天鴿 tianGe

Tian Ge Interactive Holdings Limited
天鴿互動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1980

ANNUAL REPORT 2015

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Company Overview

ABOUT TIAN GE

Tian Ge Interactive Holdings Limited (the “**Company**” or “**Tian Ge**”) develops and operates innovative real-time video technologies that empower users to engage and interact with each other through video, voice, text and exchange of virtual items. The Company’s mission is to bring optimism and joy to the masses through live social video interaction. Tian Ge was founded in Hangzhou, China in 2008 with its shares listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”) on July 9, 2014 (the “**Listing Date**”).

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Fu Zhengjun *(Chairman and Chief Executive Officer)*
Mr. Mai Shi'en *(Chief Operating Officer and Acting Chief Financial Officer)*

Non-executive Directors

Mr. Mao Chengyu
Mr. Herman Cheng-Chun Yu

Independent Non-executive Directors

Ms. Yu Bin
Mr. Wu Chak Man
Mr. Chan Wing Yuen Hubert

Joint Company Secretaries

Mr. Chen Shi
Ms. Ng Sau Mei

Authorized Representatives

Mr. Fu Zhengjun
Ms. Ng Sau Mei

Audit Committee

Ms. Yu Bin *(Chairman)*
Mr. Wu Chak Man
Mr. Chan Wing Yuen Hubert

Remuneration Committee

Mr. Wu Chak Man *(Chairman)*
Mr. Chan Wing Yuen Hubert
Mr. Mao Chengyu

Nomination Committee

Mr. Fu Zhengjun *(Chairman)*
Ms. Yu Bin
Mr. Wu Chak Man

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman
KY1-1112
Cayman Islands

HEADQUARTERS

Room 3A09
Sunshine International Business Center
No. 186 South Hushu Road
Hangzhou, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Offshore Incorporations (Cayman) Limited
Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

HONG KONG SHARE REGISTRAR

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

Corporate Information

LEGAL ADVISERS

As to Hong Kong law:
Kirkland & Ellis
26th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

REORIENT Financial Markets Limited
Suites 3201-3204
One Exchange Square
8 Connaught Place
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

STOCK CODE

1980

COMPANY'S WEBSITE

www.tiange.com

PRINCIPAL BANKS

China Merchants Bank
Offshore Banking Department
19/F, China Merchants Bank Tower
No. 7088 Shennan Boulevard
Shenzhen, Guangdong, PRC

China Merchants Bank
Hong Kong Branch
21/F, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

Financial Highlights

The board of directors (the "**Directors**") (the "**Board**") of Tian Ge is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2015 (the "**Reporting Period**"). The annual results have been audited by PricewaterhouseCoopers, the auditor of the Company, and reviewed by the audit committee of the Company (the "**Audit Committee**").

The following is the financial highlights of the Company for the year ended December 31, 2015:

	Year ended December 31,		Change
(in RMB'000)	**2015**	2014	%
Revenue [1] [2]	**677,543**	692,159	-2.1%
– Online interactive entertainment service	**590,738**	692,159	-14.7%
– Others	**86,805**	–	
Gross Profit	**526,208**	586,851	-10.3%
Gross margin	**77.7%**	84.8%	
Profit/(Loss) Attributable to Equity Holders of the Company	**151,792**	(107,503)	
Adjusted net profit [3]	**222,969**	267,214	-16.6%
Adjusted net margin	**32.9%**	38.6%	
Adjusted EPS [4] (expressed in RMB per share)			
– basic	**0.18**	0.29	
– diluted	**0.17**	0.23	
Adjusted EBITDA [5]	**280,300**	319,355	-12.23%
Adjusted EBITDA margin	**41.4%**	46.1%	
Total Assets	**2,500,208**	2,262,591	10.5%
Total Liabilities	**191,536**	174,103	10.0%

Notes:

(1) *Due to the expansion of the Group's business and the intertwining of our live social video business and gaming business as a result of our recent live social integration and cross-promotion, the management consider that the live social video platform and game are no longer to be presented separately and instead the revenue is broken down into online interactive entertainment service and others from year 2015.*

(2) *For the period after June 1, 2014, revenues are recorded net of 6% VAT tax.*

(3) *Adjusted net profit is not defined under IFRS, and is derived from the unaudited profit for the period excluding the effect of non-cash share-based compensation expenses, non-cash fair value change of convertible redeemable preferred shares, listing expenses, impairment loss arising from acquisitions and amortisation of intangible assets arising from acquisitions.*

(4) *Adjusted basic earnings per share ("**EPS**") is calculated by dividing the adjusted net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period which have been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the issuance of bonus shares. The denominator for computing the adjusted diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of Series B convertible redeemable preferred shares (if applicable) and to assume share options granted to employees under 2008 Global Share Option Plan and Post-IPO Share Option Scheme, restricted share units ("**RSUs**") granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the non-IFRS adjusted earnings.*

(5) *Adjusted EBITDA, as presented, represents operating profit, adjusted to exclude non-cash share-based compensation expenses, listing expenses, impairment loss arising from acquisitions, amortisation of intangible assets arising from acquisitions, and depreciation and amortisation.*

Chairman's Statement

Dear Shareholders,

I am here to present the second audited annual results of Tian Ge since our successful listing debut on the Main Board of the Stock Exchange in July 2014.

It has been a year full of excitement, with a few challenges for the Group due to the volatile global market, increasingly fierce competition in live show industries and continuing hardship resulting from mobile monetization. Our business observed a slight decline in financial results compared with that in 2014, though we have actively adjusted our marketing and operation strategies to minimize adverse impacts.

On the other hand, we have successfully established and operated several international sections in our live platforms, accomplished several acquisitions and entered into strategic cooperation. Over the past year, we enhanced our core live social video products towards mobile. Benefiting from our investment and operating efforts in our mobile products, our percentage on mobile monthly active users ("**MAUs**") significantly increased to 23.5% compared to 13.9% in the same period of 2014.

Mobile user base percentage continues to increase, while mobile monetization remains a challenge. Our total revenues decreased by 2.1% year-on-year to RMB677.5 million from RMB692.2 million for the same period in 2014, which was affected by the economy slowdown, increased competition, as well as the shifting user trends from PCs to mobile devices.

While maintaining the current scale of healthy cash flow and profitability from our core live social video segments, we are motivated to diversify product offerings and to leverage our active user base, traffics, host economy, distributor partners and unique ecosystem to capitalize on emerging monetization opportunities on other new verticals, in partnership with industry leaders in the different new verticals.

In May 2015, Tian Ge was awarded the Best IR Company for an initial public offering ("**IPO**") company and our IR director, Mr. Kenneth Ke was also awarded as Best IRO-Small Cap by the Hong Kong Investor Relations Association as the recognition for its IR excellence achieved over the past year. In October 2015, we obtained the "Outstanding Listed Company Award 2015" organized by the Hong Kong Institute of Financial Analysts and Professional Commentators Limited.

The Board has proposed a final dividend of HK$0.06 per share for the year ended December 31, 2015 (2014: Nil), which is subject to the approval at the forthcoming annual general meeting of the Company (the "**AGM**").

Chairman's Statement

Across all of our major efforts, we will remain focused on delivering most sought-after real-time social interactive entertainment and experiences for our expanding users, and passionately committed to driving sustainable, profitable growth for our shareholders.

I would also like to take this opportunity to express my sincere gratitude to the management, our employees, and our ecosystem partners for their dedication in the past year, as well as to our shareholders and business partners for their confidence and support to the Group.

Fu Zhengjun
Chairman, Executive Director and Chief Executive Officer
Tian Ge Interactive Holdings Limited

March 23, 2016

1. BUSINESS OVERVIEW

As affected by global economic slowdown and weakening Asian economy, Chinese businesses are facing big challenges which Tian Ge's operations were affected as well. Nonetheless, we still see opportunities in related fields due to the increasing purchasing power, internet plus strategy supported by the Chinese government and continual growth in mobile user base and the mobile gaming market. In order to capture the massive opportunities brought by mobile migration, we have been actively expanding our mobile offerings and at the same time leveraging unique ecosystem and well-established brand image to further develop our online to offline ("**O2O**") entertainment, health, personal and beauty care business and internet finance sector. Meanwhile, we have increased our presence in the overseas market with our expansion and cooperation with Japanese and Korean partners. Overall, we remain confident and excited about our future prospects.

We recorded a net profit attributable to equity holders of the Company of approximately RMB151.8 million for the year ended December 31, 2015 as compared to the significant net loss attributable to equity holders of the Company of RMB107.5 million for the year ended December 31, 2014. Total revenue slightly decreased by 2.1% to approximately RMB677.5 million for the year ended December 31, 2015 (2014: RMB692.2 million). Affected by a sluggish economy, as well as the continuous challenge arising from mobile monetisation, gross profit decreased by 10.3% to RMB526.2 million from RMB586.9 million. The adjusted net profit for the year ended December 31, 2015 was approximately RMB223.0 million, representing a decrease of 16.6% as compared to year 2014.

Our average MAUs increased from approximately 14.4 million in 2014 to 17.5 million in 2015, and average quarterly paying users ("**QPUs**") increased from approximately 651,000 to 770,000 during the same period. Our mobile MAUs as at December 31, 2015 represents 23.4% of our total MAUs, while the percentage as at December 31, 2014 was only 13.9%. As a result of increasing percentage of mobile users, who usually have lower paying ratio, our Quarterly Average Revenue Per User ("**QARPU**") decreased by 27.3% year-on-year to RMB192.

To face the challenge and competition environment, we have promptly adjusted our operation and marketing strategies. We have launched and operated several new mobile games and applications, introduced more interaction between our live social platform and game sector, completed several acquisitions and entered into several cooperation alliances. Going forward, we will focus on leveraging Tian Ge's unique ecosystem and strategic partnership with new vertical leaders as well as strategic investments to diversify product offerings, accelerate user base growth and capitalize on emerging monetisation opportunities on PC, mobile and O2O.

To date, we have several major initiatives to grow our business:

1. BUSINESS OVERVIEW (continued)

Mobile

Amid the challenge in mobile monetisation for all internet products including live social video, we believe that the increasing mobile penetration rate in China offers a lucrative opportunity to expand our current product lines to mobile audiences, as well as tapping into our mobile monetisation opportunities through our incubation, diversification, and vertical integration strategy through cross-industry partnership, joint venture and merger and acquisition with leading vertical partners.

Recognizing the trend towards mobile for the future generation, we plan to facilitate complementary advantages and cooperations between multi-platform usability and functionality, as we leverage our brand, user base and technology to give users the flexibility to enjoy our content anytime and anywhere. Our mobile MAUs almost doubled in 2015 as compared to that of 2014. In addition to our rapid mobile MAUs growth, we are also developing and exploring investment opportunities on new mobile applications, extending into new verticals, and testing new emerging businesses that can leverage our large audience and establish capabilities in live social ecosystem. Our own mobile live broadcasting applications are currently under developing and testing.

Gaming

With the rising number of hardcore gamers within our new core user base, we have officially entered into the mobile games market in early 2014. In addition to the three mobile games launched in the first half of 2015, we have also launched our licensed 3D interactive game "Dark Throne" in the second half of 2015, which is a Diablo-style action role-playing game with unique 3D visual features and interactive motion control technology.

Going forward, the Group plans to launch more mobile casual games in 2016, some of which would be in partnership with external game developers. We are actively exploring the possibility of providing technical and ecosystem support to third party game developers across our existing live social ecosystem, leveraging our solid and loyal active user base, host economy and powerful ecosystem partners. In addition, we will continue to license premium Intellectual Properties ("**IPs**") internationally with leading game developers globally to improve our game quality and user experience.

1. BUSINESS OVERVIEW (continued)

O2O Entertainments

Our live social ecosystem goes beyond the online services we provide. It also includes how we create additional live social experiences with our users in the offline world. Our cloud-based software solution has successfully expanded the user demographic and increased the offline asset's yield through the introduction of online to offline promotions, gamification, virtual economies, host economy and other innovative features.

Despite the recent economic slowdown, we are glad that we have diversified our product offering by extending into smart entertainment devices that further expand our user base and online experience into other offline venues, such as bars, pubs, clubs and restaurants, etc. During the year, the Group maintained the offering of O2O karaoke system, and devoted more resources in developing and offering cloud-based android gaming table, with WeChat integration, for users to interact and play games with each other during idle time at the waiting area and inside entertainment venues.

Health, Personal and Beauty Care Business

With the rising number of healthcare-oriented and aesthetic-focused hosts and active user base on our live social ecosystem, we have expanded our business into the health, personal and beauty care business in early 2015. In the year of 2015, we have invested into several leading players in the health, personal and beauty care business, such as Hangzhou Seehealth Information Technology Co., Ltd. ("**Seehealth**") and Hangzhou Raily Tian Ge Beauty Clinic Co., Ltd. (formerly known as Hangzhou Raily Plastic Surgery Clinic Co., Ltd.) ("**Hangzhou Raily**"). We are actively sharing some of our resources into these invested entities for further monetisation opportunities on our existing traffics, loyal user base, hosts and other ecosystem partners.

International Expansion

As we established our first overseas subsidiary in Japan in May 2015, we increased our global presence and at the same time introduced new premium international contents to our live social platforms. Our Japanese platform is already online and our China live social platform has begun offering Japanese and Korean contents and hosts as part of our internationalization strategy in the fourth quarter of 2015. We aim to leverage our strong technological capabilities and infrastructure, large and loyal user base and established social ecosystem to advance our penetration and global presence in the karaoke and entertainment area in countries and regions outside Mainland China with large number of Chinese speakers and similar cultural background.

2. OPERATING INFORMATION

The following table sets forth certain quarterly operating statistics relating to the Group's internet platforms as at the dates and for the periods presented below:

	Three months ended				
	December 31, 2015	December 31, 2014	Year-on-year change	September 30, 2015	Quarter-on-quarter change
Monthly Active Users (in '000)*	**16,536**	16,590	-0.3%	17,753	-6.9%
Quarterly Paying Users (in '000)*	**801**	705	13.6%	752	6.5%
Quarterly Average Revenue Per User (RMB)*	**162**	246	-34.1%	172	-5.8%
Number of Rooms	**26,192**	28,000	-6.5%	26,354	-0.6%
Number of Hosts	**36,261**	40,000	-9.3%	37,225	-2.6%

* *To be consistent with the revenue classification, the key operating data would now include the users from online interactive entertainment service only effective from the fourth quarter of 2015 and onwards. The corresponding data from previous quarters will be restated accordingly.*

The following is a summary of the comparative figures for the periods presented above:

- The number of MAUs for Tian Ge was approximately 16.5 million for the three months ended December 31, 2015, representing a slight decrease from the three months ended December 31, 2014 and representing a decrease of approximately 6.9% from the three months ended September 30, 2015.

- The number of QPUs for Tian Ge's online interactive entertainment service was approximately 801,000 for the three months ended December 31, 2015, representing an increase of approximately 13.6% from the three months ended December 31, 2014 and representing an increase of approximately 6.5% from the three months ended September 30, 2015.

- The QARPU of Tian Ge's online interactive entertainment service for the three months ended December 31, 2015 decreased by 34.1% to RMB162 from the three months ended December 31, 2014 and representing a decrease of approximately 5.8% from the three months ended September 30, 2015, primarily due to the increase in our mobile paying user base and change of our paying user mix.

2. OPERATING INFORMATION (continued)

- The number of hosts and number of rooms on our online platforms remained stable on a quarter-on-quarter basis as compared to the three months ended September 30, 2015 and representing a decrease of 9.3% and 6.5% respectively from the three months ended December 31, 2014, mainly because we began consolidating rooms and increasing the average room size of popular rooms in recent quarters, to meet growing popularity for larger rooms, especially among our growing number of new mobile users.

- Number of users on air on our online platforms experienced a slight sequential decrease as compared to the previous quarter and the corresponding period of 2014, primarily due to the continual increase in the percentage of MAUs accessing via mobile devices and we are experiencing a growing preference of our users to participate in channels solely through viewing and chatting, and the decrease in the percentage of active users through live video interaction.

- The percentage users on air over MAUs on the online platforms increased slightly to 3.6% for the three months ended December 31, 2015, as compared to 3.5% for the immediately preceding quarter, primarily due to the slight decrease in MAUs.

- The total number of registered users of Tian Ge as at December 31, 2015 was 292.3 million, as compared to 268.5 million as at December 31, 2014.

The following table sets forth certain annual operating statistics relating to the Group's online interactive entertainment service as at the dates and for the periods presented below:

	Year ended		Year-
	December 31, 2015	December 31, 2014	on-year change
Monthly Active Users (in '000)	**17,488**	14,377	21.6%
Quarterly Paying Users (in '000)*	**770**	651	18.3%
Quarterly Average Revenue Per User (RMB)	**192**	264	-27.3%

* *In 2015, we used quarterly information to present the operating metrics in the online entertainment service business in order to be more consistent with what we believe to be industry practice. Comparative figures have been adjusted to conform to the new presentation.*

3. FINANCIAL INFORMATION

Revenue

Revenue of online interactive entertainment service mainly includes revenue from live social video platforms and online games, which decreased by 14.7% year-on-year to RMB590.7 million for the year ended December 31, 2015 from RMB692.2 million for the corresponding period in 2014. This was primarily caused by the decreasing QARPU, which is affected by industry trend and shifting user trends from PCs to mobile devices.

Revenue of others in year of 2015 mainly includes the revenue from provision of ecommerce transactions, provision of beauty clinic service, sales of software and other services.

After the implementation of the Pilot Practice of Levying VAT in Place of Business Tax for the Telecommunication Industry (Caishui No. 43, 2014) jointly issued by the Ministry of Finance and the State Administration of Taxation (the "**SAT**"), effective from June 1, 2014 ("**VAT reform**"), our revenue is recorded as net off 6% VAT tax from June 1, 2014. Excluding this effect, our revenue for the year ended December 31, 2015 decreased approximately 0.2% year-on-year compared to the corresponding period of 2014.

The Group's business is broken down into online interactive entertainment service segment and other segment. Online interactive entertainment service segment mainly includes the business of live social video platforms and online games. Other segment mainly includes the new business generated from our acquired companies. The scale of the new business is relatively small, so it is currently classified into other segment.

Cost of Revenue

Cost of revenue experienced an increase of 43.7% year-on-year to RMB151.3 million for the year ended December 31, 2015 from RMB105.3 million for the corresponding period in 2014. The increase was primarily due to the higher cost related to launch and operation of our mobile games and other value-added services, and partially offset by the saving of business tax and surcharges after the VAT reform as mentioned in the above section.

The gross margin for the year ended December 31, 2015 was 77.7%, compared with 84.8% for the corresponding period in 2014.

3. FINANCIAL INFORMATION (continued)

Selling and Marketing Expenses

Selling and marketing expenses decreased by 9.9% year-on-year to RMB191.4 million for the year ended December 31, 2015 from RMB212.4 million for the corresponding period in 2014. The decrease was mainly caused by the decrease of marketing and promotion expenses, and partially offset by the increase of share-based compensation expenses.

Administrative Expenses

Administrative expenses decreased by 14.9% year-on-year to RMB115.7 million for the year ended December 31, 2015 from RMB136.0 million for the corresponding period in 2014, which was primarily due to the decrease of listing expenses incurred in relation to our global offering and listing in July 2014 of RMB40.1 million. The decrease was partially offset by the increase of employee costs of RMB7.2 million as a result of our new investments and business expansion and the increase in share-based compensation of RMB6.4 million.

Research and Development Expenses

Research and development expenses slightly decreased by 2.8% year-on-year to RMB83.6 million for the year ended December 31, 2015 from RMB86.0 million for the corresponding period in 2014, primarily due to the decrease in new research and development costs, and partially offset by the increase of employee costs.

Finance Income, Net

Finance income, net decreased by 42.1% year-on-year to RMB3.3 million for the year ended December 31, 2015 from RMB5.7 million for the corresponding period in 2014, mainly caused by the decrease of interest income on our cash and cash equivalents.

Gain/(Loss) attributable to equity holders of the Company

We recorded gain attributable to equity holders of the Company for the year ended December 31, 2015 of RMB151.8 million instead of loss attributable to equity holders of the Company of RMB107.5 million for the corresponding period of 2014. The change was mainly attributable to (i) the absence of fair value loss of convertible redeemable preferred shares as all such shares were automatically converted into ordinary shares upon completion of IPO on July 9, 2014; (ii) the absence of listing expenses, and offset by the decrease in our operating profit.

3. FINANCIAL INFORMATION (continued)

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, adjusted net profit and adjusted EBITDA are used as additional financial measures. These financial measures are presented because they are used by management to evaluate operating performance. The Company also believes that these non-IFRS measures provide useful information to help investors and others understand and evaluate the Group's consolidated results of operations in the same manner as management and in comparing financial results across accounting periods and to those of our peer companies.

The following table sets forth the Group's non-IFRS financial data for the year presented:

	Year ended		Year-
	December 31, 2015	December 31, 2014	on-Year Change
(in RMB'000)			
Non-IFRS Financial Data			
Non-IFRS EBITDA	**280,300**	319,355	-12.23%
*Non-IFRS EBITDA margin**	***41.4%***	*46.1%*	
Non-IFRS Net Income	**222,969**	267,214	-16.6%

* *Non-IFRS EBITDA margin is calculated by dividing adjusted EBITDA by revenue.*

Non-IFRS Adjusted EBITDA

Non-IFRS adjusted EBITDA, as presented, represents operating profit, adjusted to exclude share-based compensation expenses, listing expenses, impairment loss arising from acquisitions, amortisation of intangible assets arising from acquisitions, and depreciation and amortisation. The use of non-IFRS adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect operations. Items excluded from non-IFRS adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. Share-based compensation expenses, listing expenses, impairment loss arising from acquisitions, amortisation of intangible assets arising from acquisitions, and depreciation and amortisation have been and may continue to be incurred are not reflected in the presentation of non-IFRS adjusted EBITDA. Each of these items should also be considered in the overall evaluation of the Group's results.

3. FINANCIAL INFORMATION (continued)

Non-IFRS Adjusted EBITDA (continued)

The following table reconciles our operating profit to our non-IFRS adjusted EBITDA for the year presented:

	Year ended		Year-
	December 31, 2015	December 31, 2014	on-year Change
(in RMB'000)			
Operating Profit	**188,524**	211,098	-10.7%
Share-based compensation expense	**65,942**	51,200	28.8%
Listing expense *(Note 1)*	**–**	40,056	-100.0%
Impairment loss arising from acquisitions	**1,624**	–	
Amortisation of intangible assets arising from acquisitions	**2,668**	–	
Depreciation and amortisation expense	**21,542**	17,001	26.7%
Non-IFRS Adjusted EBITDA	**280,300**	319,355	-12.23%

Note:

(1) Listing expenses related to those legal and professional services fees associated with our global offering. As a result, the listing expenses are no longer effective from the fourth quarter of 2014 onwards.

Non-IFRS Net Income and Earnings Per Share

Non-IFRS net income eliminates the effect of non-cash share-based compensation expenses, non-cash fair value change of convertible redeemable preferred shares, listing expenses, impairment loss arising from acquisitions, and amortisation of intangible assets arising from acquisitions. The term of adjusted net profit is not defined under IFRS.

Non-IFRS earnings per share and non-IFRS diluted earnings per share are not defined under IFRS. Non-IFRS earnings per share is defined as adjusted net profit attributable to the equity holders of the Company divided by weighted average number of ordinary shares outstanding.

3. FINANCIAL INFORMATION (continued)

Non-IFRS Net Income and Earnings Per Share (continued)

The denominator for computing the adjusted diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of Series B convertible redeemable preferred shares (if applicable) and to assume share options granted to employees under 2008 Global Share Option Plan and Post-IPO Share Option Scheme, RSUs granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the non-IFRS adjusted earnings. The number of ordinary shares outstanding during the corresponding period has been adjusted retroactively for the proportional changes in the number of preferred shares, share options and RSUs outstanding as a result of the issuance of bonus shares for the corresponding period. The numerator of adjusted diluted EPS is adjusted net profit attributable to the equity holders of the Company.

The following table sets forth the reconciliations of the Group's net profit to non-IFRS net income for the year presented below:

	Year ended		Year-
	December 31, 2015	December 31, 2014	on-year Change
(in RMB'000)			
Reconciliation to non-IFRS Net Income			
Net Profit/(Loss)	**149,750**	(107,601)	
Share-based compensation expense	**65,942**	51,200	28.8%
Fair value loss of convertible redeemable preferred shares and redeemable ordinary shares	**–**	283,559	-100.0%
Listing expense	**–**	40,056	-100.0%
Impairment loss arising from acquisitions	**4,609**	–	
Amortisation of intangible assets arising from acquisitions	**2,668**	–	
Non-IFRS Net Income	**222,969**	267,214	-16.6%

4. LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalent, Term Deposits, Restricted Cash and Financial Assets

Cash and cash equivalents consist of cash at bank and cash on hand, and as at December 31, 2015 and December 31, 2014 amounted to RMB232.8 million and RMB289.1 million, respectively. All cash in bank balances as at these dates were demand deposits and term deposits with initial terms of less than three months. The Group had term deposits with initial term of over three months of RMB954.9 million and RMB1,082.8 million as at December 31, 2015 and December 31, 2014, respectively.

Since there are no cost-effective hedges against the fluctuation of Renminbi ("**RMB**") and no effective manner to generally convert a significant amount of non-RMB currencies into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits and investments.

The Group had current available-for-sale financial assets of RMB370.1 million and RMB313.0 million as at December 31, 2015 and December 31, 2014, respectively. Current available-for-sale financial assets typically consist of RMB-denominated principal-guaranteed structured deposits with floating interest rates ranging from 1.8% to 6% per annum with maturity periods within one year or with an ongoing term offered by large state-owned and commercial banks in China.

The Group had financial assets at fair value through profit or loss of RMB0 and RMB109.5 million as at December 31, 2015 and December 31, 2014, respectively. Financial assets at fair value through profit or loss mainly represent investments in certain principal-protected structure deposits issued by national commercial banks in the PRC and reputable international financial institutions in Hong Kong. They have an initial term ranging from six months to one year, and were classified as financial assets at fair value through profit or loss upon initial recognition.

Bank Loans and Other Borrowings

As at December 31, 2015 and December 31, 2014, the Group had no bank loans and other borrowings outstanding.

Gearing Ratio

The gearing ratio as at December 31, 2015 and December 31, 2014 were 0%.

Capital Expenditures

For the year ended December 31, 2015, our capital expenditures were approximately RMB61.0 million, including approximately RMB30.1 million related to the purchase of new office space located in Beijing, approximately RMB11.2 million related to purchase of intangible assets and game licenses, approximately RMB8.9 million related to our newly purchased office space in Hangzhou, RMB6.7 million related to the decoration of our new offices and RMB4.1 million related to servers and other office equipment, etc.

4. LIQUIDITY AND FINANCIAL RESOURCES (continued)

Significant Investment

The Group did not make any significant investments for the year ended December 31, 2015.

Mergers and Acquisitions

In January 2015, the Group acquired 80% of the equity interest of Jinhua Shixun Network Technology Co., Ltd., an independent third party company specialised in online live social video related technologies at a total consideration of RMB25.0 million.

In March 2015, the Group acquired 34.4735% equity interest of Seehealth, a company specialised in online health information services at a total cash consideration of approximately RMB24.0 million. In December 2015, the Group partially disposed 15.7916% of the total equity interests of Seehealth to one of its equity holders at a cash consideration of RMB8.4 million, after which the equity interests in Seehealth held by the Group reduced from 34.4735% to 18.6819%.

In April 2015, the Group acquired 50.91% of the equity interest of Uncle Sam (HK) Co., Ltd. a company incorporated in Hong Kong at a consideration of RMB23.4 million.

In April 2015, the Group acquired 60% of the equity interest of Hangzhou Raily, a beauty clinic at a total consideration of RMB10.5 million.

In September 2015, the Group further increased the equity interest from 10% to 31.9172% in Zhejiang Sodao Network Technology Co., Ltd., a third party company engaged in business promotion and trading via online female network community in the PRC. The total consideration for 31.9172% of equity interest is RMB18.0 million.

In October 2015, the Group acquired 51% of equity interests of Zhejiang Haile Technology Co., Ltd (formerly known as Jinhua Haile Technology Co., Ltd.), an independent third party company engaged in development and operation of social application at a total cash consideration of RMB20.4 million.

Except as disclosed above, the Group did not make any other material mergers or acquisitions for the year ended December 31, 2015.

Charges on Assets

As at December 31, 2015, the Group did not have any asset charges.

Contingent Liabilities

As at December 31, 2015, the Group did not have any contingent liabilities.

5. CORPORATE INFORMATION

Staff

The Group had 774 full time employees as at December 31, 2015. Tian Ge's success depends on its ability to attract, retain and motivate qualified personnel. The Group adopts high standards in recruitment with strict procedures to ensure the quality of new hiring and use various methods for recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through headhunting firms or agents, to satisfy the demand for different types of roles. Moreover, the Group provides a robust training program for new employees in order to effectively equip them with the skill sets and work ethics which are necessary to succeed at Tian Ge.

Relevant staff cost was RMB195.2 million for the year ended December 31, 2015, while our staff cost was RMB166.8 million for the year ended December 31, 2014. The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

The Group's employees have not formed any employee union or association. Tian Ge believes that it maintains a good working relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the period under review.

Share Option Schemes

The Company has adopted the Pre-IPO Share Option Scheme, the Pre-IPO Restricted Share Unit Scheme (the "**Pre-IPO RSU Scheme**"), the Post-IPO Share Option Scheme and the Post-IPO Restricted Share Unit Scheme (the "**Post-IPO RSU Scheme**") (collectively, the "**Schemes**"). The purpose of the Schemes is to reward the participants defined under the Schemes for their past contribution to the success of the Group and to provide incentives to them to further contribute to the Group.

The share-based compensation expenses for the year ended December 31, 2015 is RMB65.9 million, as compared to RMB51.2 million for the corresponding period in 2014.

6. BUSINESS OUTLOOK

To further strengthen the Group's leading position as China's largest "many-to-many" live social platforms, the Group will endeavor to work best at investing and developing new content genre and expanding the live social platform communities.

The Group is working to expand mobile offerings and cross-device capabilities to give users the flexibility to access the content anytime and anywhere. Additionally, the Group plans to significantly expand its presence in the mobile and online games market by developing new mobile live broadcasting and game broadcasting applications, licensing top international IPs from leading global game developers and to cross promote several co-developed or third party casual games to improve user experience, to achieve higher monetisation, more effective paying conversion, to increase user engagement, to lower user acquisition risk and to extend users' life cycles.

Moreover, we plan to leverage our well-established distributor ecosystem and management know-how to franchise or promote our O2O products on a national scale. We believe the addressable market for our O2O entertainment products is massive, and could potentially generate outsized shareholder returns.

Going forward, the Group will continue to license proprietary technology and contents from leading partners overseas to enhance its user experience and core competency as well as to further explore the internet finance space. Our solid and loyal paying user base has increasing needs for both financing and wealth management, and we would like to capture this opportunity to offer value-added services to our valued customers and ecosystem partners in the internet finance space. As part of the Group's new business strategy in the internet finance field, we are actively exploring investment and acquisition opportunities for mobile and PC internet finance platforms. As disclosed in our voluntary announcement dated January 8, 2016, we invested into Wuhan Jiuxin Puhui Financial Information Services Company Limited an aggregate amount of RMB46.8 million for 36% equity interest and became their second largest shareholder. We are still in the process of completing the transaction as at the date of this announcement.

The Group will continue to do its best to deliver the most sought-after real-time social interactive entertainment and experiences for its expanding users, and passionately committed to driving sustainable, profitable growth for its shareholders.

