

# 2017

# INTERIM REPORT



Feiyu Technology International Company Ltd.

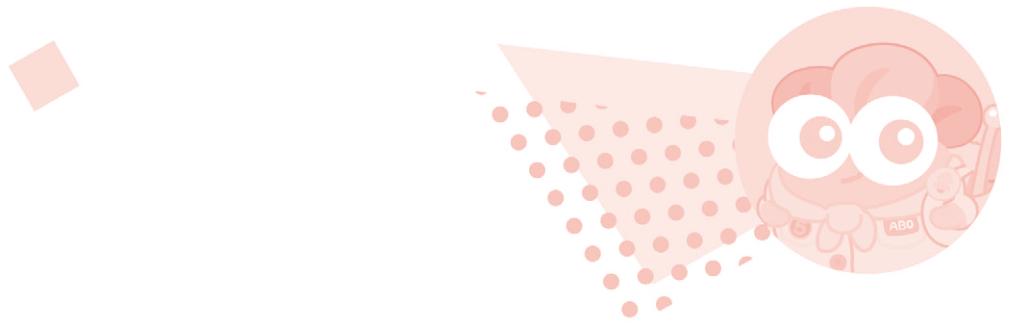
飛魚科技國際有限公司

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 1022

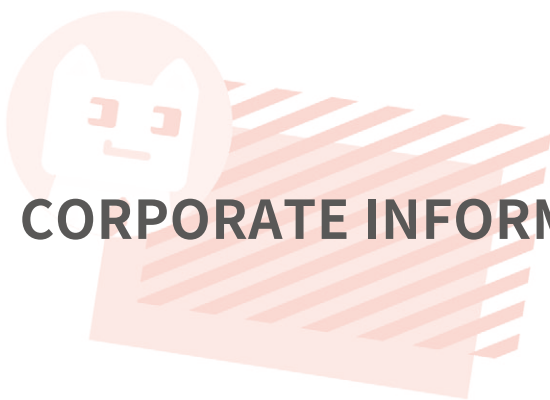


SIMPLE & INTERESTING



## CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Other Information and Corporate	
Governance Highlights	18
Independent Review Report	32
Interim Condensed Consolidated Statement of	
Profit or Loss	33
Interim Condensed Consolidated Statement of	
Comprehensive Income	34
Interim Condensed Consolidated Statement of	
Financial Position	35
Interim Condensed Consolidated Statement of	
Changes in Equity	37
Interim Condensed Consolidated Statement of	
Cash Flows	39
Notes to the Financial Statements	41
Glossary	67



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

Mr. CHEN Jianyu (*President*)

Mr. BI Lin (*Vice President*)

Mr. SUN Zhiyan (*Chief Technology Officer*)

Mr. LIN Jiabin (*Vice President*)

Mr. LIN Zhibin (*Vice President*)

### Independent Non-executive Directors

Ms. LIU Qianli

Mr. LAI Xiaoling

Mr. MA Suen Yee Andrew

## AUDIT COMMITTEE

Ms. LIU Qianli (*Chairwoman*)

Mr. LAI Xiaoling

Mr. MA Suen Yee Andrew

## REMUNERATION COMMITTEE

Ms. LIU Qianli (*Chairwoman*)

Mr. BI Lin

Mr. LAI Xiaoling

## NOMINATION COMMITTEE

Mr. YAO Jianjun (*Chairman*)

Ms. LIU Qianli

Mr. MA Suen Yee Andrew

## AUTHORISED REPRESENTATIVES

Mr. BI Lin

Mr. CHEUNG Man Yu

## COMPANY SECRETARY

Mr. CHEUNG Man Yu

## LEGAL ADVISERS

*As to Hong Kong law:*

### Dentons Hong Kong

Suite 3201, Jardine House

1 Connaught Place

Central, Hong Kong

*As to Cayman Islands law:*

### Conyers Dill & Pearman (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## AUDITORS

### Ernst & Young

*Certified Public Accountants*

22nd Floor, CITIC Tower

1 Tim Mei Avenue Central

Hong Kong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## CORPORATE HEADQUARTERS

Floor 2, Block 2, No. 14 Wanghai Road  
Ruanjian Yuan Two, Siming District  
Xiamen, Fujian Province, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 801 & 803, 8/F  
Beverley House  
93–107 Lockhart Road  
Wanchai, Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

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

## PRINCIPAL BANKERS

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

No. 270 Lujiang Road  
Xiamen, Fujian Province  
PRC

### **China Merchants Bank, Beijing branch Jianwaidajie sub-branch**

No. 0668, Block 6, Jianwai SOHO  
No. 39 Dongsanhuan Zhonglu  
Chaoyang District  
Beijing, PRC

## INVESTOR RELATIONS

### **Christensen China Limited**

16/F, Methodist House,  
36 Hennessy Road,  
Wanchai, Hong Kong

## COMPANY'S WEBSITE

[www.feiyuhk.com](http://www.feiyuhk.com)

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

1022

## DATE OF LISTING

5 December 2014



# FINANCIAL HIGHLIGHTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 30 June		
	2017 (RMB'000)	2016 (RMB'000)	Change %
Revenue (unaudited)	<b>54,858</b>	95,252	(42.4)
Gross profit (unaudited)	<b>39,953</b>	71,540	(44.2)
Loss before tax (unaudited)	<b>(50,538)</b>	(70,152)	(28.0)
Loss for the period attributable to owners of the parent (unaudited)	<b>(50,183)</b>	(76,455)	(34.4)
<b>Non-IFRSs Measures</b>			
– Adjusted net (loss)/profit attributable to owners of the parent (unaudited) <sup>(1)</sup>	<b>(17,788)</b>	8,789	(302.4)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic	<b>RMB(0.03)</b>	RMB(0.05)	
– Diluted	<b>Not Applicable</b>	Not Applicable	

Note:

- (1) We define adjusted net loss or profit attributable to owners of the parent as net loss or profit attributable to owners of the parent excluding share-based compensation, amortisation of intangible assets recognised for acquisitions and impairment loss of goodwill recognised for Carrot Fantasy cash-generating unit (“CGU”). The term of adjusted net loss or profit attributable to owners of the parent is not defined under IFRSs. The use of adjusted net loss or profit attributable to owners of the parent has material limitations as an analytical tool as it does not include all items that would impact our net loss or profit attributable to owners of parent for the accounting period.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 30 June 2017 (RMB'000) (Unaudited)	As of 31 December 2016 (RMB'000) (Audited)	Change %
	<b>Assets</b>		
Non-current assets	<b>831,551</b>	881,150	(5.6)
Current assets	<b>252,598</b>	319,001	(20.8)
<b>Total assets</b>	<b>1,084,149</b>	1,200,151	(9.7)
<b>Equity and liabilities</b>			
Total equity	<b>972,135</b>	1,025,774	(5.2)
Non-current liabilities	<b>6,507</b>	10,547	(38.3)
Current liabilities	<b>105,507</b>	163,830	(35.6)
Total liabilities	<b>112,014</b>	174,377	(35.8)
Total equity and liabilities	<b>1,084,149</b>	1,200,151	(9.7)



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

During the first half of 2017, China's online game industry generated total revenue of RMB99.78 billion, representing an increase of 26.7% year-over-year, according to the First Half 2017 China Game Industry Report jointly published by the Game Publishers Association Publications Committee (GPC) of China Audio-Video and Digital Publishing Association (中國音數協遊戲工委), Gamma Data (伽馬數據), and International Data Corporation (IDC). Revenue from mobile games accounted for 56.3% of total revenue, representing an increase of 49.8% year-over-year, which was primarily driven by: (i) the continuing upgrade of network infrastructure and mobile telecoms technology across China which enables users to spend more time on mobile games regardless of their location and with lower data costs; (ii) the user base expansion as more people with smartphones migrate towards mobile games; and (iii) the growing demand for and spending on entertainment as China's economy grows.

While the growth of the industry overall provides significant opportunities, the Company continued to face unprecedented challenges. Firstly, competition in the mobile game industry has become extremely intense as client-based game developers enter the market causing a significant increase in the amount of research and development ("R&D") and marketing costs needed for a single game. Secondly, the mobile game market is also changing rapidly, requiring game developers to adapt to market shifts faster. Lastly, the industry overall has entered a period where only quality games will survive, which further extends the required R&D and testing cycles needed for each game.

