total of 278 full time employees, who are mainly based in mainland China. In particular, 224 employees are responsible for our game development and operation functions, 37 employees for game support and 17 employees for administration and senior management functions.

We organize and launch various training programs on a regular basis for our employees to enhance their knowledge of online game development and operation, improve time management and internal communications, and strengthen team bonding. We also provide various incentives, including share-based awards, such as share options and restricted share units ("RSUs") granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by the relevant PRC laws and regulations, we have also made contributions to various mandatory social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity insurance, and to mandatory housing accumulation funds, for or on behalf of our employees.

For the six months ended 30 June 2020, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to approximately RMB35.2 million, representing approximately 27.5% of the total expenses of the Group. Pursuant to the post-IPO share option scheme adopted by the Company in October 2013 (the "**Post-IPO Share Option Scheme**") and the pre-IPO share option scheme adopted by the Company in January 2011 and amended in September 2013 (the "**Pre-IPO Share Option Scheme**") as well as the RSU Scheme adopted by the Company in September 2013 (the "**RSU Scheme**"), there were a total of 6,242,429 share options and 4,715,457 shares underlying the RSUs outstanding and/or granted to a total of 243 directors, senior management members and employees of the Group as at 30 June 2020. There were also 53,040,494 shares underlying the RSUs allowed to be granted under the RSU Scheme which were held by The Core Admin Boyaa RSU Limited as nominee for the benefit of eligible participants pursuant to the RSU Scheme. Further details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme will be set out in the section headed "Share Option Schemes and Restricted Share Unit Scheme" in the Other Information section in this report.



Management Discussion and Analysis

Significant investments

As at 30 June 2020, the investee companies held by Jiaxing Boyaa were (1) Shanghai Niwo Information Service Co., Ltd.* (上海大途弘安信息科技有限公司); (2) Nong Fa Zi Ran (Shanghai) Agricultural Technology Co., Ltd.* (農法自然(上海)農業科技有限公司); (3) Shandong Zhendong Network Technology Co., Ltd.* (山東震東網絡科技有限公司); (4) Dalian Jijie Technology Co., Ltd.* (大連集杰科技有限公司); (5) Yunnan Xiyuan Network Technology Co., Ltd.* (雲南西元網絡科技有限公司); (6) Shenzhen Gule Time Technology Co., Ltd.* (深圳市穀樂時光科技有限公司); (7) Shanghai Shandian Technology Co., Ltd.* (上海閃店聯信息科技有限公司); (8) Centaurs Technologies Co., Ltd. (深圳市人馬互動科技有限公司) (collectively, the “**Investee Companies**”), which are mainly engaged in industries of (i) information technology focusing on, inter alia, the provision of interactive media platforms and business intelligence systems; (ii) agricultural technology, and (iii) online card and board games. Based on the information and report provided by the managing partner of Jiaxing Boyaa, while there may exist uncertainties brought about by the market volatility and policy risk factor in the online card and board game industry, the operating cost of the information technology industry is also getting higher, but there will be growing opportunities in relation to agricultural technology industry and ecological farming technology. Information of the Investee Company which has the largest fair value as at 30 June 2020 is as follows:

Investee Company:

Name of Investee Company	Place of establishment	Principal business	Investment Cost (RMB million) (unaudited)	Equity interests held by Jiaxing Boyaa as at 30 June 2020 (unaudited)	Fair value loss for the six months ended 30 June 2020 (RMB million) (unaudited)	Fair value as at 30 June 2020 (RMB million) (unaudited)	Size of fair value relative to total assets of the Group as at 30 June 2020 (unaudited)
				30 June 2020 (unaudited)	30 June 2020 (unaudited)	30 June 2020 (unaudited)	30 June 2020 (unaudited)
Shanghai Niwo Information Service Co., Ltd.* (上海大途弘安信息科技有限公司)	China	Development and operation of interactive media platforms across various high-speed railway stations, coach stations and airports in China	85.0	5.1 million shares/ 14.07%	27.0	106.4	4.5%

The fair value of Jiaxing Boyaa is to conduct an independent valuation of each underlying Investee Company by an independent professional valuer engaged by the Company. Income approach and market approach are mainly adopted in the fair value estimation for the corresponding underlying Investee Companies.

* For identification purposes only



Management Discussion and Analysis

Under the income approach, a discounted cash flow (the “DCF”) method is adopted. The DCF method begins with an estimation of the annual cash flows. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the certain underlying Investee Companies’ projected cash flows. The present values of the estimated cash flows are then added to the present value equivalent of the residual value of the certain underlying Investee Companies at the end of the discrete projection period to arrive at an estimate of the values.

Under the market approach, the certain underlying Investee Company is conducted the valuation based on Price-to-Book Value (“P/B”) multiple. The fair value of the certain underlying Investee Company is determined by using the adjusted P/B multiples of the comparable companies identified, and then multiplied by the its book value at the end of the reporting period, adjusted by lack of marketability discount. When selecting the comparable companies in the valuation, the independent professional valuer considers the following the criteria: (i) the similar business nature with the relevant underlying Investee Company; and (ii) the same geographical location of business operation as that of the underlying Investee Company.

As at 30 June 2020, the fair value of Jiaxing Boyaa was estimated to be approximately RMB203.8 million. For the six months ended 30 June 2020, the fair value loss of the investment in Jiaxing Boyaa was approximately RMB64.4 million. We will closely monitor the performance of Jiaxing Boyaa on an on-going basis.

As at 30 June 2020, as disclosed in Note 15 under the section headed “Notes to the Condensed Consolidated Financial Statements” of this report, the Group also held the Wealth Management Products in the sum of approximately RMB404.6 million. Information of the Wealth Management Products which had a carrying amount for more than 5% of the total assets as at 30 June 2020 are as follows:

Issuer of the Wealth Management Product	Name of the Wealth Management Product	Initial investments (RMB'000)	Fair value gain for the six months ended		Fair value as at 30 June 2020 (RMB'000)	Size of fair value relative to total assets of the Group as at 30 June 2020
			30 June 2020 (RMB'000)	ended 30 June 2020 (RMB'000)		
Industrial and Commercial Bank of China	Net-worth Wealth Management Product of Industrial and Commercial Bank of China for Corporate – “Tain Li Bao”* (中國工商銀行法人「添利寶」淨值型理財產品) (Product Code: TLB1801)	200,000	3,491		211,795	8.9%
Industrial and Commercial Bank of China	Net-worth RMB Wealth Management Product without Fixed Term of Industrial and Commercial Bank of China for of “e Ling Tong”* (中國工商銀行「e靈通」淨值型法人無固定期限人民幣理財產品) (Product Code: 1701ELT)	128,500	1,922		134,995	5.7%

* For identification purposes only



Management Discussion and Analysis

The Wealth Management Products are classified as low-risk with short investment duration and high liquidity and with reference to the similar investment products in the market and their general rates of return. The Board is of the view that the investments in the Wealth Management Products are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

As at 30 June 2020, the bank accounts which holds by the Wealth Management Products have been frozen. For details, as to the circumstances, leading to the freezing of the accounts, please refer to Note 22 under the section headed “Notes to the Condensed Consolidated Financial Statements” of this report.



Other Information

CONTRACTUAL ARRANGEMENTS

Reasons for Contractual Arrangements

Reference is made to the section headed “History, Reorganization and Corporate Structure – Contractual Arrangements” in the prospectus of the Company dated 31 October 2013 (the “**Prospectus**”) and the section headed “Connected Transactions – Contractual Arrangements” in the Directors’ Report of the Company’s 2019 Annual Report.

The Group is primarily engaged in the development and operation of online card and board games business and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of the websites of the Group. The Group conducts online games business through a PRC operating entity, Boyaa Shenzhen. According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) issued by the State Council on 11 December 2001 and amended on 10 September 2008 and on 6 February 2016, foreign investors shall not hold more than 50% of the equity interest in a company providing value-added telecommunications services. Internet content provision services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an Internet Content Provider (the “**ICP**”) license from the appropriate telecommunications authorities in order to carry on any commercial internet content provision operations in China. Boyaa Shenzhen has obtained the requisite ICP license for the operations of the Group. Therefore, in order for the Group to be able to carry on its online games business in China in compliance with the applicable PRC laws and regulations, the Group entered into the Contractual Arrangements (the “**Contractual Arrangements**”) with Boyaa Shenzhen through an indirect wholly-owned subsidiary, Boyaa On-line Game Development (Shenzhen) Co., Ltd. (“**Boyaa PRC**”), pursuant to which the Group will be able to assert management control over the operations of, and enjoy all economic benefits of, Boyaa Shenzhen. In addition, the Group will be able to consolidate Boyaa Shenzhen’s financial results in the results of the Company under IFRS as if it was a wholly-owned subsidiary of the Company. There are no new Contractual Arrangements entered into, renewed or reproduced between the Group and Boyaa Shenzhen during the six months ended 30 June 2020. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the six months ended 30 June 2020. During the six months ended 30 June 2020, none of the agreements underlying the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements has been removed.



