



2015

INTERIM REPORT



Feiyu Technology International Company Ltd.

飛魚科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1022





**SIMPLE
&
INTERESTING**



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YAO Jianjun (*Chairman and Chief Executive Director*)

Mr. CHEN Jianyu (*President*)

Mr. BI Lin (*Vice President*)

Mr. SUN Zhiyan (*Chief Technology Officer*)

Mr. LIN Jiabin (*Vice President*)

Mr. LIN Zhibin (*Vice President*)

Independent Non-executive Directors

Ms. LIU Qianli

Mr. LAI Xiaoling

Mr. MA Suen Yee Andrew

AUDIT COMMITTEE

Ms. LIU Qianli (*Chairwoman*)

Mr. LAI Xiaoling

Mr. MA Suen Yee Andrew

REMUNERATION COMMITTEE

Ms. LIU Qianli (*Chairwoman*)

Mr. BI Lin

Mr. LAI Xiaoling

NOMINATION COMMITTEE

Mr. YAO Jianjun (*Chairman*)

Ms. LIU Qianli

Mr. MA Suen Yee Andrew

AUTHORIZED REPRESENTATIVES

Mr. BI Lin

Mr. CHEUNG Man Yu

COMPANY SECRETARY

Mr. CHEUNG Man Yu

LEGAL ADVISORS

As to Hong Kong law:

**Brandt Chan & Partners in association with
Dentons HK LLP**

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Grand Cayman KY1-1111

Cayman Islands

AUDITOR

Ernst & Young

Certified Public Accountants

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Hong Kong

COMPLIANCE ADVISER

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Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

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Cayman Islands

CORPORATE HEADQUARTERS

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Xiamen, Fujian Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive,
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor
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Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Industrial and Commercial Bank of China Xiamen Branch, Chengjian sub-branch

No. 270 Lujiang Road
Xiamen, Fujian Province
PRC

China Merchants Bank, Beijing branch Jianwaidajie sub-branch

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INVESTOR RELATIONS

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COMPANY'S WEBSITE

www.feiyuhk.com

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

01022

DATE OF LISTING

5 December 2014

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 30 June		
	2015 (RMB'000)	2014 (RMB'000)	Change %
Revenue (unaudited/audited)	201,420	129,230	55.9
Gross profit (unaudited/audited)	177,851	112,353	58.3
Profit before tax (unaudited/audited)	97,908	55,345	76.9
Profit for the period attributable to owners of the parent (unaudited/audited)	63,970	51,418	24.4
Non-IFRSs Measures			
– Adjusted Net Profit attributable to owners of the parent (unaudited) ⁽¹⁾	113,366	75,670	49.8
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	RMB0.04	RMB0.05	
– Diluted	RMB0.04	RMB0.05	

Note:

- (1) We define adjusted net profit attributable to owners of the parent as net income or loss attributable to owners of the parent excluding share-based compensation, amortization of intangible assets recognized for acquisitions and listing fees in connection with the Global Offering completed in 2014. The term of adjusted net profit attributable to owners of the parent is not defined under IFRSs. The use of adjusted net profit attributable to owners of the parent has material limitations as an analytical tool as it does not include all items that would impact our net loss or income attributable to owners of parent for the accounting period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 30 June 2015 (RMB'000) (Unaudited)	As of 31 December 2014 (RMB'000) (Audited)	Change %
Assets			
Non-current assets	650,004	480,666	35.2
Current assets	669,952	746,653	(10.3)
Total assets	1,319,956	1,227,319	7.5
Equity and liabilities			
Total equity	1,251,959	1,150,106	8.9
Non-current liabilities	9,091	9,603	(5.3)
Current liabilities	58,906	67,610	(12.9)
Total liabilities	67,997	77,213	(11.9)
Total equity and liabilities	1,319,956	1,227,319	7.5

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2015, the global games industry remained highly competitive. China's mobile game sector continued to see rapid growth as online games have become increasingly popular among smartphone users while both opportunities and challenges exist in this industry. We focused on developing, marketing and operating our mobile games globally with the execution of our corporate strategy for 2015. We continued to improve our offerings, including frequently updating our games with new features and contents, creating new and innovative game play of existing games, releasing overseas versions and developing new games.

We are encouraged by the significant progress of our corporate strategy of focus on mobile games, which benefited from continued innovation and enhancement of our key games in the first half of 2015. Revenue from mobile games accounted for approximately 84.9% of total revenue for the six months ended 30 June 2015, compared to 69.6% for the corresponding period in 2014. Our hit game *San Guo Zhi Ren* (三國之刃) has enjoyed widespread popularity among players since its launch on Tencent platforms in the second half of 2014 which continued to be a smash hit in the first half of 2015. In terms of overseas market, we continued to enter new target markets through cooperating with selected overseas channels which continuously broaden the base of game player and strengthen our distribution networks. In the first quarter of 2015, we successfully released the traditional Chinese version of *San Guo Zhi Ren* (三國之刃) in Taiwan. We also launched two new mobile casual games titled *Divas Hit the Road* (花兒與少年) and *Plump Fish* (小魚飛飛) in the first half of 2015.

As a game development company, our business is based on creation, acquisition, exploitation and protection of intellectual property ("IP"). To seize the trend of cross-boundary integration in the pan-entertainment era taking full advantage of the great popularity and unique design of our self-developed games, we began to roll out cross-boundary activities based on our IPs. In the first half of 2015, we licensed China Children's Publishing House for publishing *Carrot Fantasy* books based on the cute cartoon characters, interesting tower-defense scenarios and lovely background graphics of our *Carrot Fantasy* series games. *Carrot Fantasy* books not only provided a new revenue generation source for us and facilitated marketing of the games, but also set a successful example of extending business line in the IP ecosystem. Thanks to the solid brand awareness of the games, the books received great response since their publication and were on the bestseller list of *Jinghua Times* and ranked No.1 in the children's list. According to the website of Beijing Openbook Co., Ltd. (www.openbook.com.cn), *Carrot Fantasy* series took the 2nd to 7th positions in terms of sales volume among children's books in China from 2 to 8 February 2015.

In addition, to promote and enhance our IPs, we made an attempt to produce a self-made network drama for one of our existing games, *Jiong Xi You* (囧西遊), with the same title. *Jiong Xi You* (囧西遊) is a RPG mobile game based on a renowned Chinese novel *Journey to the West* and has adopted a visual cartoon, humorous and whimsical style. The network drama of *Jiong Xi You* (囧西遊) follows the theme of the mobile game and retells the main story line of *Journey to the West* in a humorous and whimsical style. The network drama was clicked for over 100 million times as of 30 June 2015. We believe the phenomenon of pan-entertainment not only broadens our business line but also increases the popularity of the games we introduced.

On 25 June 2015, Feiyu Technology Hong Kong Limited, a direct wholly-owned subsidiary of the Company ("Feiyu Hong Kong") and Fine Point Development Limited ("Fine Point") entered into an agreement pursuant to which Feiyu Hong Kong has conditionally agreed to purchase, and Fine Point has conditionally agreed to sell, 100% equity interest in Jiaxi Global Limited which indirectly holds 25% of the registered capital of each of Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou") and Xiamen Zhangxin Interactive Technology Co., Ltd. ("Xiamen Zhangxin"). The acquisition consideration is HK\$424.8 million, which shall be satisfied by allotting and issuing a maximum of 118,000,000 consideration shares, credited as fully paid, at the issue price of HK\$3.6 per consideration share to Fine Point (or its nominee) subject to the approval of the independent shareholders of the Company. Please refer to the Company's announcement dated 25 June 2015 and circular dated 27 July 2015 for details. Upon completion of the acquisition, the Group will indirectly hold 100% equity interests in Xiamen Yidou and Xiamen Zhangxin which will enable us to enhance our profitability and gain complete control over Xiamen Yidou and Xiamen Zhangxin in the future.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK FOR 2015

For existing games, we will make great efforts to extend their lifecycle and improve customer life time value through enhancing user experience and introducing more value-added features. At the same time, we will continue to explore cooperation with different game platforms to penetrate into new overseas markets. In the second half of 2015, we are planning to release more language versions of San Guo Zhi Ren (三國之刃) in selected Asian countries, such as South Korea, Thailand, Singapore, Malaysia and Vietnam in order to further broaden the base of game players.

We will also continue to broaden our product portfolio by introducing new mobile games and web games. In the second half of 2015, we plan to launch 6 games (4 mobile RPG games and 2 mobile casual games) including Beauty Warriors (美人無雙), Battery Run (電池快跑), Carrot Fantasy III (保衛蘿蔔3), Shen Xian Dao II (神仙道2) and Jiong Xi You II (囧西遊2). In July 2015, we have commercially launched Beauty Warriors (美人無雙), a mobile RPG collectible card game. We believe our new games will act as our new growth drivers.

We have established a merchandise licensing operation team, which will cover a diverse range of product categories, such as books, toys, apparel, stationery and accessories etc.. The Company licenses characters from its games for use on third-party products in these categories and earns royalties, which are usually based on a fixed percentage of the wholesale or retail selling price of the products. In the second half of 2015, we will strive to expand this business line which will not only become a new source of revenue of the Company, but it will also help to promote and enhance the value of our IPs.

Alongside the economic growth in China, the consumption level amongst the population in China on entertainment and cultural activities is increasing. China has become the second largest movie market in the world in terms of box office where animations and self-made network dramas have also become more popular in the PRC. We witnessed the synergies among games, network dramas, movies and animations which gained a good reputation and considerable economic benefits. By leveraging the Company's reputable IPs and tremendous player bases, we can effectively integrate our proprietary game characters into different "pan-entertainment" business segments and use them as the major theme characters in order to generate synergies among the businesses. In the second half of 2015, one of our key corporate strategies is to proactively proceed with the layout of our "pan-entertainment" and IP ecological system. This may involve cooperation or acquisition of multimedia entertainment businesses in the target markets of the Group through different means and strategic alliances. Following the high click rate of our first self-made network drama, Jiong Xi You (囧西遊), we will launch its sequel in the second half of 2015.