Financial Summary

	Year ended December 31,				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015 RMB'000**
Revenue	384,442	455,768	548,240	692,159	**677,543**
Gross profit	336,257	403,456	480,095	586,851	**526,208**
Profit/(Loss) before income tax	(75,286)	(15,285)	(56,431)	(71,450)	**184,458**
Profit/(Loss) for the year	(80,606)	(27,233)	(92,609)	(107,601)	**149,750**
Profit/(Loss) attributable to Shareholders of the Company	(80,606)	(27,233)	(92,602)	(107,503)	**151,792**
Total comprehensive income/(loss) for the year	(66,932)	(25,931)	(78,032)	(121,597)	**211,759**
Total comprehensive income/(loss) attributable to Shareholders of the Company	(66,932)	(25,931)	(78,025)	(121,499)	**213,587**

	As at December 31,				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015 RMB'000**
Assets					
Non-current assets	44,940	135,405	251,885	775,000	**820,756**
Current assets	344,032	505,875	592,501	1,487,591	**1,679,452**
Total assets	388,972	641,280	844,386	2,262,591	**2,500,208**
Equity and liabilities					
Equity attributable to Shareholders of the Company	(135,355)	72,426	(88,556)	2,083,689	**2,286,712**
Non-controlling interests	–	–	4,897	4,799	**21,960**
Total Equity/(deficits)	(135,355)	72,426	(83,659)	2,088,488	**2,308,672**
Non-current liabilities	421,315	356,018	628,326	1,750	**6,495**
Current liabilities	103,012	212,836	299,719	172,353	**185,041**
Total liabilities	524,327	568,854	928,045	174,103	**191,536**
Total equity and liabilities	388,972	641,280	844,386	2,262,591	**2,500,208**

EXECUTIVE DIRECTORS

Mr. Fu Zhengjun (傅政軍), aged 37, is our Chairman and has been a Director of our Board since July 28, 2008. He was re-designated to our Board as an executive Director on March 11, 2014. Mr. Fu is the founder of our Group and has served as the chief executive officer of all our wholly-owned foreign enterprises ("**WFOE**") and PRC Operating Entities (as defined below) since their respective incorporation. He is responsible for the overall strategic planning, management and operations of our Group, and is instrumental to our growth and business expansion. Mr. Fu has approximately 14 years of experience in the Internet industry. Prior to founding our Group, Mr. Fu was the chief technology officer of Tiantu Information Technology (Shanghai) Co., Ltd. (天圖信息技術（上海）有限公司), a company mainly engaging in the development of Internet advertising technology, from August 2000 to September 2004, where he was responsible for products research and development. From August 1999 to August 2000, Mr. Fu served as an engineer at Zhejiang Data Communications Administration Bureau (浙江省數據通訊局) (formerly known as Zhejiang Communications Administration Bureau (浙江省通訊管理局)), where he was responsible for project management and implementation.

Mr. Fu received a bachelor's degree in computer science application from Zhejiang University of Technology (浙江工業大學) in Hangzhou in July 1999.

Mr. Mai Shi'en (麥世恩), aged 40, was appointed as a Director of our Board on March 5, 2014 and re-designated as an executive Director on March 11, 2014. From August 2012 to April 2014, Mr. Mai served as the chief financial officer of the Company and was responsible for the corporate finance, investor relations and financial management of our Group. He has been the chief operating officer of our Group since April 22, 2014 and is responsible for the overall operation of our Group and mergers and acquisitions, as well as our Group's strategy planning and implementation. After the resignation of the former chief financial officer, Mr. Mai has resumed as the acting chief financial officer of the Company, since July 31, 2015. Mr. Mai has served as the directors of a number of subsidiaries or associated companies that are Hangzhou Raily Tian Ge Beauty Clinic Co., Ltd. (杭州瑞麗天鴿整形外科門診部有限公司), Zhejiang Haile Technology Co., Ltd. (浙江嗨樂科技有限公司), Chengdu Happy Alliance Technology Co., Ltd. (成都歡樂聯盟科技有限公司), Chengdu Yinyuehui Technology Co., Ltd. (成都音悦匯科技有限公司) and Hangzhou Seehealth Information Technology Co., Ltd. (杭州希和信息技術有限公司) since October 10, September 22, July 21, April 30 and February 2, 2015 respectively. Also, he has served as a director of Jinhua Tianhu Network Technology Co., Ltd. ("**Tianhu**") since August 29, 2013 and oversees its management and strategic development. Mr. Mai possesses extensive knowledge of the Internet industry and financial management. Prior to joining our Group, Mr. Mai was an executive director and the chief financial officer of Shanghai Nineyou Internet Technology Co. Ltd. (上海久遊網絡科技有限公司), an online games and interactive online platform operator in China, where he worked from September 2005 to July 2012 and was responsible for the company's overall financial planning, internal auditing and investment. From September 2003 to September 2005, Mr. Mai worked at Praxair (China) Investment Co., Ltd. (普萊克斯（中國）投資有限公司), responsible for financial related matters. In addition, from August 1998 to July 2003, Mr. Mai worked in the auditing departments of several top global accounting firms including Ernst & Young, Arthur Anderson and KPMG.

Mr. Mai graduated from Shanghai Jiaotong University (上海交通大學) in Shanghai in July 1998, where he received a bachelor's degree in international finance. He is a Certified Internal Auditor (CIA) admitted by China Institute of Internal Audit (中國內部審計協會) in November 2004 and a Chinese Institute of Certified Public Accountant (CICPA) admitted by Shanghai Certified Public Accountant Association (上海市註冊會計師協會) in December 2009.

NON-EXECUTIVE DIRECTORS

Mr. Mao Chengyu (毛丞宇), aged 45, was appointed to our Board on December 30, 2008, as a director representative of series B pre-IPO investors. He was re-designated to our Board as a non-executive Director on March 11, 2014. Mr. Mao has resigned as a partner of IDG Capital Partners on August 2015, and now serves as the founder of Yun Qi Capital Partners. Mr. Mao was a partner of IDG Capital Partners, which is a venture capital fund principally engaged in investing in technology start-up companies with PRC-related businesses, since July 1, 2012 and is responsible for the equity investment. Mr. Mao was a partner of the Shanghai Branch of IDG Investment Consulting (Beijing) Co., Ltd. (IDG資本投資顧問（北京）有限公司上海分公司) (formerly known as Shanghai Pacific Technology Co., Ltd. (上海太平洋技術創業有限公司)) ("**IDG Shanghai Branch**") from July 2006 to June 2012 and was an investment manager and vice president of IDG Shanghai Branch from December 1999 to June 2006, where he was responsible for identifying and analyzing investment opportunities. Prior to entering the venture capital industry, Mr. Mao was a business manager at Unilever (China) Co., Ltd. (聯合利華中國有限公司), one of the world's largest food and personal care products manufacturers, from April 1999 to November 1999.

Mr. Mao obtained a bachelor's degree in industrial foreign trade from Shanghai Jiaotong University (上海交通大學) in July 1993 and a master of business administration degree in May 1999 from China Europe International Business School (中歐國際工商學院) in Shanghai.

Mr. Herman Cheng-Chun, Yu (余正鈞), aged 45, was appointed to our Board on March 5, 2014, as a director representative of SINA Hong Kong Limited ("**SINA HK**", together with its affiliates, "**SINA Group**"). He was re-designated to our Board as a non-executive Director on March 11, 2014. Mr. Yu is currently the chief financial officer of Weibo Corporation since March 2015. Prior to that, Mr. Yu was the chief financial officer of Sina Corporation from August 2007. He served as a director of Mecox Lane Limited from March 2011 to June 2014, a company listed on NASDAQ Global Market. He was the acting chief financial officer of Sina Corporation from May 2006 to August 2007 and the vice president and corporate controller from September 2004 to May 2006. He oversees the corporate finance, investor relations and financial management of Sina Corporation. Prior to joining Sina Corporation, Mr. Yu held various positions in technologies companies. Mr. Yu has served as a director of 58.com Inc., a NYSE-listed online marketplace company since October 2013.

Mr. Yu obtained a bachelor's degree in economics from the University of California in the United States in June 1992 and a master degree in Accounting from the University of Southern California in the United States in May 1993. He is a California Certified Public Accountant admitted by the California Board of Accountancy in September 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yu Bin (余濱), aged 46, was appointed to our Board as an independent non-executive Director on June 16, 2014. Ms. Yu Bin is the chief financial officer of Innolight Technology Co., Ltd since January 2015 where she is responsible for finance, legal and investor relationship. She has been a director and the chief financial officer of Star Media China Limited (星空華文傳媒集團), a company engaging in entertainment TV programs business, since December 2013 and May 2013 respectively, where she is responsible for the corporate finance, legal, investor relations and financial management. From August 2012 to April 2013, she was the senior vice president of Youku Tudou Inc. (優酷土豆集團), a NYSE-listed China's leading Internet television company and was in charge of the company's investment in content production, merger and acquisition and the strategic investment. From July 2010 to December 2011 and from January 2012 to April 2013, she served as the chief financial officer and the vice president of finance of Tudou Holdings Limited ("**Tudou**"), respectively a company engaging in Internet television business, and oversaw the management of the company's finance, legal, public relationship and investor relationship departments. Prior to joining Tudou, from September 1999 to July 2010, she worked at KPMG and eventually was promoted to a senior manager of KPMG Greater China region, where she was responsible for financial statements auditing and China based private entities' overseas listing.

Ms. Yu obtained a bachelor's degree in English Literature from Xi'an Foreign Language University (西安外國語大學) in Xi'an in July 1992, a master's degree in accounting and education from the University of Toledo in the United States in May 1998 and August 1998, respectively and an EMBA degree from INSEAD in January 2013. She is a Certified Public Accountant in the United States admitted by the Accountancy Board of Ohio in December 2001, a member of American Institute of Certified Public Accountants ("**AICPA**") admitted by AICPA and a member of Chartered Global Management Accountant ("**CGMA**") admitted by CGMA in December 2013.

Mr. Wu, Chak Man (胡澤民), aged 44, was appointed to our Board as an independent non-executive Director on June 16, 2014. He was an executive director of 91 Wireless Websoft Limited (now known as Baidu 91 Wireless), a company engaging in the development and operation of smartphone application distribution platforms from January 2011 to June 2014 and was responsible for the overall management and strategic planning of the company. Before that, he had been the vice president and chief finance officer of NetDragon Websoft Limited ("**NetDragon**"), a HK-listed company engaging in the online games and mobile Internet business, since April 2004. Mr. Wu was in charge of NetDragon's sales and marketing, North American business, the expansion of overseas market, financing and mergers and acquisitions as well as its listing business. From 2000 to 2002, Mr. Wu was the chief operating officer of Octant Communication Inc., a taxi service company and in charge of corporate operation. During 1995 to 1999, Mr. Wu served as the vice president, in charge of marketing, in Beso Biological Research Inc., a company engaging in heath food and nutrition supplement business.

Mr. Wu received a bachelor's degree in economics from the University of California, Berkeley in the United States in August 1994 and a master's degree in business administration from Duke University in the United States in May 2004.

Mr. Chan, Wing Yuen Hubert (陳永源), aged 58, was appointed to our Board as an independent non-executive Director on June 16, 2014. He is an executive director of Northern New Energy Holdings Limited (北方新能源控股有限公司) (stock code: 8246) and Zhong Fa Zhan Holdings Limited (中發展控股有限公司) (stock code: 475), HK-listed companies. He spent over ten years with the Stock Exchange. In addition, Mr. Chan held various positions with HK listed companies, including: as an executive director of China Pipe Group Limited (中國管業集團有限公司) (stock code: 380) and Interchina Holdings Company Limited (國中控股有限公司) (stock code: 202), as an independent non-executive director of Rising Development Holdings Limited (麗盛集團控股有限公司) (stock code: 1004), and as a director of Guangdong Investment Limited (粵海投資有限公司) (stock code: 270).

Mr. Chan obtained a higher diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Chan has been an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and a member of the Hong Kong Securities Institute. In addition, he has been a member of the Chinese People's Political Consultative Conference – Heilongjiang Province Committee (中國人民政治協商會議黑龍江省委員會).

SENIOR MANAGEMENT

Mr. Zhou Yuqing (周渝清), aged 38, is the technology vice president of our Group. He joined our Group in January 2009 and oversees product research and development, and manages the product department and IT department of our Group. Prior to joining our Group, Mr. Zhou had worked at Hangzhou Week8 E-Commerce Co., Ltd. (杭州星期八電子商務有限公司), an e-commerce company since August 2003 as its research and development director, where he was responsible for the development of P2P software downloading. From August 2002 to July 2003, Mr. Zhou was employed as a software engineer by Xingji (Hangzhou) Network Technology Co., Ltd. (星際(杭州)網絡技術有限公司), a customer relationship management ("**CRM**") software development company, where he was involved in the research and development of CRM software.

Mr. Zhou obtained a bachelor's degree in electrical engineering and automation from Zhejiang University of Technology (浙江工業大學) in Hangzhou in July 2002.

Mr. Zhao Weiwen (趙偉文), aged 48, has been the general manager of Zhejiang Tiange Information and Technology Co., Ltd. ("**Zhejiang Tiange**") since April 2010 and is responsible for the daily management of Zhejiang Tiange, including administration, HR, IT, finance, customer services, and Internet supervision. He has also served as a director of Tianhu since August 29, 2013 and is in charge of its daily management and development. He has approximately 15 years of experience in the telecommunications industry, gained from his employment at China Telecom's Jinhua branch (中國電信金華分公司) from August 1995 to March 2010, where he was involved in building Internet network infrastructures and related projects.

Mr. Zhao obtained a diploma in project management from the People's Liberation Army Information Engineering College (解放軍信息工程學院) in Zhengzhou in July 1994.

Mr. Yan Xiang (閆祥), aged 37, has been the deputy general manager and an executive director of Star Power Culture Media (Beijing) Co., Ltd ("**Star Power**") since May 2013 and September 2013, respectively. He is responsible for our Group's products development in Beijing as well as the overall daily management and operations of Star Power. He has also been the responsible person of the Beijing Branches of Hangzhou Hantang Cultural Communication Co., Ltd. ("**Hantang**") and Jinhua Xingxiu Cultural Communication Co., Ltd. ("**Xingxiu**") and in charge of the daily management since May 2011 and August 2013, respectively. Prior to joining our Group, Mr. Yan worked at Sina Technology (China) Co., Ltd. (新浪技術（中國）有限公司) from July 2004 to May 2011. At Sina Technology (China) Co., Ltd., Mr. Yan was involved in, among others, unified communication system, interactive music video platforms and advertising products, taking different roles in strategy, development, operation and marketing.

Mr. Yan obtained a China Securities Industry Practicing Certificate admitted by the Securities Association of China (中國證券業協會) in December 2015. Mr. Yan graduated from Sun Yat-Sen University (中山大學) in Guangzhou with a bachelor's degree in computer software in June 2001.

Report of the Directors

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2015.

INITIAL PUBLIC OFFERING

The Company was incorporated in the Cayman Islands on July 28, 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands as an investment holding company. The Company listed its shares on the Main Board of the Stock Exchange on July 9, 2014 and issued 304,267,000 shares at an offer price of HK$5.28 per share. On July 30, 2014, the Company further issued 45,640,000 shares pursuant to the full exercise of the over-allotment option.

PRINCIPAL ACTIVITIES

The principal activities of the Group are operating of live social video platforms, mobile and online games and other products and services in the People's Republic of China (the "**PRC**").

Details of the principal activities of the principal subsidiaries of the Company are set out in note 5 to the financial statements.

An analysis of the Group's revenue and operating profit for the year ended December 31, 2015 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

The business review, the analysis using financial key performance indictor on the Group and the indication of likely future development on the Company's business are set out on pages 8 to 21 of this annual report.

IMPORTANT EVENT AFTER REPORTING DATE

The Group's important event after reporting date is set out in note 38 to the financial statements.

RESULTS

The Group's results for the year ended December 31, 2015 are set out in the consolidated statement of comprehensive income/(loss) on page 83 of this annual report.

COMPLIANCE WITH THE RELEVANT SIGNIFICANT LAWS AND REGULATIONS

The Group's operations are subject to laws and regulations issued by various PRC government authorities. To contribute to healthy development of the society, we strictly comply with the PRC laws and regulations. We require all users to agree to our terms of service upon account registration. Our terms of service set out types of content strictly prohibited on our platform, and we have also developed a robust content monitoring system, including our proprietary detection technology, which identifies certain features of the human body, such as skin tone, to automatically filter certain types of suspected inappropriate content for further review by our content monitoring team, as well as random checks of rooms during the periods commonly associated with potential violations of our terms of service.

Regulations Relating to Value-added Telecommunications Business

On September 25, 2000, the State Council promulgated the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "**Telecom Regulations**"). Under the Telecom Regulations and the Catalogue of Telecommunication Business (《電信業務分類目錄》), an appendix to the Telecom Regulations, the services of an Internet content provider (the "**ICP**") are designated as a value-added telecommunication business as at March 1, 2016. An ICP is thus subject to examination by and approval of and is required to obtain a value-added telecommunication service operating license (增值電信業務經營許可證) (the "**ICP License**") from the Ministry of Industry and Information Technology (the "**MIIT**") or its provincial counterparts. The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "**Internet Measures**") promulgated on September 25, 2000 and amended on January 8, 2011 further categorize Internet information services into either commercial Internet information services or non-commercial Internet information services. The Internet Measures require commercial operators of Internet information services to obtain an ICP License from the MIIT or its provincial counterparts before engaging in the provision of any commercial Internet information services.

According to the currently effective Guidance Catalogue of Industries for Foreign Investment (《外商投資企業指導目錄》) (the "**Guidance Catalogue**"), updated on April 10, 2015, which governs investment activities in the PRC by foreign investors and the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**") issued on December 11, 2001 and amended on September 10, 2008, the foreign investors' ultimate equity interests in an entity providing value-added telecommunications services in the PRC shall not exceed 50% (except e-commerce business). Furthermore, the Guidance Catalogue clearly stipulated that foreign investment is still restricted to enter into online publishing and online transmission of audio/visual programs business.

To comply with such foreign ownership restrictions, we operate our live social video platforms and engage in various online activities in the PRC through our PRC Operating Entities. Each of Hantang, Jinhua9158 Network Science and Technology Co., Ltd ("**Jinhua9158**"), Jinhua99 Information Technology Co., Ltd ("**Jinhua99**") and Xingxiu holds an ICP License.

COMPLIANCE WITH THE RELEVANT SIGNIFICANT LAWS AND REGULATIONS (continued)

Regulations Relating to Online Cultural Business

The Interim Provisions on the Administration of Internet Culture (《互聯網文化管理暫行規定》) (the "**Internet Culture Interim Provisions**"), promulgated on May 10, 2003 and amended on February 17, 2011, require entities engaging in activities relating to "online cultural products" to obtain the Network Cultural Business Permit (網絡文化經營許可證) from a provincial counterpart of the Ministry of Culture (the "**MOC**") if they intend to provide online culture products and services for profits. "Online cultural products" include cultural products that are produced specifically for Internet use, such as online music and entertainment, online games, online plays, online performances and other online cultural products that produce or reproduce music, entertainment, games, plays and other art works for Internet dissemination through technical means.

Pursuant to the currently effective Guidance Catalogue, the online cultural business (except online music) falls within the "prohibited" category. On March 18, 2011, the MOC issued the Circular on Implementation of the Newly Revised Interim Provisions on the Administration of Internet Culture (《關於實施新修訂<互聯網文化管理暫行規定>的通知》), which also provides that in general, the authorities will temporarily not accept applications by foreign-invested ICP operators for operation of online culture business.

Each of Hantang, Jinhua9158, Jinhua99 and Xingxiu holds a Network Cultural Business Permit.

Regulations Relating to Internet Publication Business

On February 4, 2016, as approved by the General Administration of Press and Publication (the "**GAPP**"), the MIIT issued the Regulations on Administration of Internet Publication Services (《網絡出版服務管理規定》) (the "**New Internet Publication Regulations**") which took effect from March 10, 2016. The Interim Regulations on Administration of Internet Publication (《互聯網出版管理暫行規定》) (the "**Interim Regulations**") issued on June 27, 2002 was superseded. The New Internet Publication Regulations preserved the license requirement for any company that engages in Internet publication activities which includes the provision of online games through Internet; therefore, an online game operator must obtain an Internet Publishing Services License (網絡出版服務許可證) so that it can directly offer its online games to the public in the PRC. The New Internet Publication Regulations specify foreign enterprises are prohibited to invest in the Internet publications business.

On July 6, 2005, five PRC government authorities, including the MOC and the GAPP, jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector (《關於文化領域引進外資的若干意見》), pursuant to which foreign enterprises are prohibited to invest in the business of audio/visual programs provision via the information network and Internet publications.

Hantang obtained an Internet Publishing License for the publication of online games and mobile phone games in 2013 and renewed on November 26, 2015.

COMPLIANCE WITH THE RELEVANT SIGNIFICANT LAWS AND REGULATIONS (continued)

Regulations Relating to Online Games

On June 3, 2010, the Interim Measures on Administration of Online Games (《網絡遊戲管理暫行辦法》) (the "**Online Game Measures**") were promulgated which require that a company engaging in the operation of online games, including operation of online games, issuance of virtual currency and/or provision of virtual currency transaction services, must have a registered capital of at least RMB10 million and obtain a Network Cultural Business Permit from the provincial counterpart of the MOC. For online games developed in the PRC, the online game operators are required to complete filing procedures with the MOC and comply with other relevant requirements. Online game operators shall indicate the filing numbers at the designated places of their websites and in the games. Online game operators are also required to establish self-censorship systems and have dedicated personnel for the purpose to ensure the lawfulness of the content of online games.

According to the New Internet Publication Regulations, games are not allowed to put online for operation without obtaining pre-approval from GAPP. We are in the process of applying for approval from GAPP and filing with the MOC for most of the online games we currently operate. The GAPP Online Game Notice requires an online game operator to obtain an Internet Publication License and further prohibits any direct foreign investment in online games operation business or foreign control or participation in domestic companies' online game operation business in an indirect way such as establishing other joint ventures, entering into relevant agreements or providing technical support, or in any other disguised manner.

Regulations Relating to Virtual Currency

To curtail online games that involve online gambling while addressing concerns that virtual currency might be used for money laundering or illicit trade, on January 25, 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued the Notice on Regulating Operation Order of Online Games and Prohibition of Gambling via Online Games (《關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知》). On February 15, 2007, fourteen PRC government authorities jointly issued the Notice on Further Strengthening Administration of Internet Cafes and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》). In accordance with this notice, the People's Bank of China (the "**PBOC**") shall strengthen the administration and regulation on virtual currency to prohibit the virtual currency from impacting the real currency system.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the "**Virtual Currency Notice**"). The Virtual Currency Notice requires the entities engage in businesses that (i) issue online game virtual currency (in the form of prepaid cards and/or pre-payment or prepaid card points), or (ii) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial counterparts. The online game operators that issue virtual currency are prohibited from providing services that would enable the trading of such virtual currency. Any online game operator that fails to submit the requisite application will be subject to sanctions, including, without limitation, mandatory corrective measures and fines.

COMPLIANCE WITH THE RELEVANT SIGNIFICANT LAWS AND REGULATIONS (continued)

Regulations Relating to Virtual Currency (continued)

In addition to the Virtual Currency Notice, the Online Game Measures promulgated by the MOC effective on June 3, 2010 further provide that (i) virtual currency may only be used to purchase services and products provided by the online game operator that issues the currency; (ii) the purpose of issuing virtual currency shall not be malicious appropriation of the user's advance payment; (iii) the storage period of online game players' purchase record shall not be shorter than 180 days from last time the player receives the service provided by the online game operator; (iv) the types, price and total amount of virtual currency shall be filed with the cultural administration department at the provincial level. Moreover, the Online Game Measures stipulate that virtual currency transaction service providers may not provide virtual currency transaction services to minors or for online games that fail to obtain the necessary approval or filings, and that such providers should keep transaction records, accounting records and other relevant information for its users for at least 180 days.

POTENTIAL RISK FACTORS

The live social video community industry is an evolving industry, its growth and the level of demand of Tian Ge's products and services are subject to uncertainty. The Company's growth will depend on a number of factors, some of which are beyond our control. These factors include:

Economic Environment

Many factors affect the level of consumer spending, including the state of the economy as a whole, stock market performance, interest rates, recession, deflation and other factors that influence consumer confidence. The Group's business performance might be negatively affected by uncertainties regarding future economic prospects in China. A significant decline in Chinese economy could have an adverse effect on the Group's business.

Market Acceptance

Tian Ge's success depends on the Company's ability to originate and identify market trends, and also to anticipate and respond timely to the changing consumer preferences. The Group foresees the shifting user trends from PCs to mobile devices, and hence devoted more resources in enhancing our core live social video products towards mobile. The Group will spare no effort to stay abreast of emerging trends, however, if the Group fails to identify and respond to the market trends, significant adverse effects on Tian Ge's business and financial performance might be resulted.

POTENTIAL RISK FACTORS (continued)

Content Monitoring

Due to the immense quantity of user-generated content on our platform, our system may not be able to detect all violations of our terms of service and inappropriate content streamed or displayed over our platform. We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, and PRC authorities may impose legal sanctions on us.

Contractual arrangements

We rely on contractual arrangements with our PRC consolidated affiliated entities and their shareholders for the operation of our business, which may not be as effective as direct ownership. If our PRC consolidated affiliated entities and their shareholders fail to perform their obligations under these contractual arrangements, we may have to resort to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation. For details, please refer to the section “Contractual Arrangements” on page 53.

Investment and New Business Development

To date, we had entered into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party. Moreover, these new opportunities come with associated uncertainties and risks, especially when the business is based on a relatively new business model that may not be successful and encounters large scale competitors with strong innovation and technological capabilities.

Foreign Exchange Risk

Most of our subsidiaries’ functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at December 31, 2015. We do not hedge against any fluctuation in foreign currency.

SOCIAL RESPONSIBILITIES AND HUMAN RESOURCES

In fulfillment of corporate social responsibilities, Tian Ge is committed to environmental sustainability. Tian Ge archived paperless business operation in running largest live social video platform in China. The Group also actively implements the concept of "green office" by increasing employees' awareness about the importance of energy saving, recycling and waste reduction.

Tian Ge views employees as our most valuable asset. Tian Ge recognizes that the skill, dedication and enthusiasm of our team is critical to our success in the face of ever-evolving market challenges. We strive to build an energetic working environment and to offer competitive remuneration packages, various incentives, promotion opportunities and training courses to its staff.

As one of the leading nationally renowned social media platform operator in China, the Group has maintained sound business relationships with our core live social ecosystem partnership as well as other stakeholders, which include but not limited to our distributors, hosts, sales agents, users and shareholders. We aim to improve the live social environment and ensure we provide the best value to our robust and solid loyal stakeholders.

DIVIDEND

The Board has proposed a final dividend of HK$0.06 per share for the year ended December 31, 2015 (2014: Nil), which is subject to the approval at the forthcoming annual general meeting of the Company to be held on May 23, 2016 (the "**AGM**")

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year 2015 are set out in note 25 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company for the year ended December 31, 2015 are set out in the consolidated statement of changes in equity, note 26 and note 39 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2015, the Company's reserves available for distribution, calculated in accordance with the provisions of Cayman Companies Law, amounted to approximately RMB1.5 billion (as at December 31, 2014: RMB1.3 billion).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended December 31, 2015 are set out in note 15 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the Group's five largest distributors accounted for approximately 45.7% of the Group's total cash proceeds received from sales of our virtual currency and game coins for the year ended December 31, 2015 and among which our top distributor accounted for approximately 18.5% of the Group's total cash proceeds received from sales of our virtual currency and game coins for the year ended December 31, 2015.

The Group's top five largest suppliers for each of the year 2014 and 2015 were distribution channels, promotion channels and overseas trading supplier. The aggregate charges from the Group's five largest suppliers accounted for approximately 17.0% of the Group's cost of revenues and expenses attributable to suppliers for the year ended December 31, 2015 and among which our top supplier accounted for approximately 7.1% of the Group's cost of revenues and expenses attributable to suppliers for the year ended December 31, 2015.

None of the Directors or any of their close associates, or any shareholders which to the knowledge of the Directors own more than 5% of the Company's issued shares has any interests in the Group's five largest suppliers or distributors.

DONATIONS

During the year ended December 31, 2015, the Company did not make any charitable contributions and other donations. (2014: RMB793,800).

Report of the Directors

DIRECTORS

The Directors for the year ended December 31, 2015 and up to the date of this report are:

Executive Directors
Mr. Fu Zhengjun *(Chairman and chief executive officer)*
Mr. Mai Shi'en *(Chief operating officer and acting chief financial officer)*

Non-Executive Directors
Mr. Mao Chengyu
Mr. Herman Cheng-Chun, Yu

Independent Non-Executive Directors
Ms. Yu Bin
Mr. Wu Chak Man
Mr. Chan Wing Yuen Hubert

In accordance with article 84 of the Company's articles of association passed on June 16, 2014 (the "**Articles**"), one-third of the Directors shall retire from office by rotation at AGM and be eligible for re-election. Accordingly, Mr. Mao Chengyu, being a non-executive Director, Mr. Herman Cheng-Chun, Yu, being a non-executive Director and Ms. Yu Bin, being an independent non-executive Director, shall retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Board has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Board considers all independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors of the Company has entered into service agreement with the Company for a term of three years, commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service agreements).

Each of the non-executive Directors of the Company and the independent non-executive Directors of the Company has entered into letters of appointment with the Company on June 16, 2014 for a term of three years (subject to termination in certain circumstances as stipulated in the relevant letters of appointment).

None of the Directors has or is proposed to have entered into any service agreement of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation, other than statutory compensation).

The procedures and process of appointment, re-election and removal of directors are set out in the Articles. The nomination committee of the Company (the "**Nomination Committee**") is responsible for reviewing the Board composition and recommending to the Board on the appointment or reappointment of Directors and succession planning for the Directors, in particular the Chairman and chief executive officer.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors has or had a material beneficial interest, whether directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the Group's business to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party during the year ended December 31, 2015.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Controlling Shareholders (as defined below) or its subsidiary has or had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended December 31, 2015.

ENFORCEMENT OF THE DEED OF NON-COMPETITION

Pursuant to the deed of non-competition dated June 16, 2014 ("**Non-Competition Deed**") entered into by Mr. Fu Zhengjun, Mr. Fu Yanchang, Three-Body Holdings Ltd, Star Wonder Holding Ltd, Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited (the "**Covenantors**" or "**Controlling Shareholders**"), each of the Covenantors has jointly and severally, unconditionally and irrevocably undertaken with our Company that he/it will not (except through the Group and any investment or interests held through the Group), and will procure his/its associates (other than any member of our Group) not to, directly or indirectly (including through nominees), carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in competition with or similar to or is likely to be in competition with the business referred to in the prospectus of the Company dated June 25, 2014 (the "**Prospectus**") that is carried on or contemplated to be carried on by any member of our Group (the "**Restricted Business**"). In addition, the Covenantors also granted the Company options for new business opportunities related to the Restricted Business. For details of the Non-Competition Deed, please refer to the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Non-Competition Deed for disclosure in this annual report during the Reporting Period.

The Company and its Directors have made market enquiries and nothing has come to the attention of the Company or its Directors that the Controlling Shareholders are engaging in any business that may compete with that of the Group in contravention of the terms of the Non-Competition Deed. The independent non-executive Directors of the Company have also reviewed the compliance and enforcement status of the Non-Competition Deed, and are of the view that the Controlling Shareholders have abided by the undertakings contained in the Non-Competition Deed during the Reporting Period.

DIRECTORS' EMOLUMENTS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Particulars of the Directors' emoluments and five highest paid individuals for the year ended December 31, 2015 are set out in note 40 and note 9 respectively to the financial statements and the emolument policy of the Company is set out in the Corporate Governance Report on pages 70 to 80 of this annual report.

No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2015, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which were in competition or were likely to compete, either directly or indirectly, with the business of the Group.

