



百奧家庭互動有限公司

BAI00 Family Interactive Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2100



Interim Report 2016

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Dai Jian (*Chairman*)

Mr. Wu Lili

Mr. Li Chong

Mr. Wang Xiaodong

Dr. Xu Gang

Independent Non-executive Directors

Ms. Liu Qianli

Dr. Wang Qing

Mr. Ma Xiaofeng

AUDIT COMMITTEE

Ms. Liu Qianli (*Chairperson*)

Dr. Wang Qing

Mr. Ma Xiaofeng

NOMINATION COMMITTEE

Mr. Dai Jian (*Chairperson*)

Mr. Ma Xiaofeng

Ms. Liu Qianli

REMUNERATION COMMITTEE

Dr. Wang Qing (*Chairperson*)

Mr. Ma Xiaofeng

Mr. Wu Lili

CHIEF EXECUTIVE OFFICER

Dr. Xu Gang

CHIEF FINANCIAL OFFICER AND CHIEF STRATEGY OFFICER

Mr. Yeung Ka Hong Carl

JOINT COMPANY SECRETARIES

Mr. Yeung Ka Hong Carl

Ms. Ngai Kit Fong

AUTHORIZED REPRESENTATIVES

Mr. Wu Lili

Mr. Yeung Ka Hong Carl

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22/F, Prince's Building

Central

Hong Kong

COMPANY'S WEBSITE

www.baioo.com.hk

STOCK CODE

2100

HEADQUARTERS IN THE PRC

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120 Huangpu W Ave, Tianhe

Guangzhou, Guangdong

China 510623

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

Hutchins Drive

Cricket Square

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Hutchins Drive
Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands, British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

China Merchants Bank Guangzhou, Ti Yu Dong Road Sub Branch
30/F, Goldlion Centre, No. 138 Ti Yu Dong Road
Tianhe District
Guangzhou
Guangdong 510620
PRC

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Central
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Kirkland & Ellis
26/F, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

LEGAL ADVISORS AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman (Cayman) Limited
Hutchins Drive
Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

INVESTOR RELATIONS

Christensen China Limited
Tel: (852) 2117 0861
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Email: Baioo@ChristensenIR.com

Company Profile

We are one of China's largest online entertainment destinations designed for children and one of the top children's web game developers in China.

Our website, 100bt.com, serves as an all-in-one platform for proprietary content that is designed for children aged six through fourteen to explore virtual worlds, purchase virtual currency, interact with other users, access communities related to e-learning and cartoons, and participate in a variety of other activities. Users of the platform can register a single account, represented by a unique "Duoduo" ID, to access all of our products and services.

Since we commenced operations, we have developed, launched and currently operate the following nine virtual worlds: Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoji, Clashes of Aoji, Magic Fighter, Amazing Combat, and Monster Mobile. Our virtual worlds allow children to play various games and fun-learning activities while exploring each virtual world and its storyline, and interacting with other users. New episodes containing new games, activities and storyline updates are released each week for each virtual world to provide users with a continuous, engaging experience. As a result, our virtual worlds have won numerous industry awards and gained strong brand awareness and loyalty among children in China.

We own the Intellectual Property ("IP") rights to the "Zaowufaze" (「造物法則」) comic, which was launched in August 2015 and has since accumulated over 200 million click-views and over 350,000 clicks-to-collection. In April 2016, we acquired "XiXingJi" (「西行紀」). Since its launch, it has accumulated over 700 million click-views and over 300,000 clicks-to-collection.

For our baby and maternity product business, in May 2015, we formed a strategic partnership with Hong Kong's leading maternity product provider, Bumps to Babes Limited ("**Bumps to Babes**"). BAIIO acquired 74.9% equity interest in Bumps to Babes via a new venture. The founder of Bumps to Babes holds 7.5% equity interest in this new venture, which has expanded Bumps to Babes into China as a one-stop-shop for parents to purchase safe, trusted and premium baby products via e-commerce. Its e-commerce platform, BumpsBB (www.bumpsbb.com), was launched in the fourth quarter of 2015. Currently, over 4,000 of the top-selling maternity items on BumpsBB are sourced from a range of reputable overseas suppliers, and can be shipped across China at affordable prices.

Financial Summary

INCOME STATEMENT HIGHLIGHT

	Unaudited six months ended 30 June		Period-over- period change
	2016	2015	
	RMB'000	RMB'000	%
Revenue	187,644	183,930	2.0%
Gross profit	109,947	110,087	(0.1%)
Operating (loss)/profit	(18,220)	38,368	(147.5%)
Non-International Financial Reporting Standards ("IFRSs") Measures			
— Adjusted Net Profit ⁽¹⁾	8,569	62,063	(86.2%)
— Adjusted EBITDA ⁽²⁾	1,278	50,768	(97.5%)

(1) We define adjusted net profit consists of (loss)/profit for the period plus share-based compensation and fair value loss of convertible redeemable preferred shares.

(2) We define adjusted EBITDA consists of adjusted net profit less finance income — net, and plus income tax, depreciation of fixed assets and amortization of intangible assets.

BALANCE SHEET HIGHLIGHT

	Unaudited As of 30 June 2016 RMB'000	Audited As of 31 December 2015 RMB'000
Assets		
Non-current assets	493,480	464,519
Current assets	1,514,148	1,288,471
Total assets	2,007,628	1,752,990
Equity and liabilities		
Total equity	1,536,401	1,570,324
Non-current liabilities	19,510	16,865
Current liabilities	451,717	165,801
Total liabilities	471,227	182,666
Total equity and liabilities	2,007,628	1,752,990

Chairman Letter

Dear Valued Shareholders,

BAIOO'S DEVELOPMENT IN THE FIRST HALF OF 2016

In the first half of 2016, we continued to progress and advance our strategic initiative of focusing on “fun” and engaging content for children across our virtual world platforms, and we have also extended the potential of our product pipeline through research and development in new product areas that cater to interactive family needs, including mobile entertainment, e-commerce and web comics.

For our virtual worlds, we reached 48.5 million average quarterly active accounts in the first half of the year, an improvement of 0.8% over the same period last year, while average quarterly paying accounts declined to 2.0 million, a decline of 16.7%, which was a result of our strategy of moving away from heavy monetization and focus on fun purpose to attract more users. Among our nine existing virtual worlds, Amazing Combat (「特戰英雄」), a first-person shooter game, attracted over 27.2 million new users during the period and helped significantly drive the growth of active users. In March 2016, we beta tested “Monster Mobile,” which has been well-received by the market so far.

In an effort to continue to maintain our leading market position and secure new growth drivers for BAIOO, we have been making a variety of investments, especially in IP rights, that are necessary to lay the foundation for future growth. We acquired the IP rights to the “Zaowufaze” (「造物法則」), a zombie-themed sci-fi comic that has received especially high ratings by a variety of leading online comic websites since its debut. It has since accumulated over 200 million click-views and over 350,000 clicks-to-collection. In addition, we also acquired the IP rights to “XiXingJi” (「西行紀」), a fantasy adventure story adapted from classic Chinese literature that has accumulated over 700 million click-views and over 300,000 clicks-to-collection since its launch. While these efforts have temporarily affected our operating results, we have started to stabilize our revenue and we firmly believe that these investments will support our performance going forward.

To incubate some of our newest IP, such as “XiXingJi” (「西行紀」) and “Zaowufaze” (「造物法則」), we set up new comic arm of our business, “Baiman Wenhua” (「百漫文化」), that will help us focus our efforts as we look to develop and monetize our strong and growing portfolio of IP. We believe we are now ready to further expand our expertise into even more formats that are popular with children and teenagers, and cater to ever-evolving interactive family needs.

MOBILE IS THE WAY OF THE FUTURE AND WE ARE TAKING AN IMPORTANT STEP IN THIS DIRECTION

In modern life, families have become more interconnected than ever, and mobile devices have become very popular, even among children in China. Children have ready access to the internet through mobile devices or their personal computers (“PC”) at home, while parents have an increasingly large range of online educational materials from which to choose to educate their children. While the ever higher adoption of mobile devices leads to great opportunities in this segment, this popularity has also introduced various policy headwinds. In particular, starting in July 2016, the Chinese government has begun regulating the content of mobile games, where mobile applications have to be screened and approved before publication. As the leading provider of children’s online entertainment in China, BAIOO has always held our products to the highest of standards, and we are confident that our mobile release pipeline will not experience significant slowdowns, though it is likely that the deployment process will be lengthened. We will continue to focus our efforts on developing into an all-inclusive platform where families will be able to acquire the educational and entertainment products that they need.

In the second half of 2016, we will focus on launching our mobile pipeline while realizing returns on our investments from the first half of 2016, both of which combined are expected to bring BAIOO back into profitability. We have a number of exciting products which we expect to drive growth, including a mobile game based on the aforementioned “Zaowufaze” (「造物法则」) comic. It was first unveiled at the CCG EXPO 2016 in Shanghai in June 2016 and was well received by both critics and players. In addition, we plan to leverage the “Tuntianji” (「吞天记」) online literature IP we acquired in April 2016 to develop a 3D action role-playing game (RPG) mobile product and release it in the second half of this year. In addition to these two offerings, we also have a number of mobile games that we expect to launch or monetize in the second half and beyond.

CONTINUE TO GROW IN THE VIRTUAL WORLD

In line with our core values of providing a safe environment for online entertainment, we have recently been awarded a “2014–2016 Annual China Internet Industry Self-Regulation Contribution Award”. We will continue to execute effectively to maintain our leading position as a destination for safe interactive family products and services. We will also continue our journey of exploring opportunities and cooperating with others on our existing IP, and leverage our extensive understanding of the children’s edutainment market in China to build future growth drivers. For the full year of 2016, with our revenue having stabilized and our growth trajectory remaining firm, we are confident that we will be able to return to profitability while generating meaningful returns for our shareholders.

Thank you.