Leveraging our strong research and development capability as well as implementing strategic cooperation, our product content and value will be enhanced which will in turn bolster the Group's overall competitiveness in the pan-entertainment business across different media.

The Group's business plans and principles have been carefully evaluated and are expected to promote its business. The Directors are therefore very positive on the business prospects of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM/SPECIAL DIVIDEND

The Board declared an interim dividend of HK2.0 cents per ordinary Share (equivalent to approximately RMB1.6 cents per ordinary Share) and a special dividend of HK3.0 cents per ordinary Share (equivalent to approximately RMB2.4 cents per ordinary Share), amounting to a total of approximately RMB59.9 million for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

The register of members of the Company will be closed on Wednesday, 2 September 2015, for the purpose of determining shareholders' entitlements to the proposed interim/special dividend. The record date for entitlement to the proposed interim/special dividend is on Wednesday, 2 September 2015. In order to qualify for the interim/special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 1 September 2015. The payment date of the interim/special dividend is expected to be on Friday, 11 September 2015.

FINANCIAL REVIEW

As a reputable game development and operation company based in the PRC, we offer mobile and web games of both RPG and casual categories to Chinese and international gamers. We have been striving for developing classical games with superior user experience, remarkable customer base and longer-than-average life cycle.

We are one of the limited number of game companies that shifted strategic focus to mobile games early in 2011 and realized a successful transition afterwards, which can be proven by an 84.9% of total revenue coming from mobile games for the first half of 2015. We will continue to enhance our R&D capabilities through deploying new R&D centers in other cities with large number of technology talents, in an effort to introduce quality new games, especially mobile games, to our existing gamer community as well as new target audience going forward.

OPERATING INFORMATION

As of 30 June 2015, we had 2 web games and 7 mobile games in operation where (i) our RPG mobile games and web games had approximately 201.6 million cumulative registered users, with approximately 164.2 million users for web games and approximately 37.4 million users for mobile games; and (ii) our casual games had approximately 269.3 million cumulative activated downloads. For the month of June 2015, (i) our RPG mobile games and web games had 2.7 million MAUs in aggregate, with approximately 1.9 million MAUs for mobile games and approximately 0.8 million MAUs for web games; and (ii) our casual games had approximately 14.3 million MAUs.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table set forth certain operating statistics relating to our businesses at the dates and in the periods presented:

	Six Months Ended 30 June		
	2015	2014	Change %
Average MPUs			
Web games (RPGs) (000's)	36	62	(41.7)
Mobile games (RPGs) (000's)	308	40	669.3
Casual (000's)	506	1,019	(50.4)
ARPPU			
Web games (RPGs) (RMB)	95.6	78.5	21.8
Mobile games (RPGs) (RMB)	85.3	242.0	(64.8)
Casual (RMB)	4.5	5.2	(14.1)

Note:

(1) Duplicated paying users of our games published on our own platforms were not eliminated during calculation.

The number of our average MPUs for mobile RPG games surged to approximately 308,000 for the six months ended 30 June 2015 from approximately 40,000 for the six months ended 30 June 2014. This was mainly driven by (i) the launch of San Guo Zhi Ren (三國之刃) on Tencent platforms in the second half of 2014, which continued to be a smash hit in the first half of 2015 and (ii) the launch of Quan Min Kuai Da (全民快打), the traditional Chinese version of San Guo Zhi Ren (三國之刃), in Taiwan in the first half of 2015. Our average MPUs for mobile casual games were approximately 506,000 for the six months ended 30 June 2015, decreasing from approximately 1.0 million for the corresponding period of 2014, primarily due to the decrease in the number of average MPUs for Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2), which were launched in July 2012 and November 2013 respectively and began to step into the late stage of their expected life cycle in 2015. Our MPUs for web games were 36,000 for the six months ended 30 June 2015 as compared to approximately 62,000 for the corresponding period of 2014. The decrease was not only because our web games were in the late stage of their expected life cycle in 2015, but also due to our focus on mobile games.

Our ARPPU of RPG mobile games was approximately RMB85.3 for the six months ended 30 June 2015, compared to approximately RMB242.0 for the corresponding period of 2014. The decrease was primarily due to the change of revenue recognition for San Guo Zhi Ren (三國之刃) since its launch on Tencent platforms in the second half of 2014. The revenue generated by the game was recognized on a net basis under the cooperation with Tencent, while on a gross basis in the first half of 2014 when we operated the game by ourselves. Our ARPPU of web games was approximately RMB95.6 for the six months ended 30 June 2015, representing an increase of 21.8% from approximately RMB78.5 for the corresponding period of 2014. The increase was primarily driven by an increase in ARPPU of the web version of Shen Xian Dao (神仙道), which is in its mature stage when loyal players are willing to spend more. Our ARPPU for casual games was relatively stable, a slight decrease from RMB5.2 for the six months ended 30 June 2014 to RMB4.5 for the six months ended 30 June 2015.

As part of our mobile game business strategy and to enhance growth in ARPPU of our mobile games, we shall continue to increase our effort in promoting players' in-game purchases, rolling out upgrades frequently to enhance the features of our games and maintain user interest, and launching various in-game promotions and activities. Our dedicated customer service team continued to provide timely customer services via our in-game customer service system. We believe this played a significant role in retaining our players and expanding our player base.

MANAGEMENT DISCUSSION AND ANALYSIS

First Half of 2015 Compared to First Half of 2014

The following table sets forth the income statement for the six months ended 30 June 2015 as compared to the six months ended 30 June 2014.

	Six Months Ended 30 June		Change %
	2015 (RMB'000)	2014 (RMB'000)	
Revenue	201,420	129,230	55.9
Cost of sales	(23,569)	(16,877)	39.7
Gross profit	177,851	112,353	58.3
Other income and gains	11,269	1,586	610.5
Selling and distribution expenses	(11,973)	(19,858)	(39.7)
Administrative expenses	(19,175)	(19,483)	(1.6)
Research and development costs	(59,779)	(19,243)	210.7
Other expenses	(63)	(10)	530.0
Share of losses of an associate	(222)	–	N/A
PROFIT BEFORE TAX	97,908	55,345	76.9
Income tax expense	(5,643)	(2,729)	106.8
PROFIT FOR THE PERIOD	92,265	52,616	75.4
Attributable to:			
Owners of the parent	63,970	51,418	24.4
Non-controlling interests	28,295	1,198	2,261.9

REVENUE

The following table sets forth a breakdown of our revenue for the six months ended 30 June 2015 and 2014:

	Six Months Ended 30 June		2014	
	2015 (RMB'000)	(% of Total Revenue)	(RMB'000)	(% of Total Revenue)
Game operation	191,857	95.3	119,329	92.3
Online game distribution	560	0.3	1,844	1.4
Licensing income	2,467	1.2	625	0.5
Advertising revenue	6,140	3.0	7,432	5.8
Technical service income	396	0.2	–	0.0
Total	201,420	100.0	129,230	100.0



MANAGEMENT DISCUSSION AND ANALYSIS

Total revenue increased by approximately 55.9% to approximately RMB201.4 million for the six months ended 30 June, 2015 from the corresponding period of 2014. Revenue from game operation increased by approximately 60.8% to approximately RMB191.9 million for the six months ended 30 June 2015 from the corresponding period of 2014. The increase was primarily driven by the outstanding performance of San Guo Zhi Ren (三國之刃) since its launch on Tencent platforms in the second half of 2014 which continued to be a smash hit in the first half of 2015, and the launch of the traditional Chinese version of San Guo Zhi Ren (三國之刃) in Taiwan in the first half of 2015. Revenue from online game distribution decreased by 69.6% to approximately RMB0.6 million for the six months ended 30 June 2015 from the corresponding period of 2014, which was primarily because less games were distributed during the six months ended 30 June 2015. Licensing income increased by approximately 294.7% to approximately RMB2.5 million for the six months ended 30 June 2015 from the corresponding period of 2014, primarily due to a new contract with licensing fee clause being entered into in the second half of 2014 and the revenue derived from the sale of the *Carrot Fantasy* series books, which were published in late January 2015. Revenue from advertising decreased by approximately 17.4% to approximately RMB6.1 million for the six months ended 30 June 2015 from the corresponding period of 2014. The decrease was primarily due to Carrot Fantasy and Carrot Fantasy 2 reaching late stage of their expected life cycle with the number of active users declining.

Cost of sales

Our cost of sales increased by approximately 39.7% from approximately RMB16.9 million for the six months ended 30 June 2014 to approximately RMB23.6 million for the six months ended 30 June 2015, primarily due to a RMB3.9 million cost related to share options and RSU granted in the second half of 2014 and an increase in salaries and welfare from approximately RMB5.6 million for the six months ended 30 June 2014 to approximately RMB7.2 million for the six months ended 30 June 2015. The increase in salaries and welfare was primarily due to the increase in number of operation employees and their salary increase in the first half of 2015.

Gross profit and gross profit margin

Based on the foregoing, our gross profit increased by 58.3% from approximately RMB112.4 million for the six months ended 30 June 2014 to approximately RMB177.9 million for the six months ended 30 June 2015. Our gross profit margin for the six months ended 30 June 2015 was 88.3%, as compared to 86.9% for the six months ended 30 June 2014.