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

As of December 31, 2015, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") are as follows:

Interests in ordinary shares of the Company:

Name of director	Nature of interests	Number of shares held	Approximate percentage of shareholding as at December 31, 2015
Mr. Fu Zhengjun ("**Mr. Fu**")	Founder of a discretionary trust *(Note 1)*	306,000,000	23.80%

Notes:

1. *UBS Trustees (BVI) Limited, the trustee of Mr. Fu's Trust (as defined below), holds the entire issued share capital of Three-Body Holdings Ltd through its nominee, UBS Nominee Limited. Three-Body Holdings Ltd holds the entire issued share capital of Blueberry Worldwide Holdings Limited. Blueberry Worldwide Holdings Limited in turn holds 306,000,000 Shares in our Company. Mr. Fu's trust ("**Mr. Fu's Trust**") is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (BVI) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 306,000,000 Shares held by Blueberry Worldwide Holdings Limited.*

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

Interest in underlying shares of the company:

Name of director	Position held within our Group	Nature	Number of shares represented by options or RSUs	Exercise price (US$)	Approximate percentage of shareholding as at December 31, 2015
Mr. Fu Zhengjun	Chairman, executive Director and chief executive officer	RSUs *(Note 1)*	10,000,000	Nil	0.78%
		Interest of Spouse *(Note 4)*	20,000,000	Nil	1.56%
Mr. Mai Shi'en	Executive Director, chief operating officer and acting chief financial officer	RSUs *(Note 2)*	5,000,000	Nil	0.39%
Mr. Mao Chengyu	Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Mr. Herman Cheng-Chun, Yu	Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Ms. Yu Bin	Independent Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Mr. Wu Chak Man	Independent Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Mr. Chan Wing Yuen, Hubert	Independent Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%

Notes:

1. *Mr. Fu is also interested in 1,000,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 shares. For details, please refer to Note 3 of the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" in this annual report.*

2. *Mr. Mai Shi'en is interested in 500,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 5,000,000 shares subject to vesting. For details, please refer to Note 3 of the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" in this annual report.*

3. *Mr. Mao Chengyu, Mr. Herman Cheng Chun, Yu, Ms. Yu Bin, Mr. Wu Chak Man and Mr. Chan Wing Yuen, Hubert are each interested in 20,000 Pre-IPO options granted to each of them on May 22, 2014 under the Pre-IPO share Option Scheme entitling each of them to receive 200,000 shares subject to vesting.*

4. *Ms. Hong Yan is Mr. Fu's spouse and she is interested in 2,000,000 Pre-IPO RSUs granted to her on May 22, 2014 under the Pre-IPO RSU Scheme entitling her to receive 20,000,000 shares subject to vesting. Accordingly, Mr. Fu is deemed to be interested in the 20,000,000 shares which are interested by Ms. Hong Yan under the SFO. For details, please refer to Note 3 of the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" in this annual report.*

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

Save as disclosed above, as at December 31, 2015, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2015, the following persons (other than the Directors or chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Nature of interests	Number of Shares or Securities held	Approximate percentage of interest as at December 31, 2015
UBS Trustees (BVI) Limited	Trustee *(Note 1)*	338,403,000	26.32%
Three-Body Holdings Ltd	Interest in Controlled Corporation *(Note 1)*	306,000,000	23.80%
Blueberry Worldwide Holdings Limited	Beneficial Owner *(Note 1)*	306,000,000	23.80%
Sina Hong Kong Limited	Beneficial Owner	300,000,000	23.34%
Ho Chi Sing	Interest in Controlled Corporation *(Note 2)*	200,000,000	15.56%
Zhou Quan	Interest in Controlled Corporation *(Note 2)*	200,000,000	15.56%
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest in Controlled Corporation *(Note 2)*	200,000,000	15.56%
IDG-Accel China Growth Fund II Associates L.P.	Interest in Controlled Corporation *(Note 2)*	184,880,000	14.38%
IDG-Accel China Growth Fund II L.P.	Beneficial Owner *(Note 2)*	184,880,000	14.38%
Tangguo Limited	Nominee for another person *(Note 3)*	65,798,000	5.12%
The Core Trust Company Limited	Trustee	71,946,369	5.60%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

*(1) UBS Trustees (BVI) Limited, the trustee of Mr. Fu's Trust and Mr. Fu Yanchang's Trust (as defined below), holds the entire issued share capital of Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited through Three-Body Holdings Ltd and Star Wonder Holding Ltd, respectively. Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited hold 306,000,000 shares and 32,403,000 shares in our Company, respectively. Mr. Fu's Trust is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (BVI) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 306,000,000 shares held by Blueberry Worldwide Holdings Limited. Mr. Fu Yanchang's trust ("**Mr. Fu Yanchang's Trust**") is a discretionary trust established by Mr. Fu Yanchang (as the settlor) and the discretionary beneficiaries of which are Mr. Fu Yanchang and his family members. Accordingly, each of Mr. Fu Yanchang, UBS Trustees (BVI) Limited, Cloud Investment Holding Limited and Star Wonder Holding Ltd is deemed to be interested in the 32,403,000 shares held by Cloud Investment Holding Limited.*

(2) IDG-Accel China Growth Fund II L.P. is wholly owned by IDG-Accel China Growth Fund II Associates L.P., which is in turn wholly owned by IDG-Accel China Growth Fund GP II Associates Ltd. Accordingly, each of IDG-Accel China Growth Fund II L.P., IDG-Accel China Growth Fund II Associates L.P. and IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the 184,880,000 shares held by IDG-Accel China Growth Fund II L.P.. Separately, IDG-Accel Growth Investors II L.P. is wholly owned by IDG-Accel China Growth Fund GP II Associates Ltd., therefore IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the 15,120,000 shares held by IDG-Accel Growth Investors II L.P.

Each of Ho Chi Sing and Zhou Quan holds 50% of the issued share capital of IDG-Accel China Growth Fund GP II Associates Ltd., therefore both Ho Chi Sing and Zhou Quan are deemed to be interested in the 200,000,000 shares which IDG-Accel China Growth Fund GP II Associates Ltd. is interested in total.

(3) As of December 31, 2015, the Pre-IPO RSU Trustee through its nominee, Tangguo Limited, holds 65,798,000 shares underlying the RSUs granted under the Pre-IPO RSU Scheme for the benefit of eligible grantees pursuant to the Pre-IPO RSU Scheme. Among this, 53,728,125 shares underlying the RSUs have been vested and transferred to the grantees of the Pre-IPO RSU Scheme which include Mr. Fu, Ms. Hong Yan and Mr. Mai Shi'en. Mr. Fu and Ms. Hong Yan were granted 1,000,000 Pre-IPO RSUs and 2,000,000 Pre-IPO RSUs, respectively. Accordingly, Mr. Fu and Ms. Hong Yan are interested in 10,000,000 shares and 20,000,000 shares, respectively. Furthermore, Mr. Fu is deemed to be interested in the 20,000,000 shares which are interested in by Ms. Hong Yan under the SFO. Mr. Mai Shi'en was granted 500,000 Pre-IPO RSUs, and accordingly, Mr Mai Shi'en is interested in 5,000,000 shares. For details of Pre-IPO RSU Scheme, please refer to the section headed "Share Incentive Schemes – Pre-IPO RSU Scheme" in this annual report.

Save as disclosed above, as at December 31, 2015, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Incentive Schemes" in this report and in note 27 to the financial statements, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE INCENTIVE SCHEMES

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to our Group, the Company adopted the Pre-IPO Share Option Scheme on December 9, 2008 (amended and restated on October 21, 2011 and May 22, 2014) and the Pre-IPO RSU Scheme on May 22, 2014. We also conditionally adopted the Post-IPO RSU Scheme and the Post-IPO Share Option scheme on June 16, 2014.

The principal terms of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme (collectively, the "**Share Option Schemes**"), the Pre-IPO RSU Scheme and Post-IPO RSU Scheme (collectively, the "**RSU Schemes**") are summarized in the section headed "Statutory and General Information – D. Share Incentive Schemes" in Appendix IV to the Company's Prospectus.

Pre-IPO Share Option Scheme

The purposes of the Pre-IPO Share Option Scheme are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, directors and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by issuing them shares or by permitting them to purchase shares.

(i) The maximum aggregate number of shares that may be issued under the Pre-IPO Share Option Scheme shall not exceed 8,845,575 shares as at the date of the Prospectus. But following the capitalization issue (as defined in the Prospectus), it has been adjusted to 88,455,750 shares, which represented 6.9% of the total number of issued shares of the Company as at the date of this report;

(ii) The exercise price of any option shall be determined by the Administrator (as defined hereinafter) in its sole discretion, except that the exercise price of an incentive stock option shall not be less than 100% of the fair market value on the date of grant;

(iii) The Pre-IPO Share Option Scheme shall remain in effect for a term of ten (10) years subject to any amendments, alterations, suspension or termination by the Board or any of its committee (the "**Administrator**") and the remaining life of this scheme is around 2.5 years; and

(iv) Any share option granted under the Pre-IPO Share Option Scheme shall automatically expire if it is not taken up within 30 days after the date of grant.

SHARE INCENTIVE SCHEMES (continued)

Post-IPO Share Option Scheme

The purposes of the Post-IPO Share Option Scheme are to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(i) The participants can be an employee (whether full time or part time) or a director of a member of our Group or associated companies of our Company ("**Eligible Persons**");

(ii) The maximum number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 121,706,700, representing 9.5% of the total number of shares in issue as at the date of this report. As at December 31, 2015, 4,000,000 options have been granted by us pursuant to the Post-IPO Share Option Scheme;

(iii) No options shall be granted to any Eligible Person under the Post-IPO Share Option Scheme and any other schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the shares in issue at such date;

(iv) An amount of HK$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price;

(v) The exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option; (b) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (c) the nominal value of the shares;

(vi) The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date and the remaining life of this scheme is around 8 years and 4 months; and

(vii) Any option which remains unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

SHARE INCENTIVE SCHEMES (continued)

Outstanding Share Options

As disclosed in the section headed "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus, prior to the Listing, options representing a total of 15,648,000 shares were granted to 490 grantees under the Pre-IPO Share Option Scheme. Our Company adopted the Pre-IPO RSU Scheme to partially replace the options granted under the Pre-IPO Share Option Scheme. Options representing a total of 4,280,000 shares, which were granted to 5 persons including 2 executive Directors, 1 senior management, 1 connected person and 1 other employee of our Group, were replaced by Pre-IPO RSUs. No consideration was paid by any of the grantees of the options under the Pre-IPO Share Option Scheme for any options granted to them. Although the Company determines the vesting period of each option-holder on a case-by-case basis, the general vesting period for the option-holders are as follows: 25% of the shares subject to the Pre-IPO Share Option shall vest on the first anniversary of the granting date, and 1/48 of the shares subject to the Pre-IPO Share Option shall vest each month thereafter over the next three years on the same day of the month as the granting date (such day to be deemed to be the last day of the month, when necessary), subject to the option-holders continuing to be a service provider through these dates.

As at December 31, 2015, options representing a total of 56,847,469 shares (taking into account the 27,353,635 options which have lapsed and options in respect of an aggregate of 29,478,896 shares which have been exercised in accordance with the terms of the Pre-IPO Share Option Scheme) were outstanding. If all the options under the Pre-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our Shareholders of approximately 4.4% as at December 31, 2015. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per share may be staggered over several years.

No other share options have been granted by us after the Listing pursuant to the Pre-IPO Share Option Scheme.

The Company has appointed The Core Trust Company Limited (匯聚信託有限公司) as the trustee and Happy88 Holdings Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Pre-IPO Share Options Scheme pursuant to its scheme rules. During the Reporting Period, no shares have been issued and allotted to Happy88 Limited.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 121,706,700, representing 10.0% of the total number of shares in issue as at the Listing Date.

As at December 31, 2015, 4,000,000 options have been granted by us pursuant to the Post-IPO Share Option Scheme, representing approximately 0.3% of the issued shares of the Company.

The options granted on September 22, 2015 will be vested on December 22, 2015, September 22, 2016, September 22, 2017 and September 22, 2018 respectively and the number of options granted for the respective vesting dates was 1,625,000, 1,125,000, 875,000 and 375,000. The closing price of the shares immediately before the date of grant was HK$3.31.

SHARE INCENTIVE SCHEMES (continued)

Pre-IPO RSU Scheme

The purposes of the Pre-IPO RSU Scheme are to recognize the contributions by grantees and to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

(i) the total number of shares underlying RSUs under the Pre-IPO RSU Scheme shall not exceed 7,280,000 shares;

(ii) the participants of the scheme are existing employees, Directors or officers of the Group, and any other person selected by the Board or the RSUs and option committee at its sole discretion from time to time; and

(iii) the duration of the Pre-IPO RSU Scheme is 10 years commencing on May 22, 2014 and the remaining life of this scheme is around 8 years and 2 months.

Post-IPO RSU Scheme

The scheme rules of the Post-IPO RSU Scheme are substantially similar to the Pre-IPO RSU Scheme. The purposes of the Post-IPO RSU Scheme are to incentivize directors, senior management, consultants and employees of the Company for their contribution to the Company, to retain them for continual operation and development of the Company and to attract suitable personnel for further development of the Company.

(i) the maximum aggregate number of shares underlying all grants of RSUs pursuant to the Post-IPO RSU Scheme will not exceed 24,341,340 shares, representing approximately 2.0% of the total number of shares in issue as at the Listing Date;

(ii) the participants of the scheme are existing employees, Directors or officers of the Group, and any other person selected by the Board or the RSUs and option committee at its sole discretion from time to time; and

(iii) the duration of the Post-IPO RSU Scheme is 10 years commencing on June 16, 2014 and the remaining life of this scheme is around 8 years and 3 months.

SHARE INCENTIVE SCHEMES (continued)

Outstanding RSUs

A total of 7,280,000 Pre-IPO RSUs (which includes the 4,280,000 Pre-IPO RSUs which were granted to partially replace the options granted under the Pre-IPO Share Option Scheme) have been granted on May 22, 2014 to 17 grantees, including 2 executive Directors, 3 senior management members, 1 connected person of the Group and 11 other employees. The 4,280,000 Pre-IPO RSUs that were granted to replace the Pre-IPO Share Option Scheme have the same vesting period as the Pre-IPO Share Options. For the Pre-IPO RSUs granted to the remaining Pre-IPO RSU grantees, 25% shall vest on the first anniversary of the date of the grant letter, and 1/48 shall vest each month thereafter over the next three years on the same day of the month as the date of the grant letter (such day to be deemed to be the last day of the month, when necessary).

On July 9, 2014, upon the Company's IPO on the Main Board of the Stock Exchange, the Company's ordinary shareholders received 9 bonus shares for every registered ordinary share that they already held. As a result, the 7,280,000 ordinary shares of the Company underlying the RSUs were adjusted to 72,800,000 ordinary shares on a one-to-ten basis. As at the date of this report, the total number of shares underlying the RSUs represents approximately 5.6% of the total number of shares of the Company.

We have appointed The Core Trust Company Limited (匯聚信託有限公司) as the trustee and Tangguo Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Pre-IPO RSU Scheme pursuant to its scheme rules.

During the Reporting Period, RSUs in respect of an aggregate of 4,202,000 shares have been exercised by grantees under the Pre-IPO RSU Scheme and no RSUs have lapsed. As a result, as at December 31, 2015, 65,798,000 shares have been issued and allotted to Tangguo Limited.

As of December 31, 2015, RSUs in respect of a total of 6,219,000 shares pursuant to the Company's Post-IPO RSU Scheme have been granted on April 20, 2015 and September 15, 2015.

The RSUs granted on April 20, 2015 will be vested on August 16, 2015 and August 16, 2016 respectively and the number of RSUs granted for the respective vesting date was 1,749,500 and 1,749,500. The closing price of the shares immediately before the date of grant was HK$5.48.

The RSUs granted on September 15, 2015 will be vested on December 15, 2015, September 15, 2016 and September 15, 2017 respectively and the number of RSUs granted for the respective vesting date was 1,646,000, 930,000 and 144,000. The closing price of the shares immediately before the date of grant was HK$2.90.

The Company appointed The Core Trust Company Limited (匯聚信託有限公司) as the trustee and Xinshow Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Post-IPO RSU Scheme. During the Reporting Period, RSUs in respect of an aggregate of 70,631 shares have been exercised by grantees under the Post-IPO RSU Scheme and no RSUs have lapsed, as a result, as at December 31, 2015, 6,148,369 shares have been allotted and issued to Xinshow Limited.

SHARE INCENTIVE SCHEMES (continued)

Details of the options granted under the Share Option Schemes and the RSUs granted under the RSU Schemes

The following table shows the details of the options and/or the RSUs granted and outstanding under the Share Option Schemes and the RSU Schemes to, on an individual basis, the Directors, chief executive members and other connected person of the Group as at December 31, 2015.

Name of Grantee	Position Held within Our Group	Nature	Number of Shares Represented by Option or RSUs	Date of Grant	Outstanding as at January 1, 2015	Exercise Price (US$)	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2015
Director of our Company										
Mr. Fu Zhengjun	Chairman, executive Director and chief executive officer	RSUs	10,000,000	22 May 2014	10,000,000	Nil	0	0	0	10,000,000
Mr. Mai Shi'en	Executive director, chief operating officer and acting chief financial officer	RSUs	5,000,000	22 May 2014	5,000,000	Nil	0	0	0	5,000,000
Mr. Mao Chengyu	Non-executive Director	Options	200,000	22 May 2014	200,000	0.35	0	0	0	200,000
Mr. Herman Cheng Chun, Yu	Non-executive Director	Options	200,000	22 May 2014	200,000	0.35	0	0	0	200,000
Ms. Yu Bin	Independent Non-executive Director	Options	200,000	22 May 2014	200,000	0.35	0	0	0	200,000
Mr. Wu Chak Man	Independent Non-executive Director	Options	200,000	22 May 2014	200,000	0.35	0	0	0	200,000
Mr. Chan Wing Yuen, Hubert	Independent Non-executive Director	Options	200,000	22 May 2014	200,000	0.35	0	0	0	200,000
Chief executive members of our Group										
Mr. Keung Paul Hinsun	Former chief financial officer of our Company	RSUs	4,490,000	22 May 2014	5,000,000	Nil	510,000	0	0	4,490,000
Other connected persons of our Group										
Ms. Hong Yan	Vice president of Tiange Technology (Hangzhou) Co., Ltd. (天格科技(杭州)有限公司) ("**Hangzhou Tiange**")	RSUs	20,000,000	22 May 2014	20,000,000	Nil	0	0	0	20,000,000
Seven Directors, six senior management members and one connected person		Options	1,000,000							
		RSUs	39,490,000							
		Sub-total	40,490,000							

SHARE INCENTIVE SCHEMES (continued)

Details of the options granted under the Share Option Schemes and the RSUs granted under the RSU Schemes (continued)

The following is a summary table showing further details of the options and/or the RSUs granted and outstanding under the Share Option Schemes and the RSU Schemes to individuals who are neither a Director, chief executive member nor a connected person of the Group as at December 31, 2015.

Rank/Position Held With Our Group	Nature	Number of Shares Represented by Option or RSUs	Date of Grant	Outstanding as at January 1, 2015	Exercise Price (US$/HK$)	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2015
286 other employees, 28 other consultants and 24 ex-employees *(Note 1)*	Options	12,914,000	January 14, 2009	14,200,000	US$0.01	1,286,000	0	0	12,914,000
		2,552,000	July 23, 2009	4,200,000	US$0.021	1,648,000	0	0	2,552,000
		5,403,540	July 23, 2009	6,913,540	US$0.03	1,510,000	0	0	5,403,540
		2,816,380	June 17, 2010	3,042,380	US$0.06	226,000	0	0	2,816,380
		800,000	September 6, 2010	1,300,000	US$0.06	500,000	0	0	800,000
		8,971,000	September 6, 2010	30,000,000	US$0.035	21,029,000	0	0	8,971,000
		3,169,050	December 20, 2010	3,526,050	US$0.06	357,000	0	0	3,169,050
		142,000	December 20, 2010	200,000	US$0.03	58,000	0	0	142,000
		2,000,000	December 26, 2011	2,000,000	US$0.06	0	0	0	2,000,000
		1,545,000	December 26, 2011	1,801,000	US$0.1	256,000	0	0	1,545,000
		1,419,814	December 26, 2011	2,541,130	US$0.12	1,025,896	0	95,420	1,419,814
		3,502,940	October 14, 2012	4,449,770	US$0.15	891,000	0	55,830	3,502,940
		1,794,540	September 14, 2013	2,158,750	US$0.2	334,000	0	30,210	1,794,540
		8,817,205	May 22, 2014	10,388,700	US$0.35	358,000	0	1,213,495	8,817,205
		4,000,000	September 22, 2015	–	HK$3.50	0	0	0	4,000,000
	Options total	**59,847,469**		**86,721,320**	**–**	**29,478,896**	**0**	**1,394,955**	**59,847,469**
	RSUs	26,308,000	May 22, 2014	30,000,000	Nil	3,692,000	0	0	26,308,000
		3,428,369	April 20, 2015	–	Nil	70,631	0	0	3,428,369
		2,720,000	September 15, 2015	–	Nil	0	0	0	2,720,000
	RSUs total	**32,456,369**		**30,000,000**		**3,762,631**	**0**	**0**	**32,456,369**
	Sub-total	**92,303,838**							

Note:

1. *Consultants are third party agents who provided our Group with business consultancy services on financial management, research and development, human resources and sales. Pursuant to the Pre-IPO Share Option Scheme, a total of 33,998,040 options have been granted to 23 consultants.*
2. *The weighted average closing price of the shares immediately before the dates on which the options were exercised during the Reporting Period was approximately HKD5.96.*
3. *The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised during the Reporting Period was approximately HKD4.99.*

CONNECTED TRANSACTIONS

We have entered into a number of agreements and arrangements with our connected persons (as set out below) in our ordinary and usual course of business which are not exempted from reporting.

The table below sets forth the connected persons of our Company who conduct connected transactions with our Group since Listing and the nature of their connection with our Group:

Name	Connected Relationship
Mr. Fu	Mr. Fu is our Director and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules.
SINA HK	SINA HK is a substantial shareholder of our Company and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules.
Beijing SINA Internet Information Service Co., Ltd. ("**Beijing SINA**")	Beijing SINA is a subsidiary of SINA HK and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules.
Hantang	Hantang is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules.
Jinhua9158	Jinhua9158 is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules.
Jinhua99	Jinhua99 is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules.
Xingxiu	Xingxiu is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules.

CONNECTED TRANSACTIONS (continued)

Framework Cooperation Agreement

To facilitate the sharing of technical resources, and give our business complementary strengths, on June 10, 2014, the Company entered into a business cooperation agreement with SINA HK (the "**Framework Cooperation Agreement**"), which is valid until December 31, 2016. The Framework Cooperation Agreement serves as a framework agreement containing the scope of services, transaction principles, and pricing terms and policies for those services. Pursuant to the Framework Cooperation Agreement, the SINA Group agrees to provide a range of services to our Group, including (i) advertising or related marketing for our Group, our customers or in relation to business collaborations between the SINA Group and our Group; (ii) technical development or consultation; and (iii) provision of wireless messaging channels for delivering messages the content of which are supplied by us. Our Group shall provide certain services to members of SINA Group, including (i) advertising or related marketing for SINA Group, customers represented by it or in relation to business collaborations between the SINA Group and us; and (ii) technical development or consultation.

The agreements underlying the Framework Cooperation Agreement which are still valid and existing between members of the SINA Group and members of our Group are set out below:

1. *Advertising – Advertisement Cooperation Agreement*

   On September 1, 2011, Hantang entered into an advertising cooperation agreement (the "**Advertising Cooperation Agreement**") with Beijing SINA, Beijing Sina Advertisement Co., Ltd. (北京新浪廣告有限公司), Jinzhuo Hengbang Technology (Beijing) Co., Ltd. (金卓恒邦科技（北京）有限公司) and Shanghai Sina Advertising Co., Ltd. (上海新浪廣告有限公司) (together, the "**Original Sina Parties**"). Subsequently, the parties entered into three supplemental agreements on September 1, 2012, April 1, 2013 and September 1, 2014, respectively. As a result of these supplemental agreements: (a) the term of the Advertising Cooperation Agreement has been further extended to August 31, 2015; (b) Beijing MicroDream TechnoInnovation IT Technology Co. (北京微夢創科網絡技術有限公司) (together with the Original Sina Parties, the "**Sina Parties**") was added as a party to the agreement; and (c) Income generated from the services under the Advertising Cooperation Agreement is split in half by Hantang and the Sina Parties, after deduction of a 15% agent commission (instead of a 12% agent commission under the Advertising Cooperation Agreement) by the Sina Parties. Pursuant to the Advertising Cooperation Agreement, the Sina Parties are responsible for the sales and marketing, while Hantang is responsible for placing advertisements on Sina Show platform for customers recruited by the Sina Parties and for providing technical and operational support. The parties are in the process of renewing the Advertising Cooperation Agreement.

CONNECTED TRANSACTIONS (continued)

Framework Cooperation Agreement (continued)

2. *Wireless Payment Services – Wireless Payment Services Agreement*

On October 1, 2012, Jinhua9158 and Beijing SINA entered into a cooperation agreement (the "**Wireless Payment Services Agreement**") which should be valid until September 30, 2014. The parties entered into a supplemental agreement on January 1, 2013 pursuant to which Xingxiu replaced Jinhua9158 as a party to the Wireless Payment Services Agreement and assumed all of Jinhua9158's obligations thereunder. On April 1, 2015, Xingxiu and Beijing SINA entered into another supplemental agreement which extended the term of the Wireless Payment Services Agreement to September 30, 2015. And the term would automatically extend one year after September 30, 2015. Pursuant to the Wireless Payment Services Agreement, the parties launched wireless payment services including pre-paid cards, mobile banking, online banking. Xingxiu is responsible for providing technical support and services while Beijing SINA is responsible for operation and settlement. Accordingly, Xingxiu pays a service fee to Beijing SINA amounting to 2% or 3.5% of the payments collected from users, depending on the method of payment used by users. The parties are in the process of renewing the Wireless Payment Services Agreement.

3. *Wireless Payment Services – Sina Show Wireless Payment Services Agreement*

On September 1, 2010, Hantang, Beijing SINA and Beijing Star Online Cultural Development Co., Ltd. (北京星潮在線文化發展有限公司) entered into a cooperation agreement (the "**Sina Show Wireless Payment Services Agreement**"). Subsequently, the parties entered into three supplemental agreements on March 1, 2011, March 1, 2013 and March 1, 2014, respectively. As a result of these supplemental agreements: (a) Shenzhen Wangxing Technology Co., Ltd. (深圳市網興科技有限公司) became a party to the Sina Show Wireless Payment Services Agreement, (b) Xingxiu replaced Hantang as a party to the Sina Show Wireless Payment Services Agreement and assumed all of Hantang's obligations under the agreement, and (c) the term of the Sina Show Wireless Payment Services Agreement was extended to February 28, 2015 and would automatically extend one year after February 28, 2015. Pursuant to the Sina Show Wireless Payment Services Agreement, Beijing SINA, Beijing Star Online Cultural Development Co., Ltd and Shenzhen Wangxing Technology Co., Ltd. provide wireless channels to users of Sina Show to "top-up" their virtual currency used on Sina Show. Accordingly, Hantang (and later Xingxiu) pays to each of those parties a portion of the net income generated from the relevant top-up services. The parties are in the process of renewing the Sina Show Wireless Payment Services Agreement.

CONNECTED TRANSACTIONS (continued)

Framework Cooperation Agreement (continued)

4. *Wireless Messaging – Mobile Messaging Agreement*

On April 18, 2013, Xingxiu and Beijing SINA entered into a wireless platform business cooperation agreement (the "**Mobile Messaging Agreement**"), which took effect on February 1, 2013, and two supplemental agreements on February 1, 2014 and February 1, 2015. As a result, the term of the Mobile Messaging Agreement has been extended to April 30, 2015. Pursuant to the Mobile Messaging Agreement, Beijing SINA provides wireless messaging channels to Xingxiu to deliver wireless messages to users and Xingxiu supplies the content of the messages. For the services provided by Beijing SINA, Xingxiu pays a service fee of RMB0.06 per message successfully delivered. The parties are in the process of renewing the Mobile Messaging Agreement. On May 1, 2015, Beijing MicroDream TechnoInnovation IT Technology Co. replaced Beijing SINA as a party to the Mobile Messaging Agreement and the service fee would remain RMB0.06 per message as successfully delivered. The term of the Mobile Messaging Agreement has been further extended to April 30, 2016. The parties are in the process of renewing the Mobile Messaging Agreement.

For details, please refer to the section headed "Connected Transactions" in the Prospectus.

For the year ended December 31, 2015, the total amount paid for services provided by us to SINA Group was RMB2,319,000, which did not exceed the annual cap of RMB15,120,000. The total amount paid for services provided by SINA Group to us was RMB95,000, which did not exceed the annual cap of RMB21,000,000.

Contractual Arrangements

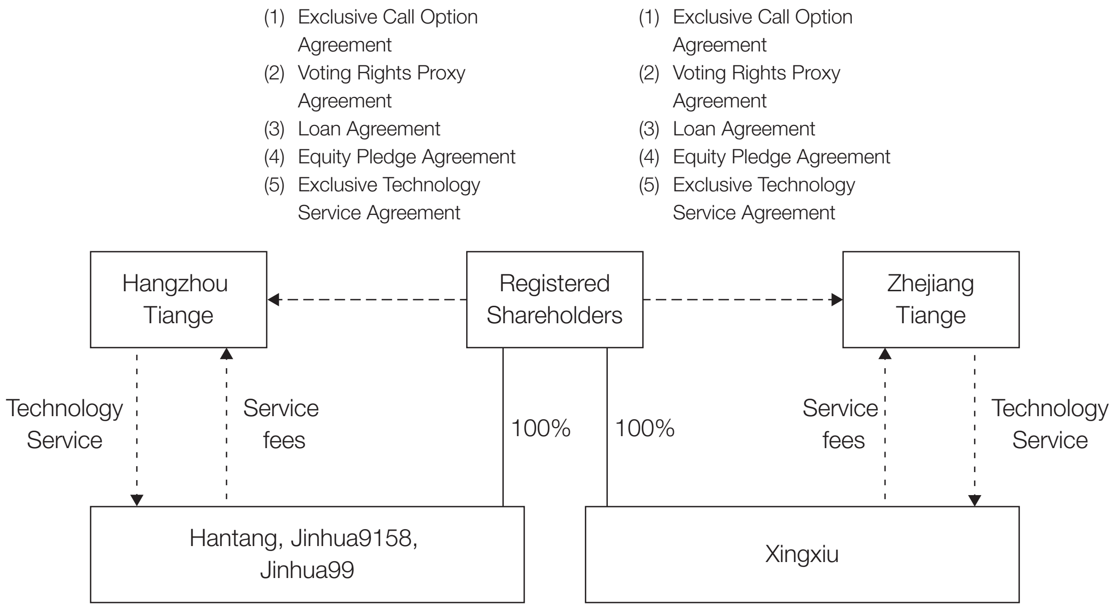
The Company is primarily engaged in the operations of live social video communities, online and mobile games (the "**Principal Business**"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, we, as foreign investors, cannot acquire equity interest in Hantang, Jinhua9158, Jinhua99 and Xingxiu (the "**PRC Operating Entities**", each a "**PRC Operating Entity**"), which hold certain licenses and permits required for the operation of our Principal Business. Therefore, our Group, through our WFOEs, Hangzhou Tiange and Zhejiang Tiange, has entered into the contractual arrangements ("**Contractual Arrangements**") with our PRC Operating Entities and their shareholders in order to conduct the Principal Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Operating Entities.

CONNECTED TRANSACTIONS (continued)

Contractual Arrangements (continued)

As part of the reorganization, Hangzhou Tiange and Zhejiang Tiange, the PRC Operating Entities, Mr. Fu and Mr. Fu Yanchang as the registered shareholders of the PRC Operating Entities (the "**Registered Shareholders**") entered into a series of agreements (the "**New Agreements**") underlying the Contractual Arrangements. Each of the PRC Operating Entities, the relevant WFOE and the Registered Shareholders (where applicable) entered into a set of underlying agreements with substantially identical terms, being (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議).

The following simplified diagram illustrates the Contractual Arrangements under the New Agreements:



Notes:

1. *Please refer to the section headed "Exclusive Call Option Agreements" below.*

2. *Please refer to the section headed "Voting Rights Proxy Agreements" below.*

3. *Please refer to the section headed "Loan Agreements" below.*

4. *Please refer to the section headed "Equity Pledge Agreements" below.*

5. *The registered shareholders are Mr. Fu and Mr. Fu Yanchang.*

6. *Please refer to the section headed "Exclusive Technology Service Agreements" below.*

CONNECTED TRANSACTIONS (continued)

Contractual Arrangements (continued)

Exclusive Technology Service Agreements

Each of our PRC Operating Entities and the relevant WFOE entered into an amended and restated Exclusive Technology Service Agreement in June 2014, pursuant to which the relevant PRC Operating Entity agrees to engage the relevant WFOE as its exclusive provider of technology services related to its business. In addition, the relevant WFOE has exclusive and proprietary rights to all intellectual properties arising from the performance of these services.

Pursuant to each Exclusive Technology Service Agreement, the relevant PRC Operating Entity shall pay to the relevant WFOE a service fee at 95% of the PRC Operating Entity's net revenue, i.e. revenue less any costs and expenses (except the service fee) necessary for such PRC Operating Entity's business operations and any taxes (except enterprise income tax) and accumulated losses in a given year, plus extra service fee for additional services provided by the relevant WFOE upon request of the relevant PRC Operating Entity, within three months after each calendar year for the services provided in the preceding year. Each Exclusive Technology Service Agreement has a term of twenty years and will be automatically renewed on a yearly basis after expiration unless otherwise notified by the relevant WFOE, and shall be terminated when the operating term of the relevant WFOE or the relevant PRC Operating Entity expires. To the extent permitted by law, each PRC Operating Entity is not contractually entitled to terminate relevant Exclusive Technology Service Agreement with the relevant WFOE. Further, without the prior written approval from the relevant WFOE, the relevant PRC Operating Entity (i) shall not enter into any transactions that may result in conflicts with the relevant Exclusive Technology Service Agreement or adversely affect the relevant WFOE's interests thereunder, and (ii) shall not dispose of any of its material assets or change its existing shareholding structure.