Sincerely,

Dai Jian

Chairman

BAIOO Family Interactive Limited

26 August 2016

Definitions and Glossaries

DEFINITIONS

“Articles of Association”	articles of association of the Company as amended, supplemented or revised from time to time
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	our board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business to the public
“CAGR”	compound annual growth rate
“Chairman”	the chairman of the Board
“Company” or “us” or “Our Company”	BAIOO Family Interactive Limited (百奧家庭互動有限公司), (formerly known as Baitian Information Limited, Baitian Family Interactive Limited (百田家庭互動有限公司) and BYO Family Interactive Limited (百奧家庭互動有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2009, and, except where the context otherwise requires, all of its subsidiaries and Guangzhou Baitian or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries and Guangzhou Baitian was engaged in and which was subsequently assumed by it
“Contractual Arrangements”	a series of agreements entered into among Guangzhou WFOE, Guangzhou Baitian and the Registered Shareholders on 4 December 2013 and amended on 20 March 2014
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“DAE Trust”	a discretionary trust set up by Mr. DAI Jian for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. DAI and his family members
“Director(s)” or “our Director(s)”	the director(s) of our Company or any one of them

Definitions and Glossaries

“Group” or “our Group” or “BAIOO”	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements), or, where the context so requires, in respect of the period before our Company became the holding company of its current subsidiaries, our Company’s current subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)
“Guangzhou Baitian” or “PRC Operating Entity”	Guangzhou Baitian Information Technology Ltd. (廣州百田信息科技有限公司), a Company incorporated on 2 June 2009 and existing under the laws of the PRC. As of the date hereof, Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. CHEN Ziming and Mr. WANG Xiaodong hold 46.92%, 28.37%, 12.9%, 7.08% and 4.73% equity interests in Guangzhou Baitian, respectively
“Guangzhou WFOE”	Baiduo (Guangzhou) Information Technology Limited (百多(廣州)信息科技有限公司), a company incorporated on 29 October 2013 and existing under the laws of the PRC, an indirect wholly-owned subsidiary of the Company
“independent third party”	any entity or party which is not connected (as defined in the Listing Rules) to our Directors, substantial shareholders or chief executives of our Company or its subsidiaries, or any of their respective associates
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 10 April 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on 10 April 2014 and was amended on 19 June 2015
“PRC”	the People’s Republic of China

“Pre-IPO RSU Scheme”	the restricted share unit plan approved and adopted by the Company on 30 September 2013, which took effect on 10 April 2014
“Pre-IPO Share Option Scheme”	the share option plan approved and adopted by the Company on 18 June 2010
“Prospectus”	the prospectus of the Company dated 28 March 2014
“Registered Shareholders”	the registered shareholders of Guangzhou Baitian, namely Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. CHEN Ziming and Mr. WANG Xiaodong
“Remuneration Committee”	the remuneration committee of the Company
“RSU(s)”	restricted share units granted pursuant to the Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)” or “Ordinary Share(s)”	ordinary share(s) in the share capital of our Company with par value US\$0.0000005 each (or of such other nominal amount as shall result from capitalization, subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time) with the rights ascribed in the Articles of Association
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“The Zhen Family Trust”	a discretionary trust set up by Mr. LI Chong for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. LI and his family members
“WHZ Trust”	a discretionary trust set up by Mr. WU Lili for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. WU and his family members
“WSW Family Trust”	a discretionary trust set up by Mr. WANG Xiaodong for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. WANG and his family members

Definitions and Glossaries

GLOSSARY

“ARQPA”	average revenue per QPA, which is revenue from our virtual worlds in a particular quarter divided by the number of quarterly paying accounts in that quarter
“average quarterly ARQPA”	average quarterly average revenue per QPA, which is revenue from our virtual worlds in a particular period divided by the total number of QPAs in that period
“QAAs”	quarterly active accounts, which is the number of active accounts for our virtual worlds in the relevant quarter. A quarterly active account is defined as a registered account that was accessed at least once during a quarter. An account that logged into two virtual worlds in the same quarter is counted as two QAAs. Average QAAs for a particular period is the average of the QAAs in each quarter during that period
“QPAs”	quarterly paying accounts, which is the number of paying accounts in the relevant quarter. An account that paid subscription fees or for virtual items in two virtual worlds in the same quarter is counted as two QPAs. Average QPAs for a particular period is the average of the QPAs in each quarter during that period

Management Discussion and Analysis

BUSINESS OVERVIEW

In the first half of 2016, BAIOO's continued strategic focused on audience engagement and the creation of 'fun' content began to pay off as user numbers on our virtual worlds continued to stabilize. Through BAIOO's account optimization initiatives, as well as a growing pipeline of interesting and engaging content, the Company was able to increase average quarterly active accounts ("QAAs") to 48.5 million in the first half of 2016, an improvement of 0.8% over 48.1 million of the same period of last year. Notably, our virtual world, Legend of Aoqi, continued to perform well, highlighting our proven ability to provide engaging game play. Product-wise, the Company has a number of planned mobile offerings, including games based on our well received comics in the second half of the year. In terms of our maternity business, Bumps to Babes, we continued to successfully expand our groundwork and consolidate our presence in the China market. Our retail segment, including Bumps to Babes and the associated e-commerce business, recorded total revenue of RMB26.7 million for the first half of 2016. Financially, we maintained an adjusted net profit of RMB8.6 million despite of many operating investments made including research and development focused on mobile and PC products. Our strong cash and cash equivalents, term deposits and restricted cash balance net of borrowing and overdraft of RMB1,569.7 million at the end of the first half of the year also represents a sound financial standing of our Group.

With the stabilization in revenues, BAIOO decided to take advantage of various investment opportunities that materialized to expand our IP portfolio for long-term growth. Notably, the Company set up a new comic arm, "Baiman Wenhua" (「百漫文化」), which launched a number of web comic series, including "XiXingJi" (「西行紀」), an award-winning fantasy adventure story adapted from classic Chinese literature, and Zaowufaze (「造物法則」), a zombie-themed sci-fi comic rated as an "S" or "A+" by leading online comic websites. We acquired exclusive distribution and adaptation rights to this new IP, and we plan to create innovative new products for mobile devices. We also additionally invested in a number of mobile products that are still in development. We expect a number of these investments to contribute materially in the second half of 2016, which we anticipate will return BAIOO back to profitability and generate long-term value for the shareholders of the Company.

Other than the above mentioned, there has been no material changes in respect of such matters discussed in the Management Discussion and Analysis of 2015 Annual Report of BAIOO under the subject headed "Business Review".

INDUSTRY REVIEW

In the first half of 2016, despite slowing economic growth and increasing uncertainties from the Brexit vote, the gaming sector in China remained robust. According to the newest China Gaming Industry Report released by the China Digital Entertainment Expo & Conference, the revenue generated from the gaming sector in China from January to June 2016 rose to RMB78.8 billion, an increase of 30.1%, and the number of total gaming users reached 489 million, an increase of 6.7% from January to June 2016. We continue to see ample opportunities in the online children's entertainment sector, and our recent line of IP acquisitions will bolster our development pipeline for online and mobile offerings.

OUTLOOK FOR THE SECOND HALF OF 2016

In the second half of 2016, we plan to launch a number of new self-developed products. In addition, we also have a number of cross-platform offerings that we have developed using our newly acquired IP. We believe that a number of these products will begin to contribute material revenue in the second half of 2016. In terms of our virtual world offerings, we have seen a measurable improvement in user metrics as a result of our ongoing retention and engagement initiatives, and we anticipate this uptick to continue in the second half of 2016. We are confident that the launches of these new products and continued improvement in existing business lines will drive BAIOO back into profitability in the second half of the year. Our long term growth story remains intact, and we will continue looking for additional opportunities to expand and grow our IP portfolio and product lines as appropriate in order to develop a solid foundation for sustained and long-term growth.

OPERATION INFORMATION

The following table sets out average QAAs, average QPAs and average quarterly ARQPA for our online virtual worlds for the periods indicated below (Notes):

	Six months ended		
	30 June 2016 ⁽¹⁾	30 June 2015	Period-over- period change
	(QAA & QPA in millions, ARQPA in RMB)		
average QAA ⁽²⁾	48.5	48.1	0.8%
average QPA ⁽³⁾	2.0	2.4	(16.7%)
average quarterly ARQPA ⁽⁴⁾	39.5	34.3	15.2%

Notes:

- As of 30 June 2016, our online virtual worlds under commercial operation included Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoji, Clashes of Aoji, Magic Fighter and Amazing Combat.
- The average QAA for online virtual worlds was approximately 48.5 million for the six months ended 30 June 2016, representing an increase of approximately 0.8% compared with the same period last year. This reflected our virtual worlds keep stable active user as we focus on fun, accessible and healthy content.
- The average QPA for online virtual worlds was approximately 2.0 million for the six months ended 30 June 2016, representing a decrease of approximately 16.7% compared with the same period last year as a result of our strategy of moving away from heavy monetization and focus on fun purpose to attract more users.
- The average quarterly ARQPA for online virtual worlds was approximately RMB39.5 for the six months ended 30 June 2016, representing an increase of approximately 15.2% compared with the same period last year as a result of the increasing popularity of our online virtual world after our "fun" strategy implement.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth our interim condensed consolidated statements of comprehensive (loss)/income for the six months ended 30 June 2016 and 2015, respectively:

	Unaudited			
	30 June		For the six months ended	
	2016	% of	30 June	% of
	RMB'000	Revenue	2015	Revenue
			RMB'000	
Revenue	187,644	100.0	183,930	100.0
Online entertainment business	160,748	85.7	172,308	93.7
Retail Business	26,684	14.2	10,439	5.7
Other businesses	212	0.1	1,183	0.6
Cost of revenue	(77,697)	(41.4)	(73,843)	(40.1)
Gross profit	109,947	58.6	110,087	59.9
Selling and marketing expenses	(47,643)	(25.4)	(26,483)	(14.5)
Administrative expenses	(53,609)	(28.6)	(33,165)	(18.0)
Research and development expenses	(33,244)	(17.7)	(15,533)	(8.4)
Other income	3,959	2.1	3,460	1.9
Other gains — net	2,370	1.3	2	0.0
Operating (loss)/profit	(18,220)	(9.7)	38,368	20.9
Finance income — net	15,294	8.1	23,836	12.9
Share of profit of an associate	11	0.0	—	—
(Loss)/profit before income tax	(2,915)	(1.6)	62,204	33.8
Income tax expense	(4,060)	(2.1)	(8,749)	(4.7)
(Loss)/profit for the period	(6,975)	(3.7)	53,455	29.1
Other comprehensive income, net of tax	427	0.2	—	—
Total comprehensive (loss)/income for the period	(6,548)	(3.5)	53,455	29.1
Other financial data				
Adjusted net profit ⁽¹⁾ (unaudited)	8,569	4.6	62,063	33.7
Adjusted EBITDA ⁽²⁾ (unaudited)	1,278	0.7	50,768	27.6

Management Discussion and Analysis

Notes:

1. Adjusted net profit consists of (loss)/profit for the period plus share-based compensation and fair value loss of convertible redeemable preferred shares.
2. Adjusted EBITDA consists of adjusted net profit less finance income-net, plus income tax, depreciation of fixed assets and amortization of intangible assets.

