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(Incorporated in the Cayman Islands with limited liabilities)

(Stock code: 2100)

2020 INTERIM RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of BAIOO Family Interactive Limited (“**BAIOO**” or the “**Company**”) is pleased to announce the unaudited consolidated results of the Company, its subsidiaries and its controlled entity in the PRC (the “**Group**”) for the six months ended 30 June 2020 together with the comparative figures of last year, as follows:

Financial Summary

INCOME STATEMENT HIGHLIGHT

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

Notes:

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

BALANCE SHEET HIGHLIGHTS

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

Management Discussion and Analysis

BUSINESS OVERVIEW

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

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

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

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

Aola Star Mobile (「奧拉星手遊」), another core mobile game, is a mobile version adapted from BAIIO’s classic web game, featuring pet raising and fighting. During the Period, BAIIO actively increased engagement with users through continuous experience upgrades and several product iterations. Zaowufaze II (「造物法則二：先鋒英雄」) is a sequel of Zaowufaze (「造物法則」), and

one of BAIOO's successful original comic intellectual properties (“IP”). The game has performed well in both domestic and overseas markets since its debut. Moreover, current operations remain stable.

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

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

INDUSTRY TRENDS

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

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

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

OUTLOOK FOR THE REST OF 2020

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

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

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

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

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

OPERATION INFORMATION

The following table sets out average quarterly active accounts (“QAA”), average quarterly paying accounts (“QPA”) and average quarterly average revenue per quarterly paying accounts (“ARQPA”) for our online virtual worlds for the periods indicated below (Notes):

	For the six months ended		Period-over-period change
	30 June 2020 ⁽¹⁾	30 June 2019	
average QAA ⁽²⁾	15.3	11.5	33.0%
average QPA ⁽³⁾	1.9	1.1	72.7%
average quarterly ARQPA ⁽⁴⁾	175.3	70.9	147.2%

Notes:

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

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

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

	(Unaudited)			
	For the six months ended			
	30 June 2020 RMB'000	% of Revenue	30 June 2019 RMB'000	% of Revenue
Revenue	658,017	100	150,593	100
Online entertainment business	656,939	100	149,904	100
Other businesses	1,078	0	689	0
Cost of revenue	(407,431)	(62)	(42,782)	(28)
Gross profit	250,586	38	107,811	72
Selling and marketing costs	(28,285)	(4)	(20,131)	(13)
Administrative expenses	(27,014)	(4)	(25,751)	(17)
Research and development expenses	(45,610)	(7)	(44,569)	(30)
Net impairment loss on financial assets	(337)	(0)	(4,214)	(3)
Other income	1,425	0	1,673	1
Other gains — net	836	0	8,364	6
Gain on disposal of an associate	—	—	7,274	5
Operating profit	151,601	23	30,457	20
Finance income-net	10,388	2	5,804	4
Share of loss of an associate	(1,527)	(0)	(15,340)	(10)
Profit before income tax	160,462	24	20,921	14
Income tax expense	(9,278)	(1)	(708)	(0)
Profit for the period	151,184	23	20,213	13
Other comprehensive income, net of tax	—	—	—	—
Total comprehensive income for the period	151,184	23	20,213	13
Other financial data				
Adjusted net profit ⁽¹⁾ (unaudited)	155,101	24	20,450	14
Adjusted EBITDA ⁽²⁾ (unaudited)	164,266	25	26,261	17

Notes:

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

Revenue

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

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

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

Cost of Revenue

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

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

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

Gross Profit

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Research and Development Expenses

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

Net Impairment Loss on Financial Assets

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

Other Income

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

Other Gains — net

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

Gain on disposal of an associate

We have nil gain on disposal of an associate for the six months ended 30 June 2020, compared with RMB7.3 million gain for the six months ended 30 June 2019. This was mainly attributable by one-off gain on partial disposal of certain equity interests in the Group's associate, Guangzhou Baiman Culture Communications Company Limited* (廣州百漫文化傳播有限公司) in 2019.