Other Information

In addition, a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate (i) a good track record and (ii) experience in providing value-added telecommunications services overseas (the “**Qualification Requirement**”). As advised by the Company’s PRC legal advisers, as of 30 June 2020, there were no applicable PRC laws, regulations or rules that provide clear guidance or interpretation on the Qualification Requirement. Therefore, in order for the Company to be able to carry on its business in China, the Group has taken steps to build up its track record of overseas telecommunications business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of Boyaa Shenzhen when the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and business are lifted. Moreover, the Group has completed equity investments in Shenzhen Coalaa Network Technology Co., Ltd. (深圳市卡拉網絡科技有限公司), Shenzhen Fengxunsheng Technology Co., Ltd. (深圳市豐訊盛科技有限公司), Shenzhen Guanhai Technology Co., Ltd. (深圳市觀海科技有限公司) and Function Technology Co., Ltd. (collectively referred to as “**Coalaa**”), through a series of agreements and at a total consideration of RMB5 million. Coalaa is an online card and board game developer and operator, with Texas Poker (Overseas Version), which is offered as both a web-based game and a mobile game and in 10 language versions, including Arabian, Indonesian and Thai, as its important games. The Group envisages that through such acquisition, the Group can further complement its game portfolio and it will be able to further expand its market share in overseas market, and in particular, the Thai market.

Boyaa Shenzhen is significant to the Group as it holds certain licenses and permits that are essential to the operation of the business of the Group, including ICP License and Internet Culture Business License. In addition, Boyaa Shenzhen also holds certain intellectual property rights, including software copyrights, trademarks, patents and domain names. The revenue and the total asset value of Boyaa Shenzhen subject to the Contractual Arrangements amounted to approximately RMB36.0 million for the six months ended 30 June 2020 and approximately RMB941.0 million as at 30 June 2020, respectively.



Other Information

Risks associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks

Risks associated with the Contractual Arrangements

- i. If the PRC government finds that the agreements that establish the structure for operating the Group's online game businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Group's interest in its variable interest entity ("VIE"), i.e. Boyaa Shenzhen.

Mitigation actions taken by the Company

Pursuant to each of the agreements underlying the Contractual Arrangements, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change on such laws, regulations or rules leading to any provision in any of the agreements underlying the Contractual Arrangements is held to be or becomes illegal, invalid or unenforceable in any respect under the law of the applicable jurisdiction:

- (a) so far as it is illegal, invalid and unenforceable, it shall be given no effect and shall be deemed not to be included in the relevant agreement and shall not affect or impair the legality, validity or enforceability in that jurisdiction of the other provisions of the agreement, or of that or any provisions of the relevant agreement in any other jurisdictions; and
- (b) the parties shall use all reasonable endeavors to replace it with a valid and enforceable substitute provision or provisions but differing from the replaced provision as little as possible and the effect of which is as close to the intended effect of the illegal, invalid or unenforceable provision.

In addition, pursuant to the agreements underlying the Contractual Arrangements, the parties agreed and will ensure that they will unwind the Contractual Arrangements as soon as the law allows the business to be operated without them.



Other Information

Risks associated with the Contractual Arrangements

- ii. The Group relies on the Contractual Arrangements to control and obtain the economic benefits from Boyaa Shenzhen which may not be as effective in providing operational control as direct ownership.

- iii. The shareholders of Boyaa Shenzhen may have conflicts of interest with the Group, which may materially and adversely affect the Group's business.

Mitigation actions taken by the Company

Each of Mr. Zhang Wei and Mr. Dai Zhikang (the Chairman of the Board and executive director), being the registered shareholders of Boyaa Shenzhen, has executed a power of attorney pursuant to the terms of the Business Operating Agreement. Pursuant to the power of attorney, each of the shareholders of Boyaa Shenzhen agrees to authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. These include the rights to (i) attend shareholders' meetings; (ii) exercise voting rights in shareholders' meetings to appoint directors, supervisors and senior management; (iii) decide on any acquisition or disposal of the equity interest of Mr. Zhang Wei and Mr. Dai Zhikang in Boyaa Shenzhen or the winding-up or dissolution of Boyaa Shenzhen; (iv) file documents with relevant governmental authorities or regulatory bodies; (v) to instruct directors and senior management of Boyaa Shenzhen to act in accordance with all instructions of Boyaa PRC or its designated person; and (vi) exercise such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of Boyaa Shenzhen.

Pursuant to the Exclusive Option Agreement, the Company has the option to (i) purchase or to designate a third party to purchase the equity interests of the existing shareholders of Boyaa Shenzhen when and to the extent permitted by law; and (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Each of Boyaa Shenzhen's shareholders has executed a power of attorney to authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen.



Other Information

Risks associated with the Contractual Arrangements

- iv. The Group may lose the ability to use and enjoy assets held by the VIE that are important to the operation of its business if the VIE declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Mitigation actions taken by the Company

In addition, to ensure that Mr. Zhang Wei, Mr. Dai Zhikang and Boyaa Shenzhen will comply with the Contractual Arrangements, the Company has further introduced the following measures:

- i. the three independent non-executive directors will review the effective implementation of the procedures and controls and compliance of the Contractual Arrangements;
- ii. each of Mr. Zhang Wei and Mr. Dai Zhikang shall abstain from voting on any resolutions of Boyaa Shenzhen in which he may have conflicts of interest, and all resolutions shall be passed unanimously or by the affirmative vote of a simple majority of the board of Boyaa Shenzhen (as the case may be), and if any resolution could not be passed by the board of Boyaa Shenzhen unanimously or by a simple majority of votes (as the case may be), such resolution would be considered as disapproved; and
- iii. the Group has implemented corporate governance measures to manage any conflicts of interest between the Group and the directors.

Pursuant to the Business Operating Agreement, in the event that Boyaa PRC or its designee decided to voluntary wind-up or dissolve Boyaa Shenzhen, each of Mr. Zhang Wei and Mr. Dai Zhikang undertakes that he will ensure and procure the execution of all related documents and completion of all relevant procedures required for completing the liquidation and winding-up process and that Boyaa PRC shall be transferred, at nil consideration, all remaining assets of Boyaa Shenzhen upon liquidation.

In addition, under the Business Operating Agreement and the Equity Pledge Agreement, Mr. Zhang Wei and Mr. Dai Zhikang warrant to Boyaa PRC that appropriate arrangements have been made to protect Boyaa PRC's interests in the event of his death, bankruptcy or divorce to avoid any practical difficulties in enforcing the agreements underlying the Contractual Arrangements.



Other Information

Risks associated with the Contractual Arrangements

- v. The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may subject the Group to increase income tax due to the different income tax rates applicable to Boyaa PRC and Boyaa Shenzhen, which may adversely affect the Group's results of operations.

- vi. The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may be subject to scrutiny by the PRC tax authorities and any finding that the Group or Boyaa Shenzhen owe additional taxes could substantially reduce the Group's consolidated net income and the value of the investment of investors.

Mitigation actions taken by the Company

Boyaa Shenzhen has successfully renewed its "High and New Technology Enterprise" ("HNTe") qualification under the PRC Corporate Income Tax Law in 2018 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2018 to 31 December 2020. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the six month ended 30 June 2020 (2019: 15%). See Note 9 to the condensed consolidated financial statements of this report.

Boyaa PRC has successfully renewed its HNTe qualification under the PRC Corporate Income Tax Law in 2019 and as a result, Boyaa PRC enjoyed a preferential tax rate of 15% from 1 January 2019 to 31 December 2021. Therefore, the actual income tax rate for Boyaa PRC was 15% for the six month ended 30 June 2020 (2019: 15%). Also see Note 9 to the condensed consolidated financial statements of this report.

As a result, as both Boyaa Shenzhen and Boyaa PRC enjoy the reduced income tax rate of 15%, the transfer of the before-tax profits by Boyaa Shenzhen to Boyaa PRC during the Reporting Period or any future period will not result in increased income tax expenses for the Group on a consolidated basis and hence will not materially and adversely affect the Group's results of operations, particularly, its net profit and net profit margin.

The Group will work closely with its tax advisors to ensure that all tax filings are made promptly and any questions raised by PRC tax authorities are addressed in a timely and satisfactory manner.



Other Information

Risks associated with the Contractual Arrangements

- vii. On 15 March 2019, the Foreign Investment Law of the People's Republic of China (the "**Foreign Investment Law 2019**") was adapted by the Second Session of the Thirteenth National People's Congress and had taken effect on 1 January 2020. Under the Foreign Investment Law 2019 and relevant provisions of its implementation regulations, substantial uncertainties exist in connection with the legality and validity of the Contractual Arrangements to hold interests in PRC businesses that are subject to foreign ownership restrictions and the Company may have to incur compliance costs in the future.

Mitigation actions taken by the Company

Under the Foreign Investment Law 2019, the existing enterprises established under the former Foreign Investment Law may maintain their existing organizational structure within five years from the effective date of the Foreign Investment Law 2019. Meanwhile, Foreign Investment Law 2019 does not explicitly stipulate the Contractual Arrangements as foreign investment. Therefore, the PRC legal advisor of the Company believes that the Foreign Investment Law 2019 does not mention the concepts including "actual control" and "control through contractual arrangements", nor does it specify regulations on control through contractual arrangements. In addition, the Foreign Investment Law 2019 and its implementation regulations do not specify the relevant business rules, but instead stipulate that "foreign investors invest through laws, administrative regulations or other methods prescribed by the State Council". In addition, the Foreign Investment Law 2019 and its implementation regulations do not specify on what actions should be taken by existing companies with variable interest entity structures and whether these companies are controlled by Chinese entities and/or citizens. Therefore, according to our PRC legal advisor, our contractual arrangements will not be affected by the "Foreign Investment Law 2019" and its implementation regulations. Nevertheless, it is still possible for China's future laws, administrative regulations or State Council regulations to stipulate contractual arrangements as a way of foreign investment. It is still uncertain whether our contractual arrangements will be recognized as foreign investment, whether it will be considered as a violation of foreign investment access and how it will be defined are still uncertain. In any event, the Company will closely monitor any update of the Foreign Investment Law 2019 and consult its PRC legal advisor to resolve specific problems or issues that may arise from the Contractual Arrangements, so as to ensure that the Company always complies with all relevant laws and regulations in the PRC.