Revenue

Our revenue for the six months ended 30 June 2016 was RMB187.6 million, representing a 2.0% increase from RMB183.9 million for the six months ended 30 June 2015.

Online Entertainment Business: Our online entertainment business revenue for the six months ended 30 June 2016 was RMB160.7 million, a 6.7% decrease from RMB172.3 million for the six months ended 30 June 2015. This was primarily due to our strategy of moving away from heavy monetization and focus on fun purpose to attract more users.

Retail Business (Note): Revenue from retail business for the six months ended 30 June 2016 was RMB26.7 million, a 156.7% increase from RMB10.4 million for the six months ended 30 June 2015, primarily due to additional revenue generated from the sales of baby and maternity products by Bumps to Babes, which we acquired on 8 May 2015.

Other Businesses: Revenue from other businesses for the six months ended 30 June 2016 was RMB0.2 million, a 83.3% decrease from RMB1.2 million for the six months ended 30 June 2015, mainly reflected the decrease of the revenue generated from the advertisement compared with six months ended 30 June 2015.

Note: In light of the expansion of our retail business, we separate it from the "other businesses" segment in our financial statements from 2016 onwards. Comparative figures have been reclassified to conform to the new presentation.

Cost of Revenue

Our cost of revenue for the six months ended 30 June 2016 was RMB77.7 million, a 5.3% increase from RMB73.8 million for the six months ended 30 June 2015.

Online Entertainment Business: Our online entertainment business' cost for the six months ended 30 June 2016 was RMB60.5 million, a 8.9% decrease from RMB66.4 million for the six months ended 30 June 2015. The decrease was primarily driven by the decrease in employee benefit expenses and prepaid card production fees, partly offset by the increase in payment of third party revenue sharing.

Retail Business: Cost of Retail business for the six months ended 30 June 2016 was RMB14.9 million, a 129.2% increase from RMB6.5 million for the six months ended 30 June 2015. The increase mainly reflected increase in cost of goods sold as a result of baby and maternity product sales following the Bumps to Babes acquisition on May 2015.

Other Businesses: Cost of other businesses for the six months ended 30 June 2016 was RM2.3 million, a 155.6% increase from RMB0.9 million for the six months ended 30 June 2015. The increase primarily reflected increase in employee benefit expenses.

Gross Profit

As a result of the foregoing, our gross profit for the six months ended 30 June 2016 was RMB109.9 million, compared with RMB110.1 million for the six months ended 30 June 2015. Gross profit margin was 58.6% for the six months ended 30 June 2016, compared with 59.9% for the six months ended 30 June 2015. The lower gross profit margin was mainly due to the lower gross profit margins of baby and maternity products that were sold by Bumps to Babes.

Selling and Marketing Expenses

Our selling and marketing expenses for the six months ended 30 June 2016 were RMB47.6 million, a 79.6% increase from RMB26.5 million for the six months ended 30 June 2015. This was primarily due to (i) additional employee benefit expenses and operating retail lease rental expenses incurred following the Bumps to Babes acquisition and (ii) higher marketing spending on promotional programs.

Administrative Expenses

Our administrative expenses for the six months ended 30 June 2016 were RMB53.6 million, a 61.4% increase from RMB33.2 million for the six months ended 30 June 2015. This was primarily the result of (i) a RMB7.8 million increase in employee benefit expenses due to increase in administrative headcount; (ii) an RMB9.1 million of one-time expense arising from relocation to a newly rented office space; (iii) a RMB0.9 million increase in utility and office expenses and (iv) a RMB1.2 million increase in professional fees.

Research and Development Expenses

Our research and development expenses for the six months ended 30 June 2016 were RMB33.2 million, a 114.2% increase from RMB15.5 million for the six months ended 30 June 2015. This was primarily driven by increases in expenses for the research and development projects for new mobile and PC games development as well as development of an e-commerce platform.

Other Income

The Company recognized RMB4.0 million in other income for the six months ended 30 June 2016, compared with RMB3.5 million for the six months ended 30 June 2015. The other income was generated as a result of our fulfillment of certain performance conditions attached to government grants.

Other Gains — net

The Company recognized RMB2.4 million in fair value gains on financial assets at fair value through profit or loss in the first half of 2016, compared with RMB2,000 in foreign exchange gains for the six months ended 30 June 2015.

Operating (Loss)/Profit

As a result of the foregoing, our operating loss for the six months ended 30 June 2016 was RMB18.2 million, compared with operating profit of RMB38.4 million for the six months ended 30 June 2015.

Finance Income — net

We had net finance income of RMB15.3 million for the six months ended 30 June 2016, compared with net finance income of RMB23.8 million for the six month ended 30 June 2015. Finance income for the six months ended 30 June 2016 was primarily attributable to (i) RMB12.3 million in interest income on short-term and long-term deposits; (ii) RMB1.2 million in interest income on cash in bank balances and (iii) RMB2.5 million in exchange gains related to non-RMB cash on hands.

Management Discussion and Analysis

(Loss)/profit before Income Tax

As a result of the foregoing, we had a loss of RMB2.9 million for the six months ended 30 June 2016, compared with a profit of RMB62.2 million for the six months ended 30 June 2015.

Income Tax Expense

Our income tax expense for the six months ended 30 June 2016 was RMB4.1 million, a 52.9% decrease from RMB8.7 million for the six months ended 30 June 2015. This was primarily due to the decrease of assessable profit.

(Loss)/profit for the Period

As a result of the foregoing, we had a loss of RMB7.0 million for the six months ended 30 June 2016, compared with a profit of RMB53.5 million for the six months ended 30 June 2015.

Non-IFRS Measure — Adjusted Net Profit/EBITDA

Our adjusted net profit for the six months ended 30 June 2016 was RMB8.6 million, representing a 86.2% decrease from RMB62.1 million for the six months ended 30 June 2015. Our adjusted EBITDA for the six months ended 30 June 2016 was RMB1.3 million, representing a 97.4% decrease from RMB50.8 million for the six months ended 30 June 2015.

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
(Loss)/Profit for the period	(6,975)	53,455
Add:		
Share-based compensation	15,544	8,608
Adjusted net profit	8,569	62,063
Add:		
Depreciation and amortization	3,943	3,792
Finance income-net	(15,294)	(23,836)
Income tax	4,060	8,749
Adjusted EBITDA	1,278	50,768

LIQUIDITY AND FINANCIAL RESOURCES

In the first half of 2016, we met our working capital and other capital requirements principally from cash flow generated from our operating activities.

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

	Unaudited As of 30 June 2016 RMB'000	Audited As of 31 December 2015 RMB'000
Total liabilities	471,227	182,666
Total assets	2,007,628	1,752,990
Gearing ratio ⁽³⁾	23%	10%

Notes:

(3) Gearing ratio is calculated by dividing total liabilities by total assets.

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

As of 30 June 2016, our cash and cash equivalents consisted of cash in bank and cash on hand, which amounted to RMB247.7 million, compared with RMB254.6 million as of 31 December 2015. We had short-term deposits of RMB941.1 million as of 30 June 2016, representing bank deposits which we intend to hold for over three months but less than one year. We also had long-term deposits of RMB380.0 million as of 30 June 2016, representing bank deposits with an expected maturity of over one year but less than two years. The effective interest rate per annum for all bank balances and deposits as of 30 June 2016 was 1.7%, compared with 2.7% as of 31 December 2015. Our policy is to place our cash in interest-bearing principal-protected demand or deposits with reputable PRC or international banks.

Management Discussion and Analysis

Restricted Cash

As of 30 June 2016, the Group had restricted cash balance of RMB279.6 million, representing our deposit place in a bank as collateral for a one-year banking facility. The banking facility was granted to Guangzhou Baitian Information Technology Limited, our PRC operating entity.

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

Group	Unaudited	Audited
	As of 30 June 2016 RMB'000	As of 31 December 2015 RMB'000
RMB	1,738,620	1,455,632
HK\$	100,208	146,282
US\$	9,569	8,623
Others	1	92
Total	1,848,398	1,610,629

Bank Loans and Other Borrowings

The Group had a borrowing of RMB278.1 million and overdrafts of RMB0.7 million as of 30 June 2016, which are shown in current liabilities. The borrowing of RMB278.1 million, with the interest rate of demand deposit, will mature in the first half of 2017. The Group had a banking facility of RMB280.6 million as of 30 June 2016, including a RMB278.1 million borrowing facility, RMB1.7 million overdraft facility and a RMB0.8 million rental guarantee. The Group has RMB1.0 million undrawn overdraft facility.

Treasury Policies

As of 30 June 2016, the Group had conservative treasury policies in terms of cash and financial management. The Group does not use any financial instruments for hedging purposes.

Foreign Currency Risk

As of 30 June 2016, RMB109.8 million of our financial resources were held in deposits in non-RMB currencies. Since there are no cost-effective hedges against the fluctuations of the RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our cash in bank balances.

Capital Expenditures and Investments

Our capital expenditures consist of purchases of property and equipment such as servers and computers as well as leasehold improvement and intangible assets such as computer software. In the first half of 2016, our total capital expenditures were RMB17.1 million, compared with RMB2.3 million in the first half of 2015. The following table sets out our expenditures for the periods indicated:

	Unaudited	
	For the six months ended	
	2016	2015
	RMB'000	RMB'000
Capital Expenditures		
— Purchase of property and equipment	15,210	2,152
— Purchase of intangible assets	1,886	109
Total	17,096	2,261

Contingent Liabilities

As of 30 June 2016, the Group did not have any material contingent liabilities, guarantees or litigation against it.

Charges on Assets

The Group pledged RMB279.6 million to a bank to secure a short-term banking facility granted to the Group.

Material Acquisitions and Future Plans for Major Investment

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2016.

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

Management Discussion and Analysis

Employees and Staff Costs

As of 30 June 2016, the Group had 835 full-time employees, 94.6% of whom are based in Guangzhou. The following table sets forth the number of full-time employees by function as of 30 June 2016:

	As of 30 June 2016	
	Number of Employees	% of Total
Operations	374	44.8
Development and research	227	27.2
Sales and Marketing	164	19.6
General and administration	70	8.4
Total	835	100.0

In addition to salary, we also provide various incentives, including share-based awards, such as share options and RSUs granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees, covering pension, medical, unemployment, work injury and maternity leave. We are required by the PRC law to make contributions to these social insurance plans at specified percentages of the compensation of each employee, up to a maximum amount as may be specified by the local government from time to time. Such social insurance plans include defined contribution retirement benefit plans organized by the relevant governmental authorities. Forfeited contributions by the Group to these plans may not be used by the Group to reduce the existing level of contributions. The total amount of contributions we made for employee social insurance plans in the first half of 2016 were approximately RMB16.1 million, compared with RMB12.7 million in the first half of 2015. We incurred staff costs of approximately RMB114.7 million and RMB85.3 million, for the six months ended 30 June 2016 and 2015, representing 61.1% and 46.4% of our revenue for those periods, respectively.