Other income and gains

Our other income and gains increased by approximately 610.5% from approximately RMB1.6 million for the six months ended 30 June 2014 to approximately RMB11.3 million for the six months ended 30 June 2015, primarily due to an increase in interest income from approximately RMB102,000 for the six months ended 30 June 2014 to approximately RMB6.0 million for the six months ended 30 June 2015 and an increase in investment income from approximately RMB678,000 for the six months ended 30 June 2014 to approximately RMB1.6 million for the six months ended 30 June 2015. The increase in interest income and investment income was primarily due to the rise in cash generated from the net proceeds received from the Global Offering which was completed in December 2014. The growth of other income and gains was also due to an increase in government subsidies granted by the Xiamen Municipal Government to develop local information technology sector and the tax reimbursement of approximately RMB3.6 million for the six months ended 30 June 2015, compared to approximately RMB806,000 for the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 39.7% from approximately RMB19.9 million for the six months ended 30 June 2014 to approximately RMB12.0 million for the six months ended 30 June 2015, primarily due to the decrease in app store channel fees and advertising cost from approximately RMB9.7 million and RMB6.6 million for the six months ended 30 June 2014 to approximately RMB2.6 million and RMB3.8 million for the six months ended 30 June 2015, respectively. The decrease in app store channel fees was primarily attributable to the launch of San Guo Zhi Ren (三國之刃) on Tencent platforms in the second half of 2014, since when the revenue generated by the game was recognized on a net basis and all the channel costs were borne by Tencent. The decline in advertising cost was primarily resulted from less promotion activities for mature games and San Guo Zhi Ren (三國之刃)'s promotion cost being borne by Tencent since its launch on Tencent platforms in the second half of 2014. The decrease was partially offset by a cost of RMB2.7 million related to share options and RSU granted in the second half of 2014.

Administrative expenses

Our administrative expenses decreased by approximately 1.6% from approximately RMB19.5 million for the six months ended 30 June 2014 to approximately RMB19.2 million for the six months ended 30 June 2015. This decrease was primarily attributable to a listing expense relating to the Global Offering of approximately RMB14.0 million incurred in the six months ended 30 June 2014 while there were no such expenses for the six months ended 30 June 2015. The decrease was partially offset by an RMB6.7 million charge related to share options and RSU granted in the second half of 2014, and an increase in salaries, pension schemes contribution and welfare increased from approximately RMB2.7 million for the six months ended 30 June 2014 to approximately RMB5.9 million for the six months ended 30 June 2015, which was mainly attributable to the increased number of administrative employees to support our rapidly growing business.

Research and development costs

Our research and development costs increased by approximately 210.7% from RMB19.2 million for the six months ended 30 June 2014 to approximately RMB59.8 million for the six months ended 30 June 2015. This increase was primarily due to the increase in salaries, Pension Schemes contribution and welfare from approximately RMB14.2 million for the six months ended 30 June 2014 to approximately RMB25.7 million for the six months ended 30 June 2015 as a result of the increased number of game development employees in line with our corporate strategy of offering more new games with world class quality. The increase was also due to an approximate RMB25.8 million charge related to share options and RSU granted in the second half of 2014.

Income tax expense

Our income tax expense increased by approximately 106.8% from approximately RMB2.7 million for the six months ended 30 June 2014 to approximately RMB5.6 million for the six months ended 30 June 2015. Our effective income tax rate increased from 4.9% for the six months ended 30 June 2014 to 5.8% for the six months ended 30 June 2015. Xiamen Guanghuan, a subsidiary of the Company which operated our major web games and mobile games for the first half of 2014 including Shen Xian Dao (神仙道) and Da Hua Shen Xian (大話神仙), was taxed at 12.5% in the first half of 2014. In December 2014, the operation of Shen Xian Dao (神仙道) and Da Hua Shen Xian (大話神仙) were transferred from Xiamen Guanghuan to Xiamen Guangyu which was set up in late 2014 and was taxed at 25% for the first half of 2015. In addition, Xiamen Youli, a subsidiary of the Company which operated two of our mobile games, Jiong Xi You (囧西遊) and Luan Shi Zhi Ren 2 (亂世之刃2) (now retitled as San Guo Zhi Ren (三國之刃)), and Kailuo Tianxia, a subsidiary of the Company which operated our major casual games Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2), were both certified as Software Enterprises and were exempted from income tax for 2014, and were taxed at 12.5% in the first half of 2015. The increase in tax rate in the first half of 2015 compared to the first half of 2014 contributed to the increase in related income tax expense.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In addition to our interim condensed consolidated financial statements which are presented in accordance with IFRSs, we also provide further information based on the adjusted net profit attributable to owners of the parent as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of our business performance. We also believe that these non-IFRSs measures provide additional information to investors and others, helping them understand and evaluate our consolidated results of operations in the same manner as our management and to compare financial results across accounting periods and with those of our peer companies.

We define adjusted net profit attributable to owners of the parent as net income or loss attributable to owners of the parent excluding share-based compensation, amortization of intangible assets recognized for acquisitions and listing fees in connection with the Global Offering completed in 2014. The term of adjusted net profit attributable to owners of the parent is not defined under IFRSs. The use of adjusted net profit attributable to owners of the parent has material limitations as an analytical tool as it does not include all items that would impact our net loss or income attributable to owners of parent for the accounting period.

	Six Months Ended 30 June		Change %
	2015 (RMB'000)	2014 (RMB'000)	
Profit for the period attributable to owners of the parent	63,970	51,418	24.4
Add:			
Share-based compensation	39,154	–	N/A
Listing fees in connection with the Global Offering	–	14,010	(100.0)
Amortization of intangible assets recognized for acquisitions	10,242	10,242	0.0
Total	113,366	75,670	49.8

FINANCIAL POSITION

As of 30 June 2015, total equity of the Group amounted to RMB1,252.0 million, as compared to RMB1,150.1 million as of 31 December 2014. The increase was mainly due to the increase in reserves for the six months ended 30 June 2015 which was primarily driven by the net profit generated during the six months ended 30 June 2015.

The Group's net current assets amounted to approximately RMB611.0 million as at 30 June 2015, as compared to approximately RMB679.0 million as at 31 December 2014. Such decrease was primarily due to the increase in non-current available-for-sale investments, which was partially offset by the rise in cash generated from our operating activities.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

	30 June 2015 (RMB'000)	31 December 2014 (RMB'000)	Change %
Cash at bank and on hand	209,686	545,511	(61.6)
Cash at other financial institutions	–	43,729	(100)
Time deposits	218,022	–	N/A
Total	427,708	589,240	(27.4)

Our total cash and cash equivalent and time deposits amounted to approximately RMB427.7 million as at 30 June 2015, as compared to approximately RMB589.2 million as at 31 December 2014. The decrease was primarily due to the utilization of our current financial resources for investments in the six months ended 30 June 2015 which was partially offset by the increase in cash generated from operating activities.

As of 30 June 2015, approximately RMB48.1 million of our financial resources (RMB473.9 million as of 31 December 2014) was held in deposits denominated in non-RMB currencies. We currently do not hedge transactions undertaken in foreign currencies but manage our foreign exchange exposure through limiting our foreign currency exposure and constant monitoring. The Group adopts a prudent cash and financial management policy. In order to better control costs and minimize costs of funds, the Group's treasury activities are centralized and cash is generally deposited at banks and denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

The Group did not have any outstanding loan capital, bank overdrafts and liabilities as at 30 June 2015 and 31 December 2014.

As of 30 June 2015, we had available-for-sale investments of approximately RMB298.6 million (RMB28.2 million as of 31 December 2014). The current available-for-sale investments represent the structured financial products issued by bank and asset management companies with an expected interest rate ranged from 5.0% to 7.0% per annum and a maturity period of 35 to 230 days which were invested by the PRC subsidiaries. The non-current available-for-sale investments represent the straight bonds, convertible bonds and convertible preferred shares issued by banks or reputable companies, with S&P above BB and a coupon ranged from 4.5%-6.875% per annum which were invested by the Company.

The principal of RMB113.0 million structured financial products is protected while of principal of the rest are not protected. The fair value of the structured financial products approximately equals to their cost plus expected interest. The fair values of available-for-sale investments in straight bonds, the convertible bonds and convertible preferred shares have been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market inputs. According to our current internal investment management policies, no less than 70% of our total investment is invested in risk-free or principal protected investments while the remaining of up to 30% of the total investment is invested in low risk products. We have a diversified investment portfolio to mitigate risks. Besides, the above investments were made in line with our effective capital and investment management policies and strategies.

Gearing ratio

On the basis of total assets divided by total liabilities, the Group's gearing ratio was 1,941.2% as at 30 June 2015 and 1,589.5% as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital expenditures

The following table sets forth our capital expenditures for the six months ended 30 June 2015 and 2014:

	Six Months Ended 30 June		Change %
	2015 (RMB'000)	2014 (RMB'000)	
Property, plant and equipment	3,478	3,565	(2.4)
Intangible assets	2,019	430	369.5
Total	5,497	3,995	37.6

Our capital expenditures comprised property, plant and equipment, such as company vehicles for employees' use, and intangible assets, such as software and platform. The total capital expenditures were approximately RMB5.5 million and RMB4.0 million for the six months ended 30 June 2015 and 2014 respectively. The increase of approximately RMB1.5 million in total capital expenditures for the six months ended 30 June 2015 from the corresponding period of 2014 was primarily due to the increase in purchase of intangible assets, especially the purchase of a platform amounting to approximately RMB2.0 million and increase in purchase of property and equipment, such as, company vehicles for employees' use in the first half of 2015. The increase in the total capital expenditures was partially offset by the decrease of approximately RMB1.4 million in leasehold improvement which was incurred for the newly leased offices in the first half of 2014.

Significant investments held/future plans for material investments or capital assets

Save as the acquisition of Fine Point as disclosed above in this Interim Report, the Group currently has no specific plan for significant investment or acquisition of major capital assets or other businesses in the second half of 2015. However, the Group will continue to identify new opportunities for business development.

Significant acquisitions and disposals of subsidiaries and associates

Save as the acquisition of Fine Point as disclosed above in this Interim Report, the Group had no significant acquisitions and disposals of subsidiaries and associates during the six months ended 30 June 2015.

Pledge of Assets

As of 30 June 2015, we did not have any pledged assets.

