



Fulu Holdings Limited
福祿控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2101



2020 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fu Xi (符熙) (*Chairman and CEO*)
Mr. Zhang Yuguo (張雨果)
Mr. Shui Yingyu (水英聿)
Mr. Zhao Bihao (趙筆浩)
Mr. Mao Feng (茅峰)

Independent Non-executive Directors

Mr. Li Wai Chung (李偉忠)
Ms. Wang Yuyun (王雨雲)
(alias Wang Yuyun (王雨蘊))
Mr. Wong Sincere (黃誠思)

AUDIT COMMITTEE

Mr. Li Wai Chung (李偉忠) (*Chairman*)
Ms. Wang Yuyun (王雨雲)
Mr. Wong Sincere (黃誠思)

REMUNERATION COMMITTEE

Ms. Wang Yuyun (王雨雲) (*Chairman*)
Mr. Fu Xi (符熙)
Mr. Wong Sincere (黃誠思)

NOMINATION COMMITTEE

Mr. Fu Xi (符熙) (*Chairman*)
Mr. Wong Sincere (黃誠思)
Mr. Li Wai Chung (李偉忠)

JOINT COMPANY SECRETARIES

Mr. Mao Feng (茅峰)
Ms. Lam Yuk Ling (林玉玲) (*ACS, ACIS*)

AUTHORIZED REPRESENTATIVES

Mr. Mao Feng (茅峰)
Ms. Lam Yuk Ling (林玉玲) (*ACS, ACIS*)

AUDITOR

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HONG KONG SHARE REGISTER

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

China Merchants Bank Co., Ltd.
Wuhan Financial Port Branch
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Hubei Province
PRC

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Wuhan
Hubei Province
PRC

STOCK CODE

2101

COMPANY'S WEBSITE

www.fulu.com

KEY HIGHLIGHTS

	Unaudited		
	For the six months ended June 30,		
	2020	2019	Change
	<i>(RMB in thousands, except for percentage)</i>		<i>(%)</i>
Revenue	158,650	121,829	30.2
Gross profit	132,813	95,925	38.5
Gross profit margin ⁽¹⁾	83.71%	78.74%	4.97
Profit before taxation	74,575	54,701	36.3
Profit and total comprehensive income for the period	71,223	51,974	37.0
Non-IFRS measure adjusted profit for the period	80,816	51,974	55.5

Note:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

	Unaudited	Audited	Change
	As at	As at	
	June 30,	December 31,	
	2020	2019	(%)
	<i>(RMB in thousands)</i>		
Assets			
Current assets	540,171	468,736	15.2
Non-current assets	14,139	15,797	(10.5)
Total assets	554,310	484,533	14.4
Liabilities			
Current liabilities	229,064	229,702	(0.3)
Non-current liabilities	259	1,067	(75.7)
Total liabilities	229,323	230,769	(0.6)
Net assets	324,987	253,764	28.1
Equity attributable to owners of the parent			
Share capital	70	70	0
Reserves	324,917	253,694	28.1
Total Equity	324,987	253,764	28.1

To our Shareholders:

Our Company was successfully listed on the Main Board of the Stock Exchange on September 18, 2020. The successful Listing enhances our capital strength and brand recognition. We are going to use our platform resources to help virtual goods vendors and diversified sales channels in achieving their commercial objectives, such as traffic acquisition and monetization. Our platform facilitates the sales of virtual goods by (1) expanding virtual goods vendors' sales channels and broadening their customer reach (i.e. traffic acquisition) and (2) making available a variety of virtual goods and services to sales channels to monetize their traffic (i.e. monetization).

On behalf of the Board, I am pleased to present the Group's interim results for the six months ended June 30, 2020.

Our total revenue increased by 30.2% from RMB121,829,000 in the first half of 2019 to RMB158,650,000 in the first half of 2020. Our gross profit increased by 38.5% from RMB95,925,000 in the first half of 2019 to RMB132,813,000 in the first half of 2020. Our adjusted EBITDA⁽¹⁾ increased by 31.9% from RMB59,675,000 in the first half of 2019 to RMB78,721,000 in the first half of 2020, and adjusted net profit increased by 55.5% from RMB51,974,000 in the first half of 2019 to RMB80,816,000 in the first half of 2020.

BUSINESS REVIEW

During the Reporting Period, our platform facilitated transactions for an aggregate of over 976 virtual goods vendors and over 1,616 virtual goods sales channels. Among the virtual goods vendors, our virtual goods-related services encompass a wide variety of industries, including the followings:

(i) Leisure and Entertainment

During the Reporting Period, we continued to work with a wide range of leisure and entertainment content providers and facilitate the sale of membership cards, in-app virtual currencies and other virtual goods offered by leisure and entertainment content providers. In the Reporting Period, the GMV of the leisure and entertainment-related virtual goods transactions we facilitated totaled RMB991,713,000.

(ii) Games

We facilitate the sale of virtual goods of top online game producers in China. Through our platform, game producers sell their virtual goods and services to end customers. These game producers offer virtual cards, e-vouchers, membership benefits, in-game virtual currencies and virtual items such as game characters, costumes, skills, tools, equipment and other in-game consumables or functions used in popular games in China. In the Reporting Period, the GMV of the games-related virtual goods transactions we facilitated totaled RMB1,106,825,000.

Note:

- (1) We define "adjusted EBITDA" as profit for the period by adding back (i) interest, (ii) depreciation on property, plant and equipment, and (iii) amortization of intangible assets.

(iii) Telecommunications

We work with China's three largest telecom operators. Our platform connects with the mobile top-up systems of the telecom operators, and can process consumers' purchase order in real time. We facilitated the sale of virtual goods in the telecommunications industry through a wide range of virtual goods sales channels, including e-commerce platforms, online payment platforms, banks, hotels and transportation services providers. We also facilitated the sale of data usage packages and SMS messages offered by telecommunications operators through these virtual goods sales channels. In the Reporting Period, the GMV of the telecommunications-related virtual goods transactions we facilitated totaled RMB5,198,231,000.

(iv) Lifestyle Services

We work with various lifestyle services providers providing food, clothing, housing and transportation services, to help them in selling e-vouchers, gift cards, membership cards, coupons and other virtual goods to consumers. Consumers can exchange virtual goods for physical products, discounts or other benefits offered by lifestyle services providers. In the Reporting Period, the GMV of the virtual lifestyle-related goods transactions we facilitated totaled RMB237,892,000.

OUTLOOK

Looking forward to the second half of 2020, we will continue to steadfastly execute the Company's strategy of "Connect + Service". Our platform is committed to connecting virtual goods vendors and virtual goods sales channels, thereby providing services by facilitating transactions between them and also providing value-added services such as operating online stores for virtual goods vendors. We will strive to continually expand the selection, categories, and variety of virtual goods available on our platform, and increase our commission income from virtual goods-related transactions. We will also further improve IT solutions as part of our value-added services for our online store operation services, as well as develop other new applications and services to strengthen and diversify our data and technology advantages. We will expand the scope of our platform participants and service offerings to deepen industry penetration and broaden brand awareness, and pursue strategic cooperation, investments and acquisitions. We will cement and extend the Company's leading position in the industry, as well as expanding globally in overseas markets.

We will utilize the net proceeds from the Listing to solidify the Company's leadership position, to enhance brand influence, and to achieve new financial milestones together with our platform participants and investors. We hope to continue to connect more and more people together through our service.