We also grant share options and RSUs to our employees to incentivize them to contribute to our growth. Pursuant to the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme, there were a total of 2,044,000 share options and 39,005,850 RSUs outstanding as of 30 June 2016.

We will continue to grant RSUs to our employees to incentivize them pursuant to the Post-IPO RSU Scheme. The maximum aggregate number of the Shares underlying all the RSUs which we may grant pursuant to the Post-IPO RSU Scheme is 114,238,000 shares, representing approximately 4.0% of our share capital as of the date of the AGM (as defined below). As of 30 June 2016, 95,780,000 RSUs have been granted to senior management members and employees of the Group pursuant to the Post-IPO RSU Scheme and there were a total of 77,560,000 RSUs outstanding as of 30 June 2016.

Dividend

At the Company's annual general meeting on 27 May 2016 ("AGM"), the then Shareholders approved the Board-recommended final dividend of HK\$0.018 (equivalent to approximately RMB0.015) per share for the year ended 31 December 2015. The final dividend was paid to the then Shareholders on 27 June 2016.

The Board did not propose any interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

CHANGES SINCE 31 DECEMBER 2015

There were no other significant changes in the Group's financial position or from the information disclosed under management discussion and analysis in the annual report of our Company for the year ended 31 December 2015.

Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF BAIIO FAMILY INTERACTIVE LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 25 to 55, which comprises the interim condensed consolidated balance sheet of BAIIO Family Interactive Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 and the related interim condensed consolidated income statement, comprehensive (loss)/income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2016

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Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	6	187,644	183,930
Cost of revenue		(77,697)	(73,843)
Gross profit		109,947	110,087
Selling and marketing expenses		(47,643)	(26,483)
Administrative expenses		(53,609)	(33,165)
Research and development expenses		(33,244)	(15,533)
Other income		3,959	3,460
Other gains — net		2,370	2
Operating (loss)/profit	8	(18,220)	38,368
Finance income		15,969	27,207
Finance costs		(675)	(3,371)
Finance income-net		15,294	23,836
Share of profit of an associate	7	11	—
(Loss)/profit before income tax		(2,915)	62,204
Income tax expense	9	(4,060)	(8,749)
(Loss)/profit for the period		(6,975)	53,455
Attributable to:			
— Shareholders of the Company		(5,448)	53,382
— Non-controlling interests		(1,527)	73
		(6,975)	53,455
(Losses)/earnings per share (expressed in RMB per share)	10		
— Basic		(0.0020)	0.0198
— Diluted		(0.0020)	0.0195

The notes on pages 32 to 55 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive (Loss)/Income

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
(Loss)/profit for the period	(6,975)	53,455
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	427	—
Total comprehensive (loss)/income for the period	(6,548)	53,455
Attributable to:		
— Shareholders of the Company	(5,152)	53,382
— Non-controlling interests	(1,396)	73
	(6,548)	53,455

The notes on pages 32 to 55 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet

		Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
	Note		
ASSETS			
Non-current assets			
Property and equipment	12	41,182	16,312
Intangible assets	12	51,458	50,003
Investment in an associate	7	3,667	3,656
Prepayments and other receivables		9,676	9,608
Deferred income tax assets	17	4,873	4,940
Long-term deposits	14	380,000	380,000
Financial assets at fair value through profit or loss		2,624	—
		493,480	464,519
Current assets			
Inventories		16,074	16,277
Trade receivables	13	7,005	6,161
Prepayments and other receivables		21,598	34,106
Financial assets at fair value through profit or loss		1,073	1,298
Short-term deposits	14	941,121	975,991
Cash and cash equivalents	14	247,721	254,638
Restricted cash	14	279,556	—
		1,514,148	1,288,471
Total assets		2,007,628	1,752,990
EQUITY			
Share capital	15	8	8
Share premium	15	1,552,913	1,581,855
Reserves	16	50,201	48,338
Accumulated losses		(83,410)	(77,962)
		1,519,712	1,552,239
Non-controlling interests		16,689	18,085
Total equity		1,536,401	1,570,324

Interim Condensed Consolidated Balance Sheet

		Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
	Note		
LIABILITIES			
Non-current liabilities			
Deferred revenue		5,560	2,842
Deferred income tax liabilities	17	2,628	2,670
Advances from government grants		778	1,560
Long-term payable		10,544	9,793
		19,510	16,865
Current liabilities			
Trade payables	18	13,318	11,467
Other payables and accruals	19	45,511	38,865
Amount due to related parties		—	1,075
Advances from customers and distributors		51,011	57,828
Advance from government grant		1,000	3,273
Deferred revenue		59,489	50,801
Income tax liabilities		2,672	2,276
Borrowing	20	278,056	—
Bank overdrafts		660	216
		451,717	165,801
Total liabilities		471,227	182,666
Total equity and liabilities		2,007,628	1,752,990

This interim condensed consolidated financial information on pages 32 to 55 were approved for issue by the board of directors of the Company (the "Board") and were signed on its behalf.

Li Chong
Director

Xu Gang
Director

The notes on pages 32 to 55 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to shareholders of the Company				Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000			
Balance as at 1 January 2015		8	1,636,621	49,916	(176,871)	1,509,674	—	1,509,674
Comprehensive income								
Profit for the period		—	—	—	53,382	53,382	73	53,455
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income		—	—	—	53,382	53,382	73	53,455
Profit appropriations to statutory reserves		—	—	—	—	—	—	—
Transactions with owners, recognized directly in equity								
Share Option Scheme:								
— Exercise of share options	16	—	164	(97)	—	67	—	67
Restricted Share Unit Schemes ("RSU Schemes"):								
— Value of employee services	16	—	—	8,608	—	8,608	—	8,608
— Vesting of RSUs	16	—	6,454	(6,454)	—	—	—	—
Acquisition of a subsidiary		—	—	—	—	—	17,823	17,823
2014 final dividend	11	—	(74,415)	—	—	(74,415)	—	(74,415)
Recognition of financial liability in respect of the put option granted to non-controlling interests		—	—	(7,941)	—	(7,941)	(644)	(8,585)
Total transactions with owners, recognized directly in equity		—	(67,797)	(5,884)	—	(73,681)	17,179	(56,502)
Balance as at 30 June 2015		8	1,568,824	44,032	(123,489)	1,489,375	17,252	1,506,627

Interim Condensed Consolidated Statement of Changes in Equity

Note	Unaudited Attributable to shareholders of the Company				Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000			
Balance as at 1 January 2016	8	1,581,855	48,338	(77,962)	1,552,239	18,085	1,570,324
Comprehensive income							
Loss for the period	–	–	–	(5,448)	(5,448)	(1,527)	(6,975)
Other comprehensive income	–	–	296	–	296	131	427
Total comprehensive income	–	–	296	(5,448)	(5,152)	(1,396)	(6,548)
Profit appropriations to statutory reserves	–	–	–	–	–	–	–
Transactions with owners, recognized directly in equity							
Share Option Scheme:							
– Exercise of share options	16	32	(17)	–	15	–	15
– Value of options to vendor	16	–	44	–	44	–	44
RSU Schemes:							
– Value of employee services	16	–	15,544	–	15,544	–	15,544
– Vesting of RSUs	16	14,004	(14,004)	–	–	–	–
2015 final dividend	11	(41,484)	–	–	(41,484)	–	(41,484)
Buy-back and cancellation of shares	–	(1,494)	–	–	(1,494)	–	(1,494)
Total transactions with owners, recognized directly in equity	–	(28,942)	1,567	–	(27,375)	–	(27,375)
Balance as at 30 June 2016	8	1,552,913	50,201	(83,410)	1,519,712	16,689	1,536,401

The notes on pages 32 to 55 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		(3,918)	35,017
Interest received		1,154	645
Income tax paid		(3,601)	(5,765)
Net cash (used in)/generated from operating activities		(6,365)	29,897
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		—	(35,522)
Purchase of property and equipment and intangible assets		(17,096)	(2,261)
Payments for investment in an associate		(875)	—
Investment in bank deposits		(681,121)	(600,000)
Repayment from bank deposits		715,991	678,209
Interest received from bank deposits		24,189	18,248
Increase in restricted cash	14(a)	(279,556)	—
Net cash (used in)/generated from investing activities		(238,468)	58,674
Cash flows from financing activities			
Proceeds from short-term borrowing	20	278,056	—
Buy-back of shares		(1,494)	—
Exercise of share option		15	67
Interest paid		(127)	—
Payment of commissions and listing expenses		—	(355)
Dividends paid to the Company's shareholders		(41,484)	—
Net cash generated from/(used in) financing activities		234,966	(288)
Net (decrease)/increase in cash and cash equivalents		(9,867)	88,283
Cash and cash equivalents at beginning of the period		254,422	259,367
Currency translation gains/(losses) on cash and cash equivalents		2,506	(97)
Cash and cash equivalents at end of the period		247,061	347,553
Cash and cash equivalents comprises:			
Bank overdrafts		(660)	(250)
Cash and banks	14	247,721	347,803
Cash and cash equivalents		247,061	347,553

The notes on pages 32 to 55 form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

1 General information

BAIOO Family Interactive Limited (the “Company” or “Baioo”) was incorporated in the Cayman Islands on 25 September 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Hutchins Drive, Cricket Square, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies.

The Company, its subsidiaries and the PRC operating entity (collectively the “Group”) are principally engaged in the development and operation of online virtual worlds business for children in the People’s Republic of China (the “PRC”), a chain of retail outlets for selling baby and maternity products in Hong Kong together with its associated e-commerce business, as well as some other off-line businesses.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 April 2014.

The interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated, and have been approved for issue by the Board on 26 August 2016.

The interim condensed consolidated financial information has not been audited.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

- (i) Amendments to standards adopted by the Group as at 1 January 2016

The following amendments to standards are mandatory for the Group's financial year beginning 1 January 2016. The adoption of these amendments to standards does not have any material impact on the Group.