During the first half of 2017, the Company generated total revenue of approximately RMB54.9 million, representing a year-over-year decrease of 42.4%. Net loss attributable to owners of the parent for the first half of 2017 was approximately RMB50.2 million as compared to RMB76.5 million for the same period of last year. Adjusted net loss attributable to owners of the parent was approximately RMB17.8 million as compared to adjusted net profit attributable to owners of the parent of RMB8.8 million for the first half of 2016. The decrease in total revenue during the first half of 2017 was primarily due to: (i) a decrease in revenue from our existing games as they reach the mature stages of their respective lifecycles; (ii) the delayed launch of several new games as a result of the Company's strategic decision to further extend their development cycle to enhance quality; and (iii) the diversification of game categories currently under development which requires additional time to recruit and establish R&D teams. The decrease in the net loss attributable to owners of the parent recorded for the first half of 2017 was primarily due to a decrease in share-based compensation expenses. The decrease in share-based compensation expenses was primarily due to the transfer of shares of the Company from a major shareholder to a few key employees during the six months ended 30 June 2016 while there was no such transfer during the six months ended 30 June 2017.

Crazyant (瘋狂螞蟻), a studio of the Company focused on in-house developed high-quality games, launched 4 games in the first half of 2017 including I Am the Hero (英雄就是我), Push Heroes (推拉英雄) and Eat Fatty (你胖你先吃). I Am the Hero (英雄就是我) was published in January 2017 on Steam, the largest digital distribution platform for PC games, and Tencent's WeGame in April 2017, where it received very positive user feedback. Push Heroes (推拉英雄) was recommended on Google Play and Apple's App Store global home page in May 2017 while Eat Fatty (你胖你先吃), a mobile io game, was recommended on the home page of the Mainland China and Hong Kong App Store in June 2017.



The Company continued to make progress in its intellectual property (“IP”) licensing business during the first half of 2017. By virtue of the cuteness of the major characters in our Carrot Fantasy (保衛蘿蔔) game series, which in particular appeals to children, they were invited to join the 2017 cartoon annual gala of BTV KAKU Children Channel, which is one of the most popular satellite television channels for children in Mainland China. The licensed squeeze toys based on Carrot Fantasy (保衛蘿蔔) games’ main characters with different vivid facial expressions went on sale in all the 7-11 chain stores in Guangdong Province of the PRC since 15 March 2017. We issued Yunnan Baiyao (雲南白藥) a license to use Carrot Fantasy (保衛蘿蔔) on the packaging of their fast-moving consumer goods. In addition, we also worked with Meipai (美拍) and Mirinda to cross promote Carrot Fantasy (保衛蘿蔔)’s brand. In July 2017, we signed an agreement with Beijing Xiedao Resort (蟹島度假村), a popular vacation resort in the area, who provides a 200-square-meter venue from July to early-September 2017 for our Carrot Fantasy (保衛蘿蔔) -themed decorations and related merchandise sales.

Since the beginning of 2017, the Company has watched the market shift from traditional RPG and casual games towards new genres and categories. To keep pace with the market, we have brought on board new talent and implemented leaner corporate structure in an effort to keep the competitiveness of our R&D teams. In May 2017, we opened a Shenzhen office to underpin the Company’s long-term development.

To strengthen our game distribution network, we invested in Ewan (Shanghai) Network Technology Co., Ltd. (“Ewan”), a company primarily engaged in developing and operating its emerging TapTap mobile game distribution platform, in May 2017. TapTap is not only a mobile game publishing platform, but also a game community and media platform. This superior mobile game platform has a great number of high quality games and developers as well as a remarkable number of high-spending gamers.

## OUTLOOK FOR 2017

We will continue to focus on developing high quality games in the second half of 2017 to regain growth momentum. On July 18, 2017, our Chengdu game development studio launched The Initial (初體計劃) on Steam. The Initial (初體計劃) ranked first on Steam’s new game Top Sellers list for a week following its launch. On August 17, 2017, the iOS version of Super Phantom Cat II (超級幻影貓2) was simultaneously launched in 11 languages globally. Following its launch, Super Phantom Cat II (超級幻影貓2) has ranked first on the US App Store’s free games in the adventure category and in the top 15 free games overall. In addition, the game has received five-star ratings in most of the markets it was launched in, including the US, Mainland China, Canada, Spain, Switzerland, Singapore and Japan. Other than The Initial (初體計劃) and Super Phantom Cat II (超級幻影貓2), we plan to launch 4 mobile games in the second half of 2017, including a new game for the Shen Xian Dao (神仙道) series, a revamped version of Carrot Fantasy III (保衛蘿蔔3), Shou Hua San Guo (獸化三國) and Summoners League (夢與傳說) which was previously titled Dreamcraft-Legend Clash (夢與傳說). We will also leverage the superior quality of our games by porting them to console platforms.

Leveraging its IP is an integral part of the Company’s long-term strategy. The Company will continue to develop its IP through not only licensed merchandise and services but also cartoons during the second half of 2017.

## INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).



## FINANCIAL REVIEW

### Operating Information

#### Our Games

During the six months ended 30 June 2017, we continued to focus on developing high quality mobile games to cope with increasingly intense competition in the game industry. One of our studios in Xiamen focusing on high quality causal games published 4 causal games during the six months ended 30 June 2017 under the independent brand name of Crazyant (瘋狂螞蟻). These newly published games have received very positive feedback.

The table below presents a breakdown of our revenue from game operation in absolute amounts and as a percentage of our total revenue for the periods indicated:

	For the six months ended 30 June		2016	
	2017	(% of Total Revenue)	(RMB'000)	(% of Total Revenue)
	(RMB'000)			
Game Operation				
Web games	8,301	15.1	12,845	13.5
Mobile games				
RPGs	31,427	57.3	56,617	59.4
Casual	4,028	7.4	11,522	12.1
<b>Total</b>	<b>43,756</b>	<b>79.8</b>	<b>80,984</b>	<b>85.0</b>

Revenue from game operation's contribution to total revenue decreased from approximately 85.0% during the six months ended 30 June 2016 to approximately 79.8% during the six months ended 30 June 2017. The decrease was mainly due to a decrease in revenue from mobile games and an increase in revenue contribution from online game distribution. Revenue contribution from online game distribution accounted for approximately 2.1% during the six months ended 30 June 2017, representing an increase of 1.7% when compared to approximately 0.4% for the corresponding period in 2016, which was primarily attributable to the launch of new games by our overseas game distribution and operation team. The decrease in revenue from mobile games and its percentage of total revenue was primarily due to the maturing of existing games and the deferred launch of new games.

#### Our Players

We assess our operating performance using a set of key performance indicators, which include MAUs, MPUs and ARPPU. Fluctuations in our operating data are primarily a result of changes in the number of players who play, download (in the case of mobile games) and pay for virtual items and premium features in our games. Using these operating data as our key performance indicators can help us monitor our ability to offer highly engaging online games, the continued popularity of our games, the monetization of our player base and the degree of competition of online game industry, so that we can implement better business strategies.



## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2017, (i) our RPG mobile games and web games had approximately 213.4 million cumulative registered users, composed of approximately 169.5 million users for web games and approximately 43.9 million users for mobile games; while (ii) our casual games had approximately 444.0 million cumulative activated downloads. For the month of June 2017, (i) our RPG mobile games and web games had approximately 0.8 million MAUs in aggregate, composed of approximately 0.4 million MAUs for mobile games and approximately 0.4 million MAUs for web games; while (ii) our casual games had approximately 9.3 million MAUs.

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

	Six Months Ended 30 June		
	2017	2016	Change %
Average MPUs			
Web games (RPGs) (000's)	<b>16</b>	28	(42.9)
Mobile games (RPGs) (000's)	<b>50</b>	103	(51.5)
Casual (000's)	<b>118</b>	402	(70.6)
ARPPU			
Web games (RPGs) (RMB)	<b>103.8</b>	81.8	26.9
Mobile games (RPGs) (RMB)	<b>126.4</b>	89.7	40.9
Casual (RMB)	<b>6.8</b>	4.8	41.7

Note: Duplicated paying users of our games published on our own platforms were not eliminated during calculation.