SIX MONTHS ENDED JUNE 30, 2020 COMPARED TO SIX MONTHS ENDED JUNE 30, 2019

The following table sets forth the comparative figures for the first half of 2019 and 2020:

	Unaudited	
	For the six months ended June 30,	
	2020	2019
	<i>(RMB in thousands)</i>	
Revenue	158,650	121,829
Cost of sales	(25,837)	(25,904)
Gross profit	132,813	95,925
Other income and gains	5,504	2,361
Selling and distribution expenses	(25,488)	(16,461)
Administrative expenses	(21,813)	(11,038)
Research and development costs	(12,281)	(8,869)
Impairment losses on financial and contract assets, net	(563)	(2,972)
Other expenses	(581)	(124)
Finance costs	(3,016)	(4,121)
Profit before taxation	74,575	54,701
Income tax expense	(3,352)	(2,727)
Profit and total comprehensive income for the period	71,223	51,974
Attributable to:		
Owners of the parent	71,223	52,016
Non-controlling interests	–	(42)
Non-IFRS measure adjusted profit for the period⁽¹⁾	80,816	51,974

Note:

- (1) We define “adjusted profit for the period” as profit of the period, adding back Listing expenses because such expenses are not operating and recurring in nature. Adjusted profit for the period is not a measure required by or presented in accordance with IFRS. The use of adjusted profit for the period has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Our revenue increased by 30.2% from RMB121,829,000 in the first half of 2019 to RMB158,650,000 in the first half of 2020. This increase was primarily driven by an increase in services fees from online store operation services, primarily driven by an increase in online stores we operated for virtual goods vendors and the GMV of transactions that occurred in these stores.

Revenue by Nature

Our revenue primarily includes (a) commissions from virtual goods-related services and (b) service fees from online store operation services and other value-added services. The following table sets forth revenue breakdown by types of services, in absolute amount and as a percentage of total revenue, in the first half of 2019 and 2020.

	Unaudited			
	For the six months ended June 30,			
	2020		2019	
	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentage)</i>			
Virtual goods-related services	119,801	75.6	118,627	97.4
Value-added services				
Online store operation services	36,290	22.8	2,972	2.4
Others ⁽¹⁾	2,559	1.6	230	0.2
Total	158,650	100.0	121,829	100.0

Note:

(1) Include user acquisition and management services (e.g. mini-game development services) and IT solutions.

Virtual goods-related services. Revenue from virtual goods-related services increased by 1.0% from RMB118,627,000 in the six months ended June 30, 2019 to RMB119,801,000 in the six months ended June 30, 2020. The revenue across the business segments remaining stable, with a relatively greater increase in revenue from the telecommunications.

Value-added services. Our value-added services consist primarily of online store operation services. Revenue from online store operation services increased by 1,121.1% from RMB2,972,000 in the six months ended June 30, 2019 to RMB36,290,000 in the six months ended June 30, 2020, primarily due to the increase in revenue from the games and leisure and entertainment value-added services of our online store operation services.

MANAGEMENT DISCUSSION AND ANALYSIS

Others. Revenue from our other services increased from by 1,012.6% from RMB230,000 in the six months ended June 30, 2019 to RMB2,559,000 in the six months ended June 30, 2020, primarily attributable to an increase in the business of IT solutions.

Revenue by Segment

We generate revenue from four business segments: (i) leisure and entertainment; (ii) games; (iii) telecommunications; and (iv) lifestyle.

The following table sets forth our revenues by segment in absolute amount and as percentage of our total revenue in the first half of 2019 and 2020.

	Unaudited			
	For the six months ended June 30,			
	2020		2019	
	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentage)</i>			
Leisure and entertainment	75,403	47.5	62,124	51.0
Games	58,088	36.6	48,819	40.1
Telecommunications	18,719	11.8	7,722	6.3
Lifestyle	6,440	4.1	3,164	2.6
Total	158,650	100.0	121,829	100.0

The following table sets forth the GMV attributable to different industries for the periods indicated:

	Unaudited			
	For the six months ended June 30,			
	2020		2019	
	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentage)</i>			
Leisure and entertainment	991,713	13.0	577,634	7.7
Games	1,106,825	15.0	2,625,085	35.3
Telecommunications	5,198,231	69.0	4,074,832	54.8
Lifestyle services	237,892	3.0	164,626	2.2
Total	7,534,661	100.0	7,442,177	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Leisure and entertainment. Revenue from the leisure and entertainment segment increased by 21.4% from RMB62,124,000 in the six months ended June 30, 2019 to RMB75,403,000 in the six months ended June 30, 2020, primarily driven by an increase in the leisure and entertainment virtual goods transactions we facilitated. The GMV of leisure and entertainment virtual goods transactions we facilitated increased by 71.7% from RMB577,634,000 in the six months ended June 30, 2019 to RMB991,713,000 in the six months ended June 30, 2020.

Games. Revenue from the games segment increased by 19.0% from RMB48,819,000 in the six months ended June 30, 2019 to RMB58,088,000 in the six months ended June 30, 2020. The GMV of games-related virtual goods transactions we facilitated decreased by 57.8% from RMB2,625,085,000 in the six months ended June 30, 2019 to RMB1,106,825,000 in the six months ended June 30, 2020. The revenue from the games segment increased while the GMV of the games-related virtual goods transactions we facilitated decreased, primarily because of the decrease in some transactions of games due to adjustment of operating strategy.

Telecommunications. Revenue from the telecommunications segment increased by 142.4% from RMB7,722,000 in the six months ended June 30, 2019 to RMB18,719,000 in the six months ended June 30, 2020, primarily driven by an increase in the commission rates and GMV of the telecommunications virtual goods transactions we facilitated. The commission rates increased because (1) we facilitated more virtual goods transactions for new virtual goods vendors and (2) virtual goods transactions conducted through a new e-commerce platform increased; we typically earn higher commissions from these transactions. The GMV of telecommunications virtual goods transactions we facilitated increased by 27.6% from RMB4,074,832,000 in the six months ended June 30, 2019 to RMB5,198,231,000 in the six months ended June 30, 2020.

Lifestyle. Revenue from the lifestyle segment increased by 103.5% from RMB3,164,000 in the six months ended June 30, 2019 to RMB6,440,000 in the six months ended June 30, 2020, primarily driven by an increase in the lifestyle virtual goods transactions we facilitated. The GMV of lifestyle virtual goods transactions we facilitated increased by 44.5% from RMB164,626,000 in the six months ended June 30, 2019 to RMB237,892,000 in the six months ended June 30, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the GMV attributable to our key operating entities for the Reporting Period:

	Unaudited For the six months ended June 30, 2020	
	GMV (RMB in thousands, except for percentage)	% of the Group's total GMV
Wuhan Fulu	4,897,097.3	65.0
Wuhan Yiqiyou	47,193.4	0.6
Tibet Fulu	1,001,689.4	13.3
Xinjiang Fulu	158,903.5	2.1
Kashgar Yiqiwan	10,696.0	0.1
Tibet Huluwa	103.3	0

COST OF SALES

Our cost of sales is RMB25,837,000 for the six months ended June 30, 2020, which was comparable to that for the six months ended June 30, 2019 of RMB25,904,000.

Cost of Sales by Nature

The following table sets forth the components of cost of sales, in absolute amount and as a percentage of total cost of sales, for the six months ended June 30, 2019 and 2020.

	Unaudited For the six months ended June 30,			
	2020		2019	
	RMB	%	RMB	%
	(RMB in thousands, except for percentage)			
Commissions	14,401	55.7	15,977	61.7
Labor-related costs	10,027	38.8	7,876	30.4
Others ⁽¹⁾	1,409	5.5	2,051	7.9
Total	25,837	100.0	25,904	100.0

Note:

(1) Primarily include fixed-fees paid to virtual goods sales channels and server and software costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Commissions decreased by 9.9% from RMB15,977,000 in the six months ended June 30, 2019 to RMB14,401,000 in the six months ended June 30, 2020, primarily because of readjustments to our product structure which led to a decrease in business for our games segment.

Labour-related costs increased by 27.3% from RMB7,876,000 in the six months ended June 30, 2019 to RMB10,027,000 in the six months ended June 30, 2020, primarily because of readjusted wages and optimization of our staff structure.

Other costs decreased by 31.3% from RMB2,051,000 in the six months ended June 30, 2019 to RMB1,409,000 in the six months ended June 30, 2020, primarily because of changes in income structure and a decrease in games-related transactions.

Cost of Sale by Segment

The following table sets forth segment cost of sales, in absolute amount and as a percentage of total cost of sales, for the six months ended June 30, 2019 and 2020.