IAS 1 (Amendment)	Disclosure Initiative
IFRS 14	Regulatory Deferral Accounts
IFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
IAS 16 and IAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortization
IAS 16 and IAS 41 (Amendment)	Agriculture: Bearer Plants
IAS 27 (Amendment)	Equity Method in Separate Financial Statements
IFRS 10, IFRS 12 and IAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
IFRSs (Amendment)	Annual Improvements 2012–2014 Cycle

There are no other amended standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

- (ii) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Notes to the Interim Condensed Consolidated Financial Information

4 Estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5 Financial risk management and financial instruments

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

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

Notes to the Interim Condensed Consolidated Financial Information

5 Financial risk management and financial instruments (continued)

5.2 Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 4 years RMB'000	Between 4 and 5 years RMB'000	Total RMB'000
As at 30 June 2016						
Trade payables	13,318	—	—	—	—	13,318
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	24,525	—	—	—	—	24,525
Borrowing	278,747	—	—	—	—	278,747
Bank overdrafts	660	—	—	—	—	660
Long-term payable	—	12,942	—	—	—	12,942
As at 31 December 2015						
Trade payables	11,467	—	—	—	—	11,467
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	9,543	—	—	—	—	9,543
Amount due to related parties	1,075	—	—	—	—	1,075
Bank overdrafts	216	—	—	—	—	216
Long-term payable	—	—	12,680	—	—	12,680

Notes to the Interim Condensed Consolidated Financial Information

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2016.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements:				
Assets:				
Financial assets at fair value through profit or loss	—	—	3,697	3,697

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

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements:				
Assets:				
Financial assets at fair value through profit or loss	—	—	1,298	1,298

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques.

Notes to the Interim Condensed Consolidated Financial Information

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the 6 months ended 30 June 2016.

	Financial assets at fair value through profit or loss RMB'000
At 1 January 2016	1,298
Addition	—
Gains recognized in profit or loss	2,399
At 30 June 2016	3,697
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under "Other gain — net"	2,399
Changes in unrealised gains or losses for the period included in profit or loss at the end of the reporting period	2,399

The Group determines the fair value of the Group's level 3 financial instrument carried at fair value at each of the reporting dates.

The carrying amounts of financial assets including cash and cash equivalents, short-term deposits, long-term deposits, restricted cash, trade and other receivables; and financial liabilities including trade payables, other payables and accruals and long-term payable, approximated their respective fair value at each of the reporting dates.

6 Segment information

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

In light of the expansion of the Group's retail business, the retail revenue previously included in the "Other businesses" segment has been separately presented as the "Retail business" segment in this interim condensed financial information. The "Online business" has been renamed as "Online entertainment business". The comparative figures have also been reclassified to conform to the new presentation. The above changes in segment information were taken to better reflect the current operations of the Group, as well as the resource allocation and future business developments of the Group.

As a result of this evaluation, the Group determined that it has operating segments as follows:

- Online entertainment business
- Retail business (including the associated e-commerce business)
- Other businesses

The Group's other businesses mainly include advertising, licensing and other services.

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profits of each operating segment. The selling and marketing expenses, administrative expenses, research and development expenses, other income, other gains — net, finance income — net and income tax expense and share of profit of an associate are not included in the measure of the segments' performance.

There were no material inter-segment sales during six months ended 30 June 2016 and 2015, respectively. The revenues from external customers reported to CODM are measured as segment revenue.

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

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information (continued)

The segment revenue provided to the Group's CODM for the reportable segments for the six months ended 30 June 2016 and 2015, respectively, are as follows:

	Unaudited			
	Six months ended 30 June 2016			
	Online entertainment business	Retail business	Other businesses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment Revenue	160,748	26,684	212	187,644
Gross Profit	100,258	11,778	(2,089)	109,947
Depreciation (Note 12)	2,644	547	—	3,191
Amortization (Note 12)	176	576	—	752
Share of profit of an associate (Note 7)	11	—	—	11

	Unaudited			
	Six months ended 30 June 2015			
	Online entertainment business	Retail business	Other businesses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment Revenue	172,308	10,439	1,183	183,930
Gross Profit	105,910	3,941	236	110,087
Depreciation (Note 12)	3,509	51	—	3,560
Amortization (Note 12)	55	177	—	232

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

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information (continued)

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and Hong Kong.

For six months ended 30 June 2016 and 2015, the geographical information on the total revenue is as follows:

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Revenue		
– Mainland China	160,960	173,491
– Hong Kong	26,684	10,439
Total	187,644	183,930

There is no concentration risk in terms of customers (which include end users from online entertainment business and customers from retail business as well as other businesses) as no single external customer contributed more than 10% of the Group's total revenue for the six months ended 30 June 2016 and 2015, respectively. However, revenue of the Group is mainly derived from self-developed online virtual worlds operations and the Group depends on the success of a limited number of online virtual worlds to generate revenue. As summarized in the table below, the online virtual worlds contributing more than 10% of the Group's total revenue account for 67.3% and 86.3% of the total revenue for the six months ended 30 June 2016 and 2015, respectively. The percentage of revenue contributed by the following online virtual worlds is not presented for the periods when such amount is less than 10% of the Group's total revenue in a particular period.

	Unaudited Six months ended 30 June	
	2016	2015
Legend of Aoqi	44.7%	43.4%
Aola Star	22.6%	28.9%
Aobi Island	N/A	14.0%

As at 30 June 2016, the total non-current assets, other than financial instruments and deferred tax assets, located in Mainland China and other areas were RMB45,766,000 (31 December 2015: RMB19,811,000) and RMB52,899,000 (31 December 2015: RMB50,983,000), respectively.

Notes to the Interim Condensed Consolidated Financial Information

7 Investment in an associate

On 18 September 2015, the Group invested in Beijing Xingmen Dongman Technology Limited Company (“Xingmen”) with a cash consideration of RMB4,000,000 for 20% equity interest.

	Unaudited RMB'000
Six months ended 30 June 2016	
Opening net book amount	3,656
Share of post-tax profits of an associate	11
Closing net book amount	3,667

8 Operating (loss)/profit

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

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Operating items		
Employee benefit expenses	114,747	85,262
Promotion and advertising expenses	23,783	22,725
Bandwidth and server custody fees	10,045	9,504
Operating lease rentals in respect of office premises	22,033	6,864
Cost of inventories sold	15,063	6,212
Professional fees	5,120	3,901
Depreciation of property and equipment and amortization of intangible assets (Note 12)	3,943	3,792
Prepaid card production fee	1,051	2,090

Notes to the Interim Condensed Consolidated Financial Information

9 Income tax expense

The income tax expense of the Group for the six months ended 30 June 2016 and 2015 is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax	4,058	4,144
Deferred income tax	2	4,605
Income tax expense	4,060	8,749

The high effective income tax rate for the six months ended 30 June 2016 was mainly because no deferred tax asset was recognized on the tax losses of the e-commerce business due to the uncertainty of the utilization of the tax losses.

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2016 and 2015.

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

The Group's subsidiaries and PRC operating entity in the PRC are subject to corporate income tax at the rate of 25% except Guangzhou Baitian Information Technology Limited ("Guangzhou Baitian"), which was qualified as "High and New Technology Enterprise" ("HNTE") in 2011 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the six months ended 30 June 2016 and 2015, respectively.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for its entities in ascertaining their assessable profits for the six months ended 30 June 2016 and 2015, respectively.

Notes to the Interim Condensed Consolidated Financial Information

9 Income tax expense (continued)

(d) PRC withholding tax (“WHT”)

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

For the six months ended 30 June 2016 and 2015, respectively, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings to the Company as the Company's share premium is distributable under the Cayman Islands Law. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each of the reporting periods.

10 (Losses)/earnings per share

(a) Basic

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

	Unaudited Six months ended 30 June	
	2016	2015
(Losses)/earnings attributable to shareholders of the Company (RMB'000)	(5,448)	53,382
Weighted average number of ordinary shares in issue less shares held for RSU Schemes	2,727,638,392	2,693,563,914
Basic (losses)/earnings per share (in RMB/share)	(0.0020)	0.0198

Notes to the Interim Condensed Consolidated Financial Information

10 (Losses)/earnings per share (continued)

(b) Diluted

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

For the six months ended 30 June 2016, the Company had two categories of potential ordinary shares, the share options and the RSUs, which had to be considered for calculating diluted losses per share. No adjustment was made to basic losses per share to derive the diluted losses per share for the six months ended 30 June 2016 as each of the types of potential ordinary shares was anti-dilutive.

For the six months ended 30 June 2015, the Company had two categories of potential ordinary shares, the share options and the RSUs, which had to be considered for calculating diluted earnings per share. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average market price per share for the period) based on the total proceeds receivable upon exercising the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs. The difference is added to the denominator as the number of shares issued for no consideration.

	Unaudited Six months ended 30 June 2015
Earnings	
Earnings attributable to shareholders of the Company (RMB'000)	53,382
Weighted average number of ordinary shares	
Weighted average number of ordinary shares in issue less shares	
held for RSU Schemes	2,693,563,914
Adjustments for:	
— Share options	3,412,650
— RSUs	46,142,340
Weighted average number of ordinary shares for diluted earnings per share	2,743,118,904
Diluted earnings per share (in RMB/share)	0.0195

Notes to the Interim Condensed Consolidated Financial Information

11 Dividend

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Final dividend of HK\$0.018 (2015: HK\$0.035) per ordinary share (Note a)	43,352	77,577
Less: Dividend for shares held for the RSU Schemes	(1,868)	(3,162)
	41,484	74,415

- (a) The 2015 final dividend of HK\$0.018 (equivalent to approximately RMB0.015) per ordinary share, totalling HK\$51,407,000 (equivalent to approximately RMB43,352,000), was approved in the Company's annual general meeting on 27 May 2016 and was paid on 27 June 2016.

A 2014 final dividend of HK\$0.035 (equivalent to approximately RMB0.028) per ordinary share, totalling HK\$98,373,000 (equivalent to approximately RMB77,577,000), was approved in the Company's annual general meeting on 19 June 2015 and was paid on 17 July 2015.

- (b) The Company did not declare an interim dividend for the six months ended 30 June 2016 (2015: nil).

Notes to the Interim Condensed Consolidated Financial Information

12 Property and equipment and intangible assets

	Property and equipment RMB'000	Unaudited Other intangible assets RMB'000	Goodwill RMB'000
Six months ended 30 June 2016			
Opening net book amount	16,312	16,697	33,306
Additions	28,026	1,886	—
Depreciation and amortization charge	(3,191)	(752)	—
Exchange difference	35	321	—
Closing net book amount	41,182	18,152	33,306
Six months ended 30 June 2015			
Opening net book amount	10,943	383	—
Acquisition of a subsidiary	981	15,938	33,306
Additions	2,152	109	—
Depreciation and amortization charge	(3,560)	(232)	—
Closing net book amount	10,516	16,198	33,306

13 Trade receivables

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Receivables from third parties	7,005	6,161
Less: Allowance for impairment	—	—
	7,005	6,161

Notes to the Interim Condensed Consolidated Financial Information

13 Trade receivables (continued)

Trade receivables mainly arose from several online payment collection channels and advertising agencies. Advertising revenues of the Group are mainly generated on sales with credit terms determined on an individual basis with normal credit periods of 90 to 120 days from the respective invoice dates.