Average MPUs for mobile RPG games decreased to approximately 50,000 for the six months ended 30 June 2017 from approximately 103,000 for the six months ended 30 June 2016. This was mainly attributable to the maturing of one of our hit titles, San Guo Zhi Ren (三國之刃), which reached the mature stage of its lifecycle in the first half of 2016 and the later stages of its lifecycle during the first half of 2017. Average MPUs for mobile casual games were approximately 118,000 for the six months ended 30 June 2017, a decrease from approximately 402,000 for the corresponding period of 2016, primarily due to the decrease in the number of Carrot Fantasy (保衛蘿蔔) game series' average MPUs. Carrot Fantasy I (保衛蘿蔔1) and Carrot Fantasy II (保衛蘿蔔2) began transitioning into the late stages of their expected lifecycles while Carrot Fantasy III (保衛蘿蔔3), which was launched in June 2016, was not heavily advertised or promoted until an entirely new version is released to sharpen its performance. MPUs for web games were 16,000 for the six months ended 30 June 2017 as compared to approximately 28,000 for the corresponding period of 2016. The decrease was due to our web games reaching the later stages of their expected lifecycles during the six months ended 30 June 2017, as well as our strategic shift from web games to mobile games which began in 2013.

RPG mobile games ARPPU increased to approximately RMB126.4 for the six months ended 30 June 2017 as compared to approximately RMB89.7 for the corresponding period of 2016, which was primarily due to the increasing willingness of loyal gamers to spend on RPG mobile games during the mature stages of their lifecycles. Web games ARPPU increased to approximately RMB103.8 for the six months ended 30 June 2017 as compared to approximately RMB81.8 for the corresponding period of 2016. The increase was primarily driven by an increase in ARPPU for Shen Xian Dao (神仙道) web version, which was launched in 2011 and is currently in the mature stage of its lifecycle where loyal players are more willing to spend. Casual games ARPPU increased from approximately RMB4.8 for the six months ended 30 June 2016 to approximately RMB6.8 for the six months ended 30 June 2017. The increase was primarily driven by the launch of Carrot Fantasy III (保衛蘿蔔3) in June 2016, which had better monetisation features, and was partially offset by a decrease in ARPPU from Carrot Fantasy I & II (保衛蘿蔔1&2), which are in the late stages of their respective lifecycles.



## MANAGEMENT DISCUSSION AND ANALYSIS

As part of our business strategy, we continue to promote players' in-game purchases, frequently roll out upgrades to enhance the features of our games and maintain user interest, as well as launch various in-game promotions and activities. Our dedicated customer service team continued to provide timely customer services via our in-game customer service system. We believed this played a significant role in retaining our players and expanding of our player base.

### First Half of 2017 Compared to First Half of 2016

The following table sets forth the income statement for the six months ended 30 June 2017 as compared to that for the six months ended 30 June 2016.

	Six Months Ended 30 June		Change %
	2017 (RMB'000)	2016 (RMB'000)	
<b>Revenue</b>	<b>54,858</b>	95,252	(42.4)
Cost of sales	<b>(14,905)</b>	(23,712)	(37.1)
<b>Gross profit</b>	<b>39,953</b>	71,540	(44.2)
Other income and gains	<b>11,779</b>	17,470	(32.6)
Selling and distribution expenses	<b>(7,738)</b>	(5,523)	40.1
Administrative expenses	<b>(26,240)</b>	(28,614)	(8.3)
Research and development costs	<b>(39,362)</b>	(112,848)	(65.1)
Finance costs	<b>(627)</b>	(456)	37.5
Other expenses	<b>(27,274)</b>	(11,126)	145.1
Share of losses of associates	<b>(1,029)</b>	(595)	72.9
<b>LOSS BEFORE TAX</b>	<b>(50,538)</b>	(70,152)	(28.0)
Income tax expense	<b>(3,762)</b>	(10,787)	(65.1)
<b>LOSS FOR THE PERIOD</b>	<b>(54,300)</b>	(80,939)	(32.9)
Attributable to:			
Owners of the parent	<b>(50,183)</b>	(76,455)	(34.4)
Non-controlling interests	<b>(4,117)</b>	(4,484)	(8.2)



# MANAGEMENT DISCUSSION AND ANALYSIS

## REVENUE

The following table sets forth a breakdown of our revenue for the six months ended 30 June 2017 and 2016:

	Six Months Ended 30 June		2016	
	2017	(% of Total Revenue)	(RMB'000)	(% of Total Revenue)
	(RMB'000)		(RMB'000)	
Game operation	43,756	79.8	80,984	85.0
Online game distribution	1,137	2.1	352	0.4
Licensing and IP-related income	5,908	10.8	6,968	7.3
Advertising revenue	3,877	7.0	6,948	7.3
Technical service income	180	0.3	–	–
<b>Total</b>	<b>54,858</b>	<b>100.0</b>	<b>95,252</b>	<b>100.0</b>

Total revenue decreased by approximately 42.4% to approximately RMB54.9 million for the six months ended 30 June 2017 from the corresponding period of 2016.

Revenue from game operation decreased by approximately 46.0% to approximately RMB43.8 million for the six months ended 30 June 2017 from the corresponding period of 2016. The decrease was primarily due to San Guo Zhi Ren (三國之刃) hitting the mature stage of its lifecycle in the first half of 2016 and later stages of its lifecycle in the first half of 2017. The decrease in the revenue from our other existing games also dragged down our total revenue as they reached the mature stage of their respective lifecycles. The decrease was also due to the delay in the launch of our key new games as a result of the Company's strategic decision to invest additional development time and resources to enhance the quality of the new games prior to launch. Other than 4 casual games launched under an independent brand name, Crazyant, during the six months ended 30 June 2017 which has limited contribution to the Group's revenue for the period, the Group did not launch other new key game during the six months ended 30 June 2017.

Revenue from online game distribution increased by 223.0% to approximately RMB1.1 million for the six months ended 30 June 2017 from the corresponding period of 2016, which was primarily due to the launch of new games by our overseas game distribution and operation team.

Licensing and IP-related income decreased by approximately 15.2% to approximately RMB5.9 million for the six months ended 30 June 2017 from the corresponding period of 2016. The decrease was primarily attributable to the recognition of a one-off licensing fee for the Korean version of San Guo Zhi Ren (三國之刃) of approximately RMB4.0 million upon termination of its operation in Korea during the six months ended 30 June 2016 while there was no such one-off licensing fee recognised during the six months ended 30 June 2017. The decrease was partially offset by an increase in licensing and IP-related income from Carrot Fantasy III (保衛蘿蔔3) which was launched in June 2016.

Advertising revenue decreased by approximately 44.2% to approximately RMB3.9 million for the six months ended 30 June 2017 from the corresponding period of 2016, primarily due to Carrot Fantasy I (保衛蘿蔔1) and Carrot Fantasy II (保衛蘿蔔2) reaching the later stages of their lifecycles as the number of active users declines. Both games have significantly exceeded the industry average lifespan for a game. The decrease was partially offset by advertising revenue of newly launched casual games of our Crazyant (瘋狂螞蟻) studio.

Technical service income during the six months ended 30 June 2017 was generated by the technical support services our Chengdu subsidiary provided. There was no such transaction during the six months ended 30 June 2016.

### Cost of sales

Our cost of sales decreased by approximately 37.1% from approximately RMB23.7 million for the six months ended 30 June 2016 to approximately RMB14.9 million for the six months ended 30 June 2017, primarily due to the decrease in amortisation cost relating to intangible assets pursuant to the acquisition of Kailuo Tianxia as disclosed in the Prospectus from RMB10.2 million for the six months ended 30 June 2016 to RMB1.8 million for the six months ended 30 June 2017 which was due to the full amortisation of Carrot Fantasy I (保衛蘿蔔1)'s IP and the impairment of Carrot Fantasy II (保衛蘿蔔2)'s IP in the second half of 2016.

### Gross profit and gross profit margin

Gross profit decreased by 44.2% from approximately RMB71.5 million for the six months ended 30 June 2016 to approximately RMB40.0 million for the six months ended 30 June 2017. Our gross profit margin for the six months ended 30 June 2017 was 72.8%, as compared to 75.1% for the six months ended 30 June 2016.