	Unaudited			
	For the six months ended June 30,			
	2020		2019	
	RMB	%	<i>RMB</i>	%
	<i>(RMB in thousands, except for percentage)</i>			
Leisure and entertainment	8,286	32.1	4,207	16.2
Games	8,528	33.0	17,740	68.5
Telecommunications	8,014	31.0	3,534	13.6
Lifestyle	1,009	3.9	423	1.7
Total	25,837	100.0	25,904	100.0

Leisure and entertainment. Cost of sales from the leisure and entertainment segment increased by 97.0% from RMB4,207,000 in the six months ended June 30, 2019 to RMB8,286,000 in the six months ended June 30, 2020, reflecting an increase in the volume of leisure and entertainment virtual goods transactions we facilitated.

Games. Cost of sales from the games segment decreased by 51.9% from RMB17,740,000 in the six months ended June 30, 2019 to RMB8,528,000 in the six months ended June 30, 2020, primarily due to (i) a decrease in commissions charged by virtual goods sales channels as we facilitated fewer games-related virtual goods transactions and (ii) a decrease in the number of employees in our games operations team.

Telecommunications. Cost of sales from the telecommunications segment increased by 126.8% from RMB3,534,000 in the six months ended June 30, 2019 to RMB8,014,000 in the six months ended June 30, 2020, reflecting an increase in the volume of telecommunications virtual goods transactions we facilitated through e-commerce platforms; we generally pay commissions to e-commerce platforms for these services.

Lifestyle. Cost of sales from the lifestyle segment increased by 138.5% from RMB423,000 in the six months ended June 30, 2019 to RMB1,009,000 in the six months ended June 30, 2020, primarily due to (i) an increase in commissions charged by e-commerce platforms as we facilitated more lifestyle-related virtual goods transactions and (ii) an increase in the number of employees in our lifestyle operations team.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth our gross profit and gross profit margin by each segment for the six months ended June 30, 2019 and 2020.

	Unaudited			
	For the six months ended June 30,			
	2020		2019	
	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentage)</i>			
Leisure and entertainment	67,117	89.0	57,917	93.2
Games	49,560	85.3	31,079	63.7
Telecommunications	10,705	57.2	4,188	54.2
Lifestyle	5,431	84.3	2,741	86.6
Total	132,813	83.7	95,925	78.7

Our overall gross profits increased by 38.5% from RMB95,925,000 in the six months ended June 30, 2019 to RMB132,813,000 in the six months ended June 30, 2020 and our gross profit margin increased from 78.74% in the six months ended June 30, 2019 to 83.71% in the same period in 2020, primarily driven by an increase in revenue from virtual goods-related services and online store operating services, reflecting the growth of our business.

The gross profit from the leisure and entertainment segment increased by 15.9% from RMB57,917,000 in the six months ended June 30, 2019 to RMB67,117,000 in the six months ended June 30, 2020, mainly due to an expansion in product categories and an increase in volume of transactions. The gross profit from the games segment increased by 59.5% from RMB31,079,000 in the six months ended June 30, 2019 to RMB49,560,000 in the six months ended June 30, 2020, mainly due to adjustments in product structure and an increase in commission rates of products. The gross profit from the telecommunications segment increased by 155.6% from RMB4,188,000 in the six months ended June 30, 2019 to RMB10,705,000 in the six months ended June 30, 2020, mainly due to an increase in the volume of transactions and sales channels, and optimized structure. The gross profit from the lifestyle segment increased by 98.1% from RMB2,741,000 in the six months ended June 30, 2019 to RMB5,431,000 in the six months ended June 30, 2020, mainly due to an increase in the volume of transactions and sales.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME AND GAINS

Our other income and gains increased by 133.1% from RMB2,361,000 in the six months ended June 30, 2019 to RMB5,504,000 in the six months ended June 30, 2020, primarily attributable to an increase in government grants.

SELLING AND DISTRIBUTION EXPENSES

Our selling and marketing expenses increased by 54.8% from RMB16,461,000 in the six months ended June 30, 2019 to RMB25,488,000 in the six months ended June 30, 2020, primarily due to the increase in marketing expenses. Marketing expenses increased by 66.2% from RMB13,143,000 in the six months ended June 30, 2019 to RMB21,841,000 in the six months ended June 30, 2020, as we paid more advertising fees to certain e-commerce platforms (including the largest e-commerce platform in China) to enhance our promotion of the virtual goods sold by these platforms. Our salary and welfare expenses increased by 62.2% from RMB1,922,000 in the six months ended June 30, 2019 to RMB3,117,000 in the six months ended June 30, 2020, reflecting a change in the employee structure and adjustment to the wage rate.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 97.6% from RMB11,038,000 in the six months ended June 30, 2019 to RMB21,813,000 in the six months ended June 30, 2020, primarily due to a RMB9,593,000 increase in expenses related to our initial public offering.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by 38.5% from RMB8,869,000 in the six months ended June 30, 2019 to RMB12,281,000 in the six months ended June 30, 2020, reflecting our enhanced research and development efforts.

IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Impairment losses on financial and contract assets decreased by 81.1% from RMB2,972,000 in the six months ended June 30, 2019 to RMB563,000 in the six months ended June 30, 2020, primarily due to there was a provision of impairment losses for a downstream sales channel in the six months ended June 30, 2019 and there was no such impairment provision for the six months ended June 30, 2020.

FINANCE COSTS

Finance costs decreased by 26.8% from RMB4,121,000 in the six months ended June 30, 2019 to RMB3,016,000 in the six months ended June 30, 2020, reflecting a decrease in interest payments after a reduction in borrowings.

INCOME TAX EXPENSE

Our effective income tax rate is lower than the 25% statutory income tax rate applicable to PRC corporations because some of our Consolidated Affiliate Entities are subject to preferential tax treatment as they are engaged in encouraged industries and/or the favorable tax policies applicable to their places of incorporation. Income tax increased by 22.9% from RMB2,727,000 in the six months ended June 30, 2019 to RMB3,352,000 in the six months ended June 30, 2020, primarily reflecting an increase in profit before tax as a result of business growth.

PROFIT FOR THE PERIOD

As a result of the foregoing, our profit increased by 37.0% from RMB51,974,000 in the six months ended June 30, 2019 to RMB71,223,000 in the six months ended June 30, 2020.

NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we use a non-IFRS measure, adjusted profit for the period, which is not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating items that our management does not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted profit for the period may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRS.

We defined adjusted profit for the period as profit for the period adjusted by adding back Listing expenses because such expenses are not operating or recurring in nature. The following table reconciles our adjusted profit for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Unaudited	
	For the six months ended June 30,	
	2020	2019
	<i>(RMB in thousands)</i>	
Profit for the period	71,223	51,974
Adjustments:		
Listing expenses	9,593	–
Adjusted profit for the period	80,816	51,974

OTHER FINANCIAL INFORMATION

Liquidity and Capital Resources

Our principal sources of liquidity were cash from operations, and bank and other borrowings. As of June 30, 2020, we had cash and cash equivalents of RMB5,422,000, which were all denominated in Renminbi. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from our operations, bank loans, net proceeds from the Global Offering and other funds raised from capital markets from time to time, when necessary.

The following table sets forth a summary of our net cash flow for the six months ended June 30, 2019 and 2020.