Exclusive Call Option Agreements

Each of our PRC Operating Entities, the Registered Shareholders, and the relevant WFOE entered into an amended and restated Exclusive Call Option Agreement in June 2014, pursuant to which (i) the Registered Shareholders irrevocably grant the relevant WFOE an exclusive and unconditional option to purchase their equity interests in the relevant PRC Operating Entity to the extent permitted under PRC law at a purchase price equal to the higher of the capital contribution paid to the registered capital by the respective Registered Shareholder for such interests or the lowest price permitted under PRC law, and (ii) the relevant PRC Operating Entity irrevocably grants the relevant WFOE an exclusive and unconditional option to purchase all or part of its assets to the extent permitted under PRC law at a purchase price equal to the higher of the net book value of such assets or the lowest price permitted under PRC law. The relevant WFOE may also designate a third party to purchase all or part of the interests and assets of the relevant PRC Operating Entity, subject to the call option. Such third party shall be (i) a direct or indirect shareholder of the relevant WFOE (when exercising equity purchase option or assets purchase option), or (ii) a director of the relevant WFOE or the relevant WFOE's direct or indirect shareholder who is a PRC citizen (when exercising equity purchase option).

CONNECTED TRANSACTIONS (continued)

Contractual Arrangements (continued)

Exclusive Call Option Agreements (continued)

Pursuant to each Exclusive Call Option Agreement, the Registered Shareholders and the relevant PRC Operating Entity each have undertaken to perform certain acts or refrain from performing certain acts until they obtain written consent from the relevant WFOE.

Each Exclusive Call Option Agreement expires when all the equity interests in and assets of the relevant PRC Operating Entity have been transferred to the relevant WFOE or its designated entities or individuals. To the extent permitted by law, each PRC Operating Entity and its Registered Shareholders are not contractually entitled to terminate relevant Exclusive Call Option Agreement with relevant WFOE.

In addition, the respective Registered Shareholders undertake that (i) in case they receive any dividends or other profit distributions from the PRC Operating Entities, they shall return the same to the WFOEs, with deduction of applicable taxes and governmental fees; and (ii) in case they receive any proceeds from transfer of equity interests in the PRC Operating Entities, or any distributions upon liquidation of the PRC Operating Entities, and if the amount of such proceeds or distribution is higher than the loans owed by the Registered Shareholders respectively to the WFOEs under the relevant Loan Agreements, they shall return to the relevant WFOE such proceeds or distribution they receive, with deduction of applicable taxes and governmental fees, and the amounts of relevant loans.

Equity Pledge Agreements

Each of the PRC Operating Entities, the Registered Shareholders and the relevant WFOE entered into an amended and restated Equity Pledge Agreement in June 2014, pursuant to which, the Registered Shareholders will pledge all their equity interests in the PRC Operating Entities to the relevant WFOE to secure their performance, as well as the performance of the PRC Operating Entities, of the relevant (i) Exclusive Technology Service Agreement; (ii) Exclusive Call Option Agreement; (iii) Voting Rights Proxy Agreement; and (iv) Loan Agreement. If any of the Registered Shareholders or PRC Operating Entities breaches or fails to fulfill the obligations under any of the aforementioned agreements, the relevant WFOE, as the pledgee, will be entitled to foreclose the pledge over the equity interests, entirely or partially.

Pursuant to each Equity Pledge Agreement, any dividend or bonus arising from the pledged equity interests shall be deposited into the relevant WFOE's designated bank account, and shall be used in discharge of the collateralized obligations with first priority. Under each Equity Pledge Agreement, the Registered Shareholders warrant to the relevant WFOE that all appropriate arrangements have been made and all necessary documents have been executed to ensure that none of their successors, guardians, creditors, spouses and other third parties will adversely impact or hinder the enforcement of the relevant Equity Pledge Agreement in the event of death, loss of legal capacity, bankruptcy, divorce or any other situation of the Registered Shareholders.

CONNECTED TRANSACTIONS (continued)

Contractual Arrangements (continued)

Equity Pledge Agreements (continued)

Pursuant to each Equity Pledge Agreement, the Registered Shareholders shall not obtain any dividend or bonus or (in the event of liquidation or termination of the relevant PRC Operating Entity) receive any distribution of properties or assets of the relevant PRC Operating Entity in respect of the pledged equity interests without prior consent from the relevant WFOE, and such dividend, bonus or remaining assets of the relevant PRC Operating Entity shall be deposited into the relevant WFOE's designated bank account, and shall be used in discharge of the secured debts with first priority. Each Equity Pledge Agreement will remain in full effect until all the contractual obligations have been performed or all the secured debts have been discharged.

Voting Rights Proxy Agreements

Each of the PRC Operating Entities, the Registered Shareholders and the relevant WFOE entered into an amended and restated Voting Rights Proxy Agreement in June 2014, pursuant to which, each Registered Shareholder, through the Power of Attorney, irrevocably appoints the person designated by the relevant WFOE as his attorney-in-fact to exercise the shareholder's rights in the relevant PRC Operating Entity. Pursuant to each Voting Rights Proxy Agreement, the appointee appointed by the relevant WFOE as the Registered Shareholder's power of attorney should be a director of the relevant WFOE or the relevant WFOE's direct or indirect shareholder, or such director's successor (including a liquidator replacing the director or its successor), and such appointee should be a PRC citizen and should not be either of the Registered Shareholders or any of their "connected person" as defined in the Listing Rules.

Each Voting Rights Proxy Agreement has a term of twenty years and will be extended for one year after expiration unless otherwise notified by the relevant WFOE. In case that (i) the operating term of the relevant WFOE or the relevant PRC Operating Entity expires, or (ii) the parties thereto mutually agree on an early termination, the relevant Voting Rights Proxy Agreement may be terminated. To the extent permitted by law, each PRC Operating Entity and its Registered Shareholders are not contractually entitled to terminate relevant Voting Rights Proxy Agreement with the relevant WFOE.

Powers of Attorney

Each of the Registered Shareholders executed an irrevocable Power of Attorney in June 2014, appointing Mai Shi'en as his proxy to exercise on his behalf all of his shareholder rights in the relevant PRC Operating Entity. The Power of Attorney shall remain in effect until the expiration or early termination of the relevant Voting Rights Proxy Agreement, unless otherwise the relevant WFOE to the Voting Rights Proxy Agreement designates another appointee. Mr. Mai Shi'en, being an executive Director of our Company, also being the chief operating officer and the acting chief financial officer, has the duty to act in the best interest of our Company.

CONNECTED TRANSACTIONS (continued)

Contractual Arrangements (continued)

Loan Agreements

Each of the relevant WFOEs and the Registered Shareholders entered into a Loan Agreement in February and March 2014 and an amendment agreement to the respective Loan Agreement in June 2014, pursuant to which the relevant WFOE provided an interest-free loan facility to each of the Registered Shareholders for his investment in the relevant PRC Operating Entity. Under each of the Loan Agreements regarding the investment in Jinhua9158, Jinhua99 and Xingxiu, the relevant WFOE has lent to each of the Registered Shareholders amounts equal to his respective capital contribution to the registered capital of the relevant PRC Operating Entity, i.e. RMB9,800,000 to Mr. Fu and RMB200,000 to Mr. Fu Yanchang. Under the Loan Agreement regarding the investment in Hantang, Hangzhou Tiange has lent to the Registered Shareholders a total amount of RMB9,000,000 in proportion to their respective shareholding percentage, i.e. RMB8,820,000 to Mr. Fu and RMB180,000 to Mr. Fu Yanchang.

Each Loan Agreement has a term of twenty years, or the operating term of the relevant PRC Operating Entity, whichever is shorter. To the extent permitted by law, the Registered Shareholders are not contractually entitled to terminate the Loan Agreements with the relevant WFOE. The relevant WFOE is entitled to accelerate the repayment of loan at any time at its sole discretion. In addition, pursuant to each Loan Agreement, if the relevant WFOE requests early repayment of all or part of the principal, the relevant WFOE shall have the right to acquire, or designate a third party to acquire, the Registered Shareholders' equity interests in the relevant PRC Operating Entity at a price equal to the amount that should be repaid.

Please refer to the section headed "Contractual Arrangements" in the Prospectus for detailed terms of these agreements.

As of December 31, 2015, to comply with the restrictions of foreign investment under the PRC laws and regulations, four PRC operating entities, Zhejiang Genxuan Investment Management Co., Ltd ("**Genxuan**", formerly known as Jinhua Tianchuang Investment Management Co., Ltd), Jinhua Chaduan Investment Management Co., Ltd ("**Chaduan**"), Jinhua Duance Investment Management Co., Ltd ("**Duance**") and Jinhua Xuance Investment Management Co., Ltd ("**Xuance**") were established. These four PRC operating entities were the wholly-owned subsidiaries of Jinhua99. The Company, through a set of Contractual Arrangements, has asserted management control over the operation of Jinhua99 and in turn has taken effective control over the wholly-owned subsidiaries of Jinhua99.

As of December 31, 2015, due to the restrictions of foreign investment under PRC laws and regulations, two another PRC operating entities, Zhejiang Genfan Investment Management Co., Ltd ("**Genfan**", formerly known as Jinhua Tianxiang Investment Management Co., Ltd) and Jinhua9158 Investment Management Co., Ltd ("**9158 Investment Management**") were established for the segments other than the Principal Business. Each of Genfan and 9158 Investment Management has entered into a set of contractual agreements with their registered shareholders and Zhejiang Tiange, which consist of substantially identical structure and terms with the New Agreement. The Company considers these are not material changes and have no significant influences on the organization of the Contractual Agreements. As at the date of this annual report, Genfan and 9158 Investment Management have become the wholly-owned subsidiaries of Jinhua 99.

CONNECTED TRANSACTIONS (continued)

Our independent non-executive Directors have reviewed the New Agreements and confirmed that as of the date of this report: (i) the transactions carried out have been entered into in accordance with the relevant provisions of the New Agreements, have been operated so that the profit generated by each of our PRC Operating Entities has been substantially retained by Hangzhou Tiange and Zhejiang Tiange (as the case may be), (ii) no dividends or other distributions have been made by any of our PRC Operating Entities to the relevant holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) no new contracts have been entered into, renewed or reproduced between our Group and our PRC Operating Entities as of the date of this report.

Our independent non-executive Directors have reviewed the nature, the implementation of the pricing policy and the internal control procedure of the continuing connected transactions described above and confirmed that the transactions have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and are in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions:

1. Nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board;

2. For transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. Nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

4. With respect to the aggregate amount of the continuing connected transactions described above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap by the Company; and

5. Nothing has come to their attention that causes them to believe that there were dividends or other distributions made by Hantang, Jinhua9158, Jinhua99, Xingxiu during the year ended December 31, 2015 to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

CONNECTED TRANSACTIONS (continued)

Save as disclosed in the annual report, the Board confirmed that none of the related party transactions set out in note 36 to the financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. During the Reporting Period, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this annual report pursuant to the Listing Rules.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT

As set out in the section headed "Contractual Arrangements – Introduction" in the Prospectus, a foreign investor who invests in a value-added telecommunications business in the PRC must demonstrate a good track record and experience in providing value-added telecommunications services (the "**Qualification Requirement**"). The Company noticed that on January 19, 2015, the Ministry of Commerce of the PRC published a discussion draft of the proposed new Foreign Investment Law (the "**Draft FIL**") for public comments which for the first time introduced the concept of actual controller from the foreign investment prospective. It might have potential impact on our contractual arrangement. We will closely monitor the progress of the Draft FIL and inform the public in due course.

Despite the lack of clear guidance or interpretation on the Qualification Requirement, we have been gradually building up our track record of overseas business operations to comply with the Qualification Requirement. As at December 31, 2015, the Company has no further update to disclose in relation to the Qualification Requirement.

Save as disclosed in the Prospectus and in this report, currently, as advised by the Company's PRC legal advisers, there have been no change in the PRC laws and regulations in the sector of our Principal Business except the Notice of the Ministry of Industry and Information Technology ("**MIIT**") on liberalization of proportion of foreign investment of on-line data processing and transactions processing business (E-commerce business) in China (Shanghai) Pilot Free Trade Zone(《關於在中國(上海)自由貿易試驗區放開在線數據處理與交易處理業務(經營類電子商務)外資股權比例限制的通告》), effective from January 13, 2015, stipulates that the proportion of foreign investment in on-line data processing and transactions processing business (E-commerce business) was raised to 100% and foreign invested enterprises could participate in the competition. However, this liberalization of foreign investment has no effect on our business.

As of the date of this annual report, there has been no material change in the Contractual Arrangements and/or the circumstances under which they had been adopted by our Group prior to our listing. Therefore, for the year ended December 31, 2015, none of the Contractual Arrangements have been unwound.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT (continued)

Information about the PRC Operating Entities

Name of the PRC Operating Entity	Type of legal entity/ place of establishment and operation	Registered owners	Business activities
As at December 31, 2015			
Hantang	Limited liability company/ the PRC	98% by Mr. Fu and 2% by Mr. Fu Yanchang	Online entertainment service and advertising
Jinhua9158	Limited liability company/ the PRC	98% by Mr. Fu and 2% by Mr. Fu Yanchang	Online entertainment service
Jinhua99	Limited liability company/ the PRC	98% by Mr. Fu and 2% by Mr. Fu Yanchang	Online entertainment service
Xingxiu	Limited liability company/ the PRC	98% by Mr. Fu and 2% by Mr. Fu Yanchang	Online entertainment service

As the PRC government restricts foreign investment in telecommunications and online cultural businesses, we conduct the operations of our Principal Business through our PRC Operating Entities, Hantang, Jinhua9158, Jinhua99 and Xingxiu. Please refer to the section headed "Business" in the Prospectus for more details of our core business. We generate revenues primarily through sales of virtual currency to our distributors on our live social video platforms and also generate revenues from sales of virtual items in our mobile game. Although the Company does not have any equity interest in our PRC Operating Entities, it is able to exercise effective control over our PRC Operating Entities and receive substantially all of the economic benefits of their operations through the Contractual Arrangements with our PRC Operating Entities and their shareholders. Consequently, the PRC Operating Entities are the core structure of our group. Both the current operation and further development of our business are largely dependent on our PRC Operating Entities, Hantang, Jinhua9158, Jinhua99 and Xingxiu.

In addition, the PRC Operating Entities are significant to the Group as they hold most of the intellectual property rights, licenses and permits that are essential to the operation of the business of the Group. The revenue and the total asset value of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB574.8 million for the year ended December 31, 2015 and approximately RMB343.6 million as at December 31, 2015, respectively.

Each of the PRC Operating Entities has undertaken to the Company that, for so long as the shares of the Company are listed on the Stock Exchange, they will provide the Group's management and the auditors of the Company with full access to its relevant records for the purpose of procedures to be carried out by the auditors of the Company on the transactions as contemplated under the Contractual Arrangements.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT (continued)

Requirements related to Contractual Arrangements (other than relevant foreign ownership restrictions)

As advised by the Company's PRC legal advisers, requirements related to Contractual Arrangements (other than relevant foreign ownership restrictions) include:

1. Legality, validity and binding effect – The Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on parties thereto, and do not individually or collectively, constitute a breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, the Contractual Arrangements would not violate the provisions of the PRC Contract Law, including "*concealing an illegitimate purpose under the guise of legitimate acts*" under Article 52 of the PRC Contract Law, the General Principles of the PRC Civil Law and other applicable PRC laws and regulations.

2. Enforceability – The Contractual Arrangements are in full compliance with and enforceable under applicable PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the equity interest or assets of each of the PRC Operating Entity and to grant injunctive relief against each of the PRC Operating Entity, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitration, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets or equity interests in each of the PRC Operating Entity in case of dispute. In addition, interim remedies granted by courts in an overseas jurisdiction, may not be recognized or enforceable in China.

For more details of the legality of the Contractual Arrangements, please see the section headed "Contractual Arrangements" in the Prospectus.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT (continued)

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

No.	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
1.	If the relevant PRC authorities find that the agreements that establish the structure for operating our live social video communities, online and mobile games in China do not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interests in the PRC Operating Entities.	Pursuant to the Exclusive Technology Service Agreement, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change on such laws, regulations or rules, the following agreement shall be applicable: if the economic interests of any party under the agreements suffer a significant adverse effect directly or indirectly due to above change of laws, regulations or rules, the agreements should continue to operate pursuant to the original terms. Each of the parties shall obtain a waiver for complying on such change or rule via all legal channels. If any adverse effect on the economic interests of any party may not be eliminated according to this agreement, upon the receipt by other parties of such notice from the affected party, all the parties shall promptly discuss and make all necessary modification to the agreements to maintain the economic interests of the affected party under the agreement.
2.	Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. PRC Operating Entities or their shareholders may fail to perform their obligations under our Contractual Arrangements and certain terms of the Contractual Arrangements may not be enforceable under PRC laws.	Each of the New Agreements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute relating to the Contractual Arrangements, arbitrators may award remedies over the equity interests or assets of PRC Operating Entities and courts of competent jurisdiction may grant interim remedies over the equity interest or assets of PRC Operating Entities.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT (continued)

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

No.	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
3.	We may lose the ability to use and enjoy assets held by the PRC Operating Entities that are material to our business operations if the PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.	According to the Exclusive Call Option Agreement, in the event of a mandatory liquidation required by PRC laws, all of the remaining assets and residual interests of the PRC Operating Entities shall be transferred through a non-reciprocal transfer to Hangzhou Tiange and Zhejiang Tiange or its appointee after such liquidation at the lowest transfer price permitted by PRC laws. In such case, if the Registered Shareholders receive any payment after the liquidation, they shall return in full such payment to Hangzhou Tiange and Zhejiang Tiange or its appointee, after the deduction of relevant taxes or payments pursuant to applicable PRC laws.
4.	Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and any finding that we or the PRC Operating Entities owe additional taxes could substantially reduce our consolidated net income and the value of your investment.	As advised by the Company's PRC legal advisers, who took the view that the Contractual Arrangements will not be challenged by the PRC tax authorities or other government authorities, provided that Hangzhou Tiange, Zhejiang Tiange and the PRC Operating Entities implement the Contractual Arrangements in accordance with the terms thereof, unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis.
5.	The Group may be subject the higher income tax rates and incur additional taxes as a result of the Contractual Arrangements, which may increase the tax expenses and decrease the new profit margin.	Hangzhou Tiange and Zhejiang Tiange are qualified as the software enterprises recognized by the relevant authorities in Zhejiang and enjoy the preferential tax treatment. Hangzhou Tiange enjoys a reduced income tax rate of 15% from 2014 to 2017. Zhejiang Tiange enjoys a preferential tax rate of 12.5% from 2014 to 2015 and will enjoy a reduced income tax rate of 15% from 2016 to 2017. As the new high-tech enterprises, both of them will use their reasonable endeavors to take all necessary actions to maintain its status as "software enterprise". Please also refer to paragraph 4 above.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT (continued)

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

No.	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
6.	Shareholders of the PRC Operating Entities may have conflicts of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.	Each of the Registered Shareholders have undertaken that during the period when the Contractual Arrangements remain effective, (i) unless a prior written consent is obtained from the PRC Operating Entities, such shareholder will not engage in, conduct, participate in or use the information obtained from the PRC Operating Entities or any of its affiliates to participate in, directly or indirectly, any business or activity which competes or is likely to compete with the business of the PRC Operating Entities or its subsidiaries (if any), nor will he acquire, hold any interests in or derive any interests from any business which competes or is likely to compete with the business of the PRC Operating Entities or its subsidiaries (if any); (ii) such shareholder will not take any action deviating from the intention and purposes of the New Agreements which may lead to any conflict of interests between Hangzhou Tiange and Zhejiang Tiange and the PRC Operating Entities or its subsidiaries (if any); and (iii) if any conflict of interests occurs during the performance of the New Agreements by such shareholder, he will act in favor of Zhejiang Tiange and Hangzhou Tiange as set forth under the New Agreements and in accordance with the directions of Zhejiang Tiange and Hangzhou Tiange.
7.	We depend on the PRC Operating Entities to provide certain services that are critical to our business. The breach or termination of any of our service agreements with PRC Operating Entities or any failure of or significant quality deterioration in these services could materially and adversely affect our business, financial condition and results of operations.	To ensure sound and effective operation of the Group after the adoption of the Contractual Arrangements, the relevant business units and operation divisions of the Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the Contractual Arrangements and other related matters. In addition, pursuant to the Exclusive Technology Service Agreement and the Exclusive Call Option Agreement, to the extent permitted by law, each PRC Operating Entity and its Registered Shareholders are not contractually entitled to terminate relevant Exclusive Technology Service Agreement and Exclusive Call Option Agreement with Hangzhou Tiange and/or Zhejiang Tiange.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT (continued)

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

No.	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
8.	If we exercise the option to acquire equity ownership and assets of PRC Operating Entities, the ownership or asset transfer may subject us to substantial costs.	According to the Exclusive Call Option Agreement, in the event that the option is exercised by Hangzhou Tiange and/or Zhejiang Tiange, the transfer price of equity interests and/or assets shall be the higher of the capital contribution paid to the registered capital by the respective Registered Shareholder for such interest/net book value of such assets or the lowest price permitted under the PRC laws, and the Registered Shareholders shall return any proceeds received from transfer of equity interest in the PRC Operating Entities, or any distributions upon liquidation of the PRC Operating Entities, and if the amount of such proceeds or distribution is higher than the loans owed by the Registered Shareholders respectively to the Hangzhou Tiange and/or Zhejiang Tiange under the relevant Loan Agreements, they shall return to the Hangzhou Tiange and/or Zhejiang Tiange such proceeds or distribution they receive, with deduction of applicable taxes and governmental fees, and the amounts of relevant loans. Therefore, If Hangzhou Tiange and/or Zhejiang Tiange exercise this option, all or any part of the equity interests of the PRC Operating Entities acquired would be transferred to Hangzhou Tiange and/or Zhejiang Tiange and the benefits of equity ownership would flow to the Company and our shareholders.
9.	Certain terms of the Contractual Arrangements may not be enforceable under PRC laws	As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

For more information relating to the Contractual Arrangements, including the risks associated with the arrangements and the actions taken by us to mitigate the risks, please refer to the Prospectus.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2015, the Company has repurchased a total of 9,560,000 ordinary shares on the Stock Exchange with an aggregate amount of HK$31,426,420. As at the date of this annual report, all the above repurchased shares were cancelled. Details of shares repurchased during the year ended December 31, 2015 are set out as follows:

Month of repurchases	Number of shares repurchased on the Stock Exchange	Price paid per share		Aggregate consideration paid
		Highest	Lowest	
January 2015	5,944,000	3.61	3.2811	HK$20,302,780
July 2015	2,919,000	4.19	2.64	HK$9,110,200
August 2015	370,000	2.9	2.769	HK$1,046,280
December 2015	327,000	2.99	2.89	HK$967,160

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and would lead to an enhancement of the earnings per share.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2015.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the global offering (after the exercise of the over-allotment option and after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the global offering) amounted to approximately HK$1,725.0 million (equivalent to approximately RMB1,376.0 million). As at December 31, 2015, approximately HK$1,103.8 million (equivalent to approximately RMB887.5 million) had been used in investing in potential acquisitions, expanding our marketing and promotion activities, developing our mobile applications and enhancing our research and development efforts. We have utilized, and will continue to utilize the net proceeds from the IPO for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" contained in the Prospectus. The unutilized net proceeds had been deposited into term deposits in the bank account maintained by the Group as well as used in money markets principal protected instruments as classified under available-for-sale financial assets in our consolidated balance sheet.

AUDIT COMMITTEE

The Company has established an Audit Committee since July 9, 2014 with written terms of reference and the duties of the Audit Committee include reviewing the Company's annual reports and interim reports and providing advice and comments to the Directors. The Audit Committee is also responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Ms. Yu Bin (chairman of the Audit Committee), Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Company has maintained the public float of the issued shares of the Company as required under the Listing Rules.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 22 of the annual report. This summary does not form part of the audited consolidated financial statements.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2015.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles and subject to the provisions of the Companies Law of the Cayman Islands, the Director, auditor and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year in respect of any legal actions which may be taken against the Directors and officers in the execution and discharge of their duties or in relation thereto.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended December 31, 2015.

PricewaterhouseCoopers shall retire in the AGM and being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the AGM.

For and on behalf of the Board
Fu Zhengjun
Chairman & Executive Director

Hong Kong, March 23, 2016

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance practices to enhance the corporate performance accountability and safeguard shareholders' interests. The Board is also committed to comply with the principles of the Corporate Governance Code (the "**CG Code**") contained in the Appendix 14 to the Listing Rules. Save and except for the deviation disclosed in this annual report, the Directors are of the opinion that the Company has complied with the code provisions set out in the CG Code throughout the year ended December 31, 2015. The Company will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code.

THE BOARD OF DIRECTORS

Board Composition

The Board currently comprises seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The brief biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 27 of this annual report. Details regarding the term of appointment of the non-executive directors are set out in the section headed "Directors Service Contracts" on page 37 of this annual report. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board.

During the Reporting Period, the Board has at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received annual confirmation from each of the independent non-executive Directors of his/her independence pursuant to the requirements of the Listing Rules. The Company considers that each of the independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, Directors have agreed to disclose their commitments to the Company in a timely manner.

THE BOARD OF DIRECTORS (continued)

Role and Function and Delegation by the Board

The Board is responsible for and has general powers for the management and conduct of the business of the Company. It delegates day to day management of the Company to two executive Directors and the senior management of the Company, within the control and authority framework set by the Board. The delegated functions and responsibilities are periodically reviewed by the Board.

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

In addition, the Board has also delegated to the Audit Committee, the Remuneration Committee and the Nomination Committee various responsibilities as set out in their respective terms of reference. Further details of these committees are set out in this annual report.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interest of the Company and its shareholders at all times.

The Company has arranged appropriate liability insurance to indemnify its Directors in respect of legal actions against them.

Board Meetings

The Company adopts the practice of holding board meetings for at least four times a year at approximately quarterly intervals pursuant to code provision A.1.1 of the CG Code. Notice of not less than fourteen days is given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting pursuant to code provision A.1.3 of the CG Code.

All Directors are provided with agenda and relevant information related to the agenda in advance before the meeting. They can access to the senior management and the joint company secretaries of the Company at all time and, upon reasonable request, seek independent professional advice at the Company's expense.

Minutes of the meetings are kept by the joint company secretary, Mr. Chen Shi, with copies circulated to all Directors for information and records. Minutes of the board meetings and committee meetings are recorded in sufficient detail of the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the board meetings are open for inspection by Directors.

THE BOARD OF DIRECTORS (continued)

Board Meetings (continued)

During the Reporting Period, four Board meetings were held on March 30, 2015, May 22, 2015, August 20, 2015 and November 27, 2015 respectively. The attendance of the Directors at the board meetings is presented hereinafter.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to handle particular responsibilities of the Board and the Company's affairs. All board committees of the Company are established with defined written terms of reference which have been uploaded to the website of the Stock Exchange and that of the Company, and are provided with sufficient resources to discharge their duties.

Audit Committee

The Company established the Audit Committee on July 9, 2014 with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Audit Committee by the Board. The primary duties of the Audit Committee are to review the financial information of the Company, to review the financial reporting process and internal control system of our Group, to oversee the audit process, to make recommendation on the appointment, re-appointment and removal of external auditor and perform other duties and responsibilities as assigned by our Board.

The Audit Committee consists of three independent non-executive Directors. being Ms. Yu Bin, Mr. Chan Wing Yuen Hubert and Mr. Wu Chak Man. Ms. Yu Bin has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director with the appropriate professional qualifications. During the Reporting Period, four Audit Committee meetings were held, in which the members of the Audit Committee discussed with PricewaterhouseCoopers about the arrangements of the Company's annual audit work and reviewed the annual results, interim results and quarterly results of the Group and the relevant financial statements and reports and significant financial reporting judgments contained in them, as well as to review internal control system, and the Group's financial and accounting policies and practices. The attendance of the Directors at the Audit Committee meetings is presented hereinafter.

BOARD COMMITTEES (continued)

Remuneration Committee

The Company established the Remuneration Committee on July 9, 2014 with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Remuneration Committee by the Board. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

The Remuneration Committee comprises two independent non-executive Directors, being Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert and one non-executive Director, being Mr. Mao Chengyu. Mr. Wu Chak Man, our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. One Remuneration Committee meeting was held during the Reporting Period to, among other matters, discuss and review the remuneration policy and packages for Directors and Senior Management, and to assess performance of executive Directors. The attendance of the Directors at the Remuneration Committee meetings is presented hereinafter.

The primary goal of the Group's remuneration policy for executive Directors is to enable the Company to retain and motivate executive Directors by linking their compensation with their individual performance. The remuneration package includes basic salary, performance and/or discretional bonus, participation in the Share Incentive Schemes and other benefits. Remuneration of the non-executive Directors includes mainly the director's fee which is a matter for the Board to decide by reference to the duties and responsibilities of the non-executive Director. Remuneration of the independent non-executive Directors includes the director's fee which is determined by the Board based on the duties and responsibilities of independent non-executive Directors and their participation in the Share Incentive Schemes.

The emoluments of each Director and the emoluments of senior management for the year ended December 31, 2015 are set out in note 40 and note 9 respectively to the consolidated financial statement.

BOARD COMMITTEES (continued)

Nomination Committee

The Company established the Nomination Committee on July 9, 2014 with written terms of reference in compliance with the requirements of the CG Code and Corporate Governance Report as set out in the Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Nomination Committee by the Board. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company. In the nomination procedures, the Nomination Committee makes reference to criteria including reputation of candidates for integrity, accomplishment and experience, professional and educational background.

The Nomination Committee consists of two independent non-executive Directors, being Ms. Yu Bin and Mr. Wu Chak Man and one executive Director, being Mr. Fu. Mr. Fu has been appointed as the chairman of the Nomination Committee. During the Reporting Period, one meeting of the Nomination Committee was held on May 22, 2015, among other matters, to assess the independence of independent non-executive Directors; to review the board diversity policy of the Company; to consider the re-appointments of the retired Directors; and to discuss matters relating to procedure of nomination of director candidate by shareholders, directors' evaluation and succession plan.

The Nomination Committee has formulated a board diversity policy, in which the Company recognizes the benefits of having a diverse board to enhance the quality of its performance. According to the policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The attendance of the Directors at the Nomination Committee meetings is presented hereinafter.

The composition of the Board and the Board members' respective attendance in Board meetings, general meetings, the Audit Committee meetings, the Remuneration Committee meetings and the Nomination Committee meetings during the year ended December 31, 2015 are as follows:

BOARD COMMITTEES (continued)

Nomination Committee (continued)

No. of meeting attended/held

Directors	Board meeting	General meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting
Executive Directors					
Mr. Fu Zhengjun	4/4	1/1	N/A	N/A	1/1
Mr. Mai Shi'en	4/4	1/1	N/A	N/A	N/A
Non-executive Directors					
Mr. Mao Chengyu	3/4	0/1	N/A	1/1	N/A
Mr. Herman Cheng-Chun, Yu	3/4	0/1	N/A	N/A	N/A
Independent non-executive Directors					
Ms. Yu Bin	1/4	0/1	4/4	N/A	1/1
Mr. Wu Chak Man	2/4	0/1	4/4	1/1	1/1
Mr. Chan Wing Yuen Hubert	4/4	0/1	4/4	1/1	N/A

CHANGES IN INFORMATION OF DIRECTORS

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. According to the records of the Company, all Directors attended training sessions on duties and obligations of directors of companies listed on the Stock Exchange, including connected transactions and corporate governance, which was conducted by the Company's legal advisers as to Hong Kong laws. The Company also provided periodic legal updates and developments on the Listing Rules, the Hong Kong Companies Ordinance, news updates from the Stock Exchange and Securities & Futures Commission of Hong Kong and other relevant legal and regulatory requirements to all of the Directors, as well as regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set forth in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code during the Reporting Period.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Fu is our Chairman and chief executive officer and has been a Director of our Board since July 28, 2008. He was re-designated to our Board as an executive Director on March 11, 2014. Mr. Fu is the founder of our Group and has served as the chief executive officer of all our WFOE and PRC Operating Entities since their respective incorporation. With extensive experience in the Internet industry, Mr. Fu is responsible for the overall strategic planning, management and operation of our Group and is instrumental to our growth and business expansion since our establishment in 2008. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-calibre individuals. Our Board currently comprises two executive Directors (including Mr. Fu), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Code provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) with the executive directors present. During the Reporting Period, the Chairman met with the independent non-executive Directors and other non-executive Directors to understand their concerns and to discuss pertinent issues.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2015 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 81 and 82 of this annual report.