For details of the risks associated with the Contractual Arrangements, please refer to the section headed "Risk Factors – Risks relating to our corporate structure" in the Prospectus.



Other Information

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

As at 30 June 2020, the interests and short positions of the directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(a) Interests of Directors and Chief Executive of the Company

Name of Director/ Chief Executive	Name of company	Capacity/ Nature of interest	Number of underlying shares ⁽¹⁾	Approximate percentage of shareholding ⁽⁴⁾
Mr. Dai Zhikang ⁽²⁾	The Company	Founder of a discretionary trust	36,500,000 (L)	5.10%
Mr. Tao Ying ⁽³⁾	The Company	Beneficial owner	135,000 (L)	0.02%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Visioncode Holdings Limited, a company wholly-owned by a trust named the Visioncode Trust (the "Dai Family Trust"), directly holds the entire issued share capital of Comsenz Holdings Limited. The Dai Family Trust is a discretionary trust established by Mr. Dai Zhikang (as the settlor) and the discretionary beneficiaries of which include Mr. Dai Zhikang and his children. Accordingly, Mr. Dai Zhikang is deemed to be interested in the 36,500,000 shares held by Comsenz Holdings Limited.
- (3) Ms. Tao Ying is interested in 50,000 underlying Shares in respect of the RSUs granted by Company under the RSU Scheme and 85,000 underlying Shares in respect of the options granted by the Company under the Post-IPO Share Option Scheme.
- (4) As at 30 June 2020, the Company had 715,126,301 issued shares.

(b) Interests in associated corporations of the Company

Name of subsidiary	Name of shareholder	Registered capital	Approximate percentage of interest
Boyaa Shenzhen	Mr. Dai Zhikang	RMB200,000	2.00%

Save as disclosed above, as at 30 June 2020, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.



Other Information

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

As at 30 June 2020, the following persons (other than the directors or the chief executive of the Company) have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Name of company	Nature of interest	Number of Shares or securities held ⁽¹⁾	Approximate percentage of interest ⁽⁵⁾
Mr. Zhang Wei ⁽²⁾	The Company	Founder of a discretionary trust	246,237,474 (L)	34.43%
Cantrust (Far East) Limited ⁽³⁾	The Company	Trustee of a trust	282,737,474 (L)	39.54%
Rustem Limited ⁽³⁾	The Company	Nominee for another person	282,737,474 (L)	39.54%
Chunlei Investment ⁽³⁾	The Company	Interest in a controlled corporation	246,237,474 (L)	34.43%
Boyaa Global Limited ⁽³⁾	The Company	Beneficial owner	176,572,474 (L)	24.69%
Emily Technology Limited ⁽³⁾	The Company	Beneficial owner	69,665,000 (L)	9.74%
Visioncode Holdings Limited ⁽⁴⁾	The Company	Interest in a controlled corporation	36,500,000 (L)	5.10%
The Core Trust Company Limited ⁽⁵⁾⁽⁷⁾	The Company	Trustee of a trust	57,171,350 (L)	7.99%
The Core Admin Boyaa RSU Limited ⁽⁵⁾⁽⁷⁾	The Company	Nominee for another person	57,078,829 (L)	7.98%
TCT (BVI) Limited ⁽⁵⁾⁽⁷⁾	The Company	Other	57,171,350 (L)	7.99%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Chunlei Investment Limited ("**Chunlei Investment**"), a company wholly-owned by a trust named the Chunlei Trust (the "**Zhang Family Trust**"), directly holds the entire issued share capital of each of Boyaa Global Limited and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang Wei (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang Wei and his children. Accordingly, Mr. Zhang Wei is deemed to be interested in the 176,572,474 shares and 69,665,000 shares held by each of Boyaa Global Limited and Emily Technology Limited, respectively.
- (3) Cantrust (Far East) Limited, the trustee of the Zhang Family Trust, holds the entire issued share capital of Chunlei Investment through Rustem Limited (as nominee for Cantrust (Far East) Limited). Chunlei Investment in turn holds the entire issued share capital of each of Boyaa Global Limited and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang Wei (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang Wei and his children. Accordingly, each of Mr. Zhang Wei, Cantrust (Far East) Limited and Chunlei Investment are deemed to be interested in the shares held by each of Boyaa Global Limited and Emily Technology Limited, respectively.
- (4) Visioncode Holdings Limited, a company wholly-owned by the Dai Family Trust, directly holds the entire issued share capital of Comsenz Holdings Limited. Accordingly, Visioncode Holdings Limited is deemed to be interested in the 36,500,000 shares held by Comsenz Holdings Limited.
- (5) The Core Trust Company Limited, being the RSU Trustee, indirectly holds the entire issued share capital of The Core Admin Boyaa RSU Limited as the RSU nominee, which holds 57,078,829 shares underlying the RSUs (as defined below) granted and to be granted under the RSU Scheme (as defined below) for the benefit of eligible participants pursuant to the RSU Scheme (as defined below) through its wholly-owned subsidiary TCT (BVI) Limited.
- (6) As at 30 June 2020, the Company had 715,126,301 issued shares.
- (7) Pursuant to Section 336 of the SFO, the shareholders are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless several criteria have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Stock Exchange.

Save as disclosed above, as at 30 June 2020, no persons (other than the directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.



Other Information

SHARE OPTION SCHEMES AND RESTRICTED SHARE UNIT SCHEME

Post-IPO Share Option Scheme

On 23 October 2013, the Post-IPO Share Option Scheme of the Company was approved and adopted by the shareholders of the Company. The purpose of the Post-IPO Share Option Scheme is to incentivize and reward the employees (whether full time or part-time) or directors of members of the Group or associated companies of the Company (the “**Eligible Persons**”) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Pursuant to the Post-IPO Share Option Scheme, the board of directors of the Company (the “**Board**”) (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares of the Company as the Board may determine to an Eligible Person.

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years from 12 November 2013, being the date on which the trading of shares of the Company on the Stock Exchange commenced (the “**Listing Date**”). Accordingly, as at 30 June 2020, the remaining life of the Post-IPO Share Option Scheme is approximately three years and four months.

Further details of the principal terms of the Post-IPO Share Option Scheme are set out in the Prospectus and the Company’s 2019 Annual Report. During the six months ended 30 June 2020, no option has been granted or agreed to be granted nor has any option been cancelled under the Post-IPO Share Option Scheme. Details of the movements in options during the six months ended 30 June 2020 under the Post-IPO Share Option Scheme are set out in the section headed “Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme” below.

Pre-IPO Share Option Scheme

On 7 January 2011, the Pre-IPO Share Option Scheme of the Company was approved and adopted by the Board, which was subsequently amended on 17 September 2013. The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant pre-IPO options to employees, officers and directors of or consultant to any member of the Group (the “**Eligible Participants**”) as recognition and acknowledgement of the contributions that such Eligible Participants have made or may make to the Group or any affiliates.

No further options can be granted under the Pre-IPO Share Option Scheme after the Listing Date. However, all options granted under the Pre-IPO Share Option Scheme are exercisable over an eight-year period from the date of vesting. Therefore, given that the last batch of options under the Pre-IPO Share Option Scheme were granted on 1 November 2012 and the options so granted shall vest over a period of four years after the date of grant, as at 30 June 2020, such remaining life is four years and four months.

Further details of the principal terms of the Pre-IPO Option Scheme are set out in the Prospectus and the Company’s 2019 Annual Report. During the six months ended 30 June 2020, no option has been cancelled. Details of the movements in options during the six months ended 30 June 2020 under the Pre-IPO Share Option Scheme are set out in the section headed “Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme” below.



Other Information

Restricted Share Unit Scheme (the “RSU Scheme”)

On 17 September 2013, the RSU Scheme of the Company was approved and adopted by the Board. The purpose of the RSU Scheme is to incentivize directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

Persons eligible to receive the RSUs under the RSU Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of the Company or any of its subsidiaries (the “**RSU Eligible Persons**”). The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme although no RSU Eligible Person has been granted RSUs exceeding 1.5% of the issued share capital of the Company.

The RSU Scheme will be valid and effective for a period of eight years, commencing from the date of the first grant of the RSUs, being 4 March 2013 (unless it is terminated earlier in accordance with its terms) (the “**RSU Scheme Period**”). As at 30 June 2020, the remaining life of the RSU Scheme is approximately eight months.

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of shares held or to be held by the RSU Trustee (as defined below) for the purpose of the RSU Scheme from time to time.

The Board may not grant any RSUs to any RSU Eligible Person in any of the following circumstances:

- (i) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless the Board determines otherwise;
- (ii) where granting the RSUs would result in a breach by the Company, its subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or
- (iii) where such grant of RSUs would result in breach of the limit set out in the rules of the RSU Scheme. Under such rules, the maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules) shall be such number of shares held by the trustee for the purpose of the RSU Scheme from time to time.

The Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the letter granting such RSUs. Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board will send a vesting notice (the “**Vesting Notice**”) to each of the relevant participant in the RSU Scheme (the “**RSU Participants**”). The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved. The RSUs that have been granted are subject to vesting as described in the section headed “Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme as at 30 June 2020 – (c) Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the RSU Scheme” below and once the RSUs vest and the corresponding shares transferred to the RSU Participants, the RSU Participants are not restricted from dealing in the shares under the rules of the RSU Scheme.



Other Information

The Company has appointed The Core Trust Company Limited as the trustee (the “**RSU Trustee**”) to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. The Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The shares underlying the RSU Scheme are held by a nominee company, The Core Admin Boyaa RSU Limited (the “**RSU Nominee**”). Dividends that are attributable to the underlying shares of the RSU Scheme will be paid to the RSU Nominee as the registered shareholder of such shares. The dividends attributable to the underlying shares of RSUs already granted will be held by the RSU Nominee for the benefit of the RSU Participants which will be distributed to them in accordance with the corresponding number of underlying shares that each RSU Participant is entitled based on RSUs already granted to such RSU Participant at the time of distribution of the dividends. The remaining dividends represent dividends attributable to shares in the reserve pool of underlying shares where RSUs have not yet been granted (the “**RSU Pool**”). The dividends in respect of shares in the RSU Pool will first be used to settle any outstanding fees and expenses of the RSU Scheme payable by the Company to the trustee of the RSU Scheme and the remaining portion of such dividends will be transferred to the shareholders immediately prior to the adoption of the RSU Scheme, namely Boyaa Global Limited, Emily Technology Limited, Comsenz Holdings Limited and Sequoia Capital and its affiliates, in the proportion of their then respective shareholding interests in the Company. Similarly, any bonus shares distributed will be treated in the same manner as dividends save that the bonus shares will not be used to pay any outstanding fees and expenses of the RSU Scheme.

The Company has put in place the following mechanism for the exercise of the voting rights attached to the shares held by the RSU Nominee at the Company’s general meetings:

- (i) In respect of each general meeting of the Company, the Company will send a voting instruction form to each of the RSU Participants to solicit votes from such RSU Participants. The voting instruction form will be very similar to the proxy form for the relevant general meeting and will set out a general description of the resolutions proposed at the general meeting and will allow the RSU Participants to select whether to vote for or against each of the resolutions. A copy of the relevant corporate communication concerning matters to be proposed at such general meeting (such as shareholders’ circular and annual report) will also be made available to each of the RSU Participants so that the RSU Participants will have all relevant information for considering the relevant resolutions as if they were shareholders of the Company. Each RSU Participant shall be entitled to one vote for each of the shares underlying the RSUs granted to him or her, whether vested or unvested. The RSU Participants will be required to return the signed and completed voting instruction form with the administrator of the RSU Scheme (the “**Administrator**”) (currently being Ms. Tao Ying) by the deadline stated in the voting instruction form, which deadline shall be no less than 7 days before the time for holding the relevant general meeting and the RSU Participants will be given at least 7 days to consider how they would like to cast their votes. In so far as the duly signed and completed voting instructions from the RSU Participants have been received by the Administrator prior to the proposed deadline, the Administrator will calculate the total of votes for and against each proposed resolution and will instruct the RSU Nominee accordingly, and the RSU Nominee shall vote only in accordance with the instructions of the Administrator which reflect the instructions of the RSU Participants.
- (ii) For those RSU Participants who fail to return a duly signed and completed voting instructions form to the Administrator prior to the proposed deadline as set out in the voting instruction form, the Administrator will not give any instruction to the RSU Nominee so that no votes will be cast for such shares underlying the RSUs granted and the RSU Nominee shall abstain from voting with respect to such shares underlying the RSUs granted.



Other Information

- (iii) For the shares in the RSU Pool in respect of which no RSUs have been granted, the Administrator will not give any instruction to the RSU Nominee so that no votes will be cast for those shares and the RSU Nominee shall also abstain from voting with respect to such shares.

Further details of the principal terms of the RSU Scheme are set out in the Prospectus and the Company's 2019 Annual Report. During the six months ended 30 June 2020, no RSU has been granted or agreed to be granted under the RSU Scheme, nor has any RSU been cancelled. Details of the movements in the RSUs under the RSU Scheme are set out in the section headed "Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme" below.

Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme as at 30 June 2020

Name of option holder/ Grantees of RSU	Position held with the Group	Nature	Number of shares represented by options or RSUs at 1 January 2020	Date of grant	Granted during the period	Exercise price	Exercised during the period	Weighted average closing price of shares immediately before the dates on which the options were exercised	Lapsed during the period	Number of shares represented by options or RSUs at 30 June 2020
Director of the Company										
Ms. Tao Ying	Executive Director	Options	85,000	7 September 2015	-	HK\$3.108	-	-	-	85,000
		RSUs	50,000	12 March 2015	-	-	-	-	-	50,000
		Sub-total	135,000		-		-		-	135,000
248 employees and previous employees of the Group										
		Options	2,749	2 March 2012	-	USD0.10	-	-	2,749	0
			66,249	1 July 2012	-	USD0.15	-	-	66,249	0
			7,157,429	7 September 2015	-	HK\$3.108	-	-	1,000,000	6,157,429
		RSUs	63,705	1 February 2011	-	-	99	-	-	63,606
			22,202	2 March 2012	-	-	-	-	-	22,202
			86,408	1 July 2012	-	-	64,000	-	-	22,408
			5,172,491	4 March 2013	-	-	809,689	-	-	4,362,802
			194,439	12 March 2015	-	-	-	-	-	194,439
		Sub-total	12,765,672		-		873,788		1,068,998	10,822,886
Total										
		Options	2,749	2 March 2012	-	USD0.10	-	-	2,749	0
			66,249	1 July 2012	-	USD0.15	-	-	66,249	0
			7,242,429	7 September 2015	-	HK\$3.108	-	-	1,000,000	6,242,429
		RSUs	63,705	1 February 2011	-	-	99	-	-	63,606
			22,202	2 March 2012	-	-	-	-	-	22,202
			86,408	1 July 2012	-	-	64,000	-	-	22,408
			5,172,491	4 March 2013	-	-	809,689	-	-	4,362,802
			244,439	12 March 2015	-	-	-	-	-	244,439
		Total	12,900,672		-		873,788		1,068,998	10,957,886



Other Information

(a) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Post-IPO Share Option Scheme

Each holder of the options granted under the Post-IPO Share Option Scheme as referred to in the table above is required to pay an amount of HKD1.00 for the grant of each of the option under the Post-IPO Share Option Scheme.

Subject to the satisfactory performance of the option holders, the options granted to each of the option holders shall be vested in accordance with the vesting schedule as follows:

- (i) as to 25% of the options granted, on the date ending 12 months after the date of grant;
- (ii) as to 25% of the options granted, on the date ending 24 months after the date of grant; and
- (iii) as to the remaining 50% of the options granted, on a monthly basis starting from the 25th month after the date of grant in 24 monthly equal lots.

Each option granted under the Post-IPO Share Option Scheme has a ten-year exercise period commencing from the date of grant.

(b) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme

The holders of the options granted under the Pre-IPO Share Option Scheme as referred to in the table above are not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

Subject to the satisfactory performance of the option holders, the options granted to each of the option holders shall be vested in accordance with vesting schedule as follows:

- (i) as to 25% of the aggregate number of shares underlying the option, on the date ending 12 months after the date of grant of such option;
- (ii) as to 12.5% of the aggregate number of shares underlying the option, on the date ending 18 months after the date of grant of such option;
- (iii) as to 12.5% of the aggregate number of shares underlying the option, on the date ending 24 months after the date of grant of such option; and
- (iv) as to the remaining 50% of the aggregate number of shares underlying the option, on a monthly basis starting from the 25th month after the date of grant of such option in 24 monthly equal lots.

Each option granted under the Pre-IPO Share Option Scheme has an eight-year exercise period.



Other Information

(c) Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the RSU Scheme

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSU under the RSU Scheme.

RSUs that were granted before 4 March 2013 were granted to replace certain options granted under the Pre-IPO Share Option Scheme and have the same vesting period as the options granted under the Pre-IPO Share Option Scheme. See the preceding sub-paragraph “(b) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme” above.

For the RSUs granted on 4 March 2013, they shall (unless the Company shall otherwise determine and so notify such grantees in writing) vest as follows:

- (i) 25% of the RSUs, on the date ending 12 months after 30 September 2013;
- (ii) 12.5% of the RSUs, on the date ending 18 months after 30 September 2013;
- (iii) 12.5% of the RSUs, ending 24 months after 30 September 2013; and
- (iv) as to the remaining 50% of the RSUs, on a monthly basis starting from the 25th month after 30 September 2013 in 24 monthly equal lots.

For the RSUs granted on 12 March 2015, they shall vest as follows:

- (i) as to 25% of the RSUs, on the date ending 12 months after the date of grant of the RSUs;
- (ii) as to 25% of the RSUs, on the date ending 24 months after the date of grant of the RSUs;
- (iii) as to 12.5% of the RSUs, on the date ending 30 months after the date of grant of the RSUs;
- (iv) as to 12.5% of the RSUs, on the date ending 36 months after the date of grant of the RSUs; and
- (v) as to the remaining 25% of the RSUs, on a monthly basis starting from the 37th month after the date of grant in 12 monthly equal lots,

and shall be subject to the Company and the relevant grantee meeting or satisfying the annual and half-yearly performance target or review immediately preceding such vesting.



Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, the Company repurchased 1,800,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD1,780,560.00 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 6 June 2019. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share		Number of Ordinary Shares of USD0.00005 Each	Total consideration HKD
	Highest HKD	Lowest HKD		
7 January 2020	1.00	0.97	1,300,000	1,285,690.00
8 January 2020	0.99	0.98	500,000	494,870.00
Total			1,800,000	1,780,560.00

All the repurchased shares of the Company have been cancelled on 16 June 2020 and the issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the shareholders of the Company as a whole by enhancing the earnings per share of the Company.

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

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020.



Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2020, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules.

The balance of power and authority is ensured by the operation of the senior management and the Board, which is comprised experienced and high calibre individuals. The Board is currently comprised of two executive directors (being Mr. Dai Zhikang, who has also been appointed as the chairman of the Company and Ms. Tao Ying, who has also been appointed as the acting chief executive officer), and three independent non-executive directors (being Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Kong Fanwei). The Board considers it has a strong independence element and consist of individuals with diverse skills and requisite experience in its composition.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2020.

CHANGE IN BOARD COMPOSITION AND CHANGE IN DIRECTORS’ BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Sun Zihua has retired as an independent non-executive director of the Company and a member of each of the audit committee of the Company (the “**Audit Committee**”), the remuneration committee of the Company (the “**Remuneration Committee**”), the nomination committee of the Company (the “**Nomination Committee**”) as well as the chairman of the independent investigation committee of the Company (the “**Independent Investigation Committee**”) with effect from 16 July 2020.

Mr. Kong Fanwei has been elected as an independent non-executive director of the Company as well as a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Independent Investigation Committee at the 2020 AGM to fill up the vacancy created by the retirement of Mr. Sun Zihua, with effect from 16 July 2020.

Mr. Choi Hon Keung Simon, an independent non-executive director of the Company, has been appointed as the chairman of the Independent Investigation Committee with effect from 16 July 2020 upon the retirement of Mr. Sun Zihua.

For details, please refer to the announcement of the Company dated 16 July 2020.

Save as disclosed above, there is no other change in the composition of the Board or change in the directors’ biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2019 annual report of the Company.



Other Information

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Code. As at the date of this report, the Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Kong Fanwei. Mr. Cheung Ngai Lam is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated financial statements and the interim report of the Group for the six months ended 30 June 2020. There is no disagreement between the Board and the Audit Committee regarding accounting treatment adopted by the Company.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

There was no other important event affecting the Group which has taken place since 30 June 2020 and up to the date of this report.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 12 November 2013, the Company's shares were listed on the Main Board of the Stock Exchange. A total of 177,014,000 ordinary shares with nominal value of US\$0.00005 each of the Company were issued at HK\$5.35 per share for a total of approximately HK\$947.0 million. The net proceeds raised by the Company from the abovementioned global offering are approximately HK\$837.9 million.

As of 30 June 2020, proceeds from the abovementioned issuances have been used up.



Independent Review Report



TO THE BOARD OF DIRECTORS OF BOYAA INTERACTIVE INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 37 to 62 which comprises the condensed consolidated statement of financial position of the Boyaa Interactive International Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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



Independent Review Report

BASIS FOR QUALIFIED CONCLUSION

We were unable to obtain sufficient appropriate evidence to satisfy ourselves as to the recoverability of frozen investments at fair value through profit or loss and restricted bank deposits of RMB368,337,000 and RMB290,547,000 as at 30 June 2020 respectively and RMB362,930,000 and RMB288,394,000 as at 31 December 2019 respectively. Given the scope limitation, there were no other satisfactory procedures that we could perform to determine whether any adjustments to the carrying amounts of frozen investments at fair value through profit or loss and restricted bank deposits as at 30 June 2020 and 31 December 2019 were necessary.

QUALIFIED CONCLUSION

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Practising Certificate Number P07374

Hong Kong, 27 August 2020



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	5	95,377	80,258	188,460	160,462
Cost of revenue		(27,978)	(26,305)	(55,863)	(51,292)
Gross profit		67,399	53,953	132,597	109,170
Other (losses)/gains, net	6	(51,689)	(3,431)	(70,663)	14,007
Selling and marketing expenses		(6,125)	(4,275)	(11,184)	(8,622)
Administrative expenses		(31,228)	(27,750)	(59,150)	(53,476)
Operating (loss)/profit		(21,643)	18,497	(8,400)	61,079
Finance income	7	5,279	7,851	10,844	13,007
Finance costs	8	(141)	(1,103)	(300)	(1,315)
Share of (losses)/profits of associates		(1,129)	19	(1,697)	(160)
(Loss)/profit before income tax		(17,634)	25,264	447	72,611
Income tax expense	9	(7,835)	(2,229)	(14,013)	(9,497)
(Loss)/profit for the period attributable to owners of the Company	10	(25,469)	23,035	(13,566)	63,114
Other comprehensive income/ (expenses):					
<i>Items that will not be reclassified to profit or loss:</i>					
Changes in fair value of equity investments at fair value through other comprehensive income		9,782	(11,131)	415	(9,927)
Exchange differences on translating foreign operations		196	1,597	1,437	239
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		347	9,667	4,795	1,976
Other comprehensive income/ (expenses) for the period, net of tax		10,325	133	6,647	(7,712)
Total comprehensive (expenses)/ income for the period attributable to owners of the Company		(15,144)	23,168	(6,919)	55,402
(Loss)/earnings per share (RMB cents)	12				
– Basic		(3.85)	3.44	(2.05)	9.42
– Diluted		(3.85)	3.44	(2.05)	9.42



Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	39,629	41,792
Right-of-use assets		8,032	10,426
Intangible assets		79	213
Investments in associates		11,096	12,793
Equity investments at fair value through other comprehensive income	14	45,580	45,165
Investments at fair value through profit or loss	15	385,676	495,012
Prepayments, deposits and other receivables		33,200	37,860
Deferred tax assets		22,630	23,713
		545,922	666,974
Current assets			
Trade receivables	16	17,979	18,001
Prepayments, deposits and other receivables		45,938	41,922
Investments at fair value through profit or loss	15	433,233	502,347
Restricted bank deposits	17	290,547	288,394
Term deposits		728,317	388,216
Bank and cash balances		326,183	487,301
		1,842,197	1,726,181
Total assets		2,388,119	2,393,155
EQUITY AND LIABILITIES			
Equity			
Share capital	19	232	234
Reserves		2,101,515	2,110,009
Total equity		2,101,747	2,110,243



Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Note	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Liabilities			
Non-current liabilities			
Lease liabilities		4,196	5,127
Deferred tax liabilities		7,191	7,696
		11,387	12,823
Current liabilities			
Trade payables	18	1,554	879
Accruals and other payables		74,476	71,178
Contract liabilities		11,203	18,100
Lease liabilities		4,319	4,896
Current tax liabilities		183,433	175,036
		274,985	270,089
Total liabilities		286,372	282,912
Total equity and liabilities		2,388,119	2,393,155
Net current assets		1,567,212	1,456,092
Total assets less current liabilities		2,113,134	2,123,066



Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2020

(Unaudited)
Attributable to owners of the Company

	Shares capital	Share premium	Repurchased shares	Share held for RSU scheme	Capital reserve	Foreign currency translation reserve	Statutory reserve	Share-based payments reserve	Other reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	235	543,721	(2,060)	(14)	2,000	13,479	28,474	84,032	(215,509)	1,810,676	2,265,034
Total comprehensive income/ (expenses) for the period	-	-	-	-	-	2,215	-	-	(9,927)	63,114	55,402
Repurchase of ordinary shares	-	-	(1,668)	-	-	-	-	-	-	-	(1,668)
Cancellation of ordinary shares	(1)	(3,157)	3,158	-	-	-	-	-	-	-	-
Share-based payments											
– value of employee services	-	-	-	-	-	-	-	431	-	-	431
– exercise and lapse of share options and RSUs	-	2,656	-	-	-	-	-	(2,656)	-	-	-
Special dividend	-	(162,545)	-	-	-	-	-	-	-	-	(162,545)
Changes in equity for the period	(1)	(163,046)	1,490	-	-	2,215	-	(2,225)	(9,927)	63,114	(108,380)
At 30 June 2019	234	380,675	(570)	(14)	2,000	15,694	28,474	81,807	(225,436)	1,873,790	2,156,654
At 1 January 2020	234	380,970	(4,864)	(14)	2,000	24,490	33,990	80,721	(246,204)	1,838,920	2,110,243
Total comprehensive income/ (expenses) for the period	-	-	-	-	-	6,232	-	-	415	(13,566)	(6,919)
Repurchase of ordinary shares	-	-	(1,577)	-	-	-	-	-	-	-	(1,577)
Cancellation of ordinary shares	(2)	(6,439)	6,441	-	-	-	-	-	-	-	-
Share-based payments											
– exercise and lapse of share options and RSUs	-	877	-	-	-	-	-	(877)	-	-	-
Changes in equity for the period	(2)	(5,562)	4,864	-	-	6,232	-	(877)	415	(13,566)	(8,496)
At 30 June 2020	232	375,408	-	(14)	2,000	30,722	33,990	79,844	(245,789)	1,825,354	2,101,747



Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Cash flows from operating activities		
Cash generated from operating activities	72,173	37,673
Income tax paid	(8,258)	(4,371)
Lease interests paid	(300)	(413)
Net cash generated from operating activities	63,615	32,889
Cash flows from investing activities		
Placement of restricted bank deposits	–	(91,449)
Placement of term deposits with original maturities over three months	(565,638)	(211,152)
Proceeds from maturity of term deposits with original maturities over three months	227,906	392,400
Interest received	7,431	14,562
Dividends from investments at fair value through profit or loss	430	2,122
Purchases of investments at fair value through profit or loss	(335,200)	(528,547)
Proceeds from settlements of investments at fair value through profit or loss	442,947	631,207
Purchases of property, plant and equipment	(2,940)	(5,945)
Proceeds from disposals of property, plant and equipment	222	138
Net cash (used in)/generated from investing activities	(224,842)	203,336
Cash flows from financing activities		
Repayment of lease liabilities	(1,850)	(1,762)
Repurchase of ordinary shares	(1,577)	(1,668)
Net cash used in financing activities	(3,427)	(3,430)
Net (decrease)/increase in cash and cash equivalents	(164,654)	232,795
Effect of foreign exchange rate changes	3,536	1,994
Cash and cash equivalents at beginning of the period	487,301	296,890
Cash and cash equivalents at end of the period	326,183	531,679
Analysis of cash and cash equivalents		
Bank and cash balances	326,183	531,679



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

1. GENERAL INFORMATION

Boyaa Interactive International Limited (the “**Company**”) was incorporated in the Cayman Islands. The address of its registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business in Hong Kong is 14/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong. The address of its headquarters is 8/F, Block E1, International E Town, TCL Industry Park, 1001 Zhong Shan Yuan Road, Nanshan District, Shenzhen, the People’s Republic of China (“**PRC**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The condensed consolidated financial statements are presented in Renminbi (the “**RMB**”), which is the Company’s presentation currency and the functional currency of the principal operating subsidiaries of the Group.

The Company acts as an investment holding company. The principal activities of the Group are the development and operation of online games and provision of advisory services.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Company and its subsidiaries (the “**Group**”) has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at:

Description	Fair value measurements at 30 June 2020 using:			Total 30 June 2020
	Level 1 RMB'000 (unaudited)	Level 2 RMB'000 (unaudited)	Level 3 RMB'000 (unaudited)	RMB'000 (unaudited)
Recurring fair value measurements:				
Investments at fair value through profit or loss				
– Asset management plans	–	–	101,607	101,607
– Equity investment partnerships	–	–	312,676	312,676
– Wealth management products	–	–	404,626	404,626
	–	–	818,909	818,909
Equity investments at fair value through other comprehensive income				
– Listed equity securities in PRC	22,105	–	–	22,105
– Listed equity securities in Hong Kong	19,938	–	–	19,938
– Listed equity securities in USA	2,649	–	–	2,649
– Unlisted equity investments	–	–	80	80
– Unlisted preference shares of private companies	–	–	808	808
	44,692	–	888	45,580
Total recurring fair value measurements	44,692	–	819,797	864,489



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at: (Continued)

Description	Fair value measurements at 31 December 2019 using:			Total 31 December 2019
	Level 1 RMB'000 (audited)	Level 2 RMB'000 (audited)	Level 3 RMB'000 (audited)	RMB'000 (audited)
Recurring fair value measurements:				
Investments at fair value through profit or loss				
– Asset management plans	–	–	102,000	102,000
– Equity investment partnerships	–	–	399,812	399,812
– Wealth management products	–	–	495,547	495,547
	–	–	997,359	997,359
Equity investments at fair value through other comprehensive income				
– Listed equity securities in PRC	19,100	–	–	19,100
– Listed equity securities in Hong Kong	16,416	–	–	16,416
– Listed equity securities in USA	7,232	–	–	7,232
– Unlisted equity investments	–	–	1,518	1,518
– Unlisted preference shares of private companies	–	–	899	899
	42,748	–	2,417	45,165
Total recurring fair value measurements	42,748	–	999,776	1,042,524



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

4. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets and liabilities measured at fair value based on level 3:

Description	Investments at fair value through profit or loss RMB'000 (unaudited)	Equity investments at fair value through other comprehensive income RMB'000 (unaudited)	Total RMB'000 (unaudited)
At 1 January 2020	997,359	2,417	999,776
Total gains or losses recognised			
in profit or loss (#)	(71,071)	–	(71,071)
in other comprehensive income	–	(1,530)	(1,530)
Purchases	335,200	–	335,200
Settlements	(442,947)	–	(442,947)
Currency translation differences	368	1	369
At 30 June 2020	818,909	888	819,797
(#) Include gains or losses for assets held at end of reporting period	(72,739)	–	(72,739)



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

4. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of assets and liabilities measured at fair value based on level 3: (Continued)

Description	Investments at fair value through profit or loss RMB'000 (unaudited)	Equity investments at fair value through other comprehensive income RMB'000 (unaudited)	Total RMB'000 (unaudited)
At 1 January 2019	1,409,045	3,806	1,412,851
Total gains or losses recognised			
in profit or loss (#)	4,900	–	4,900
in other comprehensive income	–	(515)	(515)
Purchases	528,547	–	528,547
Settlements	(631,207)	–	(631,207)
Currency translation differences	2,299	(7)	2,292
At 30 June 2019	1,313,584	3,284	1,316,868
(#) Include gains or losses for assets held at end of reporting period	(4,685)	–	(4,685)

The total gains or losses recognised in other comprehensive income are presented in other reserve in the condensed consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other (losses)/gains, net in the condensed consolidated statement of profit or loss and other comprehensive income.



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

4. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2020:

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the valuation methodology and major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

For level 3 fair value measurements, the Group will normally engage an independent professional valuer with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 30 June 2020 RMB'000 (unaudited)	
<i>Investments at fair value through profit or loss</i>						
Asset management plans	Discount cash flows model	Credit risk spread	14.09%	Decrease	101,607	
Equity investment partnerships	Market approach	Lack of marketability discount	16.00%	Decrease	312,676	
		Discount cash flows model	Discount rate	21.00%-26.00%		Decrease
		Growth rate	3.00%	Increase		
Wealth management products	Discount cash flows model	Estimated return	3.00%-4.35%	Increase	404,626	
<i>Equity investments at fair value through other comprehensive income</i>						
Unlisted equity investments	Discount cash flows model	Discount rate	16.00%	Decrease	80	
		Growth rate	3.00%	Increase		
Unlisted preference shares of private companies	Market approach	Lack of marketability discount	15.80%	Decrease	808	



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

4. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2020: (Continued)

Level 3 fair value measurements (Continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 31 December 2019 RMB'000 (audited)	
<i>Investments at fair value through profit or loss</i>						
Asset management plans	Discount cash flows model	Credit risk spread	13.06%	Decrease	102,000	
Equity investment partnerships	Market approach	Lack of marketability discount	15.80%	Decrease	399,812	
		Discount cash flows model	Discount rate	16.00%-21.00%		Decrease
		Growth rate	3.00%	Increase		
Wealth management products	Discount cash flows model	Estimated return	3.00%-7.70%	Increase	495,547	
<i>Equity investments at fair value through other comprehensive income</i>						
Unlisted equity investments	Discount cash flows model	Discount rate	16.00%	Decrease	1,518	
		Growth rate	3.00%	Increase		
Unlisted preference shares of private companies	Market approach	Lack of marketability discount	15.80%	Decrease	899	

During the two periods, there were no changes in the valuation techniques used.



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

5. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Web-based games	38,388	34,419	75,234	70,229
Mobile games	56,989	45,839	113,226	90,233
Revenue from contracts with customers	95,377	80,258	188,460	160,462

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
At a point of time	95,377	80,258	188,460	160,462

The directors of the Company consider that the Group's operations are operated and managed as a single segment. The directors of the Company, being the chief operating decision maker of the Group, review the operating results of the Group as a whole when making decisions about resource allocations and assessing performances. Hence it is determined that the Group has only one operating segment. Accordingly no segment information is presented.

The Group offers its games in various language versions in order to enable game players to play the games in different geographical locations. The Group's operations are substantially located in the PRC (including Hong Kong). A breakdown of revenue derived from different languages versions of the Group's games is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Simplified Chinese	10,097	12,618	25,064	24,878
Other languages	85,280	67,640	163,396	135,584
	95,377	80,258	188,460	160,462

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (for the three and six months ended 30 June 2019: nil).



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

5. REVENUE AND SEGMENT INFORMATION (Continued)

The Group's non-current assets other than equity investments at fair value through other comprehensive income, investments at fair value through profit or loss and deferred tax assets were located as follows:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Mainland China	75,699	86,002
Other locations	16,337	17,082
	92,036	103,084

6. OTHER (LOSSES)/GAINS, NET

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Dividends from investments at fair value through profit or loss	430	2,122	430	2,122
Gain/(loss) on disposals of property, plant and equipment	51	(331)	51	(664)
Government subsidies and tax rebates (Note)	2,483	760	3,025	8,212
Net foreign exchange gains/(losses)	2,561	(3,716)	(3,058)	(334)
Fair value changes on investments at fair value through profit or loss	(57,187)	(2,037)	(71,071)	4,900
Others	(27)	(229)	(40)	(229)
	(51,689)	(3,431)	(70,663)	14,007

Note:

Government subsidies represented various industry-specific subsidies granted by the government authorities to subsidise the research and development costs incurred by the Group during the course of its business.