	Unaudited	
	For the six months ended June 30,	
	2020	2019
	<i>(RMB in thousands)</i>	
Operating cash flow before change in working capital	79,683	60,738
Changes in working capital	(67,702)	(33,837)
Income tax paid	(4,323)	(9,150)
Net cash generated from operating activities	7,658	17,751
Net cash generated from/(used in) investing activities	89	(4,979)
Net cash used in financing activities	(11,308)	(20,552)
Net decrease in cash and cash equivalents	(3,561)	(7,780)
Cash and cash equivalent at the end of period	5,422	4,197

Net Cash Generated from Operating Activities

Net cash generated from operating activities in the six months ended June 30, 2020 was RMB7,658,000, primarily attributable to profit before taxation of RMB74,575,000, as adjusted by (i) non-cash items, which primarily comprised finance costs of RMB3,016,000, and (ii) changes in working capital, which primarily comprised (a) a RMB46,180,000 increase in prepayments, other receivables and other assets, primarily reflecting (i) an increase in prepayments to virtual goods vendors, primarily driven by the growth of our business; and (ii) an increase in other receivables, primarily representing amounts due from certain virtual goods sales channels, (b) a RMB29,445,000 increase in trade receivables and contract assets, primarily due to an increase in service fees due from third-party games-related virtual goods and services platform operators, (c) a RMB33,968,000 increase in trade payables, primarily reflecting the overall growth of our business, and (d) a RMB26,124,000 decrease in other payables and accruals, primarily due to (1) a decrease in receipts in advance in the six months ended June 30, 2020 because virtual goods sales channels made more advances at the end of 2019 which were utilized in the first quarter of 2020 and (2) a decrease in remuneration payable.

Net Cash Generated from Investing Activities

Net cash generated from investing activities in the six months ended June 30, 2020 was RMB89,000, comprising interest received of RMB60,000.

Net Cash Used in Financing Activities

Net cash used in financing activities in the six months ended June 30, 2020 was RMB11,308,000, primarily due to (i) new bank and other borrowings of RMB71,600,000, (ii) borrowings from related parties of RMB17,895,000, (iii) repayment of bank and other borrowings of RMB63,080,000, (iv) repayment of borrowings from related parties of RMB19,896,000, and (v) dividends paid of RMB15,000,000.

Capital Expenditures

Our capital expenditures principally consist of expenditures for the purchases of property, plant and equipment and intangible assets. Our capital expenditures decreased by 99.8% from RMB5,022,000 in the six months ended June 30, 2019 to RMB10,000 in the six months ended June 30, 2020. This is because there was a purchase of a business car and capitalisation of our intangible assets in the six months ended June 30, 2019, and there has been no such items for the six months ended June 30, 2020.

Indebtedness, Off-balance Sheet Commitment and Contingent Liabilities

As of June 30, 2020, our total indebtedness amounted to RMB72,411,000, as compared with RMB64,127,000 as of December 31, 2019. Our indebtedness consist of lease liabilities of RMB2,411,000 and interest-bearing bank and other borrowings of RMB70,000,000 as of June 30, 2020. As of June 30, 2020, all our bank and other borrowings were dominated in RMB. For the six months ended June 30, 2020, our bank loans and other borrowings were interest-bearing at rates ranging from 5.89% to 18.25% per annum (for the year ended December 31, 2019: ranging from 4.00% to 18.25%). Please refer to note 13 of notes to Interim Condensed Consolidated Financial Information in this report for details of our bank loans and other borrowings. As at the date of this report, guarantees provided by certain Controlling Shareholders or entities controlled by certain Controlling Shareholders were released and replaced with corporate guarantees by our Company.

As of June 30, 2020, we did not have any off-balance sheet arrangements.

As of June 30, 2020, we did not have material contingent liabilities.

Significant Investments Held

For the six months ended June 30, 2020, we did not have any significant investments.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions, Disposals and Future Plans for Subsidiaries

For the six months ended June 30, 2020, we did not have any material acquisitions or disposals of subsidiaries.

Gearing Ratio

As of June 30, 2020, our gearing ratio, calculated as net debt divided by total equity plus net debt of the Company was approximately 17%.

Pledge of Assets

As at June 30, 2020, the Group's interest-bearing bank loans of RMB50,000,000 were secured by the pledge of the Group's accounts receivable of RMB30,000,000. Please refer to note 13 of notes to Interim Condensed Consolidated Financial Information in this report for further details.

Interim Dividends

The Board did not declare any interim dividend for the six months ended June 30, 2020.

Foreign Exchange Risk Management

We mainly carry out our operations in the PRC with most transactions settled in Renminbi. As of June 30, 2020, our cash and cash equivalent balance was denominated in Renminbi. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our entities. As of June 30, 2020, we did not have significant foreign currency exposure from our operations.

Employee and Remuneration Policy

As of June 30, 2020, we had 453 full-time employees, all of whom were based in the PRC.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive remuneration packages, which generally include basic wages, variable wages, bonuses and other benefits.

We participate in employee benefit plans mandated by the PRC government, including basic pension insurance, work-related injury insurance, maternity insurance, basic medical insurance, unemployment insurance and housing provident fund scheme. We must contribute to employee benefit plans based on specified percentages of the total remuneration of our employees up to a maximum amount specified by local governmental authorities.

CORPORATE GOVERNANCE

We are committed to maintaining a high standard of corporate governance to safeguard the interests of the Company and its Shareholders. The Company has adopted the Corporate Governance Code as its own code of corporate governance. During the period from the Listing Date to the date of this report, the Company has complied with all the applicable code provisions under the Corporate Governance Code with the exception for the deviation from code provision A.2.1 of the Corporate Governance Code.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles between the chairman and the chief executive officer should be separate and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer. Mr. Fu Xi is both the chairman of the Board and the chief executive officer. Mr. Fu Xi is a key person to our Group's establishment and development. With extensive experience in the industry, Mr. Fu Xi is responsible for the Group's strategies, corporate culture and oversees our senior management team. Mr. Fu Xi acting as both the chairman of the Board and the chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. The Directors consider it appropriate and beneficial to our business development and prospects that Mr. Fu Xi continues to act as both the chairman of the Board and the chief executive officer at the current stage of development of the Company, and therefore do not propose to separate these two roles. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

The Board will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. As the Shares of the Company were not listed on the Hong Kong Stock Exchange as at June 30, 2020, the Model Code was not applicable to the Company during the Reporting Period.

AUDIT COMMITTEE

The Board has established the Audit Committee, comprising of three independent non-executive Directors, namely, Mr. Li Wai Chung (Chairman), Ms. Wang Yuyun and Mr. Wong Sincere. The primary duties of the Audit Committee are to review and supervise our financial reporting process and the internal control system of the Group, manage risk, perform internal audit, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board.

The Audit Committee and the management have reviewed the accounting standards and policies adopted by the Group as well as the interim report of the Group for the six months ended June 30, 2020.

OTHER INFORMATION

CHANGES TO DIRECTORS' INFORMATION

The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

From the Listing Date to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

ISSUANCE OF SHARES AND LISTING ON THE HONG KONG STOCK EXCHANGE

The Shares of the Company were listed on the Hong Kong Stock Exchange on September 18, 2020. The offer price was determined at HK\$8.90 per offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%). The Global Offering of the Company comprised 100,000,000 Shares (subject to the over-allotment option granted by the Company). Five cornerstone investors subscribed for 19,453,000 Shares in total issued by the Company.

USE OF PROCEEDS FROM LISTING

The net proceeds from the Global Offering after deducting underwriting commissions and relevant expenses payable by the Company before any exercise of the over-allotment option amounted to approximately HK\$826.6 million. The Company intends to use the proceeds for the same purpose and follow the expected implementation timetable as disclosed under section headed "Future Plans and Use of Proceeds" of the Prospectus. As of the Latest Practicable Date, the Company has not yet utilised the net proceeds from the Global Offering.

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

During the Reporting Period, as the Shares of the Company were not listed on the Hong Kong Stock Exchange, the disclosure requirements under relevant laws and regulations of Hong Kong, including Divisions 7 and 8 of Part XV and section 352 of the SFO and the Model Code, were not yet applicable to the Company and its Directors or chief executive.