As at 30 June 2016, the ageing analysis of trade receivables is as follows:

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
0–30 days	4,196	4,234
31–60 days	506	168
61–90 days	653	22
91–180 days	755	1,737
Over 180 days	895	—
	7,005	6,161

14 Cash and cash equivalents, restricted cash, short-term deposits and long-term deposits

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Restricted cash (Note a)	279,556	—
Long-term deposits (Note b)	380,000	380,000
Short-term deposits (Note c)	941,121	975,991
Cash and cash equivalents — Cash at bank and on hand (Note d)	247,721	254,638
	1,848,398	1,610,629
Maximum exposure to credit risk (Note f)	1,848,098	1,610,508

14 Cash and cash equivalents, restricted cash, short-term deposits and long-term deposits (continued)

- (a) In April 2016, the Group pledged deposits of RMB279,556,000 to a bank as security for a short-term banking facility granted to the Group. In the meantime, the Group drew the loan amounting to RMB278,056,000 and made a short-term structured deposit of the same amount with the bank. The borrowing is denominated in RMB with an interest rate of 0.3%, the same as interest rate of the relevant pledged deposit. The interest rate of the structured deposits includes a fixed rate of 1.75% and a variable element of 2.2% which is dependent upon the value of future gold price. The variable element is accounted for as a derivative and recorded as "Financial Assets at Fair Value through Profit or Loss".
- (b) Long-term deposits represent the Group's deposit placed in a bank with an expected maturity of over one year but less than two years.
- (c) Short-term deposits represent the Group's deposit placed in a bank with an expected maturity of over three months but less than one year.
- (d) Cash at bank balances as at 30 June 2016 and 31 December 2015 was all demand in nature.
- (e) The effective interest rate per annum for all bank balances and deposits as at 30 June 2016 was approximately 1.7% (31 December 2015: 2.7%).
- (f) To manage the credit risk, bank deposits are mainly placed with state-owned or reputable listed financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

Notes to the Interim Condensed Consolidated Financial Information

15 Share capital and share premium

As at 30 June 2016, the total number of issued ordinary shares of the Company was 2,855,046,000 shares (31 December 2015: 2,858,672,000 shares) which included 122,528,700 shares (31 December 2015: 140,447,150 shares) held under the RSU Scheme.

	Number of shares	Nominal value of shares US\$'000	Unaudited			Total RMB'000
			Share Capital RMB'000	Shares held under RSU Scheme RMB'000	Share Premium RMB'000	
Issued and fully paid:						
As at 1 January 2016	2,858,672,000	2	8	—	1,581,855	1,581,863
Share Option Scheme:						
— Exercise of share options	396,000	—	—	—	32	32
RSU Scheme:						
— Vesting of RSUs	—	—	—	—	14,004	14,004
Buy-back and cancellation of shares (Note a)	(4,022,000)	—	—	—	(1,494)	(1,494)
2015 final dividend paid to equity holders of the Company	—	—	—	—	(41,484)	(41,484)
As at 30 June 2016	2,855,046,000	2	8	—	1,552,913	1,552,921
As at 1 January 2015	2,808,546,000	1	8	—	1,636,621	1,636,629
Share Option Scheme:						
— Exercise of share options	2,116,000	—	—	—	164	164
RSU Schemes:						
— Vesting of RSUs	—	—	—	—	6,454	6,454
2014 final dividend payable to equity holders of the Company	—	—	—	—	(74,415)	(74,415)
As at 30 June 2015	2,810,662,000	1	8	—	1,568,824	1,568,832

(a) The Company acquired 4,022,000 of its own shares through purchases on the Hong Kong Stock Exchange during the six months ended 30 June 2016 for cash totaling HKD1,784,000 (equivalent to RMB1,494,000) and deducted from shareholders' equity.

Notes to the Interim Condensed Consolidated Financial Information

16 Reserves

	Unaudited				Total RMB'000
	Other reserves RMB'000 (Note a)	Statutory reserves RMB'000 (Note b)	Share-based compensation reserve RMB'000	Translation RMB'000	
As at 1 January 2016	2,069	5,005	40,395	869	48,338
Share Option Scheme					
– Exercise of share options	–	–	(17)	–	(17)
– Value of options to vendor	44	–	–	–	44
RSU Scheme					
– Value of employee services	–	–	15,544	–	15,544
– Vesting of RSUs	–	–	(14,004)	–	(14,004)
Currency translation difference	–	–	–	296	296
As at 30 June 2016	2,113	5,005	41,918	1,165	50,201
As at 1 January 2015	10,010	5,005	34,901	–	49,916
Share Option Scheme					
– Exercise of share options	–	–	(97)	–	(97)
RSU Scheme					
– Value of employee services	–	–	8,608	–	8,608
– Vesting of RSUs	–	–	(6,454)	–	(6,454)
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	(7,941)	–	–	–	(7,941)
As at 30 June 2015	2,069	5,005	36,958	–	44,032

16 Reserves (continued)

- (a) Other reserves represent capital contribution injected by Guangzhou Baitian's shareholders into Guangzhou Baitian upon its establishment and the financial liabilities in respect of the put options granted to non-controlling interests on the business combination.
- (b) In accordance with the relevant laws and regulations in the PRC and the Articles of Association of the companies incorporated in the PRC now comprising the Group, the companies are required to appropriate 10% of the annual net profits, 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 reaches 50% of the registered capital of the companies, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to offset prior years' losses, if any, and may be capitalized as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.
- (c) In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective 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 needs not be made.

Notes to the Interim Condensed Consolidated Financial Information

17 Deferred income tax

	Unaudited	
	Deferred income tax assets	Deferred income tax liabilities
	RMB'000	RMB'000
As at 1 January 2016	4,940	2,670
Charged to profit or loss	(96)	(94)
Currency translation differences	29	52
As at 30 June 2016	4,873	2,628
As at 1 January 2015	7,595	—
Acquisition of a subsidiary	—	2,630
Charged to profit or loss	(4,634)	(29)
As at 30 June 2015	2,961	2,601

18 Trade payables

Trade payables primarily relate to the purchase of inventory for the retail of baby and maternity product and related items, services for server custody, outsourcing game development and the revenue sharing collected by the Group's own platforms which is payable to cooperating game developers according to the respective cooperation agreements.

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

	Unaudited	Audited
	As at 30 June	As at 31 December
	2016	2015
	RMB'000	RMB'000
0–30 days	9,039	7,043
31–60 days	2,367	3,405
61–180 days	502	647
181–365 days	1,254	372
1–2 years	156	—
	13,318	11,467

Notes to the Interim Condensed Consolidated Financial Information

19 Other payables and accruals

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Staff costs and welfare accruals	20,201	28,190
Capital expenditure for leasehold improvement	12,816	—
Rental payable	7,780	—
Commission payable to distributors	1,614	2,365
Professional service fees payable	1,329	4,681
Other tax liabilities	785	1,132
Others	986	2,497
	45,511	38,865

20 Borrowing

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Current (note 14(a))	278,056	—

Movement in borrowing is analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2016	
Opening net book amount	—
Proceeds from bank borrowing	278,056
Closing net book amount	278,056

Notes to the Interim Condensed Consolidated Financial Information

21 Capital commitments

Capital expenditure contracted as at 30 June 2016 and 31 December 2015 are analysed as follows:

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Leasehold improvement	13,923	18,324

22 Significant related party transactions

Key management compensation amounted to RMB12,680,000 for the six month ended 30 June 2016 (2015: RMB16,789,000).

	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Wages, salaries and bonuses	5,693	7,003
Pension costs — defined contribution plans	87	97
Other social security costs, housing benefits and other employee benefits	127	134
Share-based compensation expenses	6,773	9,555
	12,680	16,789

23 Contingencies

The Group did not have any material contingent liabilities as at 30 June 2016 and 31 December 2015.

Other Information

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the Group's unaudited Interim Condensed Consolidated Financial Information for the six months ended 30 June 2016. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial statements were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own securities dealing code to regulate all dealings by directors of securities in the Company and other matters covered by the Model Code. The Company has made specific enquiry with all Directors and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the period under review.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code during the six months ended 30 June 2016.

BOARD OF DIRECTORS AND BOARD COMMITTEES

The compositions of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company remain the same as set out in the 2015 annual report of the Company.

CHANGES IN A DIRECTOR'S BIOGRAPHICAL DETAILS

The Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the six months ended 30 June 2016.

INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2016.

Other Information

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

At the Company's annual general meeting on 19 June 2015, the then Shareholders granted a repurchase mandate to the Board to repurchase Shares (which should not exceed 10% of the issued share capital of the Company as at 19 June 2015) from time to time as the Board thinks fit until the next annual general meeting of the Company which took place on 27 May 2016. At that AGM, the then Shareholders granted a repurchase mandate to the Board to repurchase Shares (which should not exceed 10% of the issued share capital of the Company as at 27 May 2016) from time to time as the Board thinks fit until the next annual general meeting of the Company.

During the six months ended 30 June 2016, the Company repurchased a total of 4,022,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$1,784,010. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
April	1,618,000	0.445	0.415	698,460
May	1,500,000	0.480	0.450	694,520
June	904,000	0.440	0.425	391,030
	4,022,000			1,784,010

Save as disclosed above, the Group did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2016.