Contingent liabilities and guarantees

As of 30 June 2015, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation with claims made against us.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2015, we had 404 full-time employees, the majority of whom are based in Xiamen, the PRC. The following table sets forth the number of our employees segregated by their functions as at 30 June 2015:

	Number of Employees	% of Total
Development	301	74.5
Operations	47	11.6
Administration	41	10.2
Sales and marketing	15	3.7
Total	404	100.0

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

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

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

Use of Net Proceeds from Listing

The net proceeds from the Global Offering were approximately HK\$610.2 million, after deducting the underwriting fees and commission, and related total expenses paid and payable by us in connection with the Listing. We have, and will continue to utilize the net proceeds from the Global Offering for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

OTHER INFORMATION

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

As at 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be 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 they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in shares

Name of Director/ chief executive	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding %
YAO Jianjun	Founder of a Discretionary Trust Interest of Controlled Corporation ^{1 and 2}	470,400,000	30.94
CHEN Jianyu	Founder of a Discretionary Trust Interest of Controlled Corporation ^{1 and 3}	269,088,000	17.70
BI Lin	Founder of a Discretionary Trust Interest of Controlled Corporation ^{1 and 4}	126,720,000	8.34
SUN Zhiyan	Founder of a Discretionary Trust Interest of Controlled Corporation ^{1 and 5}	139,488,000	9.18
LIN Jiabin	Founder of a Discretionary Trust Interest of Controlled Corporation ^{1 and 6}	44,640,000	2.94
LIN Zhibin	Founder of a Discretionary Trust Interest of Controlled Corporation ^{1 and 7}	44,640,000	2.94

Notes:

- 1 TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Sun Family Trust, The Lin Family Trust and The Zhi Family Trust, six trusts in total.
- 2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 470,400,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.
- 3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. Chen and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 269,088,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.

OTHER INFORMATION

- 4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 126,720,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.
- 5 The entire share capital of Eastep Holdings Limited is wholly owned by Ace Kingdom Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Sun Family Trust, which was established by Mr. SUN Zhiyan (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. SUN and his family members. Mr. SUN (as founder of The Sun Family Trust) and Ace Kingdom Limited are taken to be interested in 139,488,000 Shares held by Eastep Holdings Limited pursuant to Part XV of the SFO.
- 6 The entire share capital of LINT Holdings Limited is wholly owned by Supreme Top Global Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Lin Family Trust, which was established by Mr. LIN Jiabin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Jiabin and his family members. Mr. LIN Jiabin (as founder of The Lin Family Trust) and Supreme Top Global Limited are taken to be interested in 44,640,000 Shares held by LINT Holdings Limited pursuant to Part XV of the SFO.
- 7 The entire share capital of LINCHEN Holdings Limited is wholly owned by Sheen Field Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Zhi Family Trust, which was established by Mr. LIN Zhibin on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Zhibin and his family members. Mr. LIN Zhibin (as founder of The Zhi Family Trust) and Sheen Field Limited are taken to be interested in 44,640,000 Shares held by LINCHEN Holdings Limited pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2015, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be 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 they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PRE-IPO SHARE OPTION SCHEME

The Company has conditionally adopted a Pre-IPO Share Option Scheme by a shareholders' resolution on 17 November 2014 and a resolution of the Board on 17 November 2014. The Pre-IPO Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme does not involve grant of options by the Company to subscribe for Shares once the Company is a listed issuer. Apart from the options already granted, no further options will be granted under the Pre-IPO Share Option Scheme.

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted options to subscribe for an aggregate of 105,570,000 Shares, which represented approximately 6.94% of the Shares in issue as at 30 June 2015, to senior management of the Group and other grantees. As at 30 June 2015, 103,910,000 Shares granted pursuant to the Pre-IPO Share Option Scheme, which represented approximately 6.83% of the Shares in issue as at 30 June 2015 and the date of this report, remained unvested. As at 31 December 2014, 104,520,000 Shares granted pursuant to the Pre-IPO Share Option Scheme, which represented approximately 6.94% of the Shares in issue as at the date of the Company's 2014 annual report, remained unvested.

OTHER INFORMATION

The table below sets out details of the outstanding options granted to senior management and other grantees under the Pre-IPO Share Option Scheme and movements during the six months ended 30 June 2015:

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 1/1/2015	Number of Shares		Outstanding as at 30/06/2015
							Exercised during the six months ended 30/06/2015	Cancelled/Lapsed during the six months ended 30/06/2015	
Senior management									
Mr. ZHOU Yandan	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	4,510,000	4,510,000	-	-	4,510,000
Mr. CHENG Man Yu	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	6,430,000	6,430,000	-	-	6,430,000
Mr. DONG Ting	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	7,510,000	7,510,000	-	-	7,510,000
Ms. XU Yiqing	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	2,250,000	2,250,000	-	-	2,250,000
Mr. LIU Tao	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	1,890,000	1,890,000	-	-	1,890,000
Other Grantees									
Aggregate of 117 other grantees	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	82,980,000	81,930,000	-	(610,000)	81,320,000
Total					105,570,000				103,910,000

OTHER INFORMATION

POST-IPO SHARE OPTION SCHEME

The Company has adopted the Post-IPO Share Option Scheme by a shareholders' resolution on 17 November 2014 and a resolution of the Board on 17 November 2014. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

During the six months ended 30 June 2015, an aggregate of 3,000,000 Shares, which represented approximately 0.20% of the Shares in issue as at 30 June 2015, were granted subject to certain vesting conditions pursuant to the Post-IPO Share Option Scheme to an eligible participant. As at 30 June 2015, 3,000,000 Shares granted pursuant to the Post-IPO Share Option Scheme, which represented approximately 0.20% of the Shares in issue as at 30 June 2015 and the date of this report, remained unvested. No option was granted under the Post-IPO Share Option Scheme from the date of its adoption to the date of the Company's 2014 annual report.

The table below sets out details of the outstanding options granted to the grantee under the Post-IPO Share Option Scheme and movements during the six months ended 30 June 2015:

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Shares				
						Granted on the date of grant	Outstanding as at 1/1/2015	Exercised during the six months ended 30/06/2015	Cancelled/Lapsed during the six months ended 30/06/2015	Outstanding as at 30/06/2015
Senior management										
MR. YANG Guangwen	10/6/2015	25% of options on 10 June 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK\$3.934	HK\$3.62	3,000,000	-	-	-	3,000,000

Exercise price of the Share Options granted was HK\$3.934 per Share, which represents the highest of: (i) the closing price of HK\$3.69 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 10 June 2015; (ii) the average of the closing price of HK\$3.934 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.

OTHER INFORMATION

SUMMARY OF THE SHARE OPTION SCHEMES

	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1. Purpose	To provide an incentive for participants and to reward their performance with rights which allow a participant who has been granted options to subscribe for Shares and to own the Company in proportion with their contribution to the Company or any of its subsidiaries.	To provide an incentive or reward for the participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.
2. Eligible Participants	Full-time employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries who, in the absolute discretion of the Board, have contributed or will contribute to the Group.	Full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries, and suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, has contributed or will contribute to the Group and whom the Board may in its absolute discretion select and think fit.
3. Maximum number of shares	<p>The total number of Shares subject to the Pre-IPO Share Option Scheme shall not exceed 105,570,000, i.e. 8.80% and 6.94% of the issued Shares as at 17 November 2014 and 30 June 2015 respectively.</p> <p>No further option could be granted under the Pre-IPO Share Option Scheme.</p>	<p>The total number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme is 150,000,000 Shares which is equivalent to 12.50% and 9.87% of the issued Shares as at 17 November 2014 and 30 June 2015 respectively.</p> <p>The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and any other schemes must not in aggregate exceed 30% of the total number of Shares in issue from time to time.</p>
4. Maximum entitlement of each participant	The respective entitlement of each participant as granted on 17 November 2014	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer

OTHER INFORMATION

	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
5. Acceptance of offer	An offer for an Option shall be open for acceptance for a period of 14 days from the date of offer.	An offer for an Option shall remain open for acceptance for a period of 14 days from the date of offer and be accepted upon payment of HK\$1.00.
6. Option period	The Board may in its absolute discretion, before the Listing Date, specify the vesting period, conditions or performance targets at the time of grant of options which shall be satisfied by the grantee before his options may be exercised. There is no such requirement as to the minimum period for which an option must be held before it can be exercised.	The Board may in its absolute discretion specify conditions or performance targets at the time of grant of options which shall be satisfied by the grantee before his options may be exercised. There is no such requirement as to the minimum period for which an option must be held before it can be exercised.
7. Exercise price	HK\$0.55 per Share	Exercise price shall be higher of: (1) the official closing price of the Shares as stated on the Stock Exchange's daily quotations sheets on the date of offer of option; (2) average of the official closing prices of the Shares stated on the Stock Exchange's daily quotation sheets for the 5 business days before the date of offer and (3) nominal value of a Share.
8. Scheme period	It shall be valid and effective from 17 November 2014 to the 5th anniversary of the Listing Date (i.e. 5 December 2019) (both dates inclusive).	It shall be valid and effective from 17 November 2014 to the 10th anniversary of the Listing Rule (i.e. 5 December 2024) (both dates inclusive).

PRE-IPO RESTRICTED SHARE UNIT PLAN

The Company has approved and adopted a pre-IPO restricted share unit plan (the "Pre-IPO RSU Plan") by a shareholders' resolution on 17 November 2014 and a resolution of the Board on 17 November 2014. The Pre-IPO RSU Plan is not subject to provisions of Chapter 17 of the Listing Rules as the Pre-IPO RSU Plan does not involve the grant of options by the Company to subscribe for new Shares.

Pursuant to the Pre-IPO RSU Plan, the maximum number of Shares underlying all grants of restricted share units ("RSUs") shall not exceed 13,850,000 Shares, which represented approximately 0.91% of the Shares in issue as at 30 June 2015, to the senior management of the Group and other grantees. 13,850,000 RSUs were vested in full to the named grantees set out in the table below on 1 April 2015. As at 30 June 2015, the Company no longer has any RSUs outstanding under the Pre-IPO RSU Plan.