The Shares of the Company were listed on the Hong Kong Stock Exchange on the Listing Date. As of the Latest Practicable Date, interests and short positions of the Directors and the chief executives 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 SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in Shares

Name of Director	Capacity	Nature of interest	Number of Shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Fu Xi (符熙)	Interest in controlled corporations ⁽¹⁾	Long position	176,634,600	44.16%
Mr. Zhang Yuguo (張雨果)	Interest in controlled corporation ⁽²⁾	Long position	45,999,600	11.50%
Mr. Shui Yingyu (水英聿)	Interest in controlled corporation ⁽³⁾	Long position	21,103,200	5.28%
Mr. Zhao Bihao (趙筆浩)	Interest in controlled corporation ⁽⁴⁾	Long position	16,828,800	4.21%

Notes:

- (1) Mr. Fu Xi holds the entire share capital of FuXi Limited, Fuzhi Holdings and Fuxu Holdings, which in turn directly holds 176,634,600 Shares. Under the SFO, Mr. Fu Xi is deemed to be interested in the Shares held by FuXi Limited, Fuzhi Holdings and Fuxu Holdings.
- (2) Mr. Zhang Yuguo holds the entire share capital of Zhangyuguo Holdings, which in turn directly holds 45,999,600 Shares. Under the SFO, Mr. Zhang Yuguo is deemed to be interested in the Shares held by Zhangyuguo Holdings.
- (3) Mr. Shui Yingyu holds the entire share capital of Shuiyingyu Holdings, which in turn directly holds 21,103,200 Shares. Under the SFO, Mr. Shui Yingyu is deemed to be interested in the Shares held by Shuiyingyu Holdings.
- (4) Mr. Zhao Bihao holds the entire share capital of Zhaobihao Holdings, which in turn directly holds 16,828,800 Shares. Under the SFO, Mr. Zhao Bihao is deemed to be interested in the Shares held by Zhaobihao Holdings.

OTHER INFORMATION

(ii) Interests in Associated Corporations

Name of Director	Capacity	Associated corporations	Nature of interest	Amount of registered capital (RMB)	Percentage of shareholding in the associated corporation (%)
Mr. Fu Xi (符熙)	Beneficial interest	Wuhan Fulu	Long position	9,850,000	50.03%
	Interest of controlled corporations ⁽¹⁾	Wuhan Fulu	Long position	4,759,091	24.17%
Total interest of Mr. Fu Xi in Wuhan Fulu				14,609,091	74.20%
Mr. Zhang Yuguo (張雨果)	Beneficial interest	Wuhan Fulu	Long position	2,968,324	15.08%
	Beneficial interest ⁽²⁾	Kashgar Yiqiwan	Long position	9,900,000	99.00%
Mr. Shui Yingyu (水英聿)	Beneficial interest	Wuhan Fulu	Long position	1,384,998	7.03%
Mr. Zhao Bihao (趙筆浩)	Beneficial interest	Wuhan Fulu	Long position	726,522	3.69%

Notes:

- (1) Mr. Fu Xi is the general partner of Tibet Fuxu and Tibet Fulong, which in turn directly hold 12.72% and 11.45% of the equity interests in Wuhan Fulu respectively. Under the SFO, Mr. Fu Xi is deemed to be interested in the 24.17% together held by Tibet Fuxu and Tibet Fulong in Wuhan Fulu.
- (2) Mr. Zhang Yuguo is holding 99% equity interest in Kashgar Yiqiwan as registered shareholder of Kashgar Yiqiwan, as designated by WFOE.

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

As of the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity	Nature of interest	Number of Shares	Approximate percentage of the issued share capital of the Company (%)
FuXi Limited ⁽¹⁾	Beneficial interest	Long position	139,284,300	34.82%
	Interest in controlled corporations	Long position	37,350,300	9.34%
Zhangyuguo Holdings ⁽²⁾	Beneficial interest	Long position	45,999,600	11.50%
Ms. Li Dongzhi (李東芝) ⁽²⁾	Interest of spouse	Long position	45,999,600	11.50%
Shuiyingyu Holdings ⁽³⁾	Beneficial interest	Long position	21,103,200	5.28%
Ms. Wang Longmei (王龍妹) ⁽³⁾	Interest of spouse	Long position	21,103,200	5.28%
Luzhi Holdings ⁽⁴⁾	Beneficial interest	Long position	39,433,800	9.86%
Xu Jian (徐健) ⁽⁴⁾	Interest in a controlled corporation	Long position	39,433,800	9.86%

OTHER INFORMATION

Notes:

- (1) FuXi Limited directly holds 139,284,300 Shares, and its wholly-owned subsidiaries Fuzhi Holdings and Fuxu Holdings hold 37,350,300 Shares in total. Under the SFO, FuXi Limited is deemed to be interested in the Shares held by Fuzhi Holdings and Fuxu Holdings.
- (2) Mr. Zhang Yuguo holds the entire share capital of Zhangyuguo Holdings. Under the SFO, Mr. Zhang Yuguo is deemed to be interested in the Shares held by Zhangyuguo Holdings. Ms. Li Dongzhi is deemed to be interested in all the Shares held by Mr. Zhang Yuguo, her spouse.
- (3) Mr. Shui Yingyu holds the entire share capital of Shuiyingyu Holdings. Under the SFO, Mr. Shui Yingyu is deemed to be interested in the Shares held by Shuiyingyu Holdings. Ms. Wang Longmei is deemed to be interested in all the Shares held by Mr. Shui Yingyu, her spouse.
- (4) Luzhi Holdings, is owned as to 14.52%, 3.65%, 2.99%, 2.72%, 2.72%, 34.36%, 10.24%, 3.39%, 3.21%, 7.14% and 11.00% by Mr. Yang Yuquan, Mr. Liu Lufeng, Ms. Shen Yaling, Mr. Wang Qiang, Ms. Guo Chenxi, Mr. Xu Jian, Mr. Ren Wei, Mr. Mei Qiaojun, Mr. Li Jun, Mr. Ding Chao and Mr. Chen Tianjun, respectively, each of whom an employee of the Group as of August 28, 2020, and 4.06% by Mr. Tian Xuan, who is a former employee of the Group. Under the SFO, because Mr. Xu Jian holds 34.36% of the total issued share capital of Luzhi Holdings, Mr. Xu Jian is deemed to be interested in the Shares held by Luzhi Holdings.

Save as disclosed above, as of the Latest Practicable Date, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MATERIAL LITIGATION

During the Reporting Period, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	5	158,650	121,829
Cost of sales		(25,837)	(25,904)
Gross profit		132,813	95,925
Other income and gains		5,504	2,361
Selling and distribution expenses		(25,488)	(16,461)
Administrative expenses		(21,813)	(11,038)
Research and development costs		(12,281)	(8,869)
Impairment losses on financial and contract assets, net	6	(563)	(2,972)
Other expenses		(581)	(124)
Finance costs		(3,016)	(4,121)
PROFIT BEFORE TAX	6	74,575	54,701
Income tax expense	7	(3,352)	(2,727)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		71,223	51,974
Attributable to:			
Owners of the parent		71,223	52,016
Non-controlling interests		–	(42)
		71,223	51,974
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the period (RMB)	9	0.24	0.17

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,927	2,781
Right-of-use assets		1,920	2,489
Goodwill		674	674
Other intangible assets		5,501	5,810
Deferred tax assets		4,117	4,043
Total non-current assets		14,139	15,797
CURRENT ASSETS			
Trade receivables	10	80,455	53,419
Contract assets		57,136	54,727
Prepayments, other receivables and other assets	11	384,807	338,627
Due from related parties	15	12,301	12,380
Pledged deposits		50	600
Cash and cash equivalents		5,422	8,983
Total current assets		540,171	468,736
CURRENT LIABILITIES			
Trade payables	12	57,444	23,476
Other payables and accruals		91,713	117,513
Due to related parties	15	1,440	3,441
Interest-bearing bank and other borrowings	13	70,000	61,480
Lease liabilities		2,152	1,580
Tax payable		6,315	7,212
Dividends payable	14	–	15,000
Total current liabilities		229,064	229,702
NET CURRENT ASSETS		311,107	239,034
TOTAL ASSETS LESS CURRENT LIABILITIES		325,246	254,831
NON-CURRENT LIABILITIES			
Lease liabilities		259	1,067
Total non-current liabilities		259	1,067
NET ASSETS		324,987	253,764
EQUITY			
Equity attributable to owners of the parent			
Share capital		70	70
Reserves		324,917	253,694
TOTAL EQUITY		324,987	253,764