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

As at 30 June 2016, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Relevant company (including associated corporation)	Capacity/ Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholding ⁽¹⁰⁾
DAI Jian (戴堅) ⁽¹⁾	The Company	Founder of a discretionary trust Interest of controlled corporation	749,460,000 (L) ⁽⁹⁾	26.25% (L)
	The Company	Beneficial owner	10,000,000 (L)	0.35% (L)
WU Lili (吳立立) ⁽²⁾	The Company	Founder of a discretionary trust Interest of controlled corporation	447,112,000 (L)	15.66% (L)
LI Chong (李冲) ⁽³⁾	The Company	Founder of a discretionary trust Interest of controlled corporation	203,304,000 (L)	7.12% (L)
WANG Xiaodong (王曉東) ⁽⁴⁾	The Company	Founder of a discretionary trust Interest of controlled corporation	74,544,000(L)	2.61%(L)
XU Gang (徐剛) ⁽⁵⁾	The Company	Beneficial owner	30,000,000(L)	1.05%(L)
LIU Qianli (劉千里) ⁽⁶⁾	The Company	Beneficial owner	200,000(L)	0.01% (L)
WANG Qing (王慶) ⁽⁷⁾	The Company	Beneficial owner	200,000(L)	0.01% (L)
MA Xiaofeng (馬肖風) ⁽⁸⁾	The Company	Beneficial owner	200,000(L)	0.01% (L)

Notes:

- (1) Mr. DAI established DAE Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of DAE Trust is TMF (Cayman) Ltd., an independent third party and sole shareholder of DAE Holding Investments Limited, a trust holding company owns 100% of equity interest in Stmoritz Investment Limited. In addition, Mr. DAI is interested in 10,000,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares subject to vesting. As at 30 June 2016, 4,750,000 RSUs granted to Mr. DAI were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme. The remaining 5,250,000 Shares underlying the RSUs are held by ZEA Holding Limited ("ZEA"), as the nominee of The Core Services Limited, the trustee of a trust established by the Company under the Pre-IPO RSU Scheme.

Other Information

- (2) Mr. WU established WHZ Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of WHZ Trust is TMF (Cayman) Ltd., an independent third party and sole shareholder of WHEZ Holding Ltd., a trust holding company owns 100% of equity interest in Bright Stream Holding Limited.
- (3) Mr. LI established The Zhen Family Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of The Zhen Family Trust is TMF (Cayman) Ltd., an independent third party and sole shareholder of Golden Water Management Limited, a trust holding company owns 100% of equity interest in LNZ Holding Limited.
- (4) Mr. WANG established WSW Family Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of WSW Family Trust is TMF (Cayman) Ltd., an independent third party and sole shareholder of Charlotte Holding Limited, a trust holding company owns 100% of equity interest in Angel Wang Holding Limited.
- (5) Dr. XU is interested in 30,000,000 RSUs granted to him under the Post-IPO RSU Scheme entitling him to receive 30,000,000 Shares subject to vesting. As at 30 June 2016, 6,000,000 RSUs granted to Dr. XU were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Post-IPO RSU Scheme. The remaining 24,000,000 Shares underlying the RSUs are held by ZEA.
- (6) Ms. LIU is interested in 200,000 RSUs granted to her under the Pre-IPO RSU Scheme entitling her to receive 200,000 Shares subject to vesting. As at 30 June 2016, 120,000 RSUs granted to Ms. LIU were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme. The remaining 80,000 Shares underlying the RSUs are held by ZEA.
- (7) Dr. WANG is interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at 30 June 2016, 120,000 RSUs granted to Dr. WANG were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme. The remaining 80,000 Shares underlying the RSUs are held by ZEA.
- (8) Mr. MA is interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at 30 June 2016, 120,000 RSUs granted to Mr. MA were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme. The remaining 80,000 Shares underlying the RSUs are held by ZEA.
- (9) The Letter "L" denotes the person's Long position in such Shares.
- (10) These percentages are calculated on the basis of 2,855,046,000 Shares in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors and Chief Executive of the Company and their respective associates had registered an interest 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) that are required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code asset out in Appendix 10 to the Listing Rules.

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

As at 30 June 2016, the following persons had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of Interest	Number of Shares (without taking into account any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Scheme and any Shares which may be issued under the Pre-IPO RSU Scheme and Post-IPO RSU Scheme)	Approximate percentage of shareholding in the issued share capital of our Company (without taking into account any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Scheme and any Shares which may be issued under the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme) ⁽⁶⁾
TMF (Cayman) Ltd. ⁽¹⁾	Trustee of trusts	1,499,888,000 (L) ⁽⁶⁾	52.53% (L)
DAE Holding Investments Limited ⁽²⁾	Trust holding company	749,460,000 (L)	26.25% (L)
Stmoritz Investment Limited ⁽²⁾	Registered owner	749,460,000 (L)	26.25% (L)
DAI Jian (戴堅) ⁽²⁾⁽⁵⁾	Founder of a discretionary trust Interest of controlled corporation	749,460,000 (L)	26.25% (L)
Bright Stream Holding Limited ⁽³⁾	Registered owner	447,112,000 (L)	15.66% (L)
WHEZ Holding Ltd. ⁽³⁾	Trust holding company	447,112,000 (L)	15.66% (L)
WU Lili (吳立立) ⁽³⁾	Founder of a discretionary trust Interest of controlled corporation	447,112,000 (L)	15.66% (L)
LNZ Holding Limited ⁽⁴⁾	Registered owner	203,304,000 (L)	7.12% (L)
Golden Water Management Limited ⁽⁴⁾	Trust holding company	203,304,000 (L)	7.12% (L)
LI Chong (李冲) ⁽⁴⁾	Founder of a discretionary trust Interest of controlled corporation	203,304,000 (L)	7.12% (L)
The Core Trust Company Limited ⁽⁶⁾	Trustee of a trust	147,968,000 (L)	5.18% (L)

Other Information

Notes:

- (1) TMF (Cayman) Ltd. is the trustee of DAE Trust, WHZ Trust, The Zhen Family Trust and WSW Family Trust.
- (2) The entire share capital of Stmoritz Investment Limited is wholly-owned by DAE Holding Investments Limited and ultimately owned by TMF (Cayman) Ltd. as the trustee of the DAE Trust, which is a discretionary trust set up by Mr. DAI on 27 December 2013 for the benefit of himself and his family members, and Mr. DAI is a settlor and protector. Mr. DAI (as founder of the DAE Trust), DAE Holding Investments Limited and TMF (Cayman) Ltd. are taken to be interested in 749,460,000 Shares held by Stmoritz Investment Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.
- (3) The entire share capital of Bright Stream Holding Limited is wholly-owned by WHEZ Holding Ltd. and ultimately owned by TMF (Cayman) Ltd. as the trustee of the WHZ Trust, which is a discretionary trust set up by Mr. WU on 27 December 2013 for the benefit of himself and his family members, and Mr. WU is a settlor and protector. Mr. WU (as founder of the WHZ Trust), WHEZ Holding Ltd. and TMF (Cayman) Ltd. are taken to be interested in 447,112,000 Shares held by Bright Stream Holding Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.
- (4) The entire share capital of LNZ Holding Limited is owned by Golden Water Management Limited, which is wholly-owned by TMF (Cayman) Ltd. as the trustee of The Zhen Family Trust, which is a discretionary trust set up by Mr. LI on 27 December 2013 for the benefit of himself and his family members, and Mr. LI is a settlor and protector. Mr. LI (as founder of The Zhen Family Trust), Golden Water Management Limited and TMF (Cayman) Ltd. are taken to be interested in 203,304,000 Shares held by LNZ Holding Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.
- (5) Mr. DAI is interested in 10,000,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares subject to vesting. As at 30 June 2016, 4,750,000 RSUs granted to Mr. DAI were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme. The remaining 5,250,000 Shares underlying the RSUs are held by ZEA.
- (6) The Core Trust Company Limited is the trustee to administer the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme.
- (7) The Letter "L" denotes the person's Long position in such Shares.
- (8) These percentages are calculated on the basis of 2,855,046,000 Shares in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, the Directors and the Chief Executive of the Company are not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EQUITY-LINKED AGREEMENTS/SHARE INCENTIVE SCHEMES

In order to incentivize the Directors, senior management and other employees of the Group for their contribution to the Group and to attract and retain suitable personnel of our Group, the Company adopted the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme.

Summaries of the terms of the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme have been disclosed in the sections headed “Statutory and General Information — Pre-IPO Share Option Scheme”, “Statutory and General Information — Pre-IPO RSU Scheme” and “Statutory and General Information — Post-IPO RSU Scheme” in Appendix IV to the Prospectus and the previous annual reports of the Company.

Outstanding Share Options

During the six months ended 30 June 2016, no option has been cancelled. As at 30 June 2016, there were a total of 2,044,000 Options outstanding. If all the outstanding Options are exercised, there would be a dilution effect on the issued share capital of the Company of approximately 0.07% as at 30 June 2016. Save as set out above, no further Options have been or would be granted by the Company after the Listing pursuant to the Pre-IPO Share Option Scheme.

The Company appointed The Core Trust Company Limited as the trustee and Duoduo Holding Limited, a company incorporated in the BVI and an independent third party, as the nominee to administer the Pre-IPO Share Option Scheme pursuant to its scheme rules. As at 30 June 2016, no Shares underlying the Options had been allotted and issued to Duoduo Holding Limited.

Other Information

Movements of the Options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2016

Name of Grantees	Nature	Number of Shares represented by Options at 31 December 2015	Date of grant	Exercise price (US\$)	Exercised during the period	Lapsed during the period	Number of Shares represented by options at 30 June 2016	Vesting Period	Exercise period	Approximate percentage of issued Shares of the Company (Note 5)
Directors	—	—	—	—	—	—	—	—	—	—
Senior management member of the Company	—	—	—	—	—	—	—	—	—	—
	Sub-total	—		—	—	—	—			—
Other employees of the Group										
2 employees	Options	596,000	20 June 2010	0.0045	296,000 (Note 1)	—	300,000	Note 3	Note 4	0.01%
15 employees	Options	1,322,000	20 June 2010	0.0090	100,000 (Note 2)	—	1,222,000	Note 3	Note 4	0.04%
2 employees	Options	522,000	15 January 2011	0.0090	—	—	522,000	Note 3	Note 4	0.02%
	Sub-total	2,440,000		—	396,000	—	2,044,000			0.07%
Total	Options	2,440,000		—	396,000	—	2,044,000			0.07%

Notes:

- (1) The vesting period of the Options under the Pre-IPO Share Option Scheme is 36 months from the date of grant of such Options.
- (2) The exercise period of the Options under the Pre-IPO Share Option Scheme is 10 years after the date of grant of such Options.
- (3) Approximate percentage of issued Shares of the Company is calculated by dividing the Options held by the relevant grantees by the issued and outstanding Shares of the Company (as enlarged by the exercise in full of all the Options granted under the Pre-IPO Share Option Scheme) as at 30 June 2016.

As disclosed in the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver and Exemption in relation to the Pre-IPO Share Option Scheme” in the Prospectus, the Company had applied for, and had been granted, an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous) Ordinance, and a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules in connection with the particulars of the grantees under the Pre-IPO Share Option Scheme.

Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus and the previous annual reports of the Company.

Outstanding RSUs

(1) *Pre-IPO RSU Scheme*

During the six months ended 30 June 2016, 3,157,650 RSU has been cancelled under the Pre-IPO RSU Scheme. As at 30 June 2016, there were a total of 39,005,850 RSUs outstanding under the Pre-IPO RSU Scheme. If all the outstanding RSUs under the Pre-IPO RSU Scheme are vested according to the relevant vesting schedules, there would be a dilution effect on the issued share capital of the Company of approximately 1.37% as at 30 June 2016.