### Other income and gains

Our other income and gains decreased by approximately 32.6% from approximately RMB17.5 million for the six months ended 30 June 2016 to approximately RMB11.8 million for the six months ended 30 June 2017, primarily due to an RMB4.3 million recognition of gain on fair value change of contingent consideration for the six months ended 30 June 2016 while recognising a loss on fair value change of contingent consideration of approximately RMB0.5 million under other expenses for the six months ended 30 June 2017. The gain on fair value change of the contingent consideration for the six months ended 30 June 2016 represented the gain on fair value change of the contingent consideration of the remaining balance of 59,000,000 consideration shares to Fine Point Development Limited ("Fine Point") regarding the acquisition of 100% equity interest in Jiayi Global Limited ("Jiayi Global") (which indirectly holds 25% of the registered capital of each of Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou") and Xiamen Zhangxin Interactive Technology Co., Ltd. (the "PRC Companies")) which had been expected to be allotted and issued in 2017 and 2018 as disclosed in the Company's circular dated 27 July 2015 (the "Circular"). As Fine Point unconditionally and irrevocably waived the Fourth Tranche Consideration Shares (as defined in the Circular) as disclosed in the announcement of the Company dated 2 January 2017, there was no outstanding contingent consideration as at 30 June 2017 after the Third Tranche Consideration Shares (as defined in the Circular) were allotted and issued on 31 March 2017. The loss on fair value change of the contingent consideration recognised for the six months ended 30 June 2017 represented the loss recognised for the increase in the fair value of financial liability related to the Third Tranche Consideration Shares issued on 31 March 2017 due to the increase in closing price of Shares as compared with the closing price as at 31 December 2016. The decrease of other income and gains was also resulted from the decrease in investment income, interest income and dividend income from approximately RMB8.6 million for the six months ended 30 June 2016 to approximately RMB7.6 million for the six months ended 30 June 2017 and the decrease in government grants from approximately RMB4.5 million for the six months ended 30 June 2016 to approximately RMB4.0 million for the six months ended 30 June 2017. The decrease in interest income was mainly due to the decrease of average balance of bond and time deposit. The decrease in government grants was mainly because the government grants received during the six months ended 30 June 2017 were partly related to assets, which is recognised as deferred revenue and recognised in future profit or loss on a systematic basis over the useful life of the assets, while the government grants received during the six months ended 30 June 2016 were mostly related to income, which is recognised in profit or loss of the corresponding period.

### Selling and distribution expenses

Our selling and distribution expenses increased by approximately 40.1% from approximately RMB5.5 million for the six months ended 30 June 2016 to approximately RMB7.7 million for the six months ended 30 June 2017. The increase was mainly attributable to an increase in share-based compensation by approximately RMB2.0 million as a result of the forfeiture of share options in the six months ended 30 June 2016, whose cost had been recognised in the previous year, while there was no such forfeiture during the six months ended 30 June 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Administrative expenses

Our administrative expenses decreased by approximately 8.3% from approximately RMB28.6 million for the six months ended 30 June 2016 to approximately RMB26.2 million for the six months ended 30 June 2017. The decrease was primarily attributable to a decrease in salaries, pension schemes contribution and welfare from approximately RMB15.6 million for the six months ended 30 June 2016 to approximately RMB13.3 million for the six months ended 30 June 2017, which was mainly driven by a decrease in the number of administrative employees to streamline the Company's corporate structure.

### R&D costs

Our R&D costs decreased by approximately 65.1% from RMB112.8 million for the six months ended 30 June 2016 to approximately RMB39.4 million for the six months ended 30 June 2017. This decrease was primarily due to a one-off share-based payment of RMB66.2 million recognised during the six months ended 30 June 2016 while there was no such expense for the six months ended 30 June 2017. The share-based payment was related to the transfer of 42.1 million Shares from a major shareholder to a few key employees who were responsible for the Group's game development during the six months ended 30 June 2016 as a reward for their contribution to the Group. The cost was measured at the fair value of the shares on the date of the transfer and charged against the consolidated statement of profit or loss as employees' remuneration. The decrease was also due to a decrease in salaries, pension schemes contribution and welfare from approximately RMB34.1 million for the six months ended 30 June 2016 to approximately RMB27.2 million for the six months ended 30 June 2017 as a result of the decreased number of R&D employees to keep the R&D teams competitive.

### Finance costs

Finance costs consisted of interest expenses on the USD dominated time loan taken out by the Company as a financial lever for life insurance policies. Our finance costs increased by approximately 37.5% from approximately RMB456,000 for the six months ended 30 June 2016 to approximately RMB627,000 for the six months ended 30 June 2017 primarily due to higher interest rates and the change in foreign exchange rate of USD against RMB.

### Other expenses

Our other expenses increased by approximately 145.1% from approximately RMB11.1 million for the six months ended 30 June 2016 to approximately RMB27.3 million for the six months ended 30 June 2017. The increase was primarily attributable to an impairment loss of goodwill of approximately RMB20.4 million recorded during the six months ended 30 June 2017 while there was no such impairment loss of goodwill during the six months ended 30 June 2016. The impairment loss of goodwill was mainly related to goodwill recognised in 2013 pursuant to our acquisition of Kailuo Tianxia as disclosed in the Prospectus and the impairment loss of goodwill made was due to the recoverable amount of the Carrot Fantasy CGU to which the goodwill related was less than the carrying amount of the goodwill.

Carrot Fantasy III (保衛蘿蔔3) was launched in June 2016. The delayed launch of revamped version of Carrot Fantasy III (保衛蘿蔔3) which is an entirely new version released to sharpen its performance was considered as an indication of impairment for the goodwill aforementioned. We performed the impairment assessment with assistance from an external valuer, and based on it, the recoverable amount of the goodwill was determined by the value in use of the CGU, which was lower than the carrying amount of the goodwill as of 30 June 2017. As the Company is not able to have a reliable estimate of fair value less cost of disposal, the recoverable amount of the CGU to which the goodwill is allocated has been determined based on a value in use calculation using cash flow projections based on financial budgets covering seven-year period. The key assumptions for the value in use calculations are those regarding the discount rates, budgeted income during the period and growth rates. We estimate discount rates using pre-tax rates of 25% that reflect current market assessments of the time value of money and the risks specific to the CGU. The budgeted income includes estimated income from existing games and games in the pipeline, taking into account game popularity, income patterns in game life cycle and the Group's strategy in operation. The operating margin and growth rate within the seven-year period have been based on management expectation. The growth rate used to extrapolate the cash flows of the relevant games beyond the relevant periods is 3%. There is no significant change in the valuation of the assumptions from those previously adopted except for the estimated income which was due to the delay of revamped version of Carrot Fantasy III (保衛蘿蔔3). Details of the Group's impairment testing of goodwill is set out in Note 12 to the financial statements.



The increase was also due to an investment loss of approximately RMB5.8 million recognised during the six months ended 30 June 2017 related to the disposal of one of the Company's subsidiaries engaged in game development. The increase was primarily offset by the recognition of exchange loss for the six months ended 30 June 2016 of approximately RMB7.5 million due to the depreciation of RMB against USD and HKD while only RMB0.4 million loss was recognised for the six months ended 30 June 2017. The increase was also partially offset by a provision of investment impairment loss of approximately RMB3.5 million made for the six months ended 30 June 2016 for a minority equity investment in a company which was engaged in the design, production and distribution of network dramas while no such impairment loss was made for the six months ended 30 June 2017.

### Income tax expense

Our income tax expense decreased by approximately 65.1% from approximately RMB10.8 million for the six months ended 30 June 2016 to approximately RMB3.8 million for the six months ended 30 June 2017. The decrease was mainly attributable to the decrease in revenue and profits from the Company's subsidiaries which were not exempted from income tax.

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

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

We define adjusted net loss or profit attributable to owners of the parent as net loss or profit attributable to owners of the parent excluding share-based compensation, amortisation of intangible assets recognised for acquisitions and impairment loss of goodwill recognised for Carrot Fantasy CGU. The term of adjusted net loss or profit attributable to owners of the parent is not defined under IFRSs. The use of adjusted net loss or profit attributable to owners of the parent has material limitations as an analytical tool as it does not include all items that would impact our net loss or profit attributable to owners of parent for the accounting period.

	Six Months Ended 30 June		Change %
	2017 (RMB'000)	2016 (RMB'000)	
<b>Loss for the period attributable to owners of the parent</b>	<b>(50,183)</b>	(76,455)	(34.4)
Add:			
Share-based compensation	<b>10,235</b>	75,002	(86.4)
Amortisation of intangible assets recognised for acquisitions	<b>1,800</b>	10,242	(82.4)
Impairment loss of goodwill recognised for Carrot Fantasy cash-generating unit	<b>20,360</b>	–	N/A
<b>Total</b>	<b>(17,788)</b>	8,789	(302.4)



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL POSITION

As at 30 June 2017, total equity of the Group amounted to approximately RMB972.1 million, as compared to approximately RMB1,025.8 million as at 31 December 2016. The decrease was mainly due to an impairment loss of goodwill of approximately RMB20.4 million and the equity impact of approximately RMB29.1 million regarding the repurchase of the Shares on the Stock Exchange.