Operating Profit

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

Finance Income — net

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

Share of loss of an associate

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

Profit before Income Tax

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

Income Tax Expense

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

Profit for the Period

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

Non-IFRS Measure — Adjusted Net Profit/EBITDA

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

Note:

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

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

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

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

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

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

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

Bank Loans and Other Borrowings

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

Treasury Policies

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

Foreign Currency Risk

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

Capital Expenditures and Investments

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

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

Contingent Liabilities

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

Charges on Assets

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

Material Acquisitions and Future Plans for Major Investment

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

Employees and Staff Costs

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

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

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

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

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

Dividend

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

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

CHANGES SINCE 31 DECEMBER 2019

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

SIGNIFICANT EVENTS SINCE 30 JUNE 2020

On 29 July 2020, Guangzhou Baitian Information Technology Ltd.* (廣州百田信息科技有限公司) (“**Guangzhou Baitian**”), an indirect subsidiary of the Group, entered into the Land Use Right Grant Contract with Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局) after successfully winning the bid for the Auction of the land use rights of a piece of land situated at south of Tian Kun Si Road, the east of Jian Ming San Road, the north of Tian Kun San Road, the west of Jian Ming Er Road, Tianhe District in Guangzhou, the PRC (the “**Land**”) with a site area of approximately 6,300 sq.m. for a consideration of RMB239.88 million (equivalent to approximately HK\$261.47 million). The Group intends to utilize the Land by building its new headquarters as part of its expansion strategies. For details, please refer to the announcement of the Company dated 29 July 2020.

On 9 August 2020, Guangzhou Baitian, as one of the vendors and Linzhi Lichuang Information Technology Co. Ltd.* (林芝利創信息技術有限公司), as the purchaser entered into a sale and purchase agreement in relation to the disposal of their equity interests in Guangzhou Baiman Culture Communications Company Limited* (廣州百漫文化傳播有限公司) (the “**Target Company**”). Pursuant to the sale and purchase agreement, among others, Guangzhou Baitian has conditionally agreed to sell and the purchaser has conditionally agreed to acquire the approximately 31.2% of the equity interests of the Target Company at a consideration of RMB124,800,000 (equivalent to approximately HK\$136,032,000). Upon completion of the sale and purchase, Guangzhou Baitian will cease to have any equity interest in the Target Company and the Target Company will cease to be an associate of the Company. For details, please refer to the announcement of the Company dated 9 August 2020.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Right-of-use assets		77,535	84,905
Property and equipment		24,644	26,631
Intangible assets		2,404	2,796
Investment in an associate	13	59,383	60,910
Prepayments and other receivables		6,556	6,766
Amounts due from an associate		5,000	20,000
Deferred income tax assets		1,657	13,494
Financial assets at fair value through profit or loss		—	5,071
		<u>177,179</u>	<u>220,573</u>
Current assets			
Contract costs		42,389	63,694
Trade receivables	11	85,387	134,533
Prepayments and other receivables		13,178	13,883
Amounts due from an associate		15,000	—
Short-term deposits		229,631	226,008
Cash and cash equivalents		1,441,620	1,274,044
		<u>1,827,205</u>	<u>1,712,162</u>
Total assets		<u><u>2,004,384</u></u>	<u><u>1,932,735</u></u>
EQUITY			
Share capital		8	8
Share premium		1,250,328	1,326,987
Treasury shares		(902)	—
Reserves		14,257	10,302
Retained earnings		357,078	205,638
Capital and reserves attributable to Shareholders of the Company		<u>1,620,769</u>	<u>1,542,935</u>
Non-controlling interests		<u>7,250</u>	<u>7,506</u>
Total equity		<u><u>1,628,019</u></u>	<u><u>1,550,441</u></u>

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		76,424	83,161
Contract liabilities		7,873	8,613
Deferred income tax liabilities		3,097	3,639
		<hr/> 87,394	<hr/> 85,413
Current liabilities			
Trade payables	<i>12</i>	8,464	16,195
Other payables and accruals		103,743	53,209
Advances from distributors		38,915	17,871
Lease liabilities		18,179	17,807
Contract liabilities		111,766	159,234
Income tax liabilities		7,856	22,519
Bank overdrafts		48	46
		<hr/> 288,971	<hr/> 286,881
Total liabilities		<hr/> 376,365	<hr/> 382,294
Total equity and liabilities		<hr/> 2,004,384	<hr/> 1,932,735