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

7. FINANCE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest revenue	5,246	7,640	10,641	12,494
Interest revenue on non-current loans to employees	33	211	203	513
	5,279	7,851	10,844	13,007

8. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Discounting effects of non-current loans to employees	–	902	–	902
Lease interests	141	201	300	413
	141	1,103	300	1,315

9. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current tax				
– PRC Enterprise Income Tax (“EIT”) and other jurisdictions	6,539	3,775	13,418	10,161
Deferred tax	1,296	(1,546)	595	(664)
	7,835	2,229	14,013	9,497



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

9. INCOME TAX EXPENSE (Continued)

(a) EIT

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the six months ended 30 June 2020 and 2019, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Dong Fang Bo Ya Technology Co., Limited has successfully renewed its “High and New Technology Enterprise” (“**HNTE**”) qualification under PRC Enterprise Income Tax Law (“**EIT Law**”) during the year ended 31 December 2018 and as a result, Shenzhen Dong Fang Bo Ya Technology Co., Limited enjoy a preferential tax rate of 15% from 1 January 2018 to 31 December 2020. Therefore, the applicable tax rate for Shenzhen Dong Fang Bo Ya Technology Co., Limited was 15% (for the six months ended 30 June 2019: 15%) for the six months ended 30 June 2020.

Boyaa On-line Game Development (Shenzhen) Co., Limited has successfully renewed its HNTE qualification under EIT Law during the year ended 31 December 2019 and as a result, Boyaa On-line Game Development (Shenzhen) Co., Limited enjoy a preferential tax rate of 15% from 1 January 2019 to 31 December 2021. Therefore, the applicable tax rate for Boyaa On-line Game Development (Shenzhen) Co., Limited was 15% (for the six months ended 30 June 2019: 15%) for the six months ended 30 June 2020.

According to policies promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 175% (for the six months ended 30 June 2019: 175%) of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year (“**Super Deduction**”). Shenzhen Dong Fang Bo Ya Technology Co., Limited and Boyaa On-line Game Development (Shenzhen) Co., Limited had claimed such Super Deduction in ascertaining its tax assessable profits for the six months ended 30 June 2020 and 2019.

(b) PRC withholding tax (“WHT”)

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

As at 30 June 2020, the retained earnings of the Group’s PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were RMB1,066,146,000 (31 December 2019: RMB1,118,398,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their foreign investor in the foreseeable future based on the management’s estimation of overseas funding requirements.

(c) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to Hong Kong dollars (“**HK\$**”) 2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the six months ended 30 June 2020 and 2019.



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

10. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is stated after charging the following:

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Amortisation of intangible assets				
– included in cost of revenue	27	317	134	581
– included in selling and marketing expenses	–	12	–	23
– included in administrative expenses	–	3	–	6
	27	332	134	610
Depreciation	3,836	3,765	7,653	6,015
Research and development expenditure				
– included in staff costs	11,440	12,767	23,451	25,312
– included in depreciation	85	118	181	501
– included in other administrative expenses	2,093	1,478	4,125	3,056
	13,618	14,363	27,757	28,869
Loss allowance provision for trade receivables	1,901	1,326	330	1,149
Loss allowance provision for loans to employees	49	–	8	–
Staff costs including directors' emoluments				
– Wages, salaries and bonuses	15,765	17,720	31,883	36,217
– Retirement benefit scheme contributions	1,771	926	3,365	1,809
– Share-based payments expenses	–	146	–	431
	17,536	18,792	35,248	38,457



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

11. DIVIDENDS

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Special dividend of nil (2019: HK\$0.276 (equivalent to RMB0.24)) per ordinary share	–	162,545	–	162,545

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
(Loss)/earnings				
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	(25,469)	23,035	(13,566)	63,114
Number of shares ('000)				
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	661,930	669,312	661,992	669,490
Effect of dilutive potential ordinary shares arising from restricted share units ("RSUs")	–	–	–	155
Effect of dilutive potential ordinary shares arising from share options	–	30	–	28
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	661,930	669,342	661,992	669,673



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of RMB2,940,000 (for the six months ended 30 June 2019: RMB5,945,000).

Property, plant and equipment with a carrying amount of approximately RMB171,000 (for the six months ended 30 June 2019: approximately RMB802,000) were disposed by the Group during the six months ended 30 June 2020.

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Equity securities, at fair value		
– Listed in PRC – Dalian Zeus Entertainment Co., Limited	22,105	19,100
– Listed in Hong Kong – Xiaomi Corporation	19,938	16,416
– Listed in USA – Qudian Inc.	2,649	7,232
	44,692	42,748
– Unlisted equity securities in PRC	80	1,518
– Unlisted preference shares of private companies	808	899
Total equity investments at fair value through other comprehensive income, analysed as non-current assets	45,580	45,165



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Included in non-current assets		
Non-quoted investments in:		
– asset management plans	73,000	95,200
– equity investment partnerships	312,676	399,812
	385,676	495,012
Included in current assets		
Non-quoted investments in:		
– asset management plan	28,607	6,800
– wealth management products (Note)	404,626	495,547
	433,233	502,347
	818,909	997,359

Note:

Investments in wealth management products are investments in wealth management plans provided by financial institutions in the PRC. They have initial terms ranging from 0 day to 360 days. As at 30 June 2020, an amount of RMB368,337,000 were frozen (31 December 2019: RMB362,930,000) (Note 22).

16. TRADE RECEIVABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade receivables	23,390	23,742
Provision for loss allowance	(5,411)	(5,741)
Carrying amount	17,979	18,001



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

16. TRADE RECEIVABLES (Continued)

The aging analysis of trade receivables, based on recognition date of trade receivables, net of allowance, is as follows:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 to 30 days	10,088	16,949
31 to 60 days	4,547	240
61 to 90 days	303	157
91 to 180 days	425	173
181 to 360 days	2,182	264
Over 360 days	434	218
	17,979	18,001

17. RESTRICTED BANK DEPOSITS

The Group's restricted bank deposits represented deposits that were frozen (Note 22).

18. TRADE PAYABLES

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 to 30 days	390	219
31 to 90 days	133	262
91 to 180 days	400	92
181 to 365 days	357	–
Over 365 days	274	306
	1,554	879



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

19. SHARE CAPITAL

The total authorised share capital of the Company comprises 2,000,000,000 (31 December 2019: 2,000,000,000 ordinary shares) ordinary shares with par value of United States dollar (“USD”) 0.00005 (31 December 2019: USD0.00005 per share) per share.

	Number of ordinary shares	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000
Issued and fully paid:			
At 1 January 2019 (audited)	724,583,301	36	235
Cancellation of ordinary shares (Note)	(2,832,000)	–	(1)
At 31 December 2019 (audited) and 1 January 2020 (unaudited)	721,751,301	36	234
Cancellation of ordinary shares (Note)	(6,625,000)	–	(2)
At 30 June 2020 (unaudited)	715,126,301	36	232

Note:

The Group repurchased 1,800,000 (for the year ended 31 December 2019: 6,246,000) of its own shares from the market during the six months ended 30 June 2020. The total amount paid to acquire the shares was RMB1,577,000 (for the year ended 31 December 2019: RMB6,794,000) and has been deducted from the shareholders' equity. The related weighted average price at the time of buy-back was HK\$0.99 (for the year ended 31 December 2019: HK\$1.25) per share. All repurchased shares were cancelled during the six months ended 30 June 2020. For the 6,625,000 cancelled shares during the six months ended 30 June 2020, 1,800,000 ordinary shares were repurchased during the six months ended 30 June 2020 and 4,825,000 ordinary shares were repurchased during the year ended 31 December 2019.



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

20. SHARE-BASED PAYMENTS

(a) Share options

On 7 January 2011, the Board of the Company approved the establishment of a share option scheme (“**Pre-IPO Share Option Scheme**”) with the objective to recognise and reward the contribution of eligible directors and employees to the growth and development of the Group. The contractual life of all options under Pre-IPO Share Option Scheme is eight years from the grant date.

On 23 October 2013, the Board of the Company approved the establishment of a share option scheme (“**Post-IPO Share Option Scheme**”) with the objective to recognise and reward the contribution of eligible directors and employees to the growth and development of the Group. The contractual life of all options under Post-IPO Share Option Scheme is ten years from the grant date.

Details of the share options outstanding during the period are as follows:

	Number of share options	
	For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Outstanding at the beginning of the period	7,311,427	8,323,315
Lapsed during the period	(1,068,998)	(718,145)
Outstanding at the end of the period	6,242,429	7,605,170
Exercisable at the end of the period	6,242,429	7,605,170

No options were exercised during the six months ended 30 June 2020 and 2019.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2020 and 2019 are as follows:

Expiry date	Exercise price		Number of share options	
	Original currency	Equivalent to HK\$	For the six months ended 30 June	
			2020 (unaudited)	2019 (unaudited)
1 March 2020	USD0.10	0.775	–	2,749
30 June 2020	USD0.15	1.163	–	66,249
6 September 2025	HK\$3.108	3.108	6,242,429	7,536,172
			6,242,429	7,605,170



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

20. SHARE-BASED PAYMENTS (Continued)

(b) Restricted Share Unit ("RSU")

Pursuant to a resolution passed by the Board of the Company on 17 September 2013, the Company set up a RSU scheme with the objective to incentivise directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

RSUs held by a participant that are vested may be exercised (in whole or in part) by the participant serving an exercise notice in writing to The Core Trust Company Limited (the "RSU Trustee") and copied to the Company.