The Group's net current assets amounted to approximately RMB147.1 million as at 30 June 2017, as compared to approximately RMB155.2 million as at 31 December 2016. The decrease was primarily due to the payment of approximately RMB29.1 million in repurchase of the Shares on the Stock Exchange. The decrease was partially offset by the decrease in non-current available-for-sale investments of approximately RMB23.4 million.

## LIQUIDITY AND FINANCIAL RESOURCES

	<b>30 June 2017 (RMB'000)</b>	31 December 2016 (RMB'000)	<b>Change %</b>
Cash at bank and on hand	<b>141,159</b>	230,167	(38.7)
Time deposits	–	6,861	(100.0)
<b>Total</b>	<b>141,159</b>	237,028	(40.4)

Our total cash at bank and on hand and time deposits amounted to approximately RMB141.2 million as at 30 June 2017, as compared to approximately RMB237.0 million as at 31 December 2016. The decrease was primarily due to the increase in utilisation of our current financial resources for investments and repurchase of the Shares on the Stock Exchange. The decrease was also due to an increase in cash used in operating activities.

As at 30 June 2017, approximately RMB55.4 million of our financial resources (RMB79.6 million as at 31 December 2016) were held in deposits denominated in non-RMB currencies. We currently do not hedge transactions undertaken in foreign currencies but constantly monitoring, managing and limiting our foreign exchange exposure. The Group has adopted a prudent cash and financial management policy. In order to better control costs and minimise costs of funds, the Group's treasury activities are centralised and cash is generally deposited at banks and denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

As at 30 June 2017, we had a time loan of approximately US\$8.1 million (31 December 2016: US\$8.0 million) with an interest rate of 2.5670% which was secured by certain life insurance policies as detailed below which was borrowed by the Company as a financial lever of the life insurance policies.



As at 30 June 2017, we had short-term investments and available-for-sale investments of approximately RMB431.4 million (RMB406.3 million as at 31 December 2016). The short-term investments represented the structured financial product issued by a bank and an asset management company with the fixed interest rate ranging from 3.4% to 4.5% per annum and maturity periods of 90 to 180 days which were invested by a PRC subsidiary. The principal is protected. The current available-for-sale investments represent the structured financial products issued by banks and asset management companies with an expected interest rate ranging from 4.5% to 4.9% per annum and maturity periods of 30 to 180 days which were invested by the PRC subsidiaries. The non-current available-for-sale investments represent the straight bonds, convertible bonds and convertible preferred shares issued by banks or reputable companies, with Standard & Poor (“S&P”) rating above BB- and coupon rates ranged from 4.25% to 6.875% per annum which were invested by the Company, the investment in life insurance policies by the Company and equity interests held by the Group in nine unlisted companies and one company listed on China New Third Board (NEEQ). In August 2015, the Group entered into life insurance policies with an insurance company to insure certain members of the key management of the Group. The Company can terminate the policy at any time and receive the refund based on the cash value of the contract(s) at the date of withdrawal, which is determined by the insurance premium of each insurance policy plus the accumulated interest earned and minus the insurance costs (“Cash Value”). In addition, if the withdrawal is made between the first and tenth policy years, there is a special amount of surrender charge by the insurance company. The insurance company will declare a guaranteed interest of 3.9% per annum plus a premium determined by the insurance company on the outstanding Cash Value of the contract for the first three years. Commencing from the fourth year, the guaranteed interest will be reduced to 2% per annum.

As at 30 June 2017, the principal of RMB45.0 million in structured financial products is protected while the principal of the rest are not protected. The fair value of the current available-for-sale financial investment approximately equals to their cost plus expected interest. The fair values of available-for-sale investments in straight bonds, convertible bonds and convertible preferred shares have been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market inputs. The fair values of the life insurance policies represent the cash value of such insurance policies which is detailed in the above paragraph.

Details of the Group’s short-term investments and available-for-sale investments are set out in Note 17 to the financial statements.

According to our current internal investment management policies, no less than 50% of our total investment is invested in risk-free or principal protected investments while the remaining of up to 50% of the total investment is invested in low risk products. We have a diversified investment portfolio to mitigate risks. Besides, the above investments were made in line with our effective capital and investment management policies and strategies.

### **Gearing ratio**

On the basis of total liabilities divided by total assets, the Group’s gearing ratio was 10.3% as at 30 June 2017 and 14.5% as at 31 December 2016.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital expenditures

The following table sets forth our capital expenditures for the six months ended 30 June 2017 and 2016:

	Six Months Ended 30 June		Change %
	2017 (RMB'000)	2016 (RMB'000)	
Property, plant and equipment	4,089	1,042	292.4
Construction in progress	812	–	N/A
Intangible assets	–	750	(100.0)
<b>Total</b>	<b>4,901</b>	<b>1,792</b>	<b>173.5</b>

Our capital expenditures comprised property, plant and equipment, such as company vehicles for employees' use, construction in progress and intangible assets, such as software and platform. The total capital expenditures were approximately RMB4.9 million and RMB1.8 million for the six months ended 30 June 2017 and 2016 respectively. The increase of approximately RMB3.1 million in total capital expenditures for the six months ended 30 June 2017 from the corresponding period of 2016 was primarily due to the purchase of company vehicles for employees' use of approximately RMB1.8 million and the increase in the leasehold improvements of approximately RMB1.4million for the offices leased for the newly setup Shenzhen office and development team. The increase was also due to construction costs of approximately RMB0.8 million for our R&D center and headquarters. The increase in the total capital expenditures was partially offset by a decrease in the purchase of intangible assets.

## Significant investments held/future plans for material investments or capital assets and significant acquisitions and disposals of subsidiaries, associates and joint ventures

On 11 May 2017, the Company, through one of its wholly-owned subsidiaries Xiamen Youli, entered into an investment agreement (the "Investment Agreement") together with XD and Xiamen G-bits, to invest in Ewan. Pursuant to the Investment Agreement, each of Xiamen Youli, XD and Xiamen G-bits shall inject RMB50.0 million in cash into Ewan, as a result of which Xiamen Youli, XD and Xiamen G-bits will hold 4.54%, 52.09% and 4.54%, respectively of the equity interests in Ewan as enlarged by the capital contribution to be made pursuant to the Investment Agreement. XD is the controlling shareholder of Ewan before and after the Investment Agreement and Xiamen G-bits is a new investor to Ewan. The investment will not only strengthen the Group's game distribution network, but also offer a valuable opportunity for decent investment return in the future.

Save as disclosed above in this interim report, the Group currently has no specific plan for any significant investment in or acquisition of major capital assets or other businesses in the second half of 2017. However, the Group will continue to identify new opportunities for business development.

## Pledge of Assets

As at 30 June 2017, the Group's bank loan amounted to US\$8.1 million (equivalent to approximately RMB55.0 million) which was used as a lever for our investment in life insurance policies and is secured by the life insurance policies with a fair value amounted to US\$13.0 million (equivalent to approximately RMB88.0 million).

### Contingent liabilities and guarantees

As at 30 June 2017, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation with claims made against us.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, we had 440 full-time employees, the majority of whom were based in Xiamen, the PRC. The following table sets forth the number of our employees segregated by their functions as at 30 June 2017:

	Number of Employees	% of Total
Development	268	60.9
Operations	109	24.8
Administration	62	14.1
Sales and marketing	1	0.2
<b>Total</b>	<b>440</b>	<b>100.0</b>

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

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

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

### Use of Net Proceeds from Listing

The net proceeds from the Global Offering were approximately HK\$585.0 million, after deducting the underwriting fees and commission, and related total expenses paid and payable by us in connection with the Listing, we have, and will continue to utilise the net proceeds from the Global Offering for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.



# OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

As at 30 June 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

### Long positions in shares

Name of Director/ chief executive	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding <sup>8</sup> %
YAO Jianjun	Founder of a Discretionary Trust Interest of Controlled Corporation <sup>1 and 2</sup>	481,399,000	30.95
CHEN Jianyu	Founder of a Discretionary Trust Interest of Controlled Corporation <sup>1 and 3</sup>	256,739,000	16.51
BI Lin	Founder of a Discretionary Trust Interest of Controlled Corporation <sup>1 and 4</sup>	127,470,000	8.19
SUN Zhiyan	Founder of a Discretionary Trust Interest of Controlled Corporation <sup>1 and 5</sup>	66,337,000	4.26
LIN Jiabin	Founder of a Discretionary Trust Interest of Controlled Corporation <sup>1 and 6</sup>	44,890,500	2.89
LIN Zhibin	Founder of a Discretionary Trust Interest of Controlled Corporation <sup>1 and 7</sup>	44,890,500	2.89

Notes:

- 1 TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Sun Family Trust, The Lin Family Trust, The Zhi Family Trust and The Dong Family Trust, seven trusts in total.
- 2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.
- 3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. Chen and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 256,739,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.



## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 127,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.
- 5 The entire share capital of Eastep Holdings Limited is wholly owned by Ace Kingdom Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Sun Family Trust, which was established by Mr. SUN Zhiyan (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. SUN and his family members. Mr. SUN (as founder of The Sun Family Trust) and Ace Kingdom Limited are taken to be interested in 66,337,000 Shares held by Eastep Holdings Limited pursuant to Part XV of the SFO.
- 6 The entire share capital of LINT Holdings Limited is wholly owned by Supreme Top Global Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Lin Family Trust, which was established by Mr. LIN Jiabin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Jiabin and his family members. Mr. LIN Jiabin (as founder of The Lin Family Trust) and Supreme Top Global Limited are taken to be interested in 44,890,500 Shares held by LINT Holdings Limited pursuant to Part XV of the SFO.
- 7 The entire share capital of LINCHEN Holdings Limited is wholly owned by Sheen Field Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Zhi Family Trust, which was established by Mr. LIN Zhibin on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Zhibin and his family members. Mr. LIN Zhibin (as founder of The Zhi Family Trust) and Sheen Field Limited are taken to be interested in 44,890,500 Shares held by LINCHEN Holdings Limited pursuant to Part XV of the SFO.
- 8 The percentage is calculated on the basis of 1,555,515,455 Shares in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### PRE-IPO SHARE OPTION SCHEME

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

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted options to subscribe for an aggregate of 105,570,000 Shares, which represented approximately 6.79% of the Shares in issue as at 30 June 2017, to senior management of the Group and other grantees. As at 30 June 2017, 35,460,000 options granted pursuant to the Pre-IPO Share Option Scheme, which represented approximately 2.28% of the Shares in issue as at 30 June 2017 and 2.29% of the Shares in issue as at the date of this interim report, remained unvested. As at 31 December 2016, 38,020,000 options granted pursuant to the Pre-IPO Share Option Scheme, which represented approximately 2.45% of the Shares in issue as at the date of the Company's 2016 annual report, remained unvested.



## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

The table below sets out details of the outstanding options granted under the Pre-IPO Share Option Scheme and movements during the six months ended 30 June 2017:

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Number of Share Options			Outstanding as at 30/06/2017
						Outstanding as at 1/1/2017	Exercised during the six months ended 30/06/2017	Cancelled/Lapsed during the six months ended 30/06/2017	
<b>Senior management</b>									
Ms. ZHOU Yandan	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	4,510,000	-	-	-	-
Mr. CHEUNG Man Yu	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	6,430,000	4,822,500	-	-	4,822,500
Mr. DONG Ting	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	7,510,000	1,877,500	(1,877,500)	-	-
Ms. XU Yiqing	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	2,250,000	2,250,000	-	-	2,250,000
Mr. LIU Tao	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	1,130,000	854,000	(288,000)	(566,000) <sup>(1)</sup>	-
<b>Other Grantees</b>									
Aggregate of 117 other grantees	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK\$0.55	83,740,000	55,703,000	(7,973,500)	(1,995,000) <sup>(2)</sup>	45,734,500
<b>Total</b>					<b>105,570,000</b>				<b>52,807,000</b>

Notes:

- (1) 565,000 share options granted to Mr. Liu Tao lapsed immediately upon his resignation as vice president of the Company due to his personal reasons on 28 February 2017 and 1,000 share options granted to Mr. Liu Tao expired due to the failure to exercise within the exercisable period after his resignation.
- (2) 1,995,000 share options granted to the other grantees lapsed immediately upon their resignation from the Company during the six months ended 30 June 2017.
- (3) The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK\$1.16.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### POST-IPO SHARE OPTION SCHEME

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

Pursuant to the Post-IPO Share Option Scheme, the Company has granted options to subscribe for (i) 3,000,000 Shares to a senior management on 10 June 2015; (ii) 1,000,000 Shares to an eligible participant on 5 July 2016; (iii) 10,160,000 Shares to senior management and other eligible participants on 27 March 2017; and (iv) 5,000,000 Shares to a senior management and an eligible participant on 15 May 2017. As at 30 June 2017, the total number of options granted under the Post-IPO Share Option Scheme was 19,160,000, which represented approximately 1.23% of the Shares in issue as at 30 June 2017. As at 30 June 2017, 3,250,000 options granted under the Post-IPO Share Option Scheme, which represented approximately 0.21% and 0.21% of the Shares in issue as at 30 June 2017 and the date of this interim report respectively, were vested to the named grantees.

The table below sets out details of the outstanding options granted under the Post-IPO Share Option Scheme and movements during the six months ended 30 June 2017:

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Share Options				
						Granted on the date of grant	Outstanding as at 1/1/2017	Exercised during the six months ended 30/06/2017	Cancelled/Lapsed during the six months ended 30/06/2017	Outstanding as at 30/06/2017
<b>Senior management</b>										
Mr. YANG Guangwen	10/6/2015	25% of options on 10 June 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK\$3.934	HK\$3.62	3,000,000 <sup>(1)</sup>	3,000,000	-	-	3,000,000
Mr. YANG Guangwen	27/3/2017	50% of options on 30 June 2017 and 25% of options on 30 June 2018 and 2019 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,000,000 <sup>(3)</sup>	-	-	-	3,000,000
Ms. XU Yiqing	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,000,000 <sup>(3)</sup>	-	-	-	3,000,000
Mr. CHEUNG Man Yu	15/5/2017	25% of options on 15 May 2018, 2019, 2020 and 2021 respectively	10 years from the date of grant	HK\$1.10	HK\$1.11	3,000,000 <sup>(4)</sup>	-	-	-	3,000,000





## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Share Options				
						Granted on the date of grant	Outstanding as at 1/1/2017	Exercised during the six months ended 30/06/2017	Cancelled/Lapsed during the six months ended 30/06/2017	Outstanding as at 30/06/2017
<b>Other Grantees</b>										
1 other grantee	5/7/2016	25% of options on 31 December 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK\$1.634	HK1.57	1,000,000 <sup>2)</sup>	1,000,000	-	-	1,000,000
10 other grantees	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	4,160,000 <sup>3)</sup>	-	-	-	4,160,000
1 other grantee	15/5/2017	25% of options on 15 May 2018, 2019, 2020 and 2021 respectively	10 years from the date of grant	HK\$1.10	HK\$1.11	2,000,000 <sup>4)</sup>	-	-	-	2,000,000

1 On 10 June 2015, 3,000,000 share options were granted to a senior management with exercise price of HK\$3.934 per Share, which represents the highest of: (i) the closing price of HK\$3.69 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 10 June 2015; (ii) the average of the closing price of HK\$3.934 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.

2 On 5 July 2016, 1,000,000 share options were granted to an eligible participant with exercise price of HK\$1.634 per Share, which represents the highest of: (i) the closing price of HK\$1.42 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 5 July 2016; (ii) the average of the closing price of HK\$1.634 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.

3 On 27 March 2017, 10,160,000 share options were granted to two senior management and other 10 eligible participants with exercise price of HK\$1.256 per Share, which represents the highest of: (i) the closing price of HK\$1.23 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 27 March 2017; (ii) the average of the closing price of HK\$1.256 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.

4 On 15 May 2017, 5,000,000 share options were granted to a senior management and an eligible participant with exercise price of HK\$1.10 per Share, which represents the highest of: (i) the closing price of HK\$1.10 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 15 May 2017; (ii) the average of the closing price of HK\$1.096 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.





## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### SUMMARY OF THE SHARE OPTION SCHEMES

	<b>Pre-IPO Share Option Scheme</b>	<b>Post-IPO Share Option Scheme</b>
<b>1. Purpose</b>	To provide an incentive for participants and to reward their performance with rights which allow a participant who has been granted options to subscribe for Shares and to own the Company in proportion with their contribution to the Company or any of its subsidiaries.	To provide an incentive or reward for the participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.
<b>2. Eligible Participants</b>	Full-time employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries who, in the absolute discretion of the Board, have contributed or will contribute to the Group.	Full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries, and suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, has contributed or will contribute to the Group and whom the Board may in its absolute discretion select and think fit.
<b>3. Maximum number of shares</b>	<p>The total number of Shares subject to the Pre-IPO Share Option Scheme shall not exceed 105,570,000, i.e. 8.80% and 6.82% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.</p> <p>No further option could be granted under the Pre-IPO Share Option Scheme.</p>	<p>The total number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme is 150,000,000 Shares which is equivalent to 12.50% and 9.69% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.</p> <p>The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and any other schemes must not in aggregate exceed 30% of the total number of Shares in issue from time to time.</p>



## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
<b>4. Maximum entitlement of each participant</b>	The respective entitlement of each participant as granted on 17 November 2014	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer
<b>5. Option period</b>	Options may be exercised at any time or times during the period within which the grantee may exercise the options, unless otherwise specified in his offer document.	The Board may in its absolute discretion specify conditions or performance targets at the time of grant of options which shall be satisfied by the grantee before his options may be exercised.
<b>6. Exercise price</b>	HK\$0.55 per Share	Exercise price shall be higher of: (1) the official closing price of the Shares as stated on the Stock Exchange's daily quotations sheets on the date of offer of option; (2) average of the official closing prices of the Shares stated on the Stock Exchange's daily quotation sheets for the 5 business days before the date of offer and (3) nominal value of a Share.
<b>7. Scheme period</b>	It shall be valid and effective from 17 November 2014 to the 5th anniversary of the Listing Date (i.e. 5 December 2019) (both dates inclusive).	It shall be valid and effective from 17 November 2014 to the 10th anniversary of the Listing Rule (i.e. 5 December 2024) (both dates inclusive).

### PRE-IPO RESTRICTED SHARE UNIT PLAN

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

Pursuant to the Pre-IPO RSU Plan, the maximum number of Shares underlying all grants of restricted share units (the "RSUs") shall not exceed 13,850,000 Shares, equivalent to approximately 0.89% of the Shares in issue as at 30 June 2017, to the senior management of the Group and other grantees. 13,850,000 RSUs were vested in full to the named grantees on 1 April 2015. As at 30 June 2017, the Company no longer has any RSUs outstanding under the Pre-IPO RSU Plan.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### POST-IPO RESTRICTED SHARE UNIT PLAN

The Company has approved and adopted the Post-IPO RSU Plan by a Shareholders' resolution on 17 November 2014 and a resolution of the Board on 17 November 2014.

On 27 March 2017, the Company has conditionally granted an aggregate of 14,000,000 RSUs to certain eligible participants to obtain an aggregate of 14,000,000 new Shares.

As approved by the Shareholders at the annual general meeting held on 26 May 2017 (the "2016 AGM"), the maximum number of new Shares that may underlie awards of RSUs granted or to be granted by the Directors (including but not limited to the aggregate of 14,000,000 RSUs conditionally granted on 27 March 2017) (excluding RSUs that have been lapsed or been cancelled in accordance with the Post-IPO RSU Plan) is 45,000,000 Shares, which represented approximately 2.89% of the Shares in issue as at the date of the 2016 AGM and 30 June 2017 respectively.

The table below sets out details of the outstanding RSUs granted under the Post-IPO RSU Plan and movements during the six months ended 30 June 2017:

Name	Date of Grant	Vesting schedule	Number of RSUs granted	Outstanding as at 1/1/2017	Number of RSUs		Outstanding as at 30/06/2017
					Vested during the six months ended 30/06/2017	Cancelled/Lapsed during the six months ended 30/06/2017	
<b>Other Grantees</b>							
Aggregate of 6 other grantees	27/3/2017	50% on 31 December 2017 and 50% on 31 December 2018	14,000,000	-	-	-	14,000,000



## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### SUMMARY OF THE RESTRICTED SHARE UNIT PLANS

	Pre-IPO RSU Plan	Post-IPO RSU Plan
<b>1. Purpose</b>	To reward the participants for their contribution to the success of the Group and to provide incentives to them to further contribute to the Group, and to attract suitable personnel for further development to the Group.	Same as the Pre-IPO RSU Plan
<b>2. Eligible Participants</b>	<ul style="list-style-type: none"> <li>(i) Full-time employees or officers (including executive, non-executive and independent non-executive Directors) of the Company;</li> <li>(ii) Full-time employees of any subsidiaries and the PRC Operating Entities;</li> <li>(iii) Suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, have contributed or will contribute to the Group; and</li> <li>(iv) Any other person who, in the absolute discretion of the Board, has contributed or will contribute to the Group.</li> </ul>	Same as the Pre-IPO RSU Plan
<b>3. Maximum number of shares</b>	<p>The total number of Shares subject to the Pre-IPO RSU Plan shall not exceed 13,850,000 Shares, i.e. 1.15% and 0.90% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.</p> <p>No further award of RSUs could be granted under the Pre-IPO RSU Plan.</p>	<p>The total number of Shares subject to the Post-IPO RSU Plan shall not exceed 45,000,000 Shares, i.e. 3.75% and 2.91% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.</p> <p>If the limit of the Post-IPO RSU Plan is refreshed with prior approval of the Shareholders, the total number of Shares underlying the awards shall not exceed 3% of the number of issued Shares as at the date of approval of the refreshed limit.</p>



## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

	<b>Pre-IPO RSU Plan</b>	<b>Post-IPO RSU Plan</b>
<b>4. Term of the RSU Plan</b>	Valid and effective for a period of 5 years from 17 November 2014.	Same as the Pre-IPO RSU Plan
<b>5. Grant of Award</b>	The Board may grant an award of RSUs any time during the term of the respective RSU Plan on terms and conditions specified by it.	Same as the Pre-IPO RSU Plan
<b>6. Rights attached</b>	An award of RSUs does not carry any right to vote at general meetings of the Company. No grantee shall enjoy any right of a shareholder by virtue of the grant of award unless and until the Shares underlying the award are allotted and issued or transferred (as the case may be) to the grantee. Notwithstanding the foregoing, the Board may specify in its sole discretion that a grantee may enjoy rights to cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the award.	Same as the Pre-IPO RSU Plan



## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

As at 30 June 2017, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares.

Name of Shareholder	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of shareholding <sup>5</sup> %
TMF (Cayman) Ltd. <sup>1</sup>	Trustee of the family trusts	1,053,043,500	67.70
YAO Holdings Limited <sup>2</sup>	Beneficial owner	481,399,000	30.95
Jolly Spring International Limited <sup>2</sup>	Interest in a controlled corporation	481,399,000	30.95
Mr. YAO Jianjun <sup>2</sup>	Founder of a discretionary trust Interest in a controlled corporation	481,399,000	30.95
Fishchen Holdings Limited <sup>3</sup>	Beneficial owner	256,739,000	16.51
Honour Gate Limited <sup>3</sup>	Interest in a controlled corporation	256,739,000	16.51
Mr. CHEN Jianyu <sup>3</sup>	Founder of a discretionary trust Interest in a controlled corporation	256,739,000	16.51
BILIN Holdings Limited <sup>4</sup>	Beneficial owner	127,470,000	8.19
Rayoon Limited <sup>4</sup>	Interest in a controlled corporation	127,470,000	8.19
Mr. BI Lin <sup>4</sup>	Founder of a discretionary trust Interest in a controlled corporation	127,470,000	8.19

Notes:

- 1 TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Sun Family Trust, The Lin Family Trust, The Zhi Family Trust and The Dong Family Trust, seven trusts in total.
- 2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.
- 3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 256,739,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.
- 4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 127,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.
- 5 The percentage is calculated on the basis of 1,555,515,455 Shares in issue as at 30 June 2017.



## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Other than as disclosed above, as at 30 June 2017, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2017, the Company repurchased a total of 28,300,500 Shares on the Stock Exchange at an aggregate price paid of HK\$32,805,195.50 before expenses pursuant to the share repurchase mandate approved by the Shareholders at the 2016 AGM.

Details of the share repurchase are as follows:

Month of repurchase	Number of shares repurchased	Price per Share		Aggregate price paid HK\$
		Highest HK\$	Lowest HK\$	
January 2017	12,178,500	1.16	1.01	13,137,585.20
February 2017	10,099,500	1.32	1.15	12,552,284.96
March 2017	4,441,500	1.23	1.16	5,397,240.09
April 2017	949,500	1.23	1.11	1,115,985.25
June 2017	631,500	0.98	0.94	602,100.00
<b>Total</b>	<b>28,300,500</b>			<b>32,805,195.50</b>

All the 28,300,500 repurchased Shares have been cancelled prior to 14 July 2017 and the issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the Shareholders as a whole by enhancing the earnings per share of the Company.