1 Basis of preparation

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

2 Accounting policies

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

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

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

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

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

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

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

3 Estimates

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

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

4 Financial risk management and financial instruments

4.1 Financial risk factors

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

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

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

4.2 Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
As at 30 June 2020						
Trade payables	8,464	—	—	—	8,464	8,464
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	65,316	—	—	—	65,316	65,316
Bank overdrafts	48	—	—	—	48	48
Lease liabilities	18,670	19,444	61,844	10,656	110,614	94,603

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total contractual cash flows <i>RMB'000</i>	Carrying amount liabilities <i>RMB'000</i>
As at 31 December 2019						
Trade payables	16,195	—	—	—	16,195	16,195
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	8,642	—	—	—	8,642	8,642
Bank overdrafts	46	—	—	—	46	46
Lease liabilities	<u>18,273</u>	<u>19,129</u>	<u>61,068</u>	<u>21,312</u>	<u>119,782</u>	<u>100,968</u>

4.3 Fair value estimation

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

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

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

Level 3
RMB'000

Recurring fair value measurements:

Assets:

Financial assets at fair value through profit or loss

—

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

Level 3
RMB'000

Recurring fair value measurements:

Assets:

Financial assets at fair value through profit or loss

5,071

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

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

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

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques.

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

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

Financial assets
at fair value
through profit
or loss
RMB'000

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

5 Segment information

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

The Group determined that it has operating segments as follows:

- Online entertainment business
- Other businesses

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

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

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

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

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

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

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

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

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

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

* Less than 10%.

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

6 Other gains — net

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest income of financial assets at fair value through profit or loss	7,573	11,054
Financial assets at fair value through profit or loss:		
— Fair value loss (Note 4.3)	(5,071)	(1,957)
Donation	(1,500)	—
Foreign exchange losses	(256)	(724)
Others	90	(9)
	<u>836</u>	<u>8,364</u>

7 Operating profit

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

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

8 Income tax expense

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

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

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

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

(c) PRC enterprise income tax (“**EIT**”)

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

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

(d) PRC withholding tax (“**WHT**”)

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

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

(e) Current income tax credit

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

9 Earnings per share

(a) Basic

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

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

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

(b) Diluted

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

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

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

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

10 Dividend

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

- (a) The 2019 final dividend of HK\$0.025 (equivalent to approximately RMB0.023) per ordinary share, totaling HK\$68,741,000 (equivalent to approximately RMB62,788,000), was approved in the Company's annual general meeting held on 20 June 2020 and was paid on 22 July 2020.
- (b) The 2018 final dividend of HK\$0.021 (equivalent to approximately RMB0.018) per ordinary share, totaling HK\$58,651,000 (equivalent to approximately RMB51,595,000), was approved in the Company's annual general meeting held on 29 June 2019 and was paid on 31 July 2019.

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

11 Trade receivables

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

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

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

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

12 Trade payables

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

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

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

13 Investment in an associate

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

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

Audit Committee and Review of Financial Statements

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

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

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own securities dealing code to regulate all dealings by directors of securities in the Company and other matters covered by the Model Code. The Company has made specific enquiry with all Directors and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the period under review.

Compliance with the Corporate Governance Code

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

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

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

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

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

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

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

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

Interim Dividend

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

Publication of 2020 Interim Results and Interim Report

The interim results announcement is published on the Company's website (<http://www.baioo.com.hk>) and the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>). The 2020 interim report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
BAIOO Family Interactive Limited
DAI Jian
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 26 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong and Mr. WANG Xiaodong; the independent non-executive directors of the Company are Ms. LIU Qianli, Dr. WANG Qing and Mr. MA Xiaofeng.

* *for identification purposes only*