OTHER INFORMATION

The table below sets out details of the outstanding RSUs granted to senior management and other grantees under the Pre-IPO RSU Plan and movements during the six months ended 30 June 2015:

Name	Date of Grant	RSU period	Consideration paid	Granted on the date of grant	Outstanding as at 1/1/2015	Number of Shares underlying RSUs		Outstanding as at 30/6/2015
						Vested during the six months ended 30/6/2015	Cancelled/Lapsed during the six months ended 30/6/2015	
Senior management								
Ms. ZHOU Yandan	17/11/2014	5 years from the date of grant	Nil	1,050,000	1,050,000	1,050,000	-	-
Mr. CHEUNG Man Yu	17/11/2014	5 years from the date of grant	Nil	1,500,000	1,500,000	1,500,000	-	-
Mr. DONG Ting	17/11/2014	5 years from the date of grant	Nil	5,260,000	5,260,000	5,260,000	-	-
Mr. LIU Tao	17/11/2014	5 years from the date of grant	Nil	260,000	260,000	260,000	-	-
Other grantees								
Aggregate of 5 other grantees	17/11/2014	5 years from the date of grant	Nil	5,780,000	5,780,000	5,780,000	-	-
Total					13,850,000			-

POST-IPO RESTRICTED SHARE UNIT PLAN

The Company has approved and adopted a post-IPO restricted share unit plan (the "Post-IPO RSU Plan") by a shareholders' resolution on 17 November 2014 and a resolution of the Board on 17 November 2014.

Pursuant to the Post-IPO RSU Plan, the maximum number of Shares underlying all grants of RSUs shall not exceed 45,000,000 Shares, which represented approximately 2.96% of the Shares in issue as at 30 June 2015. No RSU was granted under the Post-IPO RSU Plan from the date of its adoption to 30 June 2015.

OTHER INFORMATION

SUMMARY OF THE RESTRICTED SHARE UNIT PLANS

	Pre-IPO RSU Plan	Post-IPO RSU Plan
1. Purpose	To reward the participants for their contribution to the success of the Group and to provide incentives to them to further contribute to the Group, and to attract suitable personnel for further development to the Group.	Same as the Pre-IPO RSU Plan
2. Eligible Participants	<ul style="list-style-type: none"> (i) Full-time employees or officers (including executive, non-executive and independent non-executive Directors) of the Company; (ii) Full-time employees of any subsidiaries and the PRC Operating Entities; (iii) Suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, have contributed or will contribute to the Group; and (iv) Any other person who, in the absolute discretion of the Board, has contributed or will contribute to the Group. 	Same as the Pre-IPO RSU Plan

OTHER INFORMATION

	Pre-IPO RSU Plan	Post-IPO RSU Plan
3. Maximum number of shares	<p>The total number of Shares subject to the Pre-IPO RSU Plan shall not exceed 13,850,000 Shares, i.e. 1.15% and 0.91% of the issued Shares as at 17 November 2014 and 30 June 2015 respectively.</p> <p>No further award of RSUs could be granted under the Pre-IPO RSU Plan.</p>	<p>The total number of Shares subject to the Post-IPO RSU Plan shall not exceed 45,000,000 Shares, i.e. 3.75% and 2.96% of the issued Shares as at 17 November 2014 and 30 June 2015 respectively.</p> <p>If the limit of the Post-IPO RSU Plan is refreshed with prior approval of the Shareholders, the total number of Shares underlying the awards shall not exceed 3% of the number of issued Shares as of the date of approval of the refreshed limit.</p>
4. Term of the RSU Plan	Valid and effective for a period of 5 years from 17 November 2014.	Same as the Pre-IPO RSU Plan
5. Grant of Award	The Board may grant an award of RSUs any time during the term of the respective RSU Plan on terms and conditions specified by it.	Same as the Pre-IPO RSU Plan
6. Rights attached	An award of RSUs does not carry any right to vote at general meetings of the Company. No grantee shall enjoy any right of a shareholder by virtue of the grant of award unless and until the Shares underlying the award are allotted and issued or transferred (as the case may be) to the grantee. Notwithstanding the foregoing, the Board may specify in its sole discretion that a grantee may enjoy rights to cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the award.	Same as the Pre-IPO RSU Plan

OTHER INFORMATION

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

As at 30 June 2015, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares.

Name of Shareholder	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of shareholding %
TMF (Cayman) Ltd. ¹	Trustee of the family trusts	1,212,976,000	79.78
YAO Holdings Limited ²	Beneficial owner	470,400,000	30.94
Jolly Spring International Limited ²	Interest in a controlled corporation	470,400,000	30.94
Mr. YAO Jianjun ²	Founder of a discretionary trust Interest in a controlled corporation	470,400,000	30.94
Fishchen Holdings Limited ³	Beneficial owner	269,088,000	17.70
Honour Gate Limited ³	Interest in a controlled corporation	269,088,000	17.70
Mr. CHEN Jianyu ³	Founder of a discretionary trust Interest in a controlled corporation	269,088,000	17.70
BILIN Holdings Limited ⁴	Beneficial owner	126,720,000	8.34
Rayoon Limited ⁴	Interest in a controlled corporation	126,720,000	8.34
Mr. BI Lin ⁴	Founder of a discretionary trust Interest in a controlled corporation	126,720,000	8.34
Eastep Holdings Limited ⁵	Beneficial owner	139,488,000	9.18
Ace Kingdom Limited ⁵	Interest in a controlled corporation	139,488,000	9.18
Mr. SUN Zhiyan ⁵	Founder of a discretionary trust Interest in a controlled corporation	139,488,000	9.18
Fine Point Development Limited ⁶	Beneficial owner	118,000,000	7.76
Mr. DONG Ting ⁷	Beneficial owner Founder of a discretionary trust Interest in a controlled corporation	130,770,000	8.60

Notes:

- 1 TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Sun Family Trust, The Lin Family Trust, The Zhi Family Trust and The Dong Family Trust, seven trusts in total.
- 2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 470,400,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.
- 3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 269,088,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.



OTHER INFORMATION

- 4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 126,720,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.
- 5 The entire share capital of Eastep Holdings Limited is wholly owned by Ace Kingdom Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Sun Family Trust, which was established by Mr. SUN Zhiyan (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. SUN and his family members. Mr. SUN (as founder of The Sun Family Trust) and Ace Kingdom Limited are taken to be interested in 139,488,000 Shares held by Eastep Holdings Limited pursuant to Part XV of the SFO.
- 6 Fine Point Development Limited acts as nominee of TMF (Cayman) Ltd., the trustee of The Dong Family Trust, which was established by Mr. DONG Ting (as the settlor) on 19 June 2015 as a discretionary trust for the benefit of Mr. DONG and his family members. Mr. DONG (as founder of The Dong Family Trust) is taken to be interested in a maximum of 118,000,000 Shares in which Fine Point Development Limited is interested pursuant to Part XV of the SFO.
7. These interests represented:
 - (a) 7,510,000 options granted to Mr. DONG Ting, which were subject to certain vesting schedule and conditions pursuant to the Pre-IPO Share Option Scheme, details of which are set out in the section headed "Pre-IPO Share Option Scheme" in this Interim Report;
 - (b) Mr. DONG Ting's interest in respect of 5,260,000 Shares vested in him on 1 April 2015 pursuant to the Pre-IPO RSU Plan, details of which are set out in the section headed "Pre-IPO Restricted Share Unit Plan" in this Interim Report; and
 - (c) a maximum of 118,000,000 Shares in which Fine Point Development Limited is interested pursuant to Part XV of the SFO.

Other than as disclosed above, as at 30 June 2015, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2015.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Compliance with the Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance and transparency. The Company has applied the principles as set out in the CG Code as its own code of corporate governance and confirms that it has complied with all material code provisions of the CG Code during the six months ended 30 June 2015, save for the deviation from code provisions A.2.1 and A.6.7 of the CG Code as mentioned below.

According to code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman of the Board is Mr. YAO Jianjun and the duties of the Chief Executive Officer are also discharged by Mr. YAO Jianjun. Although the dual roles of Chairman and Chief Executive Officer is a deviation from code provision A.2.1 of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person like Mr. YAO Jianjun provides the Company with strong and consistent leadership, allowing the Company to more effectively plan and implement business decisions and strategies. Besides, taking into account the ever changing business environment and the Company's new listing, Mr. YAO Jianjun's extensive experience in the industry, personal profile, and role in the Group and its historical development is appropriate and beneficial to the Group's business prospects. Therefore, the Board considers that separation of the role of the Chairman and Chief Executive Officer of Mr. YAO Jianjun may result in unnecessary costs for the Group's daily operations.

According to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the view of the Shareholders. Ms. LIU Qianli and Mr. MA Suen Yee Andrew, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 4 June 2015 due to other business commitments.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

The Board

The Board currently comprises nine Directors, including six executive Directors, viz, Mr. YAO Jianjun, Mr. CHEN Jianyu, Mr. BI Lin, Mr. SUN Zhiyan, Mr. LIN Jiabin and Mr. LIN Zhibin; and three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, viz, Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. MA Suen Yee Andrew.

The Corporate Information on pages 2 of this Interim Report includes changes up to the date of this Interim Report.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry with all the Directors, the Company confirms that all members of the Board complied with the Model Code during the six months ended 30 June 2015.

Senior management, executives and staff who, because of their offices in the Company, are likely to possess inside information, have also been requested to comply with the provision of the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2015.



OTHER INFORMATION

Review of Interim Results

The Audit Committee, comprising three independent non-executive Directors, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2015 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

The unaudited interim results of the Group for the six months ended 30 June 2015 have been reviewed by Ernst & Young, the external auditors of the Company.

Change in Directors' Biographical Details under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors' biographical details of the Company since the date of the 2014 annual report of the Company are as follows:

Mr. YAO Jianjun (姚劍軍), an executive Director of the Company, has been acting as director of Xiamen Feichang Information Technology Co., Ltd. (廈門飛暢信息科技有限 公司), Xiamen Xiyu Internet Technology Co., Ltd. (廈門喜魚網絡科技有限 公司) and Xiamen Yu Fei Xing Kong Information Technology Co., Ltd. (廈門魚飛星空信息科技有限 公司) since 5 May 2015, 27 May 2015 and 1 June 2015 respectively. All the companies aforementioned are the newly-founded subsidiaries of the Company.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of 2014 annual report of the Company.