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent							Total equity RMB'000
	Share capital RMB'000	Merger reserve and others RMB'000	Share-based payment reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2020 (Audited)	70	19,416	43,722	16,332	174,224	253,764	–	253,764
Profit for the period	–	–	–	–	71,223	71,223	–	71,223
At 30 June 2020 (Unaudited)	70	19,416	43,722	16,332	245,447	324,987	–	324,987

	Attributable to owners of the parent							Total equity RMB'000
	Share capital RMB'000	Merger reserve and others RMB'000	Share-based payment reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2019 (Audited)	–	19,689	23,798	14,362	128,283	186,132	(250)	185,882
Profit for the period	–	–	–	–	52,016	52,016	(42)	51,974
Dividends paid to the then shareholders (note 8)	–	–	–	–	(9,362)	(9,362)	–	(9,362)
At 30 June 2019 (Unaudited)	–	19,689	23,798	14,362	170,937	228,786	(292)	228,494

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		74,575	54,701
Adjustments for:			
Depreciation of property, plant and equipment	6	821	810
Amortisation of intangible assets	6	309	43
Depreciation of right-of-use assets	6	1,018	1,106
Interest income		(60)	(43)
Finance costs		3,016	4,121
Loss on disposal of property, plant and equipment		4	–
		79,683	60,738
Increase in trade receivables		(27,036)	(32,573)
Increase in contract assets		(2,409)	(1,052)
Increase in prepayments, other receivables and other assets		(46,180)	(9,359)
Decrease/(increase) in due from related parties		79	(2,740)
Increase in trade payables		33,968	13,726
Decrease in other payables and accruals		(26,124)	(1,839)
		11,981	26,901
Cash generated from operations		11,981	26,901
Income tax paid		(4,323)	(9,150)
		7,658	17,751
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(10)	(1,084)
Proceeds from disposal of property, plant and equipment		39	–
Additions to other intangible assets		–	(3,938)
Interest received		60	43
		89	(4,979)
Net cash flows generated from/(used in) investing activities		89	(4,979)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in pledged deposits	550	3,450
New bank and other borrowings	71,600	162,440
Principal portion of lease payments	(685)	(1,094)
Repayment of bank and other borrowings	(63,080)	(188,920)
Borrowing from related parties	17,895	15,830
Repayment of loans from related parties	(19,896)	–
Dividends paid to the then shareholders	(15,000)	(9,362)
Interest paid	(2,692)	(2,896)
Net cash flows used in financing activities	(11,308)	(20,552)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the period	8,983	11,977
CASH AND CASH EQUIVALENTS		
AT END OF THE PERIOD	5,422	4,197
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,472	4,797
Less: Pledged bank balances	(50)	(600)
	5,422	4,197

1 CORPORATE AND GROUP INFORMATION

Fulu Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 31 October 2019. The registered office address of the Company is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

During the six month ended 30 June 2020 (the “**reporting period**”), the Company and its subsidiaries (the “**Group**”) were principally engaged in provision of services to facilitate virtual goods transactions.

In the opinion of the Directors, the ultimate controlling shareholder of the Company is Mr. Fu Xi.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 September 2020 (the “**Listing Date**”).

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

The unaudited interim condensed financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“**IASB**”).

The interim condensed financial information does not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s historical financial information for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 (the “**Historical Financial Information**”) as set out in Appendix I of the Company’s prospectus dated 7 September 2020 (the “**Prospectus**”).

The accounting policies applied in the preparation of the unaudited interim condensed financial information is consistent with those applied in the preparation of the Historical Financial Information.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the unaudited interim condensed financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The significant judgements made by the management in applying the Group’s accounting policies and key sources of uncertainty were the same as those applied in the preparation of the Historical Financial Information.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

- (a) Leisure and entertainment, which primarily includes commissions earned from facilitating the sale of virtual goods offered by leisure and entertainment content providers, operating services for online stores and other services provided to leisure and entertainment content providers;
- (b) Games, which primarily includes commissions earned from facilitating the sale of virtual goods offered by game producers, operating services for online stores and other services provided to game producers;
- (c) Telecommunications, which primarily includes commissions earned from providing virtual goods related agency services and other services to telecom providers;
- (d) Lifestyle, which primarily includes commissions earned from facilitating the sale of virtual goods offered by lifestyle services providers and other services provided to lifestyle services providers.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment operating profit which is calculated based on gross profit. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision-maker for review.

Six months ended 30 June 2020	Leisure and entertainment <i>RMB'000</i> (Unaudited)	Games <i>RMB'000</i> (Unaudited)	Telecommunications <i>RMB'000</i> (Unaudited)	Lifestyle <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue					
External customers (note 5)	75,403	58,088	18,719	6,440	158,650
Segment cost	(8,286)	(8,528)	(8,014)	(1,009)	(25,837)
Gross profit	67,117	49,560	10,705	5,431	132,813
<i>Reconciliation:</i>					
Unallocated income and gains					5,504
Corporate and unallocated expense					(60,726)
Finance costs					(3,016)
Profit before tax					74,575

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

4 OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2019	Leisure and entertainment <i>RMB'000</i> (Unaudited)	Games <i>RMB'000</i> (Unaudited)	Telecommunications <i>RMB'000</i> (Unaudited)	Lifestyle <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue					
External customers (note 5)	62,124	48,819	7,722	3,164	121,829
Segment cost	(4,207)	(17,740)	(3,534)	(423)	(25,904)
Gross profit	57,917	31,079	4,188	2,741	95,925
<i>Reconciliation:</i>					
Unallocated income and gains					2,361
Corporate and unallocated expense					(39,464)
Finance costs					(4,121)
Profit before tax					54,701

(a) Revenue from external customers

All significant external customers of the Group are located in Mainland China. Accordingly, no geographical information of external customers is presented.

(b) Non-current assets

All significant non-current assets of the Group are located in Mainland China. Accordingly, no geographical information of segment assets is presented.

5 REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
<i>Revenue from contracts with customers</i>		
Virtual goods-related services		
– acted as an agent	119,801	118,627
Online stores operating services		
– acted as an agent	36,290	2,972
Others		
– acted as a principal	2,559	230
	158,650	121,829

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

5 REVENUE (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers

Six months ended 30 June 2020

Segments	Leisure and entertainment <i>RMB'000</i> (Unaudited)	Games <i>RMB'000</i> (Unaudited)	Telecommunications <i>RMB'000</i> (Unaudited)	Lifestyle <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of services					
Provision of virtual goods-related services	66,951	27,691	18,719	6,440	119,801
Provision of online stores operating services	7,731	28,559	–	–	36,290
Others	721	1,838	–	–	2,559
Total revenue from contracts with customers	75,403	58,088	18,719	6,440	158,650
Timing of revenue recognition:					
Services transferred at a point in time	75,403	58,088	18,719	6,440	158,650

Six months ended 30 June 2019

Segments	Leisure and entertainment <i>RMB'000</i> (Unaudited)	Games <i>RMB'000</i> (Unaudited)	Telecommunications <i>RMB'000</i> (Unaudited)	Lifestyle <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of services					
Provision of virtual goods-related services	59,152	48,589	7,722	3,164	118,627
Provision of online stores operating services	2,972	–	–	–	2,972
Others	–	230	–	–	230
Total revenue from contracts with customers	62,124	48,819	7,722	3,164	121,829
Timing of revenue recognition:					
Services transferred at a point in time	62,124	48,819	7,722	3,164	121,829

The Group's revenue was derived solely from its operation in Mainland China.

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Employee benefit expense* (including directors' and chief executive's remuneration):		
Wages and salaries	30,380	21,379
Pension scheme contributions	544	1,423
Social security contributions and accommodation benefits	938	1,340
	31,862	24,142
Promotion and marketing expenses	21,841	13,143
Commission to third party platforms	14,401	15,977
Listing expenses	9,593	–
Platform usage fees and others	1,409	2,051
Depreciation of right-of-use assets	1,018	1,106
Depreciation of property, plant and equipment	821	810
Impairment losses on financial and contract assets, net	563	2,972
Amortisation of intangible assets	309	43

* Employee benefit expenses of RMB11,085,000 and RMB7,646,000 were included in the research and development costs for the six months ended 30 June 2020 and 2019, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

7 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The majority of the Company's subsidiaries are domiciled in the PRC. Pursuant to the PRC Corporate Income Tax Law (the "PRC Tax Law") effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in the PRC during the reporting period was 25% of their taxable profits.