INTERNAL CONTROL

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. A defined management structure with specified limits of authority and responsibilities is developed for safeguarding assets against unauthorized use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

An internal audit department has been established to perform regular financial and operational reviews and recommend necessary actions to the relevant management. For the year of 2015, the works carried out by the internal audit department with the assistance of the external internal control consultant ensure the internal controls are in place and function properly as intended. The results of the internal audit and reviews are reported to the executive Directors and the Audit Committee. The Directors have reviewed the effectiveness of the Group's internal control system and are satisfied with the adequacy of the system of internal control of the Group for the fiscal year under review.

For the annual review on the internal controls, the Audit Committee considered the internal control report was satisfied as to effectiveness of the Group's internal control system. There were no matters of material concerns relating to financial, operational or compliance controls. The Board is satisfied with the adequacy of the system of the internal control of the Group during the financial year under review.

INDEPENDENT AUDITORS' REMUNERATION

The Group's independent auditor is PricewaterhouseCoopers.

For the year ended December 31, 2015, the fees paid/payable to PricewaterhouseCoopers for the audit and review of the financial statements of the Group were RMB5.6 million.

Fees paid/payable to PricewaterhouseCoopers for non-audit services provided to the Group for the year were RMB0.4 million. The non-audit services mainly include professional service for tax consulting and advise for internal control procedures of the Group.

JOINT COMPANY SECRETARIES

Mr. Chen Shi and Ms. Ng Sau Mei of KCS Hong Kong Limited, an external service provider, have been appointed by the Company as the joint company secretaries. The primary corporate contact person at the Company is Mr. Chen Shi, the joint company secretary and general counsel of the Company.

During the year ended December 31, 2015, each of Mr. Chen Shi and Ms. Ng Sau Mei have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMPLIANCE ADVISOR

The Company has appointed REORIENT Financial Markets Limited as the compliance advisor of the Company to provide guidance and opinion to us in respect of the compliance with the Listing Rules and other regulations and practice governing listed issuers in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company believes that effective communication with Shareholders and other investment community is essential. Since the Listing Date, the Executive Directors, chief financial officer and head of investor relations of the Group held regular briefings, press conferences and analysts meetings of annual results, attended investor forums and participated in roadshows and conducted meetings with the institutional investors and financial analysts in China, Hong Kong and overseas countries to keep them abreast of the Group's business and development. Investors can also communicate with the Company through email at IR@tiange.com.

Shareholders' meetings provide a useful forum for the Shareholders to exchange views with the Board. The Directors and the chief financial officer of the Group will attend the Shareholders' meetings to answer the questions raised by the Shareholders. Published documents together with the latest corporate information and news are available on the Company's website at www.tiange.com.

SHAREHOLDERS' RIGHTS

Besides the request of the Board, extraordinary general meetings can be convened through the following measures:

(a) on the written requisition of any two or more Shareholders who hold as at the date of deposit of the requisition of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by such shareholders, provided that such shareholders held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company; or

SHAREHOLDERS' RIGHTS (continued)

(b) on the written requisition of any one shareholder of the Company which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the shareholder, provided that such shareholder held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Shareholders may put forward proposals for consideration at a general meeting according to the applicable laws and the Articles. If a shareholder, who is entitled to attend and vote at the relevant general meeting, wishes to nominate a person (not being the nominating shareholder) to stand for election as a Director, he or she should give to the secretary of the Company notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his or her willingness to be so elected, commencing no earlier than the day after the dispatch of the notice of the relevant general meeting and ending no later than seven days prior to the date of such general meeting.

As regards proposing a person for election as a director, the procedures are available on the websites of the Company and the Stock Exchange.

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company in Hangzhou at Room 3A09 Sunshine International Business Center No. 186 South Hushu Road, Hangzhou, PRC (email address: IR@tiange.com).

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2015, there were no significant changes in the constitutional documents of the Company.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TIAN GE INTERACTIVE HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tian Ge Interactive Holdings Limited ("the Company") and its subsidiaries set out on pages 90 to 200, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2016

Consolidated Statement Of Comprehensive Income/(Loss)

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	*6*	**677,543**	692,159
Cost of revenue	*7*	**(151,335)**	(105,308)
Gross profit		**526,208**	586,851
Selling and marketing expenses	*7*	**(191,353)**	(212,363)
Administrative expenses	*7*	**(115,735)**	(135,955)
Research and development expenses	*7*	**(83,628)**	(86,047)
Other gains, net	*8*	**53,032**	58,612
Operating profit		**188,524**	211,098
Finance income	*10*	**4,338**	8,219
Finance costs	*10*	**(1,030)**	(2,549)
Finance income, net	*10*	**3,308**	5,670
Fair value loss of convertible redeemable preferred shares		**–**	(283,559)
Share of loss of investment accounted for using the equity method	*14*	**(4,389)**	(4,659)
Impairment of investment accounted for using the equity method	*14 (a)*	**(2,985)**	–
Profit/(Loss) before income tax		**184,458**	(71,450)
Income tax expense	*11*	**(34,708)**	(36,151)
Profit/(Loss) for the year		**149,750**	(107,601)
Other comprehensive income/(loss):			
Items that may be reclassified to profit and loss			
Currency translation differences		**62,009**	(13,996)
Total comprehensive income/(loss) for the year		**211,759**	(121,597)
Profit/(Loss) attributable to:			
– Shareholders of the Company		**151,792**	(107,503)
– Non-controlling interests		**(2,042)**	(98)
		149,750	(107,601)
Total comprehensive income/(loss) attributable to:			
– Shareholders of the Company		**213,587**	(121,499)
– Non-controlling interests		**(1,828)**	(98)
		211,759	(121,597)
Earnings/(Loss) per share (expressed in RMB per share)	*12*		
– Basic		**0.122**	(0.116)
– Diluted		**0.116**	(0.116)

The notes on pages 90 to 200 are integral parts of these consolidated financial statements.

Consolidated Balance Sheet

As at December 31, 2015

(All amounts in RMB unless otherwise stated)

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Property and equipment	*15*	**190,843**	142,280
Intangible assets	*16*	**121,312**	49,002
Investment accounted for using the equity method	*14*	**52,078**	3,863
Deferred income tax assets	*31*	**33,460**	32,466
Available-for-sale financial assets	*21*	**100,008**	26,776
Prepayments and other receivables	*19*	**154,917**	40,744
Term deposits with initial term over 3 months	*23*	**168,138**	479,869
		820,756	775,000
Current assets			
Inventories	*20*	**10,307**	–
Trade receivables	*18*	**32,006**	14,049
Prepayments and other receivables	*19*	**247,501**	159,032
Available-for-sale financial assets	*21*	**370,058**	313,029
Financial assets at fair value through profit or loss	*22*	**–**	109,481
Term deposits with initial term over 3 months	*23*	**786,732**	602,917
Cash and cash equivalents	*24*	**232,848**	289,083
		1,679,452	1,487,591
Total assets		**2,500,208**	2,262,591
Equity and liabilities			
Equity attributable to Shareholders of the Company			
Share capital	*25*	**797**	779
Share premium	*25*	**2,305,423**	2,381,529
Shares held for RSU Scheme	*25*	**(14)**	(19)
Other reserves	*26*	**273,425**	122,473
Accumulated deficits	*28*	**(292,919)**	(421,073)
		2,286,712	2,083,689
Non-controlling interests		**21,960**	4,799
Total equity		**2,308,672**	2,088,488

Consolidated Balance Sheet

As at December 31, 2015

(All amounts in RMB unless otherwise stated)

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	*31*	**5,148**	361
Other non-current liabilities		**1,347**	1,389
		6,495	1,750
Current liabilities			
Trade payables	*29*	**23,212**	24,278
Other payables and accruals	*30*	**63,451**	52,530
Income tax liabilities		**48,554**	51,523
Customer advance and deferred revenue		**43,824**	44,022
Provisions for other liabilities and charges	*34*	**6,000**	–
		185,041	172,353
Total liabilities		**191,536**	174,103
Total equity and liabilities		**2,500,208**	2,262,591
Net current assets		**1,494,411**	1,315,238

The notes on pages 90 to 200 are integral parts of these consolidated financial statements.

The financial statements on pages 90 to 200 were approved for issue by the Board of Directors on 23 March, 2016 and were signed on its behalf.

Fu Zhengjun
Director

Mai Shi'en
Director

Consolidated Statement Of Changes in Equity

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

		Attributable to Shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity/ (Deficits) RMB'000
Balance at 1 January 2014		42	139,703	–	65,705	(294,006)	(88,556)	4,897	(83,659)
Comprehensive loss									
Loss for the year		–	–	–	–	(107,503)	(107,503)	(98)	(107,601)
Other comprehensive loss									
Currency translation differences	*26*	–	–	–	(13,996)	–	(13,996)	–	(13,996)
Total other comprehensive loss, net of tax		–	–	–	(13,996)	–	(13,996)	–	(13,996)
Total comprehensive loss		–	–	–	(13,996)	(107,503)	(121,499)	(98)	(121,597)
Transactions with shareholders in their capacity as owners									
Share-based compensation	*9*	–	–	–	51,200	–	51,200	–	51,200
Issuance of shares held for Pre-IPO RSU Scheme	*25*	4	–	(4)	–	–	–	–	–
Conversion of convertible redeemable preferred shares to ordinary shares	*25*	12	836,801	–	–	–	836,813	–	836,813
Effect of bonus shares issuance	*25*	508	(467)	(41)	–	–	–	–	–
Issuance of ordinary shares	*25*	215	1,415,874	–	–	–	1,416,089	–	1,416,089
Repurchase and cancellation of ordinary shares	*25*	(2)	(10,356)	–	–	–	(10,358)	–	(10,358)
Vest and transfer of RSUs		–	(26)	26	–	–	–	–	–
Profit appropriations to statutory reserves	*26*	–	–	–	19,564	(19,564)	–	–	–
Total transactions with shareholders in their capacity as owners		737	2,241,826	(19)	70,764	(19,564)	2,293,744	–	2,293,744
Balance at 31 December 2014		779	2,381,529	(19)	122,473	(421,073)	2,083,689	4,799	2,088,488

Consolidated Statement Of Changes in Equity

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

		Attributable to Shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2015		779	2,381,529	(19)	122,473	(421,073)	2,083,689	4,799	2,088,488
Comprehensive income/(loss)									
Profit/(loss) for the year		–	–	–	–	151,792	151,792	(2,042)	149,750
Other comprehensive income/(loss)									
Currency translation differences	26	–	–	–	61,795	–	61,795	214	62,009
Total other comprehensive income/(loss), net of tax		–	–	–	61,795	–	61,795	214	62,009
Total comprehensive income/(loss)		–	–	–	61,795	151,792	213,587	(1,828)	211,759
Transactions with Shareholders in their capacity as owners									
Share-based compensation	9	–	–	–	65,942	–	65,942	–	65,942
Proceeds from share issued under employee share option plan	25	20	8,405	–	–	–	8,425	–	8,425
Vest and transfer of RSUs	25	–	(9)	9	–	–	–	–	–
Issuance of shares held for Post-IPO RSU Scheme	25	4	–	(4)	–	–	–	–	–
Repurchase and cancellation of ordinary shares	25	(6)	(24,929)	–	–	–	(24,935)	–	(24,935)
Non-controlling interests arising from acquisition and establishment of subsidiaries	25	–	–	–	–	–	–	18,989	18,989
Step-acquisition of an associate		–	–	–	1,813	(2,236)	(423)	–	(423)
Appropriation of special dividends		–	(59,573)	–	–	–	(59,573)	–	(59,573)
Profit appropriations to statutory reserves	26	–	–	–	21,402	(21,402)	–	–	–
Total transactions with Shareholders in their capacity as owners		18	(76,106)	5	89,157	(23,638)	(10,564)	18,989	8,425
Balance at 31 December 2015		797	2,305,423	(14)	273,425	(292,919)	2,286,712	21,960	2,308,672

The notes on pages 90 to 200 are integral parts of these consolidated financial statements.

Consolidated Statement Of Cash Flows

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

	Note	Year Ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	193,191	270,651
Income tax paid		(39,184)	(35,511)
Net cash generated from operating activities		154,007	235,140
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(37,878)	–
Payment for acquisition of investment in associates and a joint venture		(35,379)	–
Step acquisition of an associate	14	(16,000)	–
Cash contribution to associates	14	(32)	(3,622)
Purchase of and prepayment for property and equipment		(49,825)	(50,745)
Proceeds from reduced interests in an associate	14	8,400	–
Proceeds from disposal of property and equipment	33	38	537
Purchase of intangible assets and game license		(11,185)	(61,727)
Addition of term deposits with initial term over 3 months and available-for-sales financial assets		(1,638,267)	(3,339,590)
Receipt from maturity of term deposits with initial term over 3 months and available-for-sales financial assets		1,720,525	2,220,853
Purchase of financial assets at fair value through profit or loss		–	(110,017)
Proceeds from disposal of financial assets at fair value through profit or loss		117,410	–
Pledged deposits for borrowings		–	(100,000)
Receipt from repayment of pledged deposits for bank borrowings		–	220,000
Receipt from repayment of pledged deposits for borrowings from related parties		–	22,274
Repayment of cash advance from an investment agent		–	17,724
Interest received		7,223	25,622
Cash paid for refundable prepayments of potential investments	19	(148,000)	(131,000)
Cash paid for prepayments of investments		(25,000)	–
Loans granted to third parties		(62,464)	–
Loans granted to a related party		(17,669)	–
Loans repayments received from third parties and a related party		45,328	–
Cash paid for other investing activities		–	(8,717)

Consolidated Statement Of Cash Flows

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

	Note	2015 RMB'000	2014 RMB'000
		Year Ended 31 December	
Net cash used in investing activities		**(142,775)**	(1,298,408)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**–**	1,467,661
Proceeds from exercise of share options		**8,425**	–
Payment of shares issuance costs		**–**	(51,572)
Payment for repurchase of shares	*25*	**(24,935)**	(10,358)
Proceeds from bank borrowings		**–**	92,531
Repayment of bank borrowings		**–**	(202,275)
Repayment of borrowings to related parties		**–**	(21,339)
Repayment of borrowings to a third party		**–**	(17,071)
Interest paid		**–**	(3,638)
Proceeds from capital injection of non-controlling interests		**1,953**	–
Dividends paid to the Company's shareholders	*13*	**(59,573)**	(74,161)
Net cash (used in)/generated from financing activities		**(74,130)**	1,179,778
Net (decrease)/increase in cash and cash equivalents		**(62,898)**	116,510
Cash and cash equivalents at beginning of year		**289,083**	171,896
Exchange gain on cash and cash equivalents		**6,663**	677
Cash and cash equivalents at end of year		**232,848**	289,083

The notes on pages 90 to 200 are integral parts of these consolidated financial statements.

1 GENERAL INFORMATION

Tian Ge Interactive Holdings Limited (the "Company"), was incorporated in the Cayman Islands on July 28, 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands as an investment holding company. The address of the Company's registered office is P.O. Box 2804, 4th Floor Scotia Centre, George Town, Grand Cayman KY1-1112, Cayman Islands.

On July 9, 2014, the Company consummated its initial public offering (the "IPO") on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in the operating of live social video platforms, mobile and online games and advertising and other services in the People's Republic of China (the "PRC").

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting value-added telecommunications services. In order to make investments into the business of the Group, the Company established the subsidiaries, Tiange Technology (Hangzhou) Co., Ltd. (Hangzhou Tiange) and Zhejiang Tiange Information Technology Co., Ltd. (Zhejiang Tiange), which are wholly foreign owned enterprise incorporated in the PRC in November 2008 and September 2009 respectively.

The wholly-owned subsidiaries, Hangzhou Tiange and Zhejiang Tiange, entered into the Contractual Arrangements with Hangzhou Han Tang Cultural Communication Co., Ltd. (Hantang), Jinhua9158 Network Science and Technology Co., Ltd. (Jinhua9158), Jinhua99 Information Technology Co., Ltd. (Jinhua99), Jinhua Xingxiu Cultural Communication Co., Ltd. (Xingxiu) and their respective equity holders, which enable Hangzhou Tiange, Zhejiang Tiange and the Group to:

– exercise effective financial and operational control over the Hantang, Jinhua9158, Jinhua99 and Xingxiu;

– irrevocably exercise equity holders' voting rights of Hantang, Jinhua9158, Jinhua99 and Xingxiu;

– receive substantially all of the economic returns generated by Hantang, Jinhua9158, Jinhua99 and Xingxiu by way of business support, technical and consulting services provided by Hangzhou Tiange and Zhejiang Tiange;

– obtain an irrevocable and exclusive right to purchase the entire equity interest in Hantang, Jinhua9158, Jinhua99 and Xingxiu from the respective shareholders;

– obtain a pledge over the entire equity interest of Hantang, Jinghua9158, Jinhua99 and Xingxiu from their respective equity holders as collateral for all accounts payable by Hantang, Jinghua9158, Jinghua99 and Xingxiu to Hangzhou Tiange and Zhejiang Tiange and to secure performance of Hantang, Jinghua9158, Jinghua99 and Xingxiu's obligations under the Contractual Arrangements.

1 GENERAL INFORMATION (continued)

The Group does not have any equity interest in Hantang, Jinghua9158, Jinghua99 and Xingxiu. As a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement in Hantang, Jinghua9158, Jinghua99 and Xingxiu and has the ability to affect those returns through its power over Hantang, Jinghua9158, Jinghua99 and Xingxiu, and is considered to control Hantang, Jinghua9158, Jinghua99 and Xingxiu. Consequently, the Company regards Hantang, Jinghua9158, Jinghua99 and Xingxiu as the structured entities under IFRS (see also 2.2.1 and Note 11).

Similar Contractual Arrangements were also executed for other PRC operating companies established by the Group. All these PRC operating companies are treated as structured entities of the Company and their financial statements have also been consolidated by the Company.

The Group has included the financial position and results of the PRC operating companies in the consolidated financial statements for all the years presented.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements of the Group have been approved for issue by the Board of Directors (the "Board") on 23 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, available-for-sale financial assets, and convertible redeemable preferred shares, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosure

(a) New amendments and interpretation adopted by the Group in 2015

The following new standards and amendments to standards are mandatory for the financial year beginning 1 January 2015:

– Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

– Amendments from annual improvements to IFRSs – 2010 – 2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

– Amendments from annual improvements to IFRSs – 2011 – 2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the group.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) *New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2016, and have not been early adopted by the Group*

The following relevant IASs, IFRSs, amendments to existing IFRSs and interpretation of IFRS have been published and are mandatory for accounting periods beginning after 1 January 2016 or later periods and have not been early adopted by the Group:

– IFRS 14, 'Regulatory Deferral Accounts'

– Amendment to IFRS 11, 'Accounting for acquisitions of interests in joint operations'

– Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'

– Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'

– Amendment to IAS 27, 'Equity method in separate financial statements'

– Amendments from annual improvements to IFRSs – 2012 – 2014 Cycle, on IFRS 5, 'Non-current assets held for sale and discontinued operations', IFRS 7, 'Financial instruments: Disclosures', IAS 19, 'Employee benefits' and IAS 34, 'Interim financial reporting'

– Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment entities: applying the consolidation exception'

– Amendments to IAS 1 'Disclosure initiative'

– IFRS 15, 'Revenue from contracts with customers'

– IFRS 9, 'Financial Instruments'

– IFRS16, 'Leases'

The Group is yet to assess the full impact of these new standards and amendments and intents to adopt them no later than the respective effective dates of these new standards and amendments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income/(loss).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income/(loss), and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using the equity method' in the consolidated statement of comprehensive income/(loss).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income/(loss).

2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and Week8 HK is the United States dollar ("US$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. The Company's newly acquired subsidiaries were incorporated in the PRC and Hong Kong and these subsidiaries considered RMB as their functional currency. The Company's newly established subsidiaries were incorporated in Japan and the PRC and these subsidiaries considered Japanese Yen ("JPY") and RMB as their functional currency respectively. As the major operations of the Group for all the year presented are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income/(loss), except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income/(loss) within "finance income" or "finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income/(loss) within "other gains, net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.7 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income/(loss) during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property and equipment (continued)

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Building	33 – 58 years
– Decorations	2 – 7.5 years
– Furniture	5 years
– Office equipment	2.5 – 3 years
– Server and other equipment	3 years
– Motor vehicles	4 – 5 years
– Leasehold improvement	Shorter of remaining term of the lease and the estimated useful lives of the assets

The depreciation method, residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction-in-progress (the "CIP") represents leasehold improvements and office buildings under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property and equipment and depreciated in accordance with the policy as stated above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other gains, net" in the consolidated statement of comprehensive income/(loss).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and business represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software, brand name, domain name and technology and platform license

Separately acquired computer software, brand name, domain name and technology and platform license are shown at historical cost. Computer software, brand name, domain name and technology and platform license acquired in a business combination are recognised at fair value at the acquisition date. These intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these intangible assets over their estimated useful lives, and recorded in amortisation within operating expenses and cost of sales in the consolidated statement of comprehensive income/(loss).

The useful lives of these intangible assets are estimated as follows:

– Computer software	3-20 years
– Brand name	6-15 years
– Domain name and technology	1.4-10 years
– Platform license	20 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

(c) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled. These criteria includes: (1) it is technically feasible to complete the software product and technology so that it will be available for use; (2) management intends to complete the software product and technology and use or sell it; (3) there is an ability to use or sell the software product and technology; (4) it can be demonstrated how the software product and technology will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the software product and technology are available; and (6) the expenditure attributable to the software product and technology during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. There were no development costs meeting these criteria and capitalised as intangible assets for all the years presented.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life or not ready to use, for example, goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairments are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "prepayments and other receivables", "term deposits with initial term over 3 months" and "cash and cash equivalents" in the balance sheet (Notes 18, 19, 23 and 24).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of them within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income/(loss) within "Other gains, net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income/(loss) as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income/(loss) as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income/(loss) as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income/(loss) as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income/(loss).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income/(loss).

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income/(loss) on equity instruments are not reversed through the consolidated statement of comprehensive income/(loss).

2.13 Inventories

Inventories, mainly consisting of merchandise for sale, are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are primarily amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other financial institutions and other short-term highly liquid investments with original maturity of three months or less.

2.16 Share capital and share premium

Ordinary shares are classified as equity. Convertible redeemable preferred shares are classified as liabilities (Note 2.20).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury share), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's shareholders.

2.17 Shares held for RSU Scheme

The consideration paid by the RSU Trustee (see Note 27(e)) for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for RSU Scheme" and deducted from total equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance.

When the RSU Trustee transfers the Company's shares to the grantees upon vesting, the related costs of the granted shares vested are credited to "Shares held for RSU Scheme", with a corresponding adjustment to "Share premium".

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income/(loss) over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowings are classified as current liabilities if the loan agreements include an overriding repayment on demand clause, which gives the lender the right to demand repayment at any time at their sole discretion, irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the agreement.

Borrowing costs that are directly attributable to the acquisition, construction or production of any qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated statement of comprehensive income/(loss) in the period in which they are incurred.

2.20 Convertible redeemable preferred shares

Convertible redeemable preferred shares issued by the Company comprise Series A Preferred Shares, Series B1 Preferred Shares, Series B2 Preferred Shares and Series C Preferred Shares (collectively, "Preferred Shares") that are redeemable upon occurrence of certain future events at the option of the holders as detailed in Note 25. The Preferred Shares can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon an initial public offering of the Company or agreed by majority of the holders as detailed in Note 25.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statement of comprehensive income/(loss).

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognised in the profit or loss.

The convertible redeemable preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Convertible redeemable preferred shares (continued)

Preferred shares, if mandatorily redeemable at a specific date or redeemable at the option of the holder, are classified as liabilities. The dividends on these Preferred Shares, if declared, are recognised in the consolidated statement of comprehensive income/(loss) as finance costs.

All convertible redeemable preferred shares of the Company were converted into ordinary shares of the Company upon its IPO.

2.21 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current Income Tax

The current income tax charge is calculated on the basis of the tax laws, enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred Income Tax

Inside Basis Differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Current and deferred income tax (continued)

(b) Deferred Income Tax (continued)

Outside Basis Differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Share-based payments

(a) Equity-settled share-based payments transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (share options and restricted share units) of the Group. The fair value of the employee services received in exchange for the grant of the share options and restricted share units is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options and restricted share units granted:

– including any market performance conditions;

– excluding the impact of any service and non-market performance vesting conditions; and

– including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options and restricted share units that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income/(loss), with a corresponding adjustment to equity.

Service conditions are included in assumptions about the number of share options and restricted share units that are expected to vest. The total expense is recognised over the vesting period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

Where there is modification of terms and conditions which increase the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Share-based payments (continued)

(a) Equity-settled share-based payments transactions (continued)

At the end of each reporting period, the Group revises its estimates of the number of share options and restricted share units that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the share options are exercised and the restricted share unites are granted, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

(b) Share-based payments transactions among group entities

The grant by the Company of share options and restricted share units over its equity instruments to the employees or other service providers of the subsidiaries and the PRC Operating Entities are treated as a capital contribution. The fair value of consulting and employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity in the separate financial statements of the Company.

2.24 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Provisions and contingent liabilities (continued)

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied in the ordinary course of the Group's activities, stated net of discounted returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Live social video platforms

The Group is principally engaged in the operation of live social video platform (the "Video Platform") and derives revenue from the sale of virtual currencies which can be used to purchase virtual goods on the Group's Video Platform. The Group primarily operates two major live social video communities (the "Community"), namely Sina Show, 9158 Video Community, and several other Communities. Each of these Communities contains thousands of real time video rooms (the "Room") with user-created content provided by hosts and user on air, and broadcasted to the rooms' viewers. The Group is responsible for providing a technological infrastructure to allow the hosts, users on air and viewers to interact through video streams.

All the Communities and Rooms are free to access. The Group mainly derives the revenue from sales of virtual currency which can be used to purchase virtual goods in the Communities and Rooms.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition (continued)

(a) Live social video platforms (continued)

The Group's PRC Operating Entities primarily cooperate with independent third-party distributors to sell the Group's virtual currency through the annual distribution agreements with these distributors. Pursuant to the distribution agreements with these distributors, each distributor is responsible for sales of virtual currency for one or more of the Group's communities through developing and engaging sale agents who directly sell the virtual currency to users. The Group does not determine the price of the virtual currency sold to sales agents or users. In addition, the Group does not take overall responsibility of the content of performances in the Group's communities. Consequently, the Group recognises revenue based on the net amount of proceeds received from the Group's distributors.

The Group also utilises third-party payment collection channels, which charges it the payment handling cost, for users to purchase the virtual currency directly from it. The payment handling costs are recorded in cost of sales.

Upon the sales of virtual currency, the Group typically has an implied obligation to provide the services which enable the virtual currency to be used in the Communities. As a result, the virtual currency are recorded as customer advance when they are sold to the distributors and are transferred to deferred revenue when they are subsequently activated and charged to the respective communities accounts by the users.

Users use virtual currency to purchase virtual goods in the Communities. Virtual goods include:

(i) Virtual gifts, which are given by users to hosts, performers or other users as a gesture of friendship or support. When a host, user on-air, or viewer receives a virtual gift, he/she will receive an amount of virtual currency equal to a percentage of the cost of the virtual gift. This percentage varies depending on the cost and rarity of the items received from the users. The reduced portion of the cost is considered as the actual consumption of the virtual currency and is immediately recognised as revenue.

(ii) Virtual items, which are used by users to grant themselves special privileges and abilities. Consumable virtual items will be extinguished shortly after consumption. As such, the users will not continue to benefit from the virtual items and the Group does not have further obligations to the user after the virtual items are consumed. Therefore, revenue is recognised immediately when the consumable virtual items are consumed. The Group also provides durable virtual items that enable the special privileges and abilities to paying users over an extended period of time. Revenue is recognised ratably over the beneficial period. The Group's revenue from durable virtual goods is insignificant for all the years presented.

The Group also offers membership programs to its users. The revenue generated from membership programs is recognised ratably over the membership period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition (continued)

(b) Games

The Group primarily derives its mobile and online games revenue from the sales of in-game virtual items in its games through cooperation with third-party game developers and online application stores. Through exclusive or non-exclusive operation framework contracts with game developers who own the copyright of the game, the Group is responsible for marketing, distribution and operation of the game, as well as server maintenance, payer authentication and payment collections related to the game.

The Group's games are free to play and players can purchase in-game virtual items for better in-game experience. Players purchase the in-game virtual items through the payment systems on online application stores or other third party payment platforms, who collect the payments from the players and remit the cash net of the payment handling costs and the commission charges. The payment handling costs and the commission charges are pre-determined according to the relevant terms of the agreements entered into between the Group and game developers and online application stores or third party payment platforms.

Upon the sales of in-game virtual items, the Group typically has an implied obligation to provide the services which enable the in-game virtual items to be displayed or used in the games. As a result, the proceeds received from sales of in-game virtual items are initially recorded as deferred revenue and are recognised as revenue subsequently only when the services have been rendered. For the purpose of determining when services have been rendered to the respective paying players, the group has determined the following:

(i) Consumable virtual items represent items that will be extinguished immediately after consumption by a specific game player action. The paying player will not continue to benefit from the virtual items thereafter. Revenue is recognised as a release from deferred revenue when the items are consumed.

(ii) Durable virtual items represent items that are accessible and beneficial to paying players over an extended period of time. Revenue is recognised ratably over the average playing period of paying player (the "Player Relationship Period"), which represents the best estimate of the average life of durable virtual items for the applicable game.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition (continued)

(b) Games (continued)

The Group estimates the Player Relationship Period on a game-by-game basis and re-assesses such periods quarterly. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games developed by the Group or by third-party developers until the new game establishes its own patterns and history. The Group considers the games profile, target audience, and its appeal to players of different demographics groups in estimating the Player Relationship Period.

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, the Group recognises revenue from both durable and consumable virtual items for that game ratably over the Player Relationship Period.

The Group has evaluated the roles and responsibilities of the Group and Platforms or third party payment vendors in the delivery of game experience to the paying players and concluded the Group takes the primary responsibilities in rendering services. The Group is determined to be the primary obligor and accordingly, the Group records revenue on a gross basis, and commission charges by Platforms or third party payment vendors are recorded as cost of revenue.

(c) Ecommerce transactions

Revenues derived from ecommerce transactions business of the Group primarily arise from sale of merchandise through the Internet platforms. The Group recognises revenues from merchandise sales and related costs on a gross basis when it acts as a principal. Following the guidance under IAS 18 'Revenue', the Group acts as a principal based on a number of criteria, including whether it is a primary obligor, whether it is subject to inventory risk, whether it has latitude in establishing prices, whether it has latitude in selecting suppliers, in a transaction.

For merchandise sold under the ecommerce transactions business, the customers place their orders online with a commitment made at a fixed selling price. Payment for the purchased merchandise is made before delivery through the third party payment channels, who collect the payments from the customers and remit the cash net of the payment handling costs. When the Group is acting as a principal, revenues, net of discounts and return allowances and value-added tax, are recognised when the merchandise is physically delivered to the respective customers. Return allowances, which reduce the gross amount of revenues, are estimated based on historical experience.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition (continued)

(d) Beauty clinical services

The Group offers various types of beauty clinic procedures including procedures with focus on individual parts of the body such as facial procedures, nose procedures, eye procedures, skin procedures and breast procedures with different machinery, injections and beauty implants used to cater for the needs of different customers.

Revenue derived from the provision of beauty clinical procedures is recognised upon the completion of such procedures. Receipts of customers' prepaid cards for which the relevant services have not been rendered are deferred and recognised as customer advance in the balance sheet.

(e) Advertising

The Group primarily derives its advertising revenue through advertising framework contract with advertising agencies that represent advertisers. The advertising agencies enter into framework agreements and place advertisements on particular areas of the Group's website in particular formats and over a specified period of time. The Group shares the revenue from the advertising agencies.

Revenue is recognised ratably over the contracted period of display. Where multiple advertising spaces are purchased with different display periods in the same agreement, the Group allocates the total consideration to the various advertising elements based on the relative fair value and recognises revenue for the different elements over their respective display periods.