INDEPENDENT REVIEW REPORT



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To the board of directors of Feiyu Technology International Company Ltd.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 30 to 56, which comprises the condensed consolidated statement of financial position of Feiyu Technology International Company Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2015 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

18 August 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
REVENUE	4	201,420	129,230
Cost of sales		(23,569)	(16,877)
Gross profit		177,851	112,353
Other income and gains	4	11,269	1,586
Selling and distribution expenses		(11,973)	(19,858)
Administrative expenses		(19,175)	(19,483)
Research and development costs		(59,779)	(19,243)
Other expenses		(63)	(10)
Share of losses of an associate		(222)	–
PROFIT BEFORE TAX	5	97,908	55,345
Income tax expense	6	(5,643)	(2,729)
PROFIT FOR THE PERIOD		92,265	52,616
Attributable to:			
Owners of the parent		63,970	51,418
Non-controlling interests		28,295	1,198
		92,265	52,616
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		RMB0.04	RMB0.05
– Diluted		RMB0.04	RMB0.05

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
PROFIT FOR THE PERIOD	92,265	52,616
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	2,362	835
Reclassification adjustments for gains included in the consolidated statement of profit or loss	(1,553)	(678)
4		
Exchange differences on translation of foreign operations	(166)	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	643	157
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	643	157
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	92,908	52,773
Attributable to:		
Owners of the parent	64,613	51,575
Non-controlling interests	28,295	1,198
	92,908	52,773

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	15,140	14,448
Goodwill	10	409,557	408,619
Other intangible assets	11	47,197	55,798
Long term receivables		823	399
Investment in an associate	12	9,778	–
Available-for-sale investments	15	164,705	–
Deferred tax assets		2,804	1,402
Total non-current assets		650,004	480,666
CURRENT ASSETS			
Accounts receivable	13	2,549	3,062
Receivables due from third-party game distribution platforms and payment channels	13	95,213	118,370
Prepayments, deposits and other receivables	14	10,600	51,475
Available-for-sale investments	15	133,882	28,235
Time deposits with original maturity of over three months	16	116,279	–
Cash and cash equivalents	16	311,429	545,511
Total current assets		669,952	746,653
CURRENT LIABILITIES			
Other payables and accruals	17	28,863	50,055
Tax payable		9,557	2,719
Deferred revenue		20,486	14,836
Total current liabilities		58,906	67,610
NET CURRENT ASSETS		611,046	679,043
TOTAL ASSETS LESS CURRENT LIABILITIES		1,261,050	1,159,709

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,261,050	1,159,709
NON-CURRENT LIABILITIES			
Deferred tax liabilities		5,489	6,769
Deferred revenue		3,602	2,834
Total non-current liabilities		9,091	9,603
Net assets		1,251,959	1,150,106
EQUITY			
Equity attributable to owners of the parent			
Issued capital	18	1	1
Share premium	18	519,202	498,034
Reserves		650,982	627,702
Proposed dividends	7	59,946	–
		1,230,131	1,125,737
Non-controlling interests		21,828	24,369
Total equity		1,251,959	1,150,106

Yao Jianjun
Director

Chen Jianyu
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the parent											
	Issued capital	Share premium	Statutory reserve	Share option reserves	Other reserves	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	1	498,034	10,932*	14,168*	519,093*	235*	(1,697)*	84,971*	-	1,125,737	24,369	1,150,106
Profit for the period	-	-	-	-	-	-	-	63,970	-	63,970	28,295	92,265
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	809	-	-	-	809	-	809
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(166)	-	-	(166)	-	(166)
Total comprehensive income for the period	-	-	-	-	-	809	(166)	63,970	-	64,613	28,295	92,908
Capital injection by non-controlling shareholders	-	-	-	-	5	-	-	-	-	5	23	28
Contribution of non-controlling shareholders (note 1)	-	-	-	-	2,897	-	-	-	-	2,897	(2,897)	-
Distribution to non-controlling shareholders (note 2)	-	-	-	-	(2,275)	-	-	-	-	(2,275)	2,275	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,959)	(1,959)
Equity-settled share-based payments expenses	-	-	-	39,154	-	-	-	-	-	39,154	-	39,154
Vest of RSU (note 19)	-	21,168	-	(21,168)	-	-	-	-	-	-	-	-
2015 interim and special dividends proposed	-	-	-	-	-	-	-	(59,946)	59,946	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(28,278)	(28,278)
At 30 June 2015 (unaudited)	1	519,202	10,932*	32,154*	519,720*	1,044*	(1,863)*	88,995*	59,946	1,230,131	21,828	1,251,959

Note 1: Non-controlling shareholders forfeited part of its dividend right upon the dividend distribution at a subsidiary.

Note 2: Distribution to non-controlling shareholders stands for the share-based payments of the Company recognized at not wholly owned subsidiaries.

* These reserve accounts comprise the consolidated reserves of RMB650,982,000 (For the year ended 31 December 2014: RMB627,702,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent					Retained profits	Total	Non-controlling interests	Total equity
	Paid-in capital	Share premium	Statutory reserves	Other reserve	Available-for-sale investment revaluation reserve				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	–	–	608	511,028	54	37,410	549,100	(999)	548,101
Profit for the period	–	–	–	–	–	51,418	51,418	1,198	52,616
Other comprehensive income for the period:									
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	157	–	157	–	157
Total comprehensive income for the period	–	–	–	–	157	51,418	51,575	1,198	52,773
Contribution by shareholders	–	–	–	9,000	–	–	9,000	–	9,000
Issue of shares	1	(1)	–	–	–	–	–	–	–
At 30 June 2014 (audited)	1	(1)	608	520,028	211	88,828	609,675	199	609,874

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months end 30 June

	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
Cash flows from operating activities:			
Profit before tax		97,908	55,345
Adjustments for:			
Interest income	4	(6,003)	(102)
Depreciation	9	2,597	1,853
Amortisation	11	10,620	10,831
Gain on disposal of items of property, plant and equipment		(72)	–
Equity-settled share-based payment expense		39,154	–
Fair value gains, net:			
Available-for-sale investments (transfer from equity on disposal)	4	(1,553)	(678)
Share of losses of an associate		222	–
		142,873	67,249
Decrease/(increase) in accounts receivable		513	(770)
Decrease in receivables due from third-party game distribution platforms and payment channels		23,157	595
Decrease/(increase) in prepayments, deposits and other receivables		98	(6,286)
Increase in long term receivables		(424)	–
(Decrease)/increase in other payables and accruals		(22,794)	19,691
Increase/(decrease) in deferred revenue		6,418	(1,605)
Decrease in amounts due from shareholders		–	1,275
Cash generated from operations		149,841	80,149
Income tax paid		(1,487)	(5,380)
Net cash flows from operating activities		148,354	74,769

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months end 30 June

Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
Cash flows from investing activities:		
Interest received	2,286	102
Purchases of items of property, plant and equipment	(3,478)	(3,994)
Additions to other intangible assets	(2,019)	(430)
Proceeds from disposal of items of property, plant and equipment	338	–
Purchase of available-for-sale investments	(301,715)	(13,700)
Proceeds from disposal of available-for-sale investments	34,598	6,678
Increase in time deposits with original maturity of over three months	(116,279)	–
Deposit transferred from an account in a domestic securities company	43,729	–
Acquisition of non-controlling interests	–	(2,125)
Investment in an associate	(10,000)	(4,750)
Acquisition of subsidiaries	468	(31,010)
Net cash flows used in investing activities	(352,072)	(49,229)
Cash flows from financing activities:		
Proceeds from capital injection of subsidiaries by the then shareholders	28	9,000
Payment of listing expenses	(1,948)	–
Dividends paid	(28,278)	(60,000)
Net cash flows used in financing activities	(30,198)	(51,000)
Net Decrease in cash and cash equivalents		
Cash and cash equivalents at beginning of period	545,511	123,426
Effect of foreign exchange rate changes, net	(166)	–
Cash and cash equivalents at end of period	311,429	97,966
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the statement of financial position	16	311,429
		97,966

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 “Interim Financial Reporting” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

The adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

Information about geographical areas

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

Information about major customers

No revenue from the Company’s sales to a single customer amounted to 10% or more of the Group’s revenue during the period.

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the services rendered after allowances for chargebacks, and the royalties derived from licensing agreements.

An analysis of revenue and other income is as follows:

Revenue	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
Online web and mobile games	178,245	87,404
Single-player mobile games	13,612	31,925
Game operation	191,857	119,329
– Gross basis	9,667	48,045
– Net basis	182,190	71,284
Online game distribution	560	1,844
Licensing income	2,467	625
Advertising revenue	6,140	7,432
Technical service income	396	–
	201,420	129,230

Other income	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
Government grants	3,639	806
Interest income	6,003	102
	9,642	908
Gains		
Fair value gains, net:		
Available-for-sale investments (transfer from equity on disposal)	1,553	678
Gain on disposal of items of property, plant and equipment	72	–
Other gains	2	–
	11,269	1,586

NOTES TO THE FINANCIAL STATEMENTS

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
Research and development costs	59,779	19,243
Channel costs	2,797	9,719
Depreciation	2,597	1,853
Amortisation	10,620	10,831
Advertising expenses	3,785	6,583
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	28,154	20,411
Pension scheme contributions	4,103	2,470
Share-based payment expenses	39,154	–
Interest income	71,411	22,881
Government grants	(6,003)	(102)
IPO expense	(3,639)	(806)
	–	12,899

NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAX

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

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Xiamen Guanghuan Information Technology Co., Ltd. ("Xiamen Guanghuan"), Xiamen Youli Information Technology Co., Ltd. ("Xiamen Youli"), Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou") and Beijing Kailuo Tianxia Technology Co., Ltd. ("Kailuo Tianxia"), which were certified as Software Enterprises and are exempted from income tax for two years starting from the first year in which it generates taxable profit, followed by a 50% reduction for the next three years. 2011, 2013, 2013 and 2014 are the first profitable years for Xiamen Guanghuan, Xiamen Youli, Kailuo Tianxia and Xiamen Yidou, respectively.