Prior to the Listing on 10 April 2014, the Company appointed The Core Trust Company Limited as the trustee (the “**Pre-IPO RSU Trustee**”) and Peto Holding Limited, a company incorporated in the BVI and an independent third party, as its nominee (the “**Pre-IPO RSU Nominee**”) to administer the Pre-IPO RSU Scheme. To increase the public float, the Company further engaged The Core Services Limited, as the new trustee (the “**New RSU Trustee**”), and ZEA Holding Limited, a company incorporated in the BVI and an independent third party, as the new nominee (the “**New RSU Nominee**”), to administer certain RSUs granted to the Directors and the senior management under our Pre-IPO RSU Scheme on 10 June 2014. As at 30 June 2016, 111,716,000 Shares have been issued and allotted to the Pre-IPO RSU Nominee and 30,600,000 Shares have been issued and allotted to the New RSU Nominee, respectively.

(2) *Post-IPO RSU Scheme*

During the six months ended 30 June 2016, 1,440,000 RSU has been cancelled under the Post-IPO RSU Scheme. As at 30 June 2016, there were a total of 77,560,000 RSUs outstanding under the Post-IPO RSU Scheme. If all the outstanding RSUs under the Post-IPO RSU Scheme are vested according to the relevant vesting schedules, there would be a dilution effect on the issued share capital of the Company of approximately 2.72% as at 30 June 2016.

The Company appointed The Core Trust Company Limited as the trustee and Baiduo Investment Holding Limited, a company incorporated in the BVI and an independent third party, as the nominee to administer the Post-IPO RSU Scheme pursuant to its scheme rules. As at 30 June 2016, 47,890,000 Shares have been issued and allotted to Baiduo Investment Holding Limited.

Other Information

Movements of the RSUs under the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme during the six months ended 30 June 2016

Name of Grantees	Nature	Number of Shares underlying the RSUs at 31 December 2015	Granted during the period	Date of grant	Consideration (US\$)	Vested during the period	Lapsed during the period	Number of Shares underlying the RSUs at 30 June 2016	Vesting Schedule	Approximate percentage of issued Shares of the Company (Note 7)
(1) Pre-IPO RSU Scheme										
(a) Directors										
DAI Jian (戴堅)	RSUs	8,000,000	–	18 February 2014	–	2,750,000	–	5,250,000	Note 1	0.18%
LIU Qianli (劉千里)	RSUs	140,000	–	17 March 2014	–	60,000	–	80,000	Note 2	0.003%
WANG Qing (王慶)	RSUs	140,000	–	17 March 2014	–	60,000	–	80,000	Note 2	0.003%
MA Xiaofeng (馬肖風)	RSUs	140,000	–	17 March 2014	–	60,000	–	80,000	Note 2	0.003%
	Sub-total	8,420,000	–		–	2,930,000	–	5,490,000		0.19%
(b) Senior management member(s) of the Company										
YEUNG Ka Hong Carl (楊家康)	RSUs	5,250,000	–	1 October 2013	–	750,000	–	4,500,000	Note 1	0.16%
	RSUs	8,000,000	–	18 February 2014	–	2,750,000	–	5,250,000	Note 1	0.18%
	Sub-total	13,250,000	–		–	3,500,000	–	9,750,000		0.34%
(b) Other grantees (other than the grantees disclosed in paragraphs 1a and 1b above)										
203 employees	RSUs	28,747,950	–	1 October 2013	–	3,572,700	3,157,650	22,017,600	Note 1	0.77%
8 employees	RSUs	2,664,000	–	18 February 2014	–	915,750	–	1,748,250	Note 1	0.06%
	Sub-total	31,411,950	–			4,488,450	3,157,650	23,765,850		0.83%
	Total	53,081,950	–			10,918,450	3,157,650	39,005,850		1.37%

Name of Grantees	Nature	Number of Shares underlying the RSUs at 31 December 2015	Granted during the period	Date of grant	Consideration (US\$)	Vested during the period	Lapsed during the period	Number of Shares underlying the RSUs at 30 June 2016	Vesting Schedule	Approximate percentage of issued Shares of the Company (Note 7)
(2) Post-IPO RSU Scheme										
(a) Directors										
XU Gang (徐剛)	RSUs	30,000,000	–	10 July 2015 ^(a)	–	6,000,000	–	24,000,000	Note 3	0.84%
(b) Senior management member(s) of the Company										
YEUNG Ka Hong Carl (楊家康)	RSUs	3,200,000	–	10 July 2015	–	–	–	3,200,000	Note 4	0.11%
DENG Linghua (鄧凌華)	RSUs	8,000,000	–	10 July 2015	–	–	–	8,000,000	Note 4	0.28%
	Sub-total	11,200,000	–			–	–	11,200,000		0.39%
(c) Grantees holding RSUs representing more than 5,000,000 Shares (other than the Directors and senior management members of the Company)										
XUE Gang (薛剛)	RSUs	5,000,000	–	10 July 2015	–	–	–	5,000,000	Note 5	0.18%
	Sub-total	5,000,000	–			–	–	5,000,000		0.18%
(d) Other grantees (other than the grantees disclosed in paragraphs 2a, 2b and 2c above)										
94 employees	RSUs	39,800,000	–	10 July 2015	–	1,000,000	1,440,000	37,360,000	Note 6	1.31%
	Sub-total	39,800,000	–			1,000,000	1,440,000	37,360,000		1.31%
	Total	86,000,000	–			7,000,000	1,440,000	77,560,000	–	2.72%

Other Information

Note:

(1) The RSUs granted to the subjected RSU grantees under the Pre-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:

- 20% of the RSUs at 12 months after the date of grant;
- 20% of the RSUs at 24 months after the date of grant;
- 30% of the RSUs at 36 months after the date of grant; and
- 30% of the RSUs at 48 months after the date of grant.

(2) The RSUs granted to the subjected RSU grantees under the Pre-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:

- 30% of the RSUs at 12 months after the date of grant;
- 30% of the RSUs at 24 months after the date of grant; and
- 40% of the RSUs at 36 months after the date of grant.

(3) The RSUs granted to the subjected RSU grantee under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:

- 20% of the RSUs on 5 March 2016;
- 20% of the RSUs on 5 March 2017;
- 30% of the RSUs on a quarterly basis from 5 March 2017 to 5 March 2018; and
- 30% of the RSUs on a quarterly basis from 5 March 2018 to 5 March 2019.

The grant of certain RSUs to the subjected RSU grantee under the Post-IPO RSU Scheme was approved by the independent shareholders of the Company on 14 August 2015.

(4) The RSUs granted to the subjected RSU grantee under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:

- 20% of the RSUs on 21 November 2015;
- 20% of the RSUs on 21 November 2016;
- 7.5% of the RSUs shall vest over 8 three months periods starting at the end of 3 month period after 21 November 2016 until 100% is vested.

- (5) The RSUs granted to the subjected RSU grantee under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
- 20% of the RSUs on 10 July 2016;
 - 20% of the RSUs on 10 July 2017;
 - 7.5% of the RSUs shall vest over 8 three months periods starting at the end of 3 month period after 10 July 2017 until 100% is vested.
- (6) For details of the vesting schedules for the RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme, please refer to the announcement of the Company dated 10 July 2015.
- (7) Approximate percentage of issued Shares of the Company is calculated by dividing the RSUs held by the relevant grantees by the issued and outstanding Shares of the Company (as enlarged by the vest in full of all the RSUs granted under the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme) as at 30 June 2016.

Further details of the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme are set out in the Prospectus and the previous annual reports of the Company.

Equity-linked Agreements

On 20 April 2016, the Company entered into a consultancy agreement (the “**Consultancy Agreement**”) with Hong Kong Zhixin Financial News Agency Limited (香港智信財經通訊社有限公司) (the “**Consultant**”), pursuant to which, the Company engaged the Consultant to provide the investor relations services. As a consideration for such services, the Company has agreed to (i) pay a monthly fee of HK\$30,000 (equivalent to a total amount of HK\$1,080,000) during the term of the Consultancy Agreement to the Consultant and (ii) grant options (the “**Consultant Options**”) to the Consultant to subscribe for an aggregate of 10,000,000 Shares at the exercise price of HK\$0.70 per Share during the three years ending on 19 April 2019 (the “**Consultant Option Period**”).

The Consultant will be entitled to exercise the Consultant Options (or part thereof) by serving an option exercise notice to the Company together with the Exercise Price payable in respect of the number of Shares to be issued upon exercise of such Consultant Options (or such part thereof), upon the following conditions are met:

- (a) up to 30% of the Consultant Options become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company exceeds HK\$2.6 billion;
- (b) up to 60% of the Consultant Options become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company exceeds HK\$3.1 billion; and
- (c) up to 100% of the Consultant Options become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company exceeds HK\$3.7 billion.

As at 30 June 2016, none of the above conditions has been met and no Consultant Option has been exercised.

Save as disclosed above, the Group had no other equity-linked agreements during the six months ended 30 June 2016.

Other Information

PUBLIC FLOAT

As of the date of this report, based on information that is publically available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares of the Company were listed on the main board of the Stock Exchange on 10 April 2014 with net proceeds from the initial public offering of approximately HK\$1,392.0 million, after deducting underwriting fees and commissions and other expenses paid by the Company in connection with the initial public offering. As at 30 June 2016, the Company has, and will continue to utilize the net proceeds for the same purposes as set out in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the Prospectus.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT

As set out in the section headed “Contractual Arrangements — Legality of the Contractual Arrangements” in the Prospectus, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirement**”). 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. We have continued to engage a local distributor in Hong Kong through whom our overseas users can purchase our physical prepaid cards. In addition, we have launched a Hong Kong website offering investor relations and other corporate information.

TRADEMARK DISPUTE

Reference is made to the section headed “Trademark Dispute” in the 2015 annual report of the Company and the announcement of the Company dated 25 May 2016.

In May 2016, the Company received official approval for its application (application number: 14537068) to register “Aola Star” from the the Trademark Office of the Administration for Industry and Commerce whereby the Company was granted the “Aola Star” trademark registration and obtained exclusive rights to the use of the “Aola Star” trademark for ten years for certain purposes, among others, providing online games on the Internet.

MATERIAL LITIGATION

As at 30 June 2016, the Company was not involved in any material litigation or arbitration. Nor were the Directors of the Company aware of any material litigation or claims that were pending or threatened against the Company.