As the advertising agency is viewed as the customers in these transactions, revenue is recognised based on the price charged to the agency, net of sales incentives provided to the agency. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

(f) Sale of software

The Group sells self-developed software to customers with exclusivity in certain geographical areas. Revenue is recognised when the software is delivered and accepted by customer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Interest income

Interest income mainly represents interest income from bank deposits, and is recognised using effective interest method.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

Except that the Group operates the business in Japan, most of the Company's subsidiaries' functional currencies are RMB as majority of the revenues of these companies are derived from operations in mainland China. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at 31 December 2015. The Group does not hedge against any fluctuation in foreign currency. Details of the Group's trade receivables, available-for-sale financial assets, term deposits with initial term over 3 months, and cash and cash equivalents as at 31 December 2015, which are denominated in currencies other than RMB, are disclosed in Notes 18, 21, 23 and 24 respectively.

For Group companies outside the PRC whose functional currencies are US$, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, the pre-tax profit for the year ended 31 December 2015 would have been RMB484 thousand lower/higher (2014: RMB26 thousand), mainly as a result of net foreign exchange gains/losses on translation of monetary assets denominated in RMB.

For the PRC subsidiaries whose functional currencies are RMB and the subsidiary incorporated in Japan whose functional currency is JPY, the foreign exchange risk from the operation is not significant.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from investments held by the Group and classified as available-for-sale and the term deposits with initial term over 3 months held by the Group.

The sensitivity analysis is determined based on the exposure to interest risk of available-for-sale financial assets and term deposits with initial term over 3 months at the end of each reporting period. If the interest rate of the respective instruments held by the Group had been 100 base points higher/lower, the profit before income tax would have been RMB360 thousand and RMB311 thousand higher/lower, for the years ended 31 December 2015 and 2014, respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to price risk because of investments held by the Group, classified as available-for-sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments made by the Group are either for the purpose of improving investment yield and maintaining high liquidity level simultaneously or for strategic purpose. Each investment is managed by senior management on a case by case basis.

The available-for-sale financial assets are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The sensitivity analysis is determined based on the exposure to equity price risks of available-for-sale financial assets at the end of the reporting period. If equity prices of the respective instruments held by the Group had been 100 base points higher/lower, the other comprehensive income would have been approximately RMB100,084 thousand and RMB3,398 thousand higher/lower, for the years ended 31 December 2015 and 2014, respectively.

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, available-for-sale financial assets, term deposits with initial term over 3 months, trade receivables, other receivables included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

To manage risk of bank deposits, deposits are mainly placed with national commercial banks in the PRC and reputable international financial institutions in Hong Kong. There has been no recent history of default in relation to these financial institutions.

The Group had made term deposits with initial term over 3 months in certain structured deposits with relatively higher interest rates with certain financial institutions. As at 31 December 2015, the Group had outstanding investments in structured deposits which were bought from reputable state-owned financial institutions and regional financial institutions in the PRC and Hong Kong. Management has exercised due care when making investment decision with focus only on low risk structured deposits. There has been no history of default in relation to this financial institution.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

For trade receivables, a significant portion of trade receivables at the end of each of the reporting period was due from advertising agencies and third-party payment vendors that collaborate with the Group. If the strategic relationship with the advertising agencies and third-party payment vendors is terminated, or if they alter the co-operative arrangements, or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the advertising agencies and third-party payment vendors to ensure the effective credit control. In view of the sound history of cooperation and collectability of receivables due from these agencies and vendors, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from these agencies and vendors is low.

For other receivables, management make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The management of the Company believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(c) Liquidity risk

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

The table below analyses the Group and the Company's non-derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The Group

	Less than 3 Months RMB'000	3-6 Months RMB'000	6 Months- 1 Year RMB'000	More than 1 Year RMB'000	Total RMB'000
At 31 December 2014					
Trade payables	24,278	–	–	–	24,278
Other payables and accruals (excluding deposit payable, accrued payroll and other tax liabilities)	30,961	–	–	–	30,961
At 31 December 2015					
Trade payables	**23,212**	**–**	**–**	**–**	**23,212**
Other payables and accruals (excluding deposit payable, accrued payroll and other tax liabilities)	**50,035**	**–**	**–**	**–**	**50,035**

As at 31 December 2015 and 2014, the Group and the Company had no derivative financial liability.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital, share premium, other reserves and Preferred Shares on an as-if converted basis) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

In the opinion of the Directors of the Company, the Group's capital risk is low.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value as at 31 December 2015.

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets:				
– Available-for-sale financial assets	**–**	**–**	**470,066**	**470,066**
	–	**–**	**470,066**	**470,066**

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
– Available-for-sale financial assets	–	–	339,805	339,805
– Financial assets at fair value through profit or loss	–	–	109,481	109,481
	–	–	449,286	449,286

As at 31 December 2015 and 2014, the Group had no liabilities that are measured at fair value.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

– The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments as at 31 December 2015:

	Available-for-sale financial assets RMB'000	Financial assets at fair value through profit or loss RMB'000
Opening balance	**339,805**	**109,481**
Additions	**1,058,773**	**345,905**
Disposals of available-for-sale financial assets and financial assets at fair value through profit or loss	**(930,253)**	**(463,314)**
Fair value gains recognised in consolidated statement of comprehensive income	**–**	**4,534**
Exchange difference	**1,741**	**3,394**
Closing balance	**470,066**	**–**
Total gains for the year included in profit or loss under "Other gains, net"	**12,282**	**4,534**

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments as at 31 December 2014.

	Available-for-sale financial assets RMB'000	Financial assets at fair value through profit or loss RMB'000	Convertible redeemable preferred shares RMB'000
Opening balance	280,440	–	548,471
Additions	2,251,145	110,017	–
Disposals of available-for-sale financial assets	(2,191,646)	–	–
Fair value loss recognised in consolidated statement of comprehensive income/(loss)	–	(536)	283,559
Conversion of convertible redeemable preferred shares to ordinary shares	–	–	(836,924)
Exchange difference	(134)	–	4,894
Closing balance	339,805	109,481	–
Total gains/(losses) for the year included in profit or loss under "Other gains, net"	17,888	(536)	–
Total loss for the year included in profit or loss under "Fair value loss of convertible redeemable preferred shares"	–	–	(283,559)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates of the Player Relationship Period in the Group's games revenue

As described in Note 2.25, the Group recognises revenue from durable virtual items ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a quarterly basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate.

(b) Fair value of share-based compensation expenses

As mentioned in Note 2.23, the Group has awarded share options under Global Share Option Plan ("Pre-IPO Share Option Scheme") and Post-IPO Share Option Scheme to eligible directors and employees, and used the Binomial option-pricing model to determine the total fair value of the share options awarded. Significant estimates on key assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Company in applying the Binomial option-pricing model (Note 27).

In addition, the Group awarded restricted share units under the Pre-IPO RSU Scheme and Post-IPO RSU Scheme to eligible directors and employees, and used the fair value of underlying ordinary shares to determine the total fair value of the RSUs awarded.

The fair values of share options and RSUs granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group. The Group only recognises an expense for those share options and RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and RSUs and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(b) Fair value of share-based compensation expenses (continued)

The fair value of share options and RSUs at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expense recognised by the Group in respect of their services rendered for the years ended 31 December 2015 and 2014 was RMB65,942 thousand and RMB51,200 thousand respectively.

(c) Fair value for other financial instruments

The fair value for other financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(d) Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(e) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment at cash-generating units level. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income/(loss).

(f) Business combination

The Group accounts for its business combinations using the purchase method of accounting. This method requires that the acquisition cost to be allocated to the assets, including separately identifiable intangible assets, and liabilities the Company acquired based on their estimated fair values. The Company makes estimates and judgments in determining the fair value of the acquired assets and liabilities based on independent appraisal reports as well as its experience with similar assets and liabilities in similar industries. If different judgments or assumptions were used, the amounts assigned to the individual acquired assets or liabilities could be materially different.

4.2 Critical judgments in applying the Group's accounting policies

(a) Revenue presentation and recognition

(i) Live social video platforms

The Group sells virtual currency through its third party distributors. The Group has assessed the relationship and arrangements with the distributors as described in Note 2.25 regarding gross versus net reporting of revenue, and has concluded that reporting the net amount equivalent to the cash proceeds that the Group receives from the sale of virtual currency to distributors, because the Group does not determine the price of the virtual currency sold to sales agents or users and does not take overall responsibility of the content or performances in the Communities.

(ii) Games

For revenues relating to mobile games operated by the Group or by third-party developers which are published on third party platforms, the Group is able to make a reasonable estimate of the gross revenue because the Group's mobile games are published through a small number of platforms and the Group can obtain the data from these mobile platforms in determining the actual price of the virtual items purchased by the paying players. Accordingly, such revenue is recognised on a gross basis.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.2 Critical judgments in applying the Group's accounting policies (continued)

(b) Contractual arrangements

The Group primarily engages in the operations of live social video platforms, mobile and online games and advertising and other services, which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, the wholly foreign-owned enterprises within the Group cannot acquire equity interest in the PRC Operating Entities, which hold certain licenses and permits required for the operation of the Group's business.

As a result, the wholly foreign-owned enterprises, Hangzhou Tiange and Zhejiang Tiange, entered into Contractual Arrangements with the Group's PRC Operating Entities and their shareholders in order to conduct the Group's business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Operating Entities. More specifically, the Contractual Arrangements are entered into between Hangzhou Tiange and each of Hantang, Jinhua9158 and Jinhua99 (the "Hangzhou Contractual Arrangements") and between Zhejiang Tiange and each of Xingxiu, Genfan and Jinhua9158 Investment management (the "Zhejiang Contractual Arrangements"). With respect to the Hangzhou Contractual Arrangements, Hanzhou Tiange, each of Hantang, Jinhua9158 and Jinhua99 and their respective registered shareholders (where applicable) have entered into a set of these underlying agreements: (i) Exclusive Technology Consulting and Service Agreement; (ii) Exclusive Call Option Agreement; (iii) Exclusive Intellectual Property Rights Call Option Agreement; (iv) Loan Agreement; and (v) Equity Pledge Agreement. With respect to the Zhejiang Contractual Arrangements, Zhejiang Tiange, each of Xingxiu, Genfan and Jinhua9158 Investment management and their respective registered shareholders (where applicable) have entered into these underlying agreements: (i) Exclusive Technology Service Agreement; (ii) Exclusive Call Option Agreement; (iii) Voting Rights Proxy Agreement; (iv) Loan Agreement; and (v) Equity Pledge Agreement.

Pursuant to these agreements and undertakings, notwithstanding the fact that the Group does not hold direct equity interest in the PRC Operating Entities, the Group considers that it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from their business activities. Accordingly, the PRC Operating Entities have been treated as the Group's indirect subsidiaries for all the years presented.

5 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015:

Company Name	Jurisdiction and Date of Incorporation/ Acquisition	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Directly held by the Company				
Week8 Holdings (HK) Limited ("Week8 HK")	Hong Kong/ 6 August 2008	HK$1	100%	Investment holding, Hong Kong
Dimensional Media Inc. ("DMI")	Japan/ 31 March 2015	JPY 94,080,000	51%	Online live social platform, Japan
Indirectly held by the Company				
Tiange Technology (Hangzhou) Co., Ltd. ("Hangzhou Tiange")	PRC/ 26 November 2008	US$18,000,000	100%	Software and internet development and consulting service, the PRC
Zhejiang Tiange Information and Technology Co., Ltd. ("Zhejiang Tiange")	PRC/ 25 September 2009	US$6,405,167/ US$18,000,000	100%	Software and internet development and consulting service, the PRC
Star Power Culture Media (Beijing) Co., Ltd. ("Star Power")	PRC/ 16 November 2010	US$16,866,600	100%	Software and internet development and consulting service, the PRC
Hangzhou Han Tang Cultural Communication Co., Ltd. ("Hantang")	PRC/ 14 September 2004	RMB10,000,000	100%	Online entertainment service and advertising, the PRC
Jinhua 9158 Network Science and Technology Co., Ltd. ("Jinhua9158")	PRC/ 18 November 2008	RMB10,000,000	100%	Online entertainment service and mobile games, the PRC
Jinhua 99 Information Technology Co., Ltd. ("Jinhua99")	PRC/ 18 November 2008	RMB10,000,000	100%	Online entertainment service, the PRC

5 SUBSIDIARIES (continued)

Company Name	Jurisdiction and Date of Incorporation/ Acquisition	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Indirectly held by the Company (continued)				
Jinhua Xingxiu Cultural Communication Co., Ltd. ("Xingxiu")	PRC/ 23 October 2012	RMB10,000,000	100%	Online entertainment service and mobile games, the PRC
Jinhua Tianhu Network Technology Co., Ltd. ("Tianhu")	PRC/ 29 August 2013	RMB10,000,000	51%	Online entertainment service, the PRC
Zhejiang Genfan Investment Management Co., Ltd. ("Genfan")	PRC/ 28 November 2014	RMB50,000,000	100%	Investment management, the PRC
Zhejiang Genxuan Investment Management Co., Ltd. ("Genxuan")	PRC/ 28 November 2014	RMB50,000,000	100%	Investment management, the PRC
Zhejiang Tian Yue Information Technology Co., Ltd. ("Tianyue")	PRC/ 14 January 2015	US$4,890,000/ US$16,000,000	100%	Investment management, the PRC
Jinhua Shixun Network Technology Co., Ltd. ("Jinhua Shixun")	PRC/ 1 February 2015	RMB10,000,000	80%	Online live social video related technologies, the PRC
Jinhua Duance Investment Management Co.,Ltd. ("Duance")	PRC/ 10 April 2015	Nil/ RMB1,000,000	100%	Investment management, the PRC
Jinhua Xuance Investment Management Co.,Ltd. ("Xuance")	PRC/ 10 April 2015	Nil/ RMB1,000,000	100%	Investment management, the PRC
Jinhua Chaduan Investment Management Co.,Ltd. ("Chaduan")	PRC/ 10 April 2015	Nil/ RMB1,000,000	100%	Investment management, the PRC
Jinhua 9158 investment Management Co.,Ltd. ("Jinhua9158 Investment Management")	PRC/ 2 June 2015	Nil/ RMB1,000,000	100%	Investment management, the PRC

5 SUBSIDIARIES (continued)

Company Name	Jurisdiction and Date of Incorporation/ Acquisition	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Indirectly held by the Company (continued)				
Uncle Sam (HK) Co.,Limited ("Uncle Sam")	Hong Kong/ 1 April 2015	RMB5,007,913	50.91%	Online trading of overseas health products and baby products, Hong Kong
Healthy One Co., Limited ("Healthy One")	Hong Kong/ 1 April 2015	HK$10,000	50.91%	Online trading of overseas health products and baby products, Hong Kong
Haisk (HK) Limited ("Haisk")	Hong Kong/ 1 April 2015	HK$10,000	50.91%	Online trading of overseas health products and baby products, Hong Kong
Hangzhou Junyi Network Technology Co., Ltd. ("Junyi")	PRC/ 27 August 2015	Nil/ HK$1,000,000	50.91%	Online trading of overseas health products and baby products, Hong Kong
Hangzhou Raily Tian Ge Beauty Clinic Co., Ltd. ("Hangzhou Raily")	PRC/ 1 April 2015	RMB2,500,000	60%	Beauty clinic, the PRC
Chengdu Yinyuehui Technology Co., Ltd. ("Yinyuehui")	PRC/ March 17, 2015	RMB2,500,000	60%	Sale of karaoke devices, the PRC
Beijing Zhongwu Network Technology Co., Ltd. ("Zhongwu")	PRC/ 7 September 2015	RMB1,000,000	100%	Software and internet development and consulting service, the PRC
Jinhua Huanchang Network Technology Co., Ltd. ("Huanchang")	PRC/ 23 September 2015	RMB3,000,000/ RMB15,000,000	80%	Online singing application software, the PRC

5 SUBSIDIARIES (continued)

The total comprehensive (loss)/income attributable to the non-controlling interest is summarized as follows:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
DMI	**(1,480)**	–
Tianhu	**112**	(98)
Jinhua Shixun	**288**	–
Uncle Sam	**10**	–
Hangzhou Raily	**830**	–
Yinyuehui	**(1,286)**	–
Huanchang	**(302)**	–
	(1,828)	(98)

The non-controlling interests in respect of DMI, Tianhu, Jinhua Shixun, Uncle Sam, Hangzhou Raily, Yingyuehui and Huanchang are not material.

(a) Significant restrictions

Cash and cash equivalents and term deposits of the Group, amounting to RMB178,669 thousand are held in Mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on payment of dividends, share repurchase and offshore investments, etc.

(b) Summarised financial information on subsidiaries with material non-controlling interests

The directors of the Company considered that the non-controlling interests of any non-wholly owned subsidiaries are not significant to the Group, therefore, no summarised financial information of the relevant subsidiaries is presented separately.

6 SEGMENT INFORMATION

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. The CODM considers the business primarily from product perspective.

The Group has following reportable segments for the years ended 31 December 2015 and 2014:

– Online interactive entertainment service;

– Others.

Online interactive entertainment service of the Group mainly comprise of the provision of live social video platform and provision of online games. Other segments of the Group mainly comprise of the provision of ecommerce transactions, provision of beauty clinic service, sales of software and other services.

The CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses are common costs incurred for the operating segments as a whole and therefore they are not included in the measure of the segments' performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains, net, finance income, net and income tax expense are also not allocated to individual operating segment.

There were no material inter-segment sales during the years ended 31 December 2015 and 2014. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of comprehensive income/(loss).

Other information, together with the segment information, provided to CODM, is measured in a manner consistent with that applied in these financial statements. There were no segment assets and segment liabilities information provided to the CODM, as the CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

6 SEGMENT INFORMATION (continued)

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2015 and 2014 is as follows:

	Year Ended 31 December 2015		
	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000
Segment Revenue	590,738	86,805	677,543
Gross Profit	482,999	43,209	526,208
– Depreciation, amortization and impairment charges included in segment cost	(4,702)	(1,450)	(6,152)
Operating profit			188,524
Finance income			4,338
Finance costs			(1,030)
Shares of profits/(losses) of investments accounted for using the equity method	664	(5,053)	(4,389)
Impairment of investments accounted for using the equity method	–	2,985	2,985
Profit before income tax			184,458

	Year Ended 31 December 2014		
	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000
Segment Revenue	692,159	–	692,159
Gross Profit	586,851	–	586,851
Depreciation, amortization and impairment charges included in segment cost	(2,636)	–	(2,636)
Operating profit			211,098
Finance income			8,219
Finance costs			(2,549)
Fair value loss of convertible redeemable preferred shares			(283,559)
Shares of losses of investments accounted for using the equity method	(4,659)	–	(4,659)
Loss before income tax			(71,450)

6 SEGMENT INFORMATION (continued)

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC. For the year ended 31 December 2015 and 2014, the total geographic information on the total revenue is as follows:

	Year Ended 31 December 2015		
	PRC (Excluding Hong Kong) RMB'000	Other regions RMB'000	Total RMB'000
Segment Revenue	**665,259**	**12,284**	**677,543**

	Year Ended 31 December 2014		
	PRC (Excluding Hong Kong) RMB'000	Other regions RMB'000	Total RMB'000
Segment Revenue	689,385	2,774	692,159

The reconciliation of gross profit to profit before income tax is shown in the consolidated statement of comprehensive income/(loss).

Risk of Concentration

Management currently expects that the Company's operating results will, for the foreseeable future, continue to depend on the revenue from a relatively small number of distributors.

7 EXPENSES BY NATURE

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Employee benefit expenses (including share-based compensation expenses) *(Note 9)*	**195,224**	166,797
Promotion and advertising expenses *(a)*	**117,923**	152,731
Commission charges by platforms and game developers	**46,484**	38,994
Cost of inventories	**41,638**	–
Bandwidth and server custody fees	**35,676**	31,606
Depreciation and impairment charges of property and equipment *(Note 15)*	**17,691**	13,396
Travelling and entertainment expenses	**16,879**	15,757
Game development costs	**11,496**	21,039
Utilities and office expenses	**10,609**	11,096
Amortisation and impairment charges of intangible assets *(Note 16)*	**9,171**	3,605
Operating lease rentals in respect of office buildings	**7,304**	7,364
Professional and consultancy fees *(b)*	**6,375**	42,821
Auditors' remuneration		
– Audit services	**5,580**	5,054
– Non-audit services	**432**	380
Others	**5,544**	2,354
Storage and logistics expense	**4,594**	–
Payment handling costs	**4,362**	5,290
Business tax and related surcharges *(Note 11)*	**4,062**	21,389
Write-down of inventories to net realizable value	**1,007**	–
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**542,051**	539,673

(a) Promotion and advertising expenses primarily consist of expenses for the promotion of the Group's business through different online and mobile channels which are settled based on the effective download and installation times.

(b) Professional and consultancy fees primarily include legal and professional services fees incurred during the business operation and the preparation of IPO of the Company.

8 OTHER GAINS, NET

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Investment Interest *(a)*	**38,321**	31,118
Financial assets at fair value through profit or loss		
– Fair value losses	**–**	(936)
– Fair value gains	**4,534**	400
Government grants *(b)*		
– Tax based subsidy *(i)*	**11,653**	12,994
– Technology award *(ii)*	**7,950**	13,149
– Scientific project fund *(iii)*	**4,678**	2,223
Provisions of other liabilities and charges *(Note 34)*	**(6,000)**	–
Foreign exchange losses on non-financing activity	**(8,389)**	–
Loss on disposal of property and equipment, net	**(87)**	(272)
Others	**372**	(64)
	53,032	58,612

(a) The amount represented the interest income gained from the Group's investment in term deposits with initial term over 3 months and available-for-sale financial assets included in current assets.

(b) For the years ended 31 December 2015, government grants primarily consisted of:

(i) Tax based subsidies, amounting to RMB11,653 thousand (2014: RMB12,994 thousand) were granted by local government authorities in Hangzhou and Jinhua to incentivise the Group's business growth;

(ii) Technology award, amounting to RMB7,950 thousand (2014: RMB13,149 thousand) was granted by the local government authorities in Hangzhou and Jinhua to reward the Group's achievement and support the Group's development in information service industries;

(iii) Scientific project fund, amounting to RMB4,678 thousand (2014: RMB2,223 thousand) was granted by local government authorities in Hangzhou and Jinhua to fund the Group's qualified technology research projects.

9 EMPLOYEE BENEFIT EXPENSES

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages, salaries and bonuses	**111,498**	98,178
Defined contribution plans *(a)*	**8,397**	8,583
Other social security costs, housing benefits and other employee benefits	**9,387**	8,836
Share-based compensation expenses *(Note 27)*	**65,942**	51,200
	195,224	166,797

(a) Defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage (20% and 14% for Beijing and Zhejiang, respectively) of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(b) Senior management's emoluments

Senior management includes directors, CEO and other senior executives. The aggregate emoluments paid and payable to senior management for employee services excluding the directors and the CEO whose emoluments have been reflected in Note 40 is as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries and allowances	**765**	1,463
Discretionary bonus	**99**	228
Defined contribution plans	**98**	106
Other social security costs, housing benefits and other employee benefits	**64**	55
Share-based compensation expenses	**1,285**	6,622
	2,311	8,474

9 EMPLOYEE BENEFIT EXPENSES (continued)

(b) Senior management's emoluments (continued)

The emoluments of the senior management fell within the following bands:

	Year ended 31 December	
	2015	2014
Emoluments band:		
Nil to RMB1,000,000	**2**	3
RMB1,000,001 to RMB5,000,000	**1**	–
RMB5,000,001 to RMB10,000,000	**–**	1

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2014: two) directors whose emoluments are reflected in the Note 40. The emoluments paid and payable to the remaining four (2014: three) individuals during the year are as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries and allowances	**830**	1,399
Discretionary bonus	**126**	184
Defined contribution plans	**118**	68
Other social security costs, housing benefits and other employee benefits	**103**	44
Share-based compensation expenses	**31,554**	18,768
	32,731	20,463

9 EMPLOYEE BENEFIT EXPENSES (continued)

(c) Five highest paid individuals (continued)

The emoluments paid and payable to these individuals for the year ended 31 December 2015 and 2014 fell within the following bands:

	Year ended 31 December	
	2015	2014
Emoluments band:		
RMB1,000,001 to RMB1,500,000	**1**	1
RMB7,000,001 to RMB7,500,000	**1**	1
RMB10,000,001 to RMB10,500,000	**1**	–
RMB12,000,001 to RMB12,500,000	**–**	1
RMB13,500,001 to RMB14,000,000	**1**	–

10 FINANCE INCOME, NET

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income:		
– Exchange gain on financing activities	**–**	545
– Interest income on cash and cash equivalents	**4,338**	7,674
	4,338	8,219
Finance costs:		
– Exchange loss on financing activities	**(876)**	–
– Interest expenses on borrowings	**(154)**	(2,549)
	(1,030)	(2,549)
Finance income, net	**3,308**	5,670

11 INCOME TAX EXPENSE

(a) Income tax expense

The income tax expense of the Group for the years ended 31 December 2015 and 2014 are analysed as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	**36,236**	44,503
Deferred income tax *(Note 31)*		
– Origination and reversal of temporary differences	**(1,528)**	(8,352)
	34,708	36,151

(i) Cayman Islands income tax

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

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax for all the years presented. It has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2015 and 2014, respectively.

(iii) PRC enterprise income tax ("EIT")

For all the years presented, the Group's subsidiaries and the PRC Operating Entities are subject to enterprise income tax ("EIT") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law ("EIT Law"). Pursuant to the EIT Laws, the Group's subsidiaries and the PRC Operating Entities are generally subject to EIT at the statutory rate of 25%.

Zhejiang Tiange and Star Power qualified as "Software Enterprise" under the EIT Law in 2011. Consequently, these entities are entitled to a two-year EIT exemption followed by a three-year 50% EIT rate reduction commencing from the first year of commercial operation or the first year with tax profit after the qualification.

11 TAX EXPENSE (continued)

(a) Income tax expense (continued)

(iii) PRC enterprise income tax ("EIT") (continued)

Hangzhou Tiange qualified as "New High-tech Enterprise" under the EIT Law in 2014. Consequently, Hangzhou Tiange is entitled to a preferential EIT rate of 15%.

The following table sets out applicable EIT rate of Group's subsidiaries and the PRC Operating Entities in the PRC for the year ended 31 December 2015:

Name	Applicable EIT rate in 2015
Hangzhou Tiange	15%
Zhejiang Tiange	12.5%
Star Power	12.5%
Hantang	25%
Jinhua9158	25%
Jinhua99	25%
Xingxiu	25%
Genxuan	25%
Genfan	25%
Tianhu	25%
Tianyue	25%
Duance	25%
Xuance	25%
Chaduan	25%
Jinhua9158 Investment Management	25%
Huanchang	25%
Beijing Zhongwu	25%
Jinhua Shixun	25%
Hangzhou Raily	25%
Yingyuehui	25%
Junyi	25%

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 50% of qualified research and development expenses can only be claimed directly in the annual EIT filing and subject to the approval from the relevant tax authorities. Hangzhou Tiange, Zhejiang Tiange, Star Power and Jinhua99 have claimed such Super Deduction for all the years presented and booked the EIT amount upon approval.

11 TAX EXPENSE (continued)

(a) Income tax expense (continued)

(iv) PRC withholding tax ("WHT")

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

As approved by the State Administration of Taxation (the "SAT") in 2014, Hangzhou Tiange and Zhejiang Tiange meets conditions or requirements stated in the Circular on the Non-residence Enterprise's Tax Treaty Under Double Taxation Agreement (Guoshui No. 124, 2009) issued by the SAT. Hence, the relevant withholding tax accrued and paid was reduced from 10% to 5% of the total dividends distributed by Hangzhou Tiange and Zhejiang Tiange.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to losses of the consolidated entities as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit/(Loss) before income tax	**184,458**	(71,450)
Tax calculated at a tax rate of 25%	**46,115**	(17,863)
Tax effects of:		
Different tax jurisdiction	**(1,672)**	78,355
Preferential income tax rates applicable to subsidiaries	**(25,102)**	(30,235)
Reversal of withholding tax for appropriation of dividend upon approval of reduced WHT rate	**–**	(6,223)
Tax loss for which no deferred income tax assets was recognised	**2,083**	32
Super deduction for research and development expenses	**(3,286)**	(1,740)
Expenses not deducted for income tax purposes:		
– Share-based compensation	**16,485**	12,800
– Other permanent difference	**909**	1,025
Utilisation of previously unrecognised tax losses	**(824)**	–
Income tax expense	**34,708**	36,151

11 TAX EXPENSE (continued)

(b) Value-added tax, business tax and related taxes

The following taxes are applicable to the operation of the Group in the PRC are as follows:

Category	Tax Rate	Basis of Levies
Business Tax ("BT")	3% prior to June 1, 2014	Revenue from operation of live social video platforms and games
Value-added tax ("VAT")	6% since June 1, 2014	Revenue from operation of live social video platforms and games
	6%	Other revenue
City construction tax	7%	Actual BT and VAT Payable
Educational surcharges	3% for educational surcharges and 2% for local educational surcharges	Actual BT and VAT Payable
Foundation for water works	0.1%	Total revenue

12 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) of the Group attributable to the Shareholders of the Company by the weighted average number of ordinary shares in issue during each year.

	Year Ended 31 December	
	2015	2014
Profit/(Loss) attributable to shareholders of the Company (RMB'000)	**151,792**	(107,503)
Weighted average number of ordinary shares in issue *(i)* (thousand shares)	**1,245,562**	927,972
Basic earnings/(loss) per share (in RMB/share)	**0.122**	(0.116)

(i) Upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's ordinary shareholders received nine bonus shares for every registered ordinary share that they already held. As a result, the then existing outstanding ordinary shares were adjusted to 840,000,000 on a one-to-ten basis.

For the purpose of computing basic earnings/(loss) per share, the number of ordinary shares outstanding during each year has been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the issuance of bonus shares.

12 EARNINGS/(LOSS) PER SHARE (continued)

(b) Diluted

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

For the year ended 31 December 2015, the Company has two categories of dilutive potential ordinary shares, share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme and restricted share units ("RSUs") granted to employees under Pre-IPO RSU Scheme and Post-IPO RSU Scheme. The share options and restricted share units are assumed to have been fully vested and released from restrictions with no impact on earnings.

For the year ended 31 December 2014, the Company has three categories of dilutive potential ordinary shares, convertible redeemable preferred shares, share options granted to employees under Pre-IPO Share Option Scheme and restricted share units granted under Pre-IPO RSU Scheme are assumed to have been fully vested and released from restrictions with no impact on earnings. As the Group incurred loss for the year ended 31 December 2014, the convertible redeemable preferred shares, the share options and the restricted share units are anti-dilutive and, consequently, not included in the computation of diluted losses per share.

	Year Ended 31 December	
	2015	2014
Profit/(Loss) attributable to shareholders of the Company (RMB'000)	**151,792**	(107,503)
Weighted average number of ordinary shares in issue (thousand shares)	**1,245,562**	927,972
Adjustments for share based compensation – share options (thousand shares)	**56,086**	–
Adjustments for share based compensation – RSUs (thousand shares)	**12,155**	–
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	**1,313,803**	927,972
Diluted earnings/(loss) per share (in RMB/share)	**0.116**	(0.116)

13 DIVIDENDS

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Dividends declared by the Company	**59,573**	–

Pursuant to the resolution of the extraordinary general meeting in February 2015, the Company declared a special dividend of HK$75,209,715 (approximately RMB59,573 thousand) in total or HK$0.06 per ordinary share out of the Company's share premium account, which were fully paid in March 2015.