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
Current tax	8,325	2,717
Deferred tax	(2,682)	12
Total tax charge for the period	5,643	2,729

7. DIVIDENDS

	30 June 2015 RMB'000 (Unaudited)
Proposed 2015 interim and special dividend-HK\$5.0 cents per ordinary share	59,946

At a board meeting held on 18 August 2015, the Board declared an interim dividend of HK\$2.0 cent per ordinary share (equivalent to approximately RMB1.6 cent per ordinary share) and a special dividend of HK\$3.0 cent per ordinary share (equivalent to approximately RMB2.4 cent per ordinary share), aggregating a total of RMB59,946,000 for the six months ended 30 June 2015 (six months ended 2014: nil).

NOTES TO THE FINANCIAL STATEMENTS

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

For the purpose of calculating earnings per share, the numbers of ordinary shares outstanding during the six months ended 30 June 2015 and 2014 have been adjusted retroactively as a result of the shares subdivision on 17 November 2014. Pursuant to the written resolutions of the shareholders passed on 17 November 2014, the Company's shareholders approved the subdivision of each issued ordinary share of US\$0.001 in the capital of the Company to 10,000 shares of US\$0.0000001 each.

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 1,513,426,760 (for the six months ended 30 June 2014:1,000,000,000) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	63,970	51,418
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,513,426,760	1,000,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	52,533,627	–
	1,565,960,387	1,000,000,000

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of RMB3,478,000 (for the six months ended 30 June 2014: RMB3,565,000). Depreciation for items of property, plant and equipment was RMB2,597,000 during the period (for the six months ended 30 June 2014: RMB1,853,000).

No significant property, plant and equipment were disposed of for the six months ended 30 June 2014 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

10. GOODWILL

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Cost at 1 January	408,619	407,262
Acquisition of subsidiaries	938	1,357
Cost and net carrying amount	409,557	408,619

Goodwill acquired through business combinations is allocated to the following cash-generating units:

- Kailuo Tianxia
- Others

The carrying amount of goodwill allocated to each cash-generating unit is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Kailuo Tianxia	406,473	406,473
Others	3,084	2,146
Carrying amount of goodwill	409,557	408,619

11. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2015, the Group acquire intangible assets with a cost of RMB2,019,000 (for the six months ended 30 June 2014: RMB430,000). Amortisation for intangible assets were RMB10,620,000 during the period (for the six months ended 30 June 2014: RMB10,831,000).

No intangible asset was disposed of for the six months ended on 30 June 2014 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENT IN AN ASSOCIATE

	30 June 2015 RMB'000 (Unaudited)
Shares of net assets	1,298
Goodwill on acquisition	8,480
	9,778

Name	Registered Capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the group	Principal activities
Shenzhen Zhangxin Interactive Technology Co., Ltd.*	RMB4,010,000	PRC/Mainland China	30%	Game development and distribution

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Accounts receivable from advertising customers	2,549	3,062
Receivables due from third-party game distribution platforms and payment channels	95,213	118,370
	97,762	121,432

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

NOTES TO THE FINANCIAL STATEMENTS

13. ACCOUNTS RECEIVABLE AND RECEIVABLES DUE FROM THIRD-PARTY GAME DISTRIBUTION PLATFORMS AND PAYMENT CHANNELS (Continued)

An aged analysis of the receivables as at the end of the reporting period based on the invoice date, is as follows:

Accounts receivable from advertising customers

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	2,549	3,062

Receivables due from third-party game distribution platforms and payment channels

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	95,213	118,370

The aged analysis of the receivables that are not considered to be impaired is as follows:

Accounts receivable from advertising customers

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Neither past due nor impaired	2,549	3,062

Receivables due from third-party game distribution platforms and payment channels

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Neither past due nor impaired	95,213	118,370

All of the receivables that were neither past due or impaired mainly relate to a large number of diversified customers for whom there was no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Deposit in an account in a domestic securities company	–	43,729
Prepayments	3,374	1,809
Deposits	1,196	1,047
Other receivables	6,030	4,890
	10,600	51,475

15. AVAILABLE-FOR-SALE INVESTMENTS

		30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Structured financial products	(1)	133,882	28,235
Total Current Available-for-sale investment		133,882	28,235
Straight bonds	(2)	71,117	–
Convertible bonds	(3)	61,892	–
Convertible preferred shares	(4)	31,696	–
Total Non-Current Available-for-sale investment		164,705	–

- (1) The current available-for-sale investments were structured financial products issued by banks and asset management companies with an expected interest rate ranged from 5% to 7% per annum and a maturity period of 35 to 230 days in the PRC.
- (2) On 17 February 2015, the Group invested in a bond issued by Huarong Finance II Co., Ltd. with a nominal amount of USD 5,000,000 at a consideration of USD5,135,000. The bond has a coupon interest rate of 4.5% per annum with a maturity period of 5 years. The bond is traded on the Stock Exchange of Hong Kong Limited. On 10 April 2015, the Group invested in a bond issued by Sparkle Assets Limited with a nominal amount of USD 6,000,000 at a consideration of USD6,283,000. The bond has a coupon interest rate of 6.875% per annum with a maturity period of 7 years. The bond is traded on the Singapore Exchange Securities Trading Limited. The Group has no intention to sell them for trading purpose or hold them till maturity and therefore classified them as available for sales investments and stated at fair value.

NOTES TO THE FINANCIAL STATEMENTS

15. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

- (3) On 4 June 2015, the Group invested in a perpetual convertible bond issued by HSBC Holdings PLC with a nominal amount of USD 2,000,000 and coupon interest of 5.625% per annum, at a consideration of USD2,035,000. The convertible bond is traded on the Irish Stock Exchange. On 6 April 2015, the Group invested in a perpetual convertible bond issued by Standard Chartered PLC with a nominal amount of USD 8,000,000 and coupon interest of 6.5% per annum at a consideration of USD8,101,000. The convertible bond is traded on the Stock Exchange of Hong Kong Limited. The coupon interest can be cancelled any time at the issuers' sole discretion. The two convertible bonds shall be converted into ordinary shares of the issuers if the issuers failed to meet certain covenant. The Group has no intention to sell these bonds for the trading purpose and classified them as available for sales investments and stated at fair value.
- (4) On 18 February 2015, the Group invested in a convertible preferred share issued by Industrial and Commercial Bank of China Limited with a nominal amount of USD 5,000,000 at a consideration of USD5,225,000. The convertible preferred share has a non-cumulative dividend of 6% per annum. The convertible preferred shares are traded on the Stock Exchange of Hong Kong Limited. The declaration of dividend is at the issuer's sole discretion. The convertible preferred share shall be converted into ordinary shares of the issuer if the issuer failed to meet certain covenant. The Group is not entitled to any voting right by holding such convertible preferred share unless the dividend has not been paid in full for the most recent two dividend periods or a total of three dividend payments have not been paid in full. The Group has no intention to sell the convertible preferred share for the trading purpose and classified them as available for sales investments and stated at fair value.

16. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Cash and bank balances	209,686	545,511
Time deposits	218,022	–
Time deposits with origin maturity of over three months	(116,279)	–
Cash and cash equivalents	311,429	545,511
Denominated in HK\$	38,535	472,504
Denominated in RMB	263,303	71,629
Denominated in United States dollars ("US\$")	9,591	1,378
Cash and cash equivalents	311,429	545,511

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and non-pledged time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balance approximate to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

17. OTHER PAYABLES AND ACCRUALS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Salaries and welfare payables	12,311	26,523
Other payables and accruals	8,870	14,717
Other tax payables	7,682	7,410
Advance from customers	–	1,405
	28,863	50,055

Other payables and payables for acquisition of subsidiaries are non-interest-bearing.

18. ISSUED CAPITAL

Shares

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Authorised:		
Ordinary shares (of US\$0.0000001 each)	500,000,000,000	500,000,000,000
Issued and fully paid or credited as fully paid:		
Ordinary shares (of US\$0.0000001 each)	1,520,313,500	1,506,463,500
Equivalent to RMB'000	1	1

A summary of movements in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Total RMB'000
As at 1 January 2015	1,506,463,500	1	498,034	498,035
Issuance due to RSU (note 19)	13,850,000	–	21,168	21,168
As at 30 June 2015 (unaudited)	1,520,313,500	1	519,202	519,203

NOTES TO THE FINANCIAL STATEMENTS

19. EQUITY-SETTLED SHARE-BASED PAYMENT

(1) Share Option Scheme

The Company approved and adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a post-IPO share option scheme (the “Post-IPO Share Option Scheme”, together as the “Schemes”) pursuant to shareholders’ written resolutions and directors’ written resolution passed on 17 November 2014. The purpose of the Schemes is to provide rewards to eligible participants for their service to the Group. Eligible participants include any full-time employees, consultants, executives or officers of the Company and any of its subsidiaries who have contributed or will contribute to the Group in the absolute discretion of the Board.

The total number of ordinary shares subject to the Pre-IPO Share Option Scheme is 105,570,000. On 17 November 2014, under the Pre-IPO Share Option Scheme, share options were granted to 2 members of the senior management and 120 other employees to subscribe for 105,570,000 shares at an exercise price of HK\$0.55. All share options granted will be vested equally in four tranches as to 25% of the aggregate number of shares on 31 December 2015, 2016, 2017 and 2018, respectively. Each option granted if not exercised subsequently will be expired on 5 December 2019.

The maximum number of shares to be issued upon exercise of all share options to be granted under the Post-IPO Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on Listing Date (assuming that the over-allotment is not exercised) and 30% of the shares of the Company in issue from time to time. On 10 June 2015, under the Post-IPO Share Option Scheme, share options were granted to one senior management to subscribe for 3,000,000 shares at an exercise price of HK\$3.93. All share options granted will be vested equally in four tranches as to 25% of the aggregate number of shares on 10 June 2016, 2017, 2018 and 2019, respectively. Each option granted if not exercised subsequently will be expired on 9 June 2025.