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current – PRC		
Charge for the period	3,426	2,993
Deferred tax	(74)	(266)
Total tax charge for the period	3,352	2,727

8 DIVIDENDS

No dividends were declared by the Company since its incorporation.

The dividends declared by the Company's subsidiaries to their then shareholders during the reporting period is as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Dividends	–	9,362

9 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 300,000,000 (For six months ended 30 June 2019: 300,000,000) comprises 100,000,000 ordinary shares issued during the year ended 31 December 2019 and 200,000,000 ordinary shares issued pursuant to the capitalization issue after the reporting period. For detailed information, please refer to note 17.

The Group had no potentially dilutive ordinary shares in issue during the reporting period.

The calculations of basic earnings per share during both periods are based on the assumption that the issues had been effective on 1 January 2019:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	71,223	52,016

	Number of shares Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	300,000,000	300,000,000

On 18 September 2020, the shares of the Company were listed on the Stock Exchange, and in connection with the Company's listing, 100,000,000 new shares of the Company were issued and allotted at the offer price of HK\$8.90 per share. The transactions occur after the end of the reporting period and that would have changed significantly the number of ordinary shares of the Company outstanding at the end of reporting period if those transactions had occurred before the end of the reporting period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

10 TRADE RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	82,824	55,382
Impairment	(2,369)	(1,963)
	80,455	53,419

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 3 months	62,335	46,181
4 to 6 months	13,450	4,159
7 to 12 months	3,684	2,496
Over 1 year	986	583
	80,455	53,419

11 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Prepayments to virtual goods providers		
Non-refundable	256,286	215,882
Refundable	15,541	21,555
Other receivables	62,721	46,594
Deposits to virtual goods providers	46,454	53,112
Prepaid value-added tax	21,586	18,747
Prepayments for various services	2,392	2,766
	404,980	358,656
Impairment allowance	(20,173)	(20,029)
	384,807	338,627

Refundable prepayments, deposits and other receivables mainly represent refundable prepayments and deposits to virtual goods providers, receivables from online platform operators (such as Tmall and JD) and other receivables from third parties. Where applicable, an impairment analysis is performed at 30 June 2020 and 31 December 2019 by considering the probability of default of the industry. Except for specific balances, for which a 100% ECL rate is determined, as at 30 June 2020 and 31 December 2019, the probability of default applied ranged from 0.001% to 1.48% and 0.001% to 1.49%, respectively. And the loss given default was estimated to be 65.65% and 65.65%, respectively. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

12 TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 3 months	51,439	22,648
4 to 6 months	5,783	355
7 to 12 months	68	473
Over 1 year	154	–
	57,444	23,476

13 INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Bank loans	65,000	61,480
Other borrowings	5,000	–
Total	70,000	61,480
<u>Bank loans</u>		
Secured	65,000	60,520
Unsecured	–	960
	65,000	61,480
<u>Other borrowings</u>		
Unsecured	5,000	–

13 INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The Group's bank loans and other borrowings were interest-bearing at rates ranging from 5.89% to 18.25% per annum in the six months ended 30 June 2020 and ranging from 4.00% to 18.25% per annum in the year ended 31 December 2019.

As at 30 June 2020, the Group's interest-bearing bank loans of RMB5,000,000 (31 December 2019: RMB5,000,000) were guaranteed by Mr. Fu Xi and Mr. Shui Yingyu.

As at 30 June 2020, the Group's interest-bearing bank loans of RMB10,000,000 (31 December 2019: RMB5,000,000) were guaranteed by Mr. Fu Xi.

As at 30 June 2020, the Group's interest-bearing bank loans of RMB50,000,000 (31 December 2019: RMB50,000,000) were secured by the pledge of a property owned by a related company, Wuhan Xunyue Technology Co., Ltd. In addition, the above loans were guaranteed by Mr. Fu Xi. and secured by the pledge of accounts receivable of RMB30,000,000 (31 December 2019: RMB30,000,000).

14 DIVIDENDS PAYABLE

A subsidiary, Kashgar Yiqiwan declared a dividend of RMB15,000,000 to its then shareholders on 16 December 2019. As at 30 June 2020, all the dividend payable had been paid.

15 RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Mr. Fu Xi	Controlling shareholder, director of the Company and key management personnel of the Group
Wuhan Xunyue Technology Co., Ltd.	Controlled by the Controlling shareholder
Tibet Fuxu Venture Capital Management Partnership	Controlled by the Controlling shareholder
Tibet Fulong Venture Capital Management Partnership	Controlled by the Controlling shareholder
Mr. Shui Yingyu	Director of the Company and key management personnel of the Group
Mr. Zhao Bihao	Director of the Company and key management personnel of the Group
Mr. Xu Jian	Key management personnel of the Group
Mr. Ren Wei	Key management personnel of the Group
Mr. Chen Tianjun	Key management personnel of the Group
Luqu (Shanghai) Technology Co., Ltd	Controlled by the director of the Company

15 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) *The Group had the following transactions with related parties during the reporting period:*

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<i>Borrowing from related parties</i>		
Mr. Shui Yingyu	16,455	13,084
Luqu (Shanghai) Technology Co., Ltd	850	–
Wuhan Xunyue Technology Co., Ltd.	590	746
Mr. Zhao Bihao	–	2,000
	17,895	15,830
<i>Repayment of loans to related parties</i>		
Wuhan Xunyue Technology Co., Ltd.	11	–
Mr. Shui Yingyu	19,885	–
	19,896	–
<i>Interest paid to related parties</i>		
Mr. Shui Yingyu	308	84

Guarantees provided by related parties

During the reporting period, certain of the Group's interest-bearing bank and other borrowings were guaranteed by related parties. For detailed information, please refer to note 13.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

15 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<i>Due from related parties</i>		
Mr. Xu Jian	6,196	6,196
Mr. Zhao Bihao	2,371	2,371
Mr. Ren Wei	1,911	1,911
Mr. Chen Tianjun	1,677	1,677
Mr. Shui Yingyu	76	76
Shareholders of the Company	70	70
Tibet Fuxu Venture Capital Management Partnership	–	29
Tibet Fulong Venture Capital Management Partnership	–	50
	12,301	12,380
<i>Due to related parties</i>		
Wuhan Xunyue Technology Co., Ltd.	590	11
Luqu (Shanghai) Technology Co., Ltd	850	–
Mr. Shui Yingyu	–	3,430
	1,440	3,441
<i>Lease liabilities</i>		
Wuhan Xunyue Technology Co., Ltd.	725	792

The aggregate amounts due from Mr. Xu Jian, Mr. Zhao Bihao, Mr. Ren Wei, Mr. Chen Tianjun and Mr. Shui Yingyu amounted to RMB12,231,000 and RMB12,231,000 as at 30 June 2020 and 31 December 2019, respectively, which were of withholding individual income tax for equity-settled shared-based payments.

15 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Outstanding balances with related parties: (continued)**

Except for lease liabilities and amounts due to Mr. Shui Yingyu, other balances with related parties were all interest-free and with no fixed repayment terms.

The amounts due to Mr. Shui Yingyu were interest-bearing at an interest of 18.25% per annum and repayable on demand.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Salaries, allowances and benefit in kind	1,833	1,610
Pension scheme contributions	11	128
Total compensation paid to key management personnel	1,844	1,738

16 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from/to related parties, short-term interest-bearing bank and other borrowings and dividends payable approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of the reporting period, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

17 EVENTS AFTER THE REPORTING PERIODCompletion of the listing

Pursuant to a written resolution of the shareholders of the Company passed on 29 August 2020, a total of 200,000,000 shares of USD\$0.0001 each were allotted and issued at par value to the shareholders as of the date immediately before the listing date on a pro rata by way of capitalisation of USD\$20,000 from the Company's share premium account on the date of listing.