A final dividend in respect of the year ended 31 December 2015 of HK$0.06 per share, net of the Company's share premium account, was proposed pursuant to a resolution passed by the Board on 23 March 2016 and subjected to the approval of the shareholders at the annual general meeting on 23 May 2016. These financial statements do not reflect this dividend payable.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Associates	**33,390**	3,863
Joint ventures	**18,688**	–
	52,078	3,863

The share of loss recognised in the consolidated statement of comprehensive income/(loss) are as follows:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Associates	**2,677**	4,659
Joint ventures	**1,712**	–
	4,389	4,659

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Investments in associates

	For the year ended 31 December 2015 RMB'000	2014 RMB'000
Beginning of the year	**3,863**	4,900
Additions	**25,979**	–
Step acquisition from available-for-sale financial assets	**17,578**	–
Cash contribution to associates	**32**	3,622
Reduced interests in an associate	**(8,400)**	–
Share of loss of investment in associates	**(2,677)**	(4,659)
Impairment of investment in an associate	**(2,985)**	–
End of the year	**33,390**	3,863

Set out below are the associates of the Group as at 31 December 2015, which, in the opinion of the directors, are not material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Details of investment in associates as at 31 December 2015

Name of entity	Place of business	% of ownership interest	Measurement method	Nature of Associate
Lin Yuan Information Technology (Hangzhou) Co., Ltd. ("Lin Yuan") (formerly known as Sun's Catering & Entertainment Management (Hangzhou) Co., Ltd.) (臨淵信息技術(杭州)有限公司) (原名為孫記餐飲娛樂管理(杭州)有限公司)	Hangzhou, PRC	49%	Equity	Note i
Hangzhou Seehealth Information Technology Co., Ltd. ("Seehealth") (formerly known as Hangzhou Xi He Technology Co., Ltd.) (杭州希和信息技術有限公司) (原名為杭州希禾資訊技術有限公司)	Hangzhou, PRC	18.6819%	Equity	Note ii, v
Chengdu Happy Alliance Technology Co., Ltd. ("Happy Alliance") (成都歡樂聯盟科技有限公司)	Chengdu, PRC	15%	Equity	Note iii, v
Zhejiang Sodao Network Technology Co., Ltd. ("Sodao") (浙江搜道網絡技術有限公司)	Hangzhou, PRC	31.9172%	Equity	Note iv

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Investments in associates (continued)

(i) Lin Yuan primarily engages in the operation of one karaoke store in Hangzhou, the PRC.

As at 31 December 2015, the Group made an aggregate of impairment provision of RMB2,985 thousand of its investment in Lin Yuan, based on the result of impairment assessment performed on the carrying value of the investment in Lin Yuan with reference to its termination of operation business.

(ii) Seehealth primarily engages in providing online health information services in Hangzhou, the PRC.

In February 2015, the Group purchased 26.28% of the total equity interests of Seehealth from one of its equity holders at a cash consideration of RMB13,978,700. In March 2015, the Group made an additional capital injection of RMB10,000 thousand to Seehealth, after which the equity interests in Seehealth held by the Group increased from 26.28% to 34.4735%.

In December 2015, the Group disposed 15.7916% of the total equity interests of Seehealth to one of its equity holders at a cash consideration RMB8,400 thousand, after which the equity interests in Seehealth held by the Group reduced from 34.4735% to 18.6819%, and the loss of RMB2,722,105 was recognised against the fair value of consideration received on partial disposal of the investment. As at 31 December 2015, the total consideration of RMB8,400 thousand had been received by the Group.

(iii) In May 2015, the Group completed the acquisition of a 15% equity interest in Happy Alliance, a third party company engaged in promotion of mobile games in the PRC, for a total amount of RMB2,000 thousand as capital injection made into Happy Alliance.

(iv) In September 2011, the Group acquired 10% equity interest in Sodao which was accounted as an available-for-sale financial asset for a cash consideration of RMB2,000 thousand. In September 2015, the Group paid RMB10,000 thousand to the selling shareholders of Sodao for additional 16.67% equity interest and committed to make capital injection of RMB6,000 thousand into Sodao. As at 31 December 2015, the Group paid up the capital injection and held in aggregate 31.9172% equity interests in Sodao on a fully-diluted basis. Sodao primarily engages in business promotion and trading via online female network community in Hangzhou, the PRC.

(v) Management has assessed the level of influence that the Group has on certain associates, and determined that it has significant influence even though the shareholding is below 20% because of the board representation or other arrangements. Consequently, these investments have been classified as associates.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Investment in joint ventures

	Year Ended 31 December 2015 RMB'000
Beginning of the year	–
Addition	20,400
Share of loss of investment accounted for using the equity method	(1,712)
End of the year	18,688

Set out below are the joint ventures of the Group as at 31 December 2015, which, in the opinion of the directors, are not material to the Group. The joint venture as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of entity	Place of business	% of ownership interest	Measurement method	Nature of Associate
Zhejiang Haile Technology Co., Ltd. ("Haile") (formerly known as Jinhua Haile Technology Co., Ltd.) (浙江嗨樂科技有限公司) (原名為金華嗨樂科技有限公司)	Jinhua, PRC	51%	Equity	Note i

(i) Haile primarily engages in the development and operation of a social mobile application in Jinhua, the PRC. In October 2015, the Group committed to make a capital injection of RMB20,400 thousand to Haile, after which the equity interests in Haile held by the Group was 51%. The Group has joint control over this arrangement as under the shareholder agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The Group's joint arrangement is structured as a limited company and provides the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

As at 31 December 2015, the capital injection of RMB15,400 thousand had been paid up by the Group.

15 PROPERTY AND EQUIPMENT

	Building RMB'000	Decorations RMB'000	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2014								
Opening net book amount	–	–	1,436	11,108	2,489	1,703	–	16,736
Additions	117,517	8,708	2,077	11,082	365	–	–	139,749
Disposals	–	–	(143)	(651)	(15)	–	–	(809)
Depreciation charge	(1,968)	(1,500)	(804)	(6,698)	(950)	(1,476)	–	(13,396)
Closing net book amount	115,549	7,208	2,566	14,841	1,889	227	–	142,280
At 31 December 2014								
Cost	117,517	8,708	4,464	39,587	5,012	6,981	–	182,269
Accumulated depreciation	(1,968)	(1,500)	(1,898)	(24,746)	(3,123)	(6,754)	–	(39,989)
Net book amount	115,549	7,208	2,566	14,841	1,889	227	–	142,280
Year ended 31 December 2015								
Net book value								
Opening net book amount	**115,549**	**7,208**	**2,566**	**14,841**	**1,889**	**227**	**–**	**142,280**
Additions	**46,212**	**3,177**	**1,243**	**2,541**	**–**	**508**	**10,976**	**64,657**
Acquisition of subsidiaries *(Note 32)*	**–**	**–**	**435**	**539**	**603**	**145**	**–**	**1,722**
Disposals	**–**	**–**	**(8)**	**(117)**	**–**	**–**	**–**	**(125)**
Depreciation and impairment charge	**(4,251)**	**(2,549)**	**(1,096)**	**(8,492)**	**(919)**	**(384)**	**–**	**(17,691)**
Closing net book amount	**157,510**	**7,836**	**3,140**	**9,312**	**1,573**	**496**	**10,976**	**190,843**
At 31 December 2015								
Cost	**163,729**	**11,885**	**5,980**	**40,380**	**5,615**	**7,634**	**10,976**	**246,199**
Accumulated depreciation and impairment	**(6,219)**	**(4,049)**	**(2,840)**	**(31,068)**	**(4,042)**	**(7,138)**	**–**	**(55,356)**
Net book amount	**157,510**	**7,836**	**3,140**	**9,312**	**1,573**	**496**	**10,976**	**190,843**

15 PROPERTY AND EQUIPMENT (continued)

Depreciation and impairment charges were included in the following categories in the profit or loss:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of revenue	**5,145**	4,702
Selling and marketing expenses	**2,103**	2,275
Administrative expenses	**3,700**	1,216
Research and development expenses	**6,743**	5,203
	17,691	13,396

16 INTANGIBLE ASSETS

	Goodwill	Computer Software	Domain Name and Technology	Brand Name	Platform License	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014						
Opening net book amount	1,884	788	3,192	–	–	5,864
Exchange difference	7	–	10	–	–	17
Additions	–	647	1,551	–	44,528	46,726
Amortisation charge	–	(486)	(893)	–	(2,226)	(3,605)
Closing net book amount	1,891	949	3,860	–	42,302	49,002
At 31 December 2014						
Cost	1,891	3,019	9,288	–	44,528	58,726
Accumulated amortization	–	(2,070)	(5,428)	–	(2,226)	(9,724)
Net book amount	1,891	949	3,860	–	42,302	49,002
Year ended 31 December 2015						
Opening net book amount	**1,891**	**949**	**3,860**	**–**	**42,302**	**49,002**
Exchange difference	**115**	**–**	**98**	**–**	**–**	**213**
Additions	**–**	**17,193**	**21**	**–**	**–**	**17,214**
Acquisition of subsidiaries *(Note 32)*	**42,837**	**6,034**	**–**	**15,183**	**–**	**64,054**
Amortisation and impairment charge	**–**	**(3,745)**	**(1,635)**	**(1,565)**	**(2,226)**	**(9,171)**
Closing net book amount	**44,843**	**20,431**	**2,344**	**13,618**	**40,076**	**121,312**
At 31 December 2015						
Cost	**44,843**	**26,246**	**9,407**	**15,183**	**44,528**	**140,207**
Accumulated amortization and impairment	**–**	**(5,815)**	**(7,063)**	**(1,565)**	**(4,452)**	**(18,895)**
Net book amount	**44,843**	**20,431**	**2,344**	**13,618**	**40,076**	**121,312**

16 INTANGIBLE ASSETS (continued)

Amortisation and impairment charges were included in the following categories in the profit or loss:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of revenue	**2,636**	2,662
Selling and marketing expense	**684**	185
Administrative expenses	**4,969**	533
Research and development expenses	**882**	225
	9,171	3,605

Impairment tests for goodwill

Management reviews the business performance based on type of business. Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

2015	Opening RMB'000	Addition RMB'000	Impairment RMB'000	Cumulative translation adjustments RMB'000	Closing RMB'000
Sina Show Platform	**524**	**–**	**–**	**31**	**555**
9158 Platform	**1,367**	**–**	**–**	**84**	**1,451**
Jinhua Shixun	**–**	**21,325**	**–**	**–**	**21,325**
Uncle Sam	**–**	**16,701**	**–**	**–**	**16,701**
Hangzhou Raily	**–**	**4,811**	**–**	**–**	**4,811**
	1,891	**42,837**	**–**	**115**	**44,843**

16 INTANGIBLE ASSETS (continued)

Impairment tests for goodwill (continued)

2014	Opening RMB'000	Addition RMB'000	Impairment RMB'000	Cumulative translation adjustments RMB'000	Closing RMB'000
Sina Show Platform	522	–	–	2	524
9158 Platform	1,362	–	–	5	1,367
	1,884	–	–	7	1,891

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use post-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the respective business in which the CGU operates.

Except for the key assumption of those goodwill arising from subsidiaries acquired during the year ended 31 December 2015 as disclosed in Note 32, the key assumptions used for the calculations of fair value less costs to sell, for purpose of the impairment tests on material balances of goodwill, are summarized as follows:

	Sina Show Platform	9158 Platform
WACC (Weighted average cost of capital)	34%	34%
Long-term growth rate	3%	3%

Based on the assessment made by management, the carrying amount of goodwill recognised for the investment in a subsidiary had not been reduced for the year ended 31 December 2015.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Assets as per balance sheet		
Loans and receivables:		
– Trade receivables	**32,006**	14,049
– Other receivables (excluding prepayments and deferred listing expenses)	**231,354**	141,226
– Cash and cash equivalents	**232,848**	289,083
– Term deposits with initial term over 3 months	**954,870**	1,082,786
Available-for-sale financial assets	**470,066**	339,805
Financial liabilities at fair value through profit or loss	**–**	109,481
	1,921,114	1,976,430
Liabilities as per balance sheet		
Financial liabilities at amortised cost		
– Trade payables	**23,212**	24,278
– Other payables and accruals (excluding deposit payables, accrued payroll and other tax liabilities)	**50,035**	30,961
	73,247	55,239

18 TRADE RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Third parties	**29,158**	12,638
Less: allowance for impairment of trade receivables	**(121)**	–
Third parties, net	**29,037**	12,638
Amount due from related parties *(Note 36(c))*	**2,969**	1,411
	32,006	14,049

As at 31 December 2015 and 2014, the fair values of trade receivables approximated their carrying amounts.

18 TRADE RECEIVABLES (continued)

(a) Aging analysis based on recognition date of the gross trade receivables at the respective balance sheet dates are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
0-90 days	**19,646**	12,215
91-180 days	**10,052**	1,180
181-365 days	**1,126**	200
Over 1 year	**1,303**	454
	32,127	14,049

(b) The carrying amount of the Group's gross trade receivables are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**30,636**	13,347
US$	**1,224**	702
HK$	**267**	–
	32,127	14,049

(c) Movements on the Group's allowance for impairment of trade receivables are as follows:

	2015	2014
	RMB'000	RMB'000
At 1 January	**–**	–
Provision for receivables impairment	**121**	–
At 31 December	**121**	–

The creation and release of provision for impaired receivables have been included in 'administrative expense' in the consolidated statement of comprehensive income/(loss) (Note 7). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

(d) The maximum exposure to credit risk at each of the reporting dates is the carrying value of the net receivable balance. The Group does not hold any collateral as security.

19 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Included in non-current assets		
Prepayments for purchase of investments *(a)*	**125,000**	–
Long-term prepayments for game licenses, net	**10,613**	5,101
Capital surplus attributable to non-controlling interests of newly established subsidiaries	**9,966**	4,543
Loans to employees	**9,338**	–
Prepayments for property and equipment and intangible assets	**–**	31,100
	154,917	40,744
Included in current assets		
Refundable prepayment for potential investments *(a)*	**173,000**	131,000
Loans to third parties *(b)*	**29,000**	–
Deferred commission charges	**12,038**	4,315
Prepaid promotion expenses	**8,279**	11,151
Loan to a related party *(Note 36(c))*	**5,769**	–
Interest receivable	**338**	3,691
Others	**19,077**	8,875
	247,501	159,032
	402,418	199,776

(a) In 2015 and 2014, the Group entered into a series of prospective investments agreements with refundable terms if investments agreements failed to be reached. If the investment agreements are more likely to be reached than not based on management's intension and estimates at year end, the prepayments will be reclassified to non-current assets.

(b) The balance represents the loans lent by the Group to certain third-party companies with terms within 1 year and interest rates ranging from 6% to 15% per annum.

As at 31 December 2015 and 2014, the carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximated their fair values. As at 31 December 2015 and 2014, there were no significant balances that are past due. The maximum exposure to credit risk at each of the reporting dates is the carrying value of each class of prepayments and other receivables mentioned above. The Group does not hold any collateral as security. Prepayments and other receivables were neither past due no impaired. Their recoverability was assessed with reference to the credit status of the recipients.

20 INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trading stocks	**10,555**	–
Others	**759**	–
Less: provisions	**(1,007)**	–
	10,307	–

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB42,645 thousand (2014: Nil), which included inventory write-down of RMB1,007 thousand (2014: Nil).

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Non-current *(a)*		
At beginning of the year	**26,776**	2,300
Additions	**73,491**	24,610
Step acquisition from available-for-sale financial assets to investment in associates *(Note 14)*	**(2,000)**	–
Exchange difference	**1,741**	(134)
At end of the year	**100,008**	26,776
Current *(b)*		
At beginning of the year	**313,029**	278,140
Additions	**985,282**	2,226,535
Repayment	**(928,253)**	(2,191,646)
At end of the year	**370,058**	313,029

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

(a) The non-current portion of available-for-sale financial assets mainly referred to the Company's investments in some venture funds as limited partner and in certain internet-related companies as non-controlling shareholders with no significant influence.

In September 2014, the Company entered into a commitment to subscribe shares in certain venture fund (the "Fund I"), at a cash consideration of US$4,000 thousand (approximately RMB24,610 thousand). The Company is a limited partner in the Fund I and does not have control or significant influence on the Fund I. The directors classified the investment as available-for-sale financial assets. This Fund I is set up to invest in internet companies, and obtain capital appreciation and investment income. As at 31 December 2015, the Fund I was closed and the directors consider that there was no significant change in the fair value .

In January 2015, the Group committed to subscribe shares in a venture capital fund (the "Fund II"), at a cash consideration of RMB100,000 thousand. The Company was a limited partner in the Fund II and did not have control over or significant influence on the Fund II. The directors classified the investment as available-for-sale financial asset. The Fund II was set up to invest in companies in various fields. As at 31 December 2015, RMB50,000 thousand was paid by the Company and the directors considered that there was no significant change in the fair value up to 31 December 2015 as the Fund II was yet to be closed.

In October 2015, the Group acquired 5% equity interests of Hangzhou One Party Technology Co., Limited ("Hangzhou One Party"), an independent third party company engaged in the design and development of game table, from its selling shareholders at a cash consideration of RMB1,500 thousand and made capital injection of RMB6,000 thousand into Hangzhou One Party. As at 31 December 2015, the Group held in aggregate 19.9150% equity interests of Hangzhou One Party on a fully-diluted basis.

In November 2015, the Company entered in to a commitment to subscribe shares in certain venture fund (the "Fund III"), at a cash consideration of US$10,000 thousand. The Company is a limited partner in the Fund III and does not have control or significant influence on the Fund III. The directors classified the investment as available-for-sale financial assets. This Fund III is set up to invest in internet companies, and obtain capital appreciation and investment income. As at 31 December 2015, US$2,500 thousand (approximately RMB15,991 thousand) was paid by the Company. The directors consider that there was no significant change in the fair value up to 31 December 2015 as the Fund III is still in pre-operating stage.

(b) The Group's current available-for-sale financial assets refer to RMB-denominated principal protected structured deposits with floating interest rates ranging from 1.8% to 6% per annum and maturity period within 1 year or revolving terms. These structured deposits are offered by large state-owned commercial banks in the PRC. The fair value of the current available-for-sale financial assets approximated its carrying amount.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31	
	2015	2014
	RMB'000	RMB'000
Included in current assets		
– Non-quoted investments	**–**	109,481

Financial assets at fair value through profit or loss of the Group mainly represent investments in certain principal protected structured deposits issued by PRC commercial banks in mainland China and reputable international financial institutions in Hong Kong. These structured deposits have an initial term ranging from 28 days to 1 year, and were classified as fair value through profit or loss upon initial recognition. Changes in fair values and realised investment income at maturity of these financial assets had been recognised in "other gains, net" in the consolidated statement of comprehensive income/(loss) (Note 8).

The fair values of publicly traded investments were based on quoted market prices. The fair values of non-publicly traded investments were based on the quotations or statements provided by the counterparties. The directors of the Company believe that the estimated fair values based on the quotations or statements provided by the counterparties were reasonable, and that they were the most appropriate values at the end of each reporting period.

As at 31 December 2015, all financial assets at fair value through profit and loss of the Group were redeemed upon maturity.

23 TERM DEPOSITS WITH INITIAL TERM OVER 3 MONTHS

The effective interest rate for the term deposits of the Group with initial term over 3 months for the year ended 31 December 2015 was 2.65% (2014: 3.07%).

An analysis of the Group's and Company's term deposits denominated in RMB and HK$ with initial term over 3 months as at 31 December 2015 are listed as below:

	As at December 31	
	2015	2014
	RMB'000	RMB'000
Included in non-current assets		
– HK$ term deposits	**168,138**	479,869
Included in current assets		
– HK$ term deposits	**539,565**	398,958
– RMB term deposits	**247,167**	203,959
	786,732	602,917
	954,870	1,082,786

Term deposits with initial term over 3 months were neither past due nor impaired. The directors of the Company considered that the carrying amount of the term deposits with initial term over 3 months approximated their fair value as at 31 December 2015 (2014: same).

24 CASH AND CASH EQUIVALENTS

	As at December 31	
	2015	2014
	RMB'000	RMB'000
Current		
Cash at bank and on hand	**153,711**	148,261
Short-term bank deposits *(a)*	**64,000**	135,447
Cash at other financial institutions *(b)*	**15,137**	5,375
	232,848	289,083
Total cash and cash equivalents	**232,848**	289,083
Maximum exposure to credit risk	**232,848**	289,083

(a) The short-term bank deposits are denominated in RMB and have a term ranging from 1 month to 3 months. The effective interest rate of these deposits for the year ended 31 December 2015 was 1.49% (2014: 2.65%).

(b) As at 31 December 2015, RMB204 thousand (2014: Nil) are held in a third-party payment platform, and RMB14,933 thousand (2014: RMB5,375 thousand) are held in a securities account.

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**177,688**	256,944
HK$	**43,760**	31,687
JPY	**6,389**	–
US$	**5,011**	452
	232,848	289,083

25 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME

	Number of Shares	Share capital		Share premium	Shares held for RSU Scheme
		US$'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	**1,259,401,000**	**125.94**	**779**	**2,381,529**	**(19)**
Proceeds from share issued under employee share option plan *(a)*	**29,478,896**	**2.95**	**20**	**8,405**	**–**
Repurchase and cancellation of ordinary shares *(b)*	**(9,560,000)**	**(0.96)**	**(6)**	**(24,929)**	**–**
Appropriation of special dividends *(c)*	**–**	**–**	**–**	**(59,573)**	**–**
Issuance of shares held for Post-IPO RSU Scheme *(d)*	**6,219,000**	**0.62**	**4**	**–**	**(4)**
Vest and transfer of RSUs *(Note 27(b))*	**–**	**–**	**–**	**(9)**	**9**
At 31 December 2015	**1,285,538,896**	**128.55**	**797**	**2,305,423**	**(14)**

	Number of Shares	Share capital		Share premium	Shares held for RSU Scheme
		US$'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	64,000,000	6.40	42	139,703	–
Issuance of shares held for Pre-IPO RSU Scheme *(e)*	7,280,000	0.73	4	–	(4)
Effect of bonus shares issuance *(f)*	821,520,000	82.15	508	(467)	(41)
Conversion of convertible redeemable preferred shares to ordinary shares *(g)*	20,000,000	2.00	12	836,801	–
Issuance of ordinary shares *(h)*	349,907,000	34.99	215	1,415,874	–
Repurchase and cancellation of ordinary shares *(i)*	(3,306,000)	(0.33)	(2)	(10,356)	–
Vest and transfer of RSUs *(Note 27(b))*	–	–	–	(26)	26
At 31 December 2014	1,259,401,000	125.94	779	2,381,529	(19)

25 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME (continued)

(a) Employees share option plan: options exercised during the period to 31 December 2015 resulted in 29,478,896 ordinary shares being issued (31 December 2014: zero ordinary shares), with exercise proceeds of approximately RMB8,425 thousand (31 December 2014: RMB zero). The related weighted average price at the time of exercise was US$0.0465.

(b) In January, July, August and December 2015, the Company repurchased 5,944,000, 2,919,000, 370,000 and 327,000 ordinary shares of the Company through purchases on The Stock Exchange of Hong Kong Limited respectively. All the repurchased ordinary shares had been cancelled as at 31 December 2015. The total amount paid to repurchase these ordinary shares was HK$31,426 thousand (approximately RMB24,935 thousand) and had been deducted from the share capital and share premium of shareholders' equity.

(c) Pursuant to the resolution of the extraordinary general meeting in February 2015, the Company declared a special dividend of HK$75,210 thousand (approximately RMB59,573 thousand) in total or HK$0.06 per ordinary share out of the Company's share premium account, which were fully paid in March 2015.

(d) In April and November 2015, the Company issued 3,499,000 and 2,720,000 ordinary shares to an independent trust nominee for the purpose of granting Post-IPO RSUs to the participants under Post-IPO RSU Scheme (Note 27(b)). The ordinary shares held for Post-IPO RSU scheme was deducted from shareholders' equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance (Note 27(e)).

(e) During the year ended 31 December 2014, the Company issued 7,280,000 ordinary shares to an independent trust nominee for the purpose of granting Pre-IPO RSUs to the trust participants under Pre-IPO Restricted Share Unit Scheme (Note 27(b)).

(f) On July 9, 2014, upon the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's ordinary shareholders received nine bonus shares for every registered ordinary share that they already held. As a result, the then existing outstanding ordinary shares were adjusted to 840,000,000 on a one-to-ten basis.

As at July 31, 2014, all the options and RSUs granted in respect of 8,838,875 shares and 7,280,000 Pre-IPO RSUs were granted under the Pre-IPO Share Option Plan and Pre-IPO RSU Scheme, respectively, are adjusted to 88,388,750 Shares and 72,800,000 Pre-IPO RSUs on a one-to-ten basis, upon the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited.

(g) On July 9, 2014, upon the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited, each of the Company's 20,000,000 outstanding convertible redeemable preferred share received nine bonus shares. On the same day, the total 200,000,000 convertible redeemable preferred shares were converted into ordinary shares and were then derecognised from liability and transferred to share capital and share premium accordingly. The conversion rate for the convertible redeemable preferred shares to ordinary shares was one-to-one.

(h) In July 2014, upon the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued a total of 349,907,000 new ordinary shares at par value of US$0.0001 per share for cash consideration of HK$5.28 per share.

(i) In December 2014, the Company repurchased 3,306,000 ordinary shares of the Company through The Stock Exchange of Hong Kong Limited. All the repurchased ordinary shares had been cancelled as at 31 December 2014. The total amount paid to repurchase these ordinary shares was HK$13,130 thousand (approximately RMB10,358 thousand) and had been deducted from share capital and share premium within shareholders' equity accordingly.

26 RESERVES

	Statutory Reserves RMB'000	Share-based Compensation Reserves RMB'000	Translation Difference RMB'000	Step Acquisition RMB'000	Total RMB'000
Balance at 1 January 2015	**35,437**	**67,777**	**19,259**	**–**	**122,473**
Share-based compensation *(Note 27)*	**–**	**65,942**	**–**	**–**	**65,942**
Currency translation differences	**–**	**–**	**61,795**	**–**	**61,795**
Profit appropriations to statutory reserves *(a)*	**21,402**	**–**	**–**	**–**	**21,402**
Step acquisition of an associate	**–**	**–**	**–**	**1,813**	**1,813**
At December 31, 2015	**56,839**	**133,719**	**81,054**	**1,813**	**273,425**
Balance at 1 January 2014	15,873	16,577	33,255	–	65,705
Share-based compensation *(Note 27)*	–	51,200	–	–	51,200
Currency translation differences	–	–	(13,996)	–	(13,996)
Profit appropriations to statutory reserves *(a)*	19,564	–	–	–	19,564
At December 31, 2014	35,437	67,777	19,259	–	122,473

(a) In accordance with the Company Law in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, i.e. the PRC Operating Entities, it is required to appropriate 10% of the annual net profits of the PRC Operating Entities, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the PRC Operating Entities, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions in the Articles of Association of Hangzhou Tiange, Zhejiang Tiange, Star Power and Tianyue, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these wholly-foreign owned subsidiaries to their reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer is not needed.

27 SHARE-BASED PAYMENTS

(a) Share options

Pre-IPO Share Option Scheme

On 9 December 2008, the Board of Directors of the Company approved Pre-IPO Share Option Scheme that provides for granting options to eligible directors and employees (collectively, the "Grantees") to acquire ordinary shares of the Company at an exercise price as determined by the Board at the time of grant. Upon the Pre-IPO Share Option Scheme, the Board of Directors authorized and reserved 11,000,000 ordinary shares for the issuance.

The Pre-IPO Share Option Scheme was amended on 21 October 2011 to increase the aggregate number of ordinary shares available for issuance thereunder by 2,000,000 ordinary shares from 11,000,000 ordinary shares to 13,000,000 ordinary shares.

(i) On 14 January 2009, the Company granted 2,050,000 and 3,950,000 ordinary share options (Trench I Option) to its directors and employees at an exercise price of US$0.001 and US$0.10 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested upon closing of Series B Preferred Shares financing on 14 January 2009. Since then, these options were vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(ii) On 23 July 2009, the Company granted 680,000 and 970,000 ordinary share options (Trench II Option) to its directors and employees at an exercise price of US$0.21 and US$0.30 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on 9 June 2010. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(iii) On 17 June 2010, the Company granted 331,000 ordinary share options (Trench III Option) to its directors and employees at an exercise price of US$0.60. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on 5 May 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(iv) On 6 September 2010, the Company granted 3,000,000 and 196,000 ordinary share options (Trench IV Option) to its directors and employees at an exercise price of US$0.35 and US$0.60 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on 6 September 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(v) On 20 December 2010, the Company granted 20,000, 1,000,000 and 425,000 ordinary share options (Trench V Option) to its directors and employees at an exercise price of US$0.30, US$0.35 and US$0.60 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on 20 December 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

27 SHARE-BASED PAYMENTS (continued)

(a) Share options (continued)

Pre-IPO Share Option Scheme (continued)

(vi) On 26 December 2011, the Company granted 200,000, 185,000, and 277,000 ordinary share options (Trench VI Option) to its directors and employees at an exercise price of US$0.60, US$1.0 and US$1.20 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on 26 December 2012. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(vii) On 14 October 2012, the Company granted 990,000 ordinary share options (Trench VII Option) to its directors and employees at an exercise price of US$1.50. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on 30 June 2013. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(viii) On 14 September 2013, the Company granted 255,000 ordinary share options (Trench VIII Option) to its directors and employees at an exercise price of US$2.00. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on 14 September 2014. Since then, these options will be vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(ix) On 22 May 2014, the Company granted 1,185,000 ordinary share options (Trench IX Option) to its directors and employees at an exercise price of US$3.5. Subject to the grantee continuing to be a service provider, 25% of these options were vested on 22 May 2015. Since then, the options will be vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(x) On 22 May 2014, the Pre-IPO Share Options Scheme was amended to decrease the aggregate number of ordinary share available for issuance thereunder by 4,154,425 ordinary shares from 13,000,000 ordinary shares to 8,845,575 ordinary shares. Pursuant to the modification, 4,280,000 share options granted under the Pre-IPO Share Options Scheme were replaced by the same number of RSUs under the Pre-IPO RSU Scheme (see Note (b) below). Such changes represent a modification of the instruments granted for share based payments and resulted in an aggregate incremental fair value of approximately US$953,125, of which US$109,038 (approximately RMB680 thousand) and US$832,821 (approximately RMB5,118 thousand) were charged to consolidated statement of comprehensive income/(loss) for the year ended 31 December 2015 and 2014, respectively.

On 9 July 2014, the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited. Upon the consummation of the IPO, all the then outstanding share options granted under the Pre-IPO Share Options Scheme are adjusted on a one-to-ten basis.

27 SHARE-BASED PAYMENTS (continued)

(a) Share options (continued)

Pre-IPO Share Option Scheme (continued)

All the share options authorised by the Pre-IPO Share Option Scheme are only exercisable until the occurrence of the earliest of any of the trigger events ("Trigger Event"): the Initial Public Offering; a change in control in which the successor entity has equity securities publicly traded on an internationally-recognised stock exchange; and upon such date that the Option may be legally exercised pursuant to Applicable Law, as evidenced by a legal opinion provided to and approved by the Board. All share options granted will be expired after 10 years from the vesting commencement date.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

Post-IPO Share Option Scheme

On 16 June 2014, the Board of Directors of the Company approved Post-IPO Share Option Scheme that provides for granting options to eligible directors and employees (collectively, the "Grantees") to acquire ordinary shares of the Company at an exercise price as determined by the Board at the time of grant. The Post-IPO Share Option Scheme will be valid and effective for a period of 10 years, commencing from 9 July 2014.

In respect of Post-IPO Option Scheme, the exercise price shall not be less than the higher of: (i) the closing price of the Shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheet on the Offer Date; (ii) the average closing price of the Shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Shares. In addition, any Option shall be vested on an Option-holder immediately upon his acceptance of the offer of Options provided that if any vesting schedule and (or) conditions are specified in the offer of the Option, such Option shall only be vested on an Option-holder according to such vesting schedule and (or) upon the fulfillment of the vesting conditions.

Upon the Post-IPO Share Option Scheme, the Board of Directors authorized and reserved 11,000,000 ordinary shares for the issuance.

(i) On 22 September 2015, the Company granted 4,000,000 ordinary share options to its employees at an exercise price of HK$3.50 each under the Post-IPO Share Option Scheme (Trench X Option). Subject to the grantee continuing to be a service provider, 40.625% of these options will be vested on 22 December 2015, 28.125% will be vested on 22 September 2016, 21.875% will be vested on 22 September 2017 and 9.375% will be vested on 22 September 2018.

27 SHARE-BASED PAYMENTS (continued)

(a) Share options (continued)

Post-IPO Share Option Scheme (continued)

Movements in the number of Pre-IPO outstanding share options, retroactively reflecting the one-to-ten basis bonus shares, and of Post-IPO outstanding share options, are as follows:

	Average Exercise Price in US$ per Share Option	Number of Pre-IPO Share Options	Average Exercise Price in HK$ per Share Option	Number of Post-IPO Share Options	Total Number of Share Options
At 1 January 2014		119,965,100		–	–
Granted	US$0.3500	11,850,000		–	–
Cancelled	US$0.0973	(2,480)		–	–
Forfeited	US$0.2305	(1,291,300)		–	–
Replaced by the Pre-IPO Restricted Share Unit Scheme	US$0.0281	(42,800,000)		–	–
At 31 December 2014		87,721,320		–	–
At 1 January 2015		**87,721,320**		**–**	**87,721,320**
Granted		**–**	**HK$3.5000**	**4,000,000**	**4,000,000**
Exercised *(Note 25)*	US$0.0465	**(29,478,896)**		**–**	**(29,478,896)**
Forfeited	US$0.3230	**(1,394,955)**		**–**	**(1,394,955)**
At 31 December 2015		**56,847,469**		**4,000,000**	**60,847,469**

As at 31 December 2015, 51,646,989 share options were outstanding and exercisable. Options exercised in 2015 resulted in 29,478,896 shares (2014: Nil) being issued at a weighted average price of US$0.0465 each (2014: Nil). The weighted average price of the shares at the time these options were exercised was HK$6.24 per share (2014: Nil).