The following share options were outstanding during the period:

	For the six months ended 30 June 2015	
	Weighted average	
	Exercise price HK\$ per share	Number of options '000
As at 1 January 2015	0.55	104,520
Grant during the year	3.93	3,000
Forfeited during the period	0.55	(610)
As at 30 June 2015 (unaudited)	0.64	106,910

No share options were exercised during the period ended 30 June 2015.

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company’s share capital.

NOTES TO THE FINANCIAL STATEMENTS

19. EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

(1) Share Option Scheme (Continued)

The exercise prices and exercise period of the share options outstanding as at the end of the reporting period as follows:

Number of options '000	Exercise price* HK\$ per share	Exercise period
103,910	0.55	31-12-2015 to 05-12-2019
3,000	3.93	10-06-2016 to 09-06-2025
106,910		

The fair value of the share options granted during the period was approximately RMB4,990,000 of which the Group recognised a share option expense of RMB150,000 during the period ended 30 June 2015.

The fair value of the share options granted during the period was estimated at the date of grant, 10 June 2015, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists out inputs used in the model:

Dividend yield (%)	–
Expected volatility (%)	52.6
Risk-free interest rate (%)	2.5
Expected life of options (year)	10
Share price (HK\$ per share)	2.11

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

At the end of reporting period, the Company had 106,910,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 106,910,000 additional ordinary shares of the Company, an additional share capital of approximately RMB66.0 and a share premium of approximately RMB54,376,000 (before issue expenses).

The Group recognized a total share option compensation expenses of RMB25,042,000 during the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

NOTES TO THE FINANCIAL STATEMENTS

19. EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

(2) Restricted Share Unit (“RSU”) Plan

The Company approved and adopted a pre-IPO restricted share unit plan (“Pre-IPO RSU Plan”) on 17 November 2014 for the purpose of rewarding eligible participants for their contribution to the Group. Eligible participants of the Pre-IPO RSU Plan include full-time employees, officers or suppliers, customers, consultants, agents or advisers of the Group, and any other person who, in the sole opinion of the Board, has contributed or will contribute to the Group. The total number of ordinary shares underlying awards made pursuant to the Pre-IPO RSU Plan is 13,850,000. On 17 November 2014, RSUs to subscribe for 13,850,000 shares were granted to 2 members of the senior management and 7 employees.

All of the 13,850,000 RSUs granted were vested on 1 April 2015, resulted in the issue of 13,850,000 ordinary shares of the Company and share premium of RMB21,168,000.

The Group recognized a total RSU compensation expenses of RMB14,112,000 during the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

20. BUSINESS COMBINATIONS

On 4 May 2015, the Group acquired 60% of the equity interest of Shenzhen Tianxia Jiayou Technology Co., Ltd. (“Tianxia Jiayou”), an unlisted company based in Guangdong Province that specialises in the development of its own games, along with receivables from Tianxia Jiayou of RMB3,500,000 for a consideration of RMB1,500,000. The fair value of the identifiable assets and liabilities of Tianxia Jiayou and the receivables from Tianxia Jiayou as at the date of acquisition were:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	77
Cash and bank balances	468
Prepayments, deposits and other receivables	108
Accruals and other payables	(5,550)
Non-controlling interests	1,959
Total identifiable net assets at fair value	(2,938)
Other receivables from Tianxia Jiayou	3,500
	562
Goodwill on acquisition	938
Consideration:	
Satisfied by cash in July 2015	1,500

NOTES TO THE FINANCIAL STATEMENTS

20. BUSINESS COMBINATIONS (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration as at 30 June 2015	–
Cash and bank balances acquired	468
Net inflow of cash and cash equivalents included in cash flows from investing activities	468

21. OPERATING LEASE ARRANGEMENT

Operating lease commitments

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

As lessee

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	4,808	4,287
In the second to third years, inclusive	8,438	6,403
In the fourth to fifth years	5,334	6,305
	18,580	16,995

NOTES TO THE FINANCIAL STATEMENTS

22. RELATED PARTY TRANSACTIONS

Compensation of key management personal of the Group:

	30 June 2015 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	1,604
Performance related bonuses	73
Equity-settled share-based payment expenses	13,751
Pension scheme contributions	108
	15,536

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the period were as follows:

Financial assets

	As at 30 June 2015 (unaudited)		Total RMB'000
	Available for-sale financial assets RMB'000	Loans and receivables RMB'000	
Accounts receivable	-	2,549	2,549
Receivables due from third-party game distribution platforms and payment channels	-	95,213	95,213
Financial assets included in prepayments, deposits and other receivables	-	8,049	8,049
Available-for-sale investments	298,587	-	298,587
Time deposits with original maturity of over three months	-	116,279	116,279
Cash and cash equivalents	-	311,429	311,429
	298,587	533,519	832,106

NOTES TO THE FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	As at 31 December 2014 (audited)		
	Available for-sale financial assets RMB'000	Loans and receivables RMB'000	Total RMB'000
Accounts receivable	–	3,062	3,062
Receivables due from third-party game distribution platforms and payment channels	–	118,370	118,370
Financial assets included in prepayments, deposits and other receivables	–	50,065	50,065
Available-for-sale investments	28,235	–	28,235
Cash and cash equivalents	–	545,511	545,511
	28,235	717,008	745,243

Financial liabilities

	Financial liabilities at amortised cost	
	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Financial liabilities included in other payables and accruals (note 17)	8,870	14,717
	8,870	14,717

NOTES TO THE FINANCIAL STATEMENTS

24. FAIR VALUE AND FAIR VALUE HIERARCHY

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, receivables due from third-party game distribution platforms and payment channels, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, amounts due from shareholders and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of structured financial products approximates to the principle plus expected interest upon maturity. The fair values of available-for-sale investments in bonds, convertible bonds and convertible preferred shares have been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market inputs. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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 and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

	Fair value measurement as at 30 June 2015 using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for: Available-for-sale investments	-	298,587	-	298,587

	Fair value measurement as at 31 December 2014 using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for: Available-for-sale investments	-	28,235	-	28,235

During the six months ended 30 June 2015 and 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.



NOTES TO THE FINANCIAL STATEMENTS

25. EVENTS AFTER THE REPORTING PERIOD

On 25 June 2015, one subsidiary of the Company, Feiyu Technology Hong Kong Limited, entered into an agreement to purchase 100% equity interest of Jiaxi Global Limited which indirectly holds 25% of the registered capital in Xiamen Yidou and Xiamen Zhangxin Interactive Technology Co., Ltd. from Fine Point Development Limited (“the Seller”). The Acquisition Consideration shall be satisfied by the Company allotting and issuing a maximum of 118,000,000 ordinary shares, credited as fully paid, to the Seller. The acquisition is subject to the approval of the independent shareholders at extraordinary general meeting.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the board of the directors on 18 August 2015.

DEFINITION

“Android”	an operating system developed and maintained by Google Inc.
“ARPPU”	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors” or “our Board”	the board of Directors of the Company
“Cayman Companies Law” or “Companies Law”	the Companies Law of the Cayman Islands, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Cayman Islands”	the Cayman Islands
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the Chairman of the Board
“Chief Executive Officer”	the chief executive officer of our Company
“China” or “PRC”	the People’s Republic of China; for the purpose of this Interim Report, “PRC” does not include Taiwan, the Macau Special Administrative Region and Hong Kong
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “we”, “us”, “our” or “Feiyu”	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014, and, except where the context otherwise requires, all of its subsidiaries and PRC Operating Entities or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries and PRC Operating Entities was engaged in and which was subsequently assumed by it
“Contractual Arrangements”	a series of contractual arrangements entered into by Xiamen Feiyu, the PRC Contractual Entities and the Relevant Shareholders
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, depending on the context, refers to Mr. Yao Jianjun, Mr. Bi Lin, YAO Holdings Limited, BILIN Holdings Limited, Jolly Spring International Limited and Rayoon Limited
“Director(s)” or “our Director(s)”	the director(s) of the Company or any one of them
“Executive Director(s)”	the executive Director(s) of the Company



DEFINITION

“Group”, “our Group” or “the Group”	our Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as the subsidiaries of the our Company by virtue of the Contractual Arrangements), or where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be) and the PRC Operating Entities
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IAS(s)”	International Accounting Standards
“IASB”	International Accounting Standard Board
“IFRS(s)”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“Independent Non-executive Director(s)”	the independent non-executive Director(s) of the Company
“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including, iPhones, iPods, and iPads
“IPO”	initial public offering of the Shares on the main board of the Stock Exchange
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date which dealings in Shares first commence on the Stock Exchange, i.e. 5 December 2014
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“MAU”	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPUs for a particular period is the average of the MPUs in each month during that period

DEFINITION

“Nomination Committee”	the nomination committee of the Company
“Post-IPO RSU Plan”	the post-IPO restricted share unit plan adopted by the Shareholders on 17 November 2014
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Shareholders on 17 November 2014
“Pre-IPO RSU Plan”	the pre-IPO restricted share unit plan adopted by the Shareholders on 17 November 2014
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Shareholders on 17 November 2014
“PRC Contractual Entities”	Xiamen Guanghuan, Xiamen Youli and Kailuo Tianxia and “PRC Contractual Entity” means any one of them
“PRC Operating Entities”	Xiamen Guanghuan and its subsidiaries and “PRC Operating Entity” means any one of them
“Prospectus”	the prospectus dated 25 November 2014 issued by the Company
“Remuneration Committee”	the remuneration committee of the Board
“RPG”	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more “characters” who develop specific skill sets (such as melee combat or casting magic spells) and control the character’s actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
“RSU(s)”	restricted share unit(s) or any one of them
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of US\$0.0000001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance



DEFINITION

“HK\$” or “Hong Kong dollars” or
“HK dollars” or “cents”

Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

“RMB” or “Renminbi”

Renminbi yuan, the lawful currency of the PRC

“US\$”, “U.S. dollars”, “USD” or
“United States Dollars”

United States dollars, the lawful currency of the United States of America

In this Interim Report, the terms “associate”, “connected person”, “connected transaction” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.