On 18 September 2020, the shares of the Company were listed on the Stock Exchange, in connection with Company's listing, 100,000,000 new shares of the Company were issued and allotted at the offer price of HK\$8.90 per share.

DEFINITIONS AND GLOSSARY

Unless the context otherwise requires, the following expressions in this report shall have the following meanings:

“Audit Committee”	the audit committee of our Company
“Auditor”	the external auditor of our Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company” or “our Company” or “the Company” or “we” or “us”	Fulu Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 2101)
“Consolidated Affiliated Entities”	the entities we control through the contractual arrangements, namely the PRC Holdcos and their respective subsidiaries
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to each of Mr. Fu Xi, Mr. Zhang Yuguo, Mr. Shui Yingyu, Mr. Zhao Bihao, FuXi Limited, Fuxu Holdings, Fuzhi Holdings, Zhangyuguo Holdings, Shuiyingyu Holdings and Zhaobihao Holdings or all of them as a group of Controlling Shareholders
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Directors”	director(s) of our Company
“Fulu Technology” or “WFOE”	Fulu (Wuhan) Technology Co., Ltd (福祿(武漢) 科技有限公司), a limited liability company established in the PRC on December 25, 2019 and a wholly-owned subsidiary of our Company
“FuXi Limited”	FuXi Limited, a limited liability company incorporated in the BVI on June 27, 2019 and wholly owned by Mr. Fu Xi. It is one of our Controlling Shareholders
“Fuxu Holdings”	Fuxu Holdings Limited, a limited liability company incorporated in the BVI on September 12, 2019 and wholly owned by FuXi Limited. It is one of our Controlling Shareholders

“Fuzhi Holdings”	Fuzhi Holdings Limited, a limited liability company incorporated in the BVI on September 3, 2019 and wholly owned by FuXi Limited. It is one of our Controlling Shareholders
“Global Offering”	the global offering comprises the Hong Kong public offering of 50,000,000 Shares and the international offering of 50,000,000 Shares (subject to the over-allotment option granted by the Company)
“GMV”	gross merchandize value, which equals to the sales price per item (inclusive of VAT) multiplied by the number of items sold. The GMV of virtual goods transactions we facilitated as disclosed in this report excludes the GMV of virtual goods transactions that occur in online stores we operate for virtual goods vendors
“Group” or “our Group” or “the Group”	our Company, our subsidiaries and the Consolidated Affiliated Entities from time to time, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the subsidiaries as if they were the subsidiaries of our Company at the relevant time (or our Company and any one or more of its subsidiaries, as the context may require)
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“Kashgar Yiqiwan”	Kashgar Yiqiwan Network Technology Co., Ltd. (喀什一起玩網絡科技有限公司), a limited liability company established in the PRC on March 27, 2017, and one of the PRC Holdcos
“Latest Practicable Date”	September 22, 2020 being the latest practicable date for the purpose of ascertaining certain information contained in this report
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	September 18, 2020, being the date on which the Shares were listed on the Main Board of the Stock Exchange

DEFINITIONS AND GLOSSARY

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Luzhi Holdings”	Luzhi Holdings Limited, a limited liability company incorporated in the BVI on September 20, 2019 and owned as to 14.52%, 3.65%, 2.99%, 2.72%, 2.72%, 34.36%, 10.24%, 3.39%, 3.21%, 7.14% and 11.00% by Mr. Yang Yuquan, Mr. Liu Lufeng, Ms. Shen Yaling, Mr. Wang Qiang, Ms. Guo Chenxi, Mr. Xu Jian, Mr. Ren Wei, Mr. Mei Qiaojun, Mr. Li Jun, Mr. Ding Chao and Mr. Chen Tianjun, respectively, each of whom a current employee of the Group, and 4.06% by Mr. Tian Xuan, a former employee of the Group
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China. For the purposes of this report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“PRC Holdcos”	Kashgar Yiqiwan and Wuhan Fulu
“Prospectus”	the prospectus of the Company dated September 7, 2020
“Reporting Period”	the six months ended June 30, 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	holder(s) of our Shares
“Shares”	ordinary share(s) with a nominal value of US\$0.0001 each in the capital of our Company

“Shuiyingyu Holdings”	Shuiyingyu Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“Sole Global Coordinator”	CMB International Capital Limited, the sole global coordinator of the Global Offering of the Company
“Tibet Fulong”	Tibet Fulong Venture Capital Management Partnership (Limited Partnership) (西藏福隆創業投資管理合夥企業 (有限合夥)), a limited liability partnership established in the PRC on January 12, 2017 and owned by Mr. Ren Wei as to 11.75%, Mr. Fu Xi as to 35.36%, Mr. Ding Chao as to 6.29%, Mr. Xu Jian as to 39.31%, Mr. Chen Tianjun as to 4.37%, Mr. Mei Qiaojun as to 1.18% and Mr. Li Jun as to 1.75%. Mr. Fu Xi is our Controlling Shareholder and an executive Director. Mr. Ren Wei, Mr. Xujian and Mr. Chen Tianjun are members of our senior management. Mr. Ding Chao, Mr. Mei Qiaojun and Mr. Li Jun are our employees. Mr. Fu Xi is the sole general partner of Tibet Fulong
“Tibet Fulu”	Tibet Fulu Network Technology Co., Ltd. (西藏福祿網絡科技有限公司), a limited liability company established in the PRC on December 8, 2016, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Tibet Fuxu”	Tibet Fuxu Venture Capital Management Partnership (Limited Partnership) (西藏福旭創業投資管理合夥企業 (有限合夥)), a limited liability partnership established in the PRC on January 17, 2017 and owned by Mr. Fu Xi as to 37.74%, Mr. Yang Yuquan as to 15.01%, Mr. Liu Lufeng as to 3.78%, Ms. Shen Yaling as to 3.09%, Mr. Wang Qiang as to 2.81%, Ms. Guo Chenxi as to 2.81%, Mr. Zhang Yuguo as to 2.02%, Mr. Zhao Bihao as to 15.09%, Mr. Tian Xuan as to 4.19%, Mr. Xu Jian as to 0.11%, Mr. Ding Chao as to 1.72%, Mr. Mei Qiaojun as to 2.44%, Mr. Chen Tianjun as to 7.43% and Mr. Li Jun as to 1.75%. Mr. Fu Xi, Mr. Zhang Yuguo and Mr. Zhao Bihao are our Controlling Shareholders and executive Directors. Mr. Chen Tianjun and Mr. Xu Jian are members of our senior management. Mr. Yang Yuquan, Mr. Liu Lufeng, Ms. Shen Yaling, Mr. Wang Qiang, Ms. Guo Chenxi, Mr. Ding Chao, Mr. Mei Qiaojun and Mr. Li Jun are our employees. Mr. Tian Xuan is a former employee of the Group. Mr. Fu Xi is the sole general partner of Tibet Fuxu

DEFINITIONS AND GLOSSARY

“Tibet Huluwa”	Tibet Huluwa Network Technology Co., Ltd. (西藏葫蘆娃網絡科技有限公司), a limited liability company established in the PRC on May 15, 2019, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“US\$”	U.S. dollars, the lawful currency of the United States of America
“VAT”	value-added tax
“Wuhan Fulu”	Wuhan Fulu Network Technology Co., Ltd. (武漢福祿網絡科技有限公司), a limited liability company established in the PRC on March 24, 2009, and one of our PRC Holdcos
“Wuhan Yiqiyou”	Wuhan Yiqiyou Network Technology Co., Ltd. (武漢一起遊網絡科技有限公司), a limited liability company established in the PRC on June 4, 2012, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Xinjiang Fulu”	Xinjiang Fulu Network Technology Co., Ltd. (新疆福祿網絡科技有限公司), a limited liability company established in the PRC on December 27, 2016, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Zhangyuguo Holdings”	Zhangyuguo Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“Zhaobihao Holdings”	Zhaobihao Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“%”	per cent