27 SHARE-BASED PAYMENTS (continued)

(a) Share options (continued)

Post-IPO Share Option Scheme (continued)

Details of the expiry dates, exercise prices and the respective numbers of Pre-IPO share options, retroactively reflecting the one-to-ten basis bonus shares, and of Post-IPO share options, which remained outstanding as at 31 December 2015 and 2014, are as follows:

			Number of share options	
Trench	**Expiry Date**	**Exercise price**	**31 December 2015**	31 December 2014
Trench I Option	10 years commencing from the date of grant of options	US$0.0001	**–**	–
		US$0.01	**12,914,000**	14,200,000
Trench II Option	10 years commencing from the date of grant of options	US$0.021	**2,552,000**	4,200,000
		US$0.03	**5,403,540**	6,913,540
Trench III Option	10 years commencing from the date of grant of options	US$0.06	**2,816,380**	3,042,380
Trench IV Option	10 years commencing from the date of grant of options	US$0.035	**8,971,000**	30,000,000
		US$0.06	**800,000**	1,300,000
Trench V Option	10 years commencing from the date of grant of options	US$0.03	**142,000**	200,000
		US$0.035	**–**	–
		US$0.06	**3,169,050**	3,526,050
Trench VI Option	10 years commencing from the date of grant of options	US$0.06	**2,000,000**	2,000,000
		US$0.1	**1,545,000**	1,801,000
		US$0.12	**1,419,814**	2,541,130
Trench VII Option	10 years commencing from the date of grant of options	US$0.15	**3,502,940**	4,449,770
Trench VIII Option	10 years commencing from the date of grant of options	US$0.2	**1,794,540**	2,158,750
Trench IX Option	10 years commencing from the date of grant of options	US$0.35	**9,817,205**	11,388,700
Trench X Option	9 years and 8 months commencing from the date the grant of options	HK$3.5	**4,000,000**	–
			60,847,469	87,721,320

27 SHARE-BASED PAYMENTS (continued)

(b) Restricted share units

Pre-IPO RSU Scheme

On 22 May 2014, the Board of Directors of the Company approved the Pre-IPO RSU Scheme. Pursuant to the resolution, 7,280,000 Pre-IPO RSUs, which includes the 4,280,000 Pre-IPO RSUs granted to partially replace the options granted under the Pre-IPO Share Option Scheme, have been granted to 17 grantees, including two executive Directors, three senior management members, one connected person of the Group and 11 other employees.

The Pre-IPO RSU Scheme will be valid and effective for a period of 10 years, commencing from 22 May 2014.

Apart from the 4,280,000 RSUs granted for the replacement of certain then existing share options as described in Note (a) above, the Group granted 3,000,000 additional RSUs to its employees and directors with below different vesting schedules:

(i) 500,000 RSUs: 25% shall vest 6 months after the IPO, and 25% shall vest every year thereafter over the next three years after the first vesting date.

(ii) 85,000 RSUs: 25% shall vest on the first anniversary of June 1, 2012, and 2.083% shall vest every month thereafter over the next three years after the first vesting date.

(iii) 2,415,000 RSUs: 25% shall vest on the first anniversary of the grant date, and 2.083% shall vest every month thereafter over the next three years after the first vesting date.

On 9 July 2014, the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited. Upon the consummation of the IPO, all the then outstanding RSUs granted under the Pre-IPO RSU Scheme are adjusted on a one-to-ten basis.

Post-IPO RSU Scheme

On 16 June 2014, the Board of Directors of the Company approved the Post-IPO RSU Scheme. The Post-IPO RSU Scheme will be valid and effective for a period of 10 years commencing from 9 July 2014.

Pursuant to a resolution passed by the Board of the Company on 20 April 2015, the Company granted RSUs of total 3,499,000 ordinary shares at a par value of US$0.0001 each to 24 grantees. 50% of such RSUs shall vest on August 20, 2015 and the remaining 50% shall vest on 20 August 2016.

27 SHARE-BASED PAYMENTS (continued)

(b) Restricted share units (continued)

Post-IPO RSU Scheme (continued)

Pursuant to a resolution passed by the Board of the Company on September 15, 2015, the Company granted RSUs in respective of total 2,720,000 ordinary shares at a par value of US$0.0001 each to 5 grantees. 55% of 720,000 RSUs shall vest on 15 December 2015, 25% shall vest on 15 September 2016 and the remaining 20% shall vest on September 15, 2017; 62.5% of 2,000,000 RSUs shall vest on 15 December 2015 and the remaining 37.5% shall vest on 15 September 2016.

Movements in the number of outstanding Pre-IPO RSUs, retroactively reflecting the one-to-ten basis bonus shares, and of outstanding Post-IPO RSUs, are as follows:

	Number of shares held for Pre-IPO RSU Scheme	Number of shares held for Post-IPO RSU Scheme	Total
At 1 January 2015	**31,343,750**	**–**	**31,343,750**
Granted	**–**	**6,219,000**	**6,219,000**
Vested and transferred	**(12,271,875)**	**(3,395,500)**	**(15,667,375)**
At 31 December 2015	**19,071,875**	**2,823,500**	**21,895,375**
Shares vested but not transferred to the grantees as at 31 December 2015			**–**

	Number of shares held for Pre-IPO RSU Scheme
At 1 January 2014	–
Granted	30,000,000
Granted to replace the share options	42,800,000
Vested and transferred	(41,456,250)
At 31 December 2014	31,343,750
Shares vested but not transferred to the grantees as at 31 December 2014	–

During the year ended 31 December 2015, total 4,272,631 of the above granted RSUs were exercised.

27 SHARE-BASED PAYMENTS (continued)

(c) Fair value of share options and RSUs

Before the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the directors have used the discounted cash flow method to determine the fair value of the underlying equity of the Company and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimates.

Upon the consummation of the IPO, the fair value of the underlying ordinary shares was calculated based on the market price of the Company's shares at the respective grant date.

Fair value of share options

The directors used Binominal pricing model to determine the fair value of the share option granted, which is to be expensed over the vesting period.

The management estimated the risk-free interest rate based on the yield of Hong Kong government bond with a maturity life equal to the life of the share option. Volatility was estimated at grant date based on the average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

Other than the exercise price mentioned above, significant estimates on parameters, such as risk free rate, dividend yield and expected volatility, made by the directors in applying the Binominal Model, is summarised as below.

	Unaudited	
	Year ended 31 December	
	2015	2014
Weighted average share price at the grant date	**HK$3.46**	US$5.28
Risk-free interest rate	**1.457%**	0.61%
Volatility	**49.1%**	43.5%
Dividend yield	**0.00%**	0.00%

Fair value of RSUs

The fair value of RSUs was calculated based on the fair value of underlying ordinary shares as at the grant date.

27 SHARE-BASED PAYMENTS (continued)

(d) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the shares options (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the statement of comprehensive income. As at 31 December 2015, the Expected Retention Rate was assessed to be 100% (2014: 100%).

(e) Shares held for RSU Scheme

On June 16, 2014, the Company entered into a trust deed with an independent trustee (the "RSU Trustee") and two independent trust nominee (the "Pre-IPO RSU Nominee" and the "Post-IPO RSU nominee), pursuant to which the RSU Trustee shall act as the administrator of the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme, and the Pre-IPO RSU Nominee and the Post-IPO RSU Nominee shall hold the shares underlying the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme respectively.

On June 19, 2014, the Company issued 7,280,000 ordinary shares to the Pre-IPO RSU Nominee at the par value of US$0.0001 each. Accordingly, 7,280,000 ordinary shares of the Company underlying the RSUs were held by the Pre-IPO RSU Nominee for the benefit of the grantees pursuant to the Pre-IPO RSU Scheme.

On July 9, 2014, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's ordinary shareholders received nine bonus shares for every registered ordinary share that they already held. As a result, the 7,280,000 ordinary shares of the Company underlying the RSUs were adjusted to 72,800,000 ordinary shares on a one-to-ten basis.

On April 20, 2015, the Company issued 3,499,000 ordinary shares to the Post-IPO RSU Nominee at the par value of US$0.0001 each.

On November 11, 2015, the Company issued 2,720,000 ordinary shares to the Post-IPO RSU Nominee at the par value of US$0.0001 each.

Accordingly, 6,219,000 ordinary shares of the Company underlying the RSUs were held by the Post-IPO RSU Nominee for the benefit of the grantees pursuant to the Post-IPO RSU Scheme.

The above shares held for Pre-IPO RSU Scheme and Post-IPO RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance.

28 ACCUMULATED DEFICITS

	RMB'000
Balance at 1 January 2014	294,006
Loss for the year	107,503
Appropriations to statutory reserves *(Note 26)*	19,564
Balance at 31 December 2014	421,073
Balance at 1 January 2015	**421,073**
Profit for the year	**(151,792)**
Appropriations to statutory reserves *(Note 26)*	**21,402**
Step acquisition of an associate	**2,236**
Balance at 31 December 2015	**292,919**

29 TRADE PAYABLES

Trade payables were mainly due to promotion and advertising expenses, commission charges by platforms and game developers, and bandwidth and server custody fees.

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Third parties	**17,920**	18,986
Related parties *(Note 36(c))*	**5,292**	5,292
	23,212	24,278

29 TRADE PAYABLES (continued)

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
0-90 days	**10,271**	10,424
91-180 days	**10,599**	5,336
181-365 days	**11**	2,976
Over 1 year	**2,331**	5,542
	23,212	24,278

The carrying amount of the Group's trade payables are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**20,995**	24,278
US$	**2,205**	–
HK$	**12**	–
	23,212	24,278

30 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Payables for acquisition of a subsidiary and a joint venture *(Note 14(b), 32(a))*	**10,000**	–
Staff costs and welfare accruals	**11,319**	10,666
Marketing and administrative expense accruals	**9,835**	14,906
Amount due to a related party *(Note 36(c))*	**8,962**	–
Audit expenses payable	**6,016**	5,457
Government grant for scientific project in progress	**3,700**	–
Human resource outsourcing service fee payable	**2,782**	2,537
VAT & Other tax liabilities	**2,097**	4,982
Deposit payables *(a)*	**–**	5,921
Listing expenses payable	**–**	4,989
Others	**8,740**	3,072
	63,451	52,530

(a) The deposit payables represent the deposits received from the third-party distributors as a condition of engaging in the video platform service with the Group. These deposits have been used to offset portion of the distributors' payment for their purchase of virtual currency since 2013.

31 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**18,659**	15,656
– to be recovered within 12 months	**14,801**	16,810
	33,460	32,466
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**4,217**	281
– to be recovered within 12 months	**931**	80
	5,148	361
Deferred income tax assets – net	**28,312**	32,105

The movements of deferred income tax assets-net are as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	**32,105**	23,753
Acquisition of subsidiaries *(Note 32)*	**(5,300)**	–
Recognised in the consolidated statement of comprehensive income/(loss)	**1,528**	8,352
Translation difference	**(21)**	–
At end of the year	**28,312**	32,105

31 DEFERRED INCOME TAX (continued)

The movements in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred Revenue RMB'000	Advance from customers RMB'000	Advertising expenses RMB'000	Realizable customer deposits RMB'000	Unrealised investment loss/ (income) RMB'000	Deferred cost RMB'000	Deductible losses from previous years RMB'000	Impairment loss RMB'000	Provisions of other liabilities and charges RMB'000	Total RMB'000
At 1 January 2014	4,968	1,038	10,030	8,469	(157)	–	–	–	–	24,348
Recognised in the consolidated statement of comprehensive income/(loss)	3,337	7,044	5,626	(6,989)	179	(1,079)	–	–	–	8,118
At 31 December 2014	8,305	8,082	15,656	1,480	22	(1,079)	–	–	–	32,466
Recognised in the consolidated statement of comprehensive income/(loss)	**2,135**	**(5,321)**	**3,003**	**(1,480)**	**1,637**	**(1,931)**	**30**	**1,421**	**1,500**	**994**
At 31 December 2015	**10,440**	**2,761**	**18,659**	**-**	**1,659**	**(3,010)**	**30**	**1,421**	**1,500**	**33,460**

	Assets Appreciation RMB'000
At 1 January 2014	595
Recognised in the consolidated statement of comprehensive income/(loss)	(234)
At 31 December 2014	361
Acquisition of subsidiaries *(Note 32)*	**5,300**
Recognised in the consolidated statement of comprehensive income/(loss)	**(513)**
At 31 December 2015	**5,148**

As at 31 December 2015, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the undistributed profits of approximately RMB205,783 thousand. Such earnings are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

32 BUSINESS COMBINATION

(a) Jinhua Shixun

In January 2015, the Group completed the acquisition of a 80% equity interest of Jinhua Shixun Network Technology Co., Ltd. ("Jinhua Shixun"), a company specialised in development of online live social video related technologies, for a total consideration of RMB25,000 thousand paid to the selling shareholder.

The goodwill of RMB21,325 thousand arises from a number of factors including expected synergies through combining small video platforms, growth potential, unrecognised assets such as workforce, etc. The goodwill recognised is not expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Jinhua Shixun, and the amounts of the assets and liabilities acquired at the acquisition date.

	January 31, 2015 RMB'000
Purchase consideration	
– Total cash consideration	25,000
– Contingent consideration	–
Total purchase consideration	25,000

32 BUSINESS COMBINATION (continued)

(a) Jinhua Shixun (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

Provisional fair value

	January 31, 2015 RMB'000
Cash and cash equivalents	202
Property and equipment	2
Intangible assets *(i)*	
– Computer Software	6,014
Payables	(121)
Deferred income tax liabilities *(i)*	(1,504)
Total identifiable net assets	4,593
Non-controlling interests *(ii)*	(918)
Goodwill	21,325
Total purchase consideration	25,000
Acquisition-related costs (included in administrative expenses in the consolidated statement of comprehensive income/(loss) for the year ended 31 December 2015)	55

	January 31, 2015 RMB'000
Outflow of cash to acquire business, net of cash acquired	
– Cash consideration	25,000
– Cash and cash equivalents in subsidiary acquired	(202)
Cash outflow on acquisition	24,798
Payables for acquisition of subsidiary *(Note 30)*	(5,000)
Cash outflow for the year ended 31 December 2015	19,798

32 BUSINESS COMBINATION (continued)

(a) Jinhua Shixun (continued)

(i) Fair value of acquired identifiable intangible assets

The fair value of the acquired self-developed software of RMB6,014 thousand is recognised upon the consummation of the acquisition based on valuations for the asset. Deferred income tax liabilities of RMB1,504 thousand has been provided in relation to these fair value adjustments.

(ii) Non-controlling interests

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

(iii) Revenue and profit contribution

The acquired business contributed revenues of RMB2,986 thousand and net profit of RMB1,442 thousand to the Group for the period from 1 February 2015 to 31 December 2015.

(iv) The fair value of the Company acquired was estimated by applying the income approach. This is a level 3 fair value measurement. The key assumptions used are:

	2015
Discount rate	15-17%
Long-term growth rate	3%

(b) Hangzhou Raily

In April 2015, the Group completed the acquisition of a 60% equity interest in Hangzhou Raily Tian Ge Beauty Clinic Co., Ltd. ("Hangzhou Raily") for a total cash of RMB10,500 thousand as capital injection into Hangzhou Raily.

The goodwill of RMB4,811 thousand arises from a number of factors including expected growth potential and unrecognised assets such as workforce. The goodwill recognised is not expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Hangzhou Raily, and the amounts of the assets and liabilities acquired at the acquisition date.

	April 1, 2015 RMB'000
Purchase consideration	
– Cash paid	4,200
– Contingent consideration	–
Total purchase consideration	4,200

32 BUSINESS COMBINATION (continued)

(b) Hangzhou Raily (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

Provisional fair value

	April 1, 2015 RMB'000
Advance to suppliers	18
Other receivables	50
Inventories	519
Available for sale financial assets	500
Property and equipment	1,417
Long-term prepaid expense	145
Intangible assets *(i)*	
– Brand Name	4,439
Payables	(6,996)
Deferred income tax liabilities *(i)*	(1,110)
Total identifiable net assets	(1,018)
Non-controlling interests *(ii)*	407
Goodwill	4,811
Total purchase consideration	4,200
Acquisition-related costs (included in administrative expenses in the consolidated statement of comprehensive income/(loss) for the year ended 31 December 2015)	55

32 BUSINESS COMBINATION (continued)

(b) Hangzhou Raily (continued)

(i) Fair value of acquired identifiable intangible assets

The fair value of the acquired identifiable brand name of RMB4,439 thousand is recognised upon the consummation of the acquisition based on valuations for the asset. Deferred income tax liabilities of RMB1,110 thousand has been provided in relation to these fair value adjustments.

(ii) Non-controlling interests

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

(iii) Revenue and profit contribution

The acquired business contributed revenues of RMB16,289 thousand and net profit of RMB2,074 thousand to the Group for the period from 1 April 2015 to 31 December 2015.

(iv) The fair value of the Company acquired was estimated by applying the income approach. This is a level 3 fair value measurement. The key assumptions used are:

	2015
Discount rate	**15-17%**
Long-term growth rate	**3%**

(c) Uncle Sam

In April 2015, the Group completed the acquisition of a 50.91% equity interest in Uncle Sam (HK) Co., Limited ("Uncle Sam"), a third party company engaged in online trading of overseas health products and baby products. The Group paid RMB18,400 thousand to the selling shareholders of Uncle Sam for the 46% equity interest. In addition, the Group injected RMB5,000 thousand into Uncle Sam for the 4.91% equity interest.

The goodwill of RMB16,701 thousand arises from a number of factors including expected growth potential and unrecognised assets such as the workforce and vendor relationship. The goodwill recognised is not expected to be deductible for income tax purposes.

32 BUSINESS COMBINATION (continued)

(c) Uncle Sam (continued)

The following table summarises the consideration paid for Uncle Sam, and the amounts of the assets and liabilities acquired at the acquisition date.

	April 1, 2015 RMB'000
Purchase consideration	
– Cash paid	20,854
– Contingent consideration	–
Total purchase consideration	20,854

Recognised amounts of identifiable assets acquired and liabilities assumed

Provisional fair value

	April 1, 2015 RMB'000
Cash and cash equivalents	320
Receivables	2,969
Inventories	9,401
Property and equipment	158
Intangible assets *(i)*	
– Brand Name	10,744
– Others	20
Payables	(12,768)
Deferred income tax liabilities *(i)*	(2,686)
Total identifiable net assets	8,158
Non-controlling interests *(ii)*	(4,005)
Goodwill	16,701
Total purchase consideration	20,854
Acquisition-related costs (included in administrative expenses in the consolidated statement of comprehensive income/(loss) for the year ended 31 December 2015)	55

32 BUSINESS COMBINATION (continued)

(c) Uncle Sam (continued)

	April 1, 2015 RMB'000
Outflow of cash to acquire business, net of cash acquired	
– Cash consideration	18,400
– Cash and cash equivalents in subsidiary acquired	(320)
Cash outflow for the year ended 31 December 2015	18,080

(i) Fair value of acquired identifiable intangible assets

The fair value of the acquired identifiable brand name of RMB10,744 thousand is recognised upon consummation of the acquisition based on valuations for the asset. Deferred income tax liabilities of RMB2,686 thousand has been provided in relation to these fair value adjustments.

(ii) Non-controlling interests

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

(iii) Revenue and loss contribution

The acquired business contributed revenues of RMB48,680 thousand and net loss of RMB20 thousand to the Group for the period from 1 April 2015 to 31 December 2015.

(iv) The fair value of the Company acquired was estimated by applying the income approach. This is a level 3 fair value measurement. The key assumptions used are:

	2015
Discount rate	15-17%
Long-term growth rate	3%

33 CASH GENERATED FROM OPERATIONS

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit/(Loss) before income tax	**184,458**	(71,450)
Adjustments for:		
– Depreciation and impairment charges of property and equipment *(Note 15)*	**17,691**	13,396
– Amortisation and impairment charges of intangible assets *(Note 16)*	**9,171**	3,605
– Amortisation of long-term prepayments	**3,475**	5,975
– Loss on disposal of property and equipment *(a)*	**87**	272
– Loss on partial disposal of an associate	**2,722**	–
– Impairment charge of long-term prepayment	**577**	–
– Write-down of inventories to net realizable value	**1,007**	–
– Gain on inventory stock-take	**(262)**	–
– Provision of bad debts	**121**	–
– Impairment charge of investment in an associate	**2,985**	–
– Fair value losses of convertible redeemable preferred shares	**–**	283,559
– Share-based compensation expenses *(Note 27)*	**65,942**	51,200
– Investment interest *(Note 8)*	**(38,321)**	(31,118)
– Fair value (gains)/losses, net *(Note 8)*	**(4,534)**	536
– Interest income on cash and cash equivalents *(Note 10)*	**(4,338)**	(7,674)
– Share of loss of investment	**1,667**	4,659
– Provision of other liabilities and charges	**6,000**	–
– Finance costs – net	**154**	2,549
– Foreign exchange losses on financing activities	**(6,663)**	(545)
– Foreign exchange losses on non-financing activities	**8,389**	–
Changes in working capital:		
– Inventories	**(1,131)**	–
– Trade receivables	**(17,472)**	6,755
– Prepayments and other receivables	**(21,465)**	2,453
– Trade payables	**(4,971)**	10,395
– Other payables and accruals	**(7,709)**	(25,946)
– Other tax liabilities	**(2,823)**	2,035
– Customer advance and deferred revenue	**(1,566)**	19,995
Cash generated from operations	**193,191**	270,651

33 CASH GENERATED FROM OPERATIONS (continued)

(a) In the consolidated statement of cash flows, proceeds from sale of property and equipment comprise:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net book amount *(Note 15)*	**125**	809
Loss on disposal of property and equipment *(Note 8)*	**(87)**	(272)
Proceeds from disposal of property and equipment	**38**	537

34 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Contingent liability arising on legal claims RMB'000
At 1 January 2015	**–**
Charged to the consolidated statement of comprehensive income/(loss):	**–**
– Additional provisions *(a)*	**6,000**
At 31 December 2015	**6,000**

Analysis of total provisions:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Current	**6,000**	–

34 PROVISIONS FOR OTHER LIABILITIES AND CHARGES (continued)

(a) Copyright infringement

In early 2015, the Group entered into a cooperation agreement with a third party company to enable the Group to provide online karaoke services to users. However, the Group have been receiving notices from certain copyright holders in respect of copyright infringement of contents provided by the third party company and the possible legal proceedings that these copyright holders would bring to the Group. The Group has disconnected the infringed copyright from its services and assessed the potential outcome of the possible legal proceedings. Based on the assessment, the Group concluded that provisions for compensation would be necessary for the Group as such infringed copyright was shown on the Group's platform. Nevertheless, the results of legal proceedings would not give rise to any significant loss beyond the amounts provided at 31 December 2015.

35 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015 **RMB'000**	2014 RMB'000
Property and equipment	**1,028**	28,650

(b) Operating lease commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
No later than 1 year	**16,730**	18,214
Later than 1 year and no later than 5 years	**5,912**	9,681
	22,642	27,895

36 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group for all the years presented.

Company	Relationship	Period of Related Party Relationship
SINA Hong Kong Limited	Non-Controlling Shareholder	Since 15 July 2010
Beijing Sina Internet Information Service Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since 15 July 2010
Shanghai Sina Advertising Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since 15 July 2010
Beijing Sina Advertising Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since 15 July 2010
Weibo Internet Technology (China) Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since 15 July 2010
Sina.Com Technology (China) Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since 15 July 2010
Beijing Star World Technology Co., Ltd.	Non-controlling Shareholder of Subsidiary	Since 19 August 2013
Mr. Fu HS	Non-controlling Shareholder of Subsidiary	Since 1 April 2015
Mr. Li X	Non-controlling Shareholder of Subsidiary	Since 1 April 2015
Shanghai Junyi Equity Investment Center (Limited partnership)	Entity controlled by Non-Executive Director	Since 22 September 2015

(b) Significant transactions with related parties

	Year Ended 31 December	
Related party transactions	2015 RMB'000	2014 RMB'000
(i) Advertisement revenue generated from related parties:		
Shanghai Sina Advertising Co., Ltd.	–	301
Beijing Sina Internet Information Service Co., Ltd.	–	262
Others	–	207
	–	770

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Significant transactions with related parties (continued)

	Related party transactions	Year Ended 31 December 2015 RMB'000	2014 RMB'000
(ii)	Other revenue generated from related parties:		
	Beijing Sina Internet Information Service Co., Ltd.	**2,310**	726
	Weibo Internet Technology (China) Co., Ltd.	**9**	7
	Others	**–**	6
		2,319	739
(iii)	Commission charges paid to related parties:		
	Beijing Star World Technology Co., Ltd.	**4,302**	9,245
(iv)	Advertising/Marketing expense paid to related parties:		
	Beijing Sina Internet Information Service Co., Ltd.	**–**	3,610
(v)	Other expense paid to related parties:		
	Beijing Sina Internet Information Service Co., Ltd.	**86**	94
	Weibo Internet Technology (China) Co., Ltd.	**9**	–
		95	94
(vi)	Loans granted to related parties:		
	Shanghai Junyi Equity Investment Center (Limited partnership)	**9,900**	–

As of 31 December 2015, the loan was fully repaid by Shanghai Junyi Equity Investment Center (Limited partnership).

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Year end balances arising from sales and purchase of services

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables		
Mr. Li X	**6,564**	–
Beijing Sina Internet Information Service Co., Ltd.	**1,479**	331
Beijing Star World Technology Co., Ltd.	**1,064**	377
Shanghai Sina Advertising Co., Ltd.	**340**	388
Beijing Sina Advertising Co., Ltd.	**46**	46
Others	**33**	255
SINA Hong Kong Limited	**7**	14
	9,533	1,411

Trade receivables were mainly resulted from advertisement and games revenue.

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Other receivables		
Mr. Fu HS	**5,769**	–

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade payables		
Beijing Sina Internet Information Service Co., Ltd.	**5,292**	5,292

Trade payables due to related parties arose from outsourcing information and technical services and software development expense.

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Other payables		
Mr. Li X	**8,962**	–

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel compensations

The compensations paid or payable to key management personnel for employee services are shown below:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,473**	2,315
Pension costs – defined contribution plans	**148**	150
Other social security costs, housing benefits and other employee benefits	**109**	98
Share-based compensation expenses	**15,491**	18,872
	17,221	21,435

37 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 31 December 2015.

38 EVENTS AFTER THE BALANCE SHEET DATE

(a) In January 2016, the Group entered agreements with Yun Qi Partners I GP, Ltd. ("Yun Qi Partners") and Shanghai Yunqi Wangchuang Asset Management Center (Limited Partnership) ("Shanghai Yunqi Partners") Partners to invest US$5,000 thousand (approximately RMB32,764 thousand) in the US dollar fund managed by Yun Qi Partners, and RMB33,000 thousand in the Renminbi fund managed by Shanghai Yunqi Partners, respectively. On the date of these consolidated financial statements, the Group had paid US$2,500 thousand (approximately RMB16,153 thousand) and RMB9,900 thousand while both the funds are yet to be closed.

(b) In January 2016, the Group entered a series of agreements (the "Agreements") to purchase 20% equity interest of Wuhan Jiuxin Puhui Financial Information Services Company Limited ("Wuhan Jiuxin") at a total cash consideration of RMB20.8 million. Wuhan Jiuxin is an internet financing company specialized in vehicle mortgage loan by operating its peer-to-peer investment platform via the website www.jiurong.com or the mobile application. In addition, the Group and the current shareholders of Wuhan Jiuxin agreed to further increase the paid-in capital of Wuhan Jiuxin by capital contribution and the Group will inject an additional capital of RMB26 million to increase the Group's equity holding in Wuhan Jiuxin from 20% to 36%. The Group also promised to further acquire the equity interest of Wuhan Jiuxin if certain performance targets of Wuhan Jiuxin as set out in the Agreements are met. On the date of these consolidated financial statements, the Group made a prepayment of RMB22,000 thousand and the transaction is yet to be consummated.

38 EVENTS AFTER THE BALANCE SHEET DATE (continued)

(c) In January 2016, the Group entered into a series of agreements to acquire 70% of the equity interests of an independent third party company specialized in operating web-based casual games at a total consideration of RMB120,000 thousand, which is yet to be consummated upon the issue of these consolidated financial statements.

(d) In January 2016, the Group entered into a series of agreements to acquire 27% of the equity interests of an independent third party company specialized in operating web-based casual games at a total consideration of RMB63,000 thousand, which is yet to be consummated upon the issue of these consolidated financial statements.

(e) In January and March 2016, the Group entered into a series of agreements that commit to acquire additional 65% of the equity interests of Happy Alliance, a third party company engaged in promotion of mobile games in the PRC. The transaction is yet to be consummated upon the issue of these consolidated financial statements.

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
		2015	2014
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Intangible assets		**3,744**	5,051
Investment in subsidiaries		**141,783**	67,777
Available-for-sale financial assets		**42,208**	24,476
Term deposits with initial term over 3 months		**168,138**	–
		355,873	97,304
Current assets			
Amounts due from subsidiaries		**1,018,889**	909,127
Prepayments and other receivables		**1,566**	372
Term deposits with initial term over 3 months		**83,968**	398,958
Cash and cash equivalents		**39,653**	31,293
		1,144,076	1,339,750
Total assets		**1,499,949**	1,437,054

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
Equity and liabilities			
Equity attributable to Shareholders of the Company and non-controlling interests			
Share capital		**797**	779
Share premium		**2,305,423**	2,381,529
Shares held for RSU Scheme		**(14)**	(19)
Other reserves	*(a)*	**228,455**	83,753
Accumulated deficits	*(a)*	**(1,038,151)**	(1,037,390)
Total equity		**1,496,510**	1,428,652
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**383**	361
		383	361
Current liabilities			
Trade payables		**(150)**	–
Amounts due to subsidiaries		**2,812**	2,812
Other payables and accruals		**394**	5,229
		3,056	8,041
Total liabilities		**3,439**	8,402
Total equity and liabilities		**1,499,949**	1,437,054

The balance sheet of the Company was approved for issue by the Board of Directors on 23 March 2016 and was signed on its behalf.

Fu Zhengjun	**Mai Shi'en**
Director	*Director*

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Note (a) Reserve movement of the Company

	Retained earnings RMB'000	Other reserves RMB'000
At 1 January 2014	(718,998)	45,820
Loss for the year	(318,392)	–
Share-based payments reserve	–	51,200
Translation difference	–	(13,267)
At 31 December 2014	(1,037,390)	83,753
At 1 January 2015	**(1,037,390)**	**83,753**
Loss for the year	**(761)**	**–**
Share-based payments reserve	**–**	**65,942**
Translation difference	**–**	**78,760**
At 31 December 2015	**(1,038,151)**	**228,455**

40 BENEFITS AND INTERESTS OF DIRECTORS

(A) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking
Name	Salary	Discretionary bonuses	Other social security costs, housing benefits and other employee benefits	Employer's contribution to a retirement benefit scheme	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Fu Zhengjun	583	44	3	14	–	644
Mr. Mai Shi'en	544	90	22	57	1,008	1,721
Mr. Mao Chengyu	–	–	–	–	145	145
Mr. Herman Cheng-Chun, Yu	–	–	–	–	145	145
Ms. Yu Bin	161	–	–	–	145	306
Mr. Wu, Chak Man	161	–	–	–	145	306
Mr. Chan, Wing Yuen Hubert	161	–	–	–	145	306

40 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(A) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2014:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking
Name	Salary	Discretionary bonuses	Other social security costs, housing benefits and other employee benefits	Employer's contribution to a retirement benefit scheme	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Fu Zhengjun	539	89	5	13	1,483	2,129
Mr. Mai Shi'en	543	90	21	57	3,829	4,540
Mr. Mao Chengyu	–	–	–	–	117	117
Mr. Herman Cheng-Chun, Yu	53	–	–	–	117	170
Ms. Yu Bin	76	–	–	–	117	193
Mr. Wu, Chak Man	76	–	–	–	117	193
Mr. Chan, Wing Yuen Hubert	76	–	–	–	117	193