The RSU scheme will be valid and effective for a period of eight years from 4 March 2013 to 3 March 2021, commencing from the date of the first grant of the RSUs.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2020 (unaudited)	2019 (unaudited)
At 1 January	5,589,245	7,781,613
Lapsed	–	(8,368)
Vested and transferred	(873,788)	(1,155,000)
At 30 June	4,715,457	6,618,245
Vested but not transferred at 30 June	4,715,457	6,481,179

The related weighted-average share price at the time when the RSUs were vested and transferred was HK\$1.01 (for the six months ended 30 June 2019: HK\$1.67) per share.

(c) Shares held for RSU scheme

The shares held for RSU scheme were regarded as treasury shares and had been presented as a deduction against shareholders' equity. During the period, 873,788 of RSUs were vested and transferred (note (b) above), and as a result, 57,766,829 (31 December 2019: 58,640,617 ordinary shares) ordinary shares of the Company underlying the RSUs were held by The Core Admin Boyaa RSU Limited as at 30 June 2020.



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

21. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following balances with its related parties at end of the period:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Amount due from a director included in other receivables	657	657
Amount due from a related party included in other receivables	2,003	2,003

The amounts due from a director and related party are unsecured, interest-free and repayable on demand.

22. MATERIAL EVENTS

In March 2019, the Company has come to the attention that it was not able to continue to use the idle cash reserves in its individual bank accounts (the “**Relevant Idle Cash Reserves**”) for fixed-term deposits or wealth management (the “**Incident**”). As at 30 June 2020, the Group’s investments at fair value through profit or loss of RMB368,337,000 and cash and cash equivalents of RMB290,547,000 were frozen.

At the relevant time, the Company considered that the Incident may be implicated as a result of the Case (as defined below) involving individual Employees (as defined below), as such, the Company has engaged its PRC legal advisers (the “**PRC Legal Advisers**”) to advise on this matter. Upon engagement of the PRC Legal Advisers, the PRC Legal Advisers have submitted applications to the relevant PRC court and procuratorate on behalf of the Company in relation to the Incident, including an application to utilize the Relevant Idle Cash Reserves.

Upon advice of the PRC Legal Advisers, the Company filed another application (the “**Application**”) to the relevant PRC court on 21 August 2019 seeking to utilize the Relevant Idle Cash Reserves for wealth management. On 27 August 2019, the Company received a reply (the “**Reply**”) from the relevant PRC court that the Relevant Idle Cash Reserves were frozen due to a prosecution (the “**Case**”) made by the relevant PRC judicial authority against its individual current or former employees (the “**Employees**”) for their alleged illegal activities conducted through one of the Company’s onshore online gaming platforms (the “**Alleged Crime**”). Therefore, the Application was rejected. As advised by the PRC Legal Advisers, if the relevant PRC judicial authority finds that the Employees are guilty of the Alleged Crime and some or all of the Relevant Idle Cash Reserves contain income generated as a result of such conduct, such income may be confiscated.

On 27 December 2019, the Intermediate People’s Court of Chengde City, Hebei Province (the “**Trial Court**”) delivered the judgment in relation to the Case (the “**Judgment**”). The Trial Court held that the Employees are guilty of the Alleged Crime and ordered an amount of approximately RMB943 million to be paid to the state treasury (the “**Judgment Amount**”).



Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

22. MATERIAL EVENTS *(Continued)*

The Company is not a party to the Case. As at the date of this report, none of the Company, its directors and its senior management had been subject to any prosecution or investigation by the relevant PRC judicial authorities in relation to the Alleged Crime. In addition, the Company had not received any notification from any relevant PRC judicial authority in relation to the Judgment Sum and so far as the Company is aware, the other bank accounts had not been frozen by the relevant PRC judicial authorities.

The Company is discussing with its PRC Legal Advisers as to the next step forward in relation to the Judgment, including the possibility to take appropriate legal actions as to the Judgment Amount to protect the interests of the Company and its shareholders. As advised by the PRC Legal Advisers, as at the date of this report, one of the Employees had applied for appeal against the Judgment (the “**Appeal**”). Therefore, the Judgment will not be enforceable and the Trial Court will not order the Judgment Amount to be paid until the judgment from the appeal hearing has been handed down. As at the date of this report, the date of the appeal hearing has not been fixed.

In light of the fact that (i) the Company, its directors and senior management had not been subject to any prosecution by the relevant PRC judicial authority in relation to the Alleged Crime as at the date of this report; (ii) the Relevant Idle Cash Reserves of the Company are only used for the purpose of investing in fixed-term deposits and wealth management products, which is the Company’s general practice; (iii) the Company has sufficient cash reserves available in the other bank accounts for its day-to-day operations; (iv) the Company does not have any loan borrowing as at the date of this report; and (v) as at 30 June 2020, the Group recorded current assets in the sum of RMB1.84 billion, the Judgment Amount accounted for approximately 51.2% of the then Group’s current assets, the Board is of the view that the Judgment would not have any material adverse impact on the business, operation and financial conditions of the Group.

The Independent Investigation Committee had held meetings in January, March and May 2020 to discuss various matters concerning the Case and the Incident. The senior management of the Company has been maintaining close contact with the Independent Investigation Committee to ensure that any updates of the Case and the Incident can be provided to the Independent Investigation Committee on a timely basis. The Independent Investigation Committee is in the course of preparing the report with details of their findings and their view on the Case and the Incident. After discussing with the Company and its legal advisors, the Independent Investigation Committee is of the view that it will be more appropriate for them to issue the report after they received the outcome of the Appeal. As at the date of this report, the Independent Investigation Committee was of the view that there were no material findings after conducting the independent investigation which have to bring to the attention of the shareholders and potential investors of the Company.

The Company will keep the shareholders and potential investors of the Company informed of any material development in connection with the Case and the Incident as and when appropriate pursuant to the requirements under the Listing Rules.

23. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 August 2020.



Reconciliation from Unaudited (Loss)/Profit to Unaudited Non-IFRS Adjusted (Loss)/Profit

For the Six Months Ended 30 June 2020

	For the six months ended 30 June		Year-on-Year Change* %
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	
Revenue	188,460	160,462	17.4
Cost of revenue	(55,863)	(51,292)	8.9
Gross profit	132,597	109,170	21.5
Other (losses)/gains, net	(70,663)	14,007	(604.5)
Selling and marketing expenses	(11,184)	(8,622)	29.7
Administrative expenses	(59,150)	(53,476)	10.6
Operating (loss)/profit	(8,400)	61,079	(113.8)
Finance income, net	10,544	11,692	(9.8)
Share of loss of associates	(1,697)	(160)	960.6
Profit before income tax	447	72,611	(99.4)
Income tax expenses	(14,013)	(9,497)	47.6
(Loss)/profit for the period	(13,566)	63,114	(121.5)
Non-IFRS adjustment			
Share-based compensation expenses included in cost of revenue	–	105	(100.0)
Share-based compensation expenses included in selling and marketing expenses	–	113	(100.0)
Share-based compensation expenses included in administrative expenses	–	213	(100.0)
Non-IFRS adjusted (loss)/profit	(13,566)	63,545	(121.3)

* Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period last year.



Reconciliation from Unaudited (Loss)/Profit to Unaudited Non-IFRS Adjusted (Loss)/Profit

For the Three Months Ended 30 June 2020

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	30 June 2020 RMB'000 (unaudited)	31 March 2020 RMB'000 (unaudited)	30 June 2019 RMB'000 (unaudited)		
Revenue	95,377	93,083	80,258	18.8	2.5
Cost of revenue	(27,978)	(27,885)	(26,305)	6.4	0.3
Gross profit	67,399	65,198	53,953	24.9	3.4
Other losses, net	(51,689)	(18,974)	(3,431)	(1,406.5)	(172.4)
Selling and marketing expenses	(6,125)	(5,059)	(4,275)	43.3	21.1
Administrative expenses	(31,228)	(27,922)	(27,750)	12.5	11.8
Operating (loss)/profit	(21,643)	13,243	18,497	(217.0)	(263.4)
Finance income, net	5,138	5,406	6,748	(23.9)	(5.0)
Share of (loss)/profit of associates	(1,129)	(568)	19	(6,042.1)	(98.8)
(Loss)/profit before income tax	(17,634)	18,081	25,264	(169.8)	(197.5)
Income tax expenses	(7,835)	(6,178)	(2,229)	251.5	26.8
(Loss)/profit for the period	(25,469)	11,903	23,035	(210.6)	(314.0)
Non-IFRS adjustment					
Share-based compensation expense included in cost of revenue	-	-	37	(100.0)	-
Share-based compensation expense included in selling and marketing expenses	-	-	38	(100.0)	-
Share-based compensation expense included in administrative expenses	-	-	71	(100.0)	-
Non-IFRS adjusted (loss)/profit	(25,469)	11,903	23,181	(209.9)	(314.0)

* Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period last year.

** Quarter-on-Quarter Change % represents a comparison between the quarter ended 30 June 2020 and the immediately preceding quarter.