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2017.

### SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this interim report, the Company has always maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2017 and up to the date of this interim report.



## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

#### **Compliance with the Corporate Governance Code**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Save as disclosed herein below, the Company has complied with all applicable code provisions under the CG Code during the six months ended 30 June 2017.

Code provision A.2.1 of the CG Code stipulates the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. YAO Jianjun serves as the Chairman and Chief Executive Officer of the Company. In view of Mr. YAO Jianjun's extensive experience in the industry, personal profile and role in the Group and its historical development, the Board believes that it is appropriate and beneficial to the business prospects of the Group that Mr. YAO Jianjun acts as both Chairman and Chief Executive Officer. Furthermore, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. YAO Jianjun would provide strong and consistent leadership, allowing the Company to more effectively plan and implement business decisions and strategies. Besides, all major decisions have been made in consultation with members of the Board, which comprises experienced and high caliber individuals, appropriate Board committees, as well as the senior management team. The Board is, therefore, of the view that there are adequate checks and balances in place. Nevertheless, the Board will continue to monitor and review the Company's current structure and make necessary changes at an appropriate time.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

#### **The Board**

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

The Corporate Information on pages 2 and 3 of this Interim Report includes changes up to the date of this Interim Report.





## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### **Model Code for Securities Transactions**

The Company has adopted the Model Code for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2017.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2017.

### **Review of Interim Results**

The Audit Committee, comprising three independent non-executive Directors, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2017 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

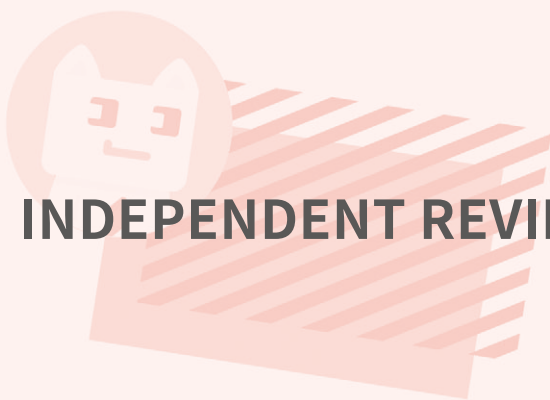
The unaudited interim results of the Group for the six months ended 30 June 2017 have been reviewed by Ernst & Young, the external auditors of the Company.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' biographical details since the date of the 2016 annual report of the Company up to the date of this interim report are as follows:

Mr. YAO Jianjun (姚劍軍), an executive Director, has been acting as director of Ewan (Shanghai) Network Technology Co., Ltd. (易玩(上海)網絡科技有限公司) which is the new investee of the Company since 27 May 2017, director of Shenzhen Feiyu Xingkong Technology Company Ltd. (深圳飛魚星空科技有限公司) which is the newly founded subsidiary of the Company since 23 February 2017 and director of Shenzhen Feiyu Digital Technology Co., Ltd. (深圳飛魚數字科技有限公司) which is the newly founded subsidiary of the Company since 10 July 2017.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2016 annual report of the Company up to the date of this interim report.



# INDEPENDENT REVIEW REPORT



**Ernst & Young**  
22nd Floor  
CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

Tel: +852 2846 9888  
Fax: +852 2868 4432  
www.ey.com

安永會計師事務所  
香港中環  
添美道1號  
中信大廈  
22樓

電話: +852 2846 9888  
傳真: +852 2868 4432  
www.ey.com

## To the board of directors of Feiyu Technology International Company Ltd.

(Incorporated in the Cayman Islands with limited liability)

### INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 33 to 66, which comprises the interim condensed consolidated statement of financial position of Feiyu Technology International Company Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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” (“IAS 34”) issued by International Accounting Standards Board.

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

### SCOPE OF REVIEW

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

### CONCLUSION

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

#### Ernst & Young

*Certified Public Accountants*  
Hong Kong

25 August 2017

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>54,858</b>	95,252
Cost of sales		<b>(14,905)</b>	(23,712)
<b>Gross profit</b>		<b>39,953</b>	71,540
Other income and gains	4	<b>11,779</b>	17,470
Selling and distribution expenses		<b>(7,738)</b>	(5,523)
Administrative expenses		<b>(26,240)</b>	(28,614)
Research and development costs		<b>(39,362)</b>	(112,848)
Finance costs		<b>(627)</b>	(456)
Other expenses	5	<b>(27,274)</b>	(11,126)
Share of losses of associates		<b>(1,029)</b>	(595)
<b>LOSS BEFORE TAX</b>	6	<b>(50,538)</b>	(70,152)
Income tax expense	7	<b>(3,762)</b>	(10,787)
<b>LOSS FOR THE PERIOD</b>		<b>(54,300)</b>	(80,939)
Attributable to:			
Owners of the parent		<b>(50,183)</b>	(76,455)
Non-controlling interests		<b>(4,117)</b>	(4,484)
		<b>(54,300)</b>	(80,939)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
– Basic		<b>RMB(0.03)</b>	RMB(0.05)
– Diluted		<b>Not applicable</b>	Not applicable



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	Note	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>LOSS FOR THE PERIOD</b>		<b>(54,300)</b>	(80,939)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
<b>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</b>			
Available-for-sale investments:			
Changes in fair value		7,280	6,298
Reclassification adjustments for gains included in the consolidated statement of profit or loss	4	(2,406)	(2,484)
Exchange differences on translation of foreign operations		(6,927)	1,480
<b>Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</b>		<b>(2,053)</b>	5,294
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>		<b>(2,053)</b>	5,294
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(56,353)</b>	(75,645)
Attributable to:			
Owners of the parent		(52,288)	(71,157)
Non-controlling interests		(4,065)	(4,488)
		<b>(56,353)</b>	(75,645)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	13,622	13,376
Prepaid land lease payments	11	104,929	106,307
Goodwill	12	292,954	314,253
Other intangible assets	13	3,716	5,631
Investment in associates	14	16,639	17,668
Prepayments, deposits and other receivables	16	22,372	22,412
Available-for-sale investments	17	375,735	399,116
Deferred tax assets		1,584	2,387
Total non-current assets		831,551	881,150
<b>CURRENT ASSETS</b>			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	15	29,802	54,268
Prepayments, deposits and other receivables	16	23,752	19,886
Restricted cash		681	680
Available-for-sale investments	17	15,169	7,139
Short term investments	17	40,467	–
Cash and cash equivalents	18	141,159	237,028
Other current assets		1,568	–
Total current assets		252,598	319,001
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	19	35,986	90,353
Interest-bearing bank borrowing	20	54,969	55,655
Tax payable		4,140	6,228
Deferred revenue	21	10,412	11,594
Total current liabilities		105,507	163,830
<b>NET CURRENT ASSETS</b>		147,091	155,171
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		978,642	1,036,321



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>978,642</b>	1,036,321
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		225	450
Deferred revenue	21	6,282	10,097
Total non-current liabilities		6,507	10,547
<b>Net assets</b>		<b>972,135</b>	1,025,774
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	22	1	1
Share premium	22	496,082	504,719
Treasury shares		(525)	(8,394)
Reserves		476,834	530,959
		972,392	1,027,285
<b>Non-controlling interests</b>		<b>(257)</b>	(1,511)
<b>Total equity</b>		<b>972,135</b>	1,025,774

**YAO Jianjun**  
Director

**CHEN Jianyu**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Treasury shares RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	1	504,719	11,879*	146,083*	353,337*	(14,918)*	35,674*	(1,096)*	(8,394)	1,027,285	(1,511)	1,025,774
Loss for the period	-	-	-	-	-	-	-	(50,183)	-	(50,183)	(4,117)	(54,300)
Other comprehensive loss for the period:												
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	4,874	-	-	-	4,874	-	4,874
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(6,979)	-	-	(6,979)	52	(6,927)
Total comprehensive loss for the period	-	-	-	-	-	4,874	(6,979)	(50,183)	-	(52,288)	(4,065)	(56,353)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	4,742	4,742
Acquisition of non-controlling interests in a subsidiary	-	-	-	-	(577)	-	-	-	-	(577)	577	-
Issue of shares (note 26)	-	11,915	-	-	-	-	-	-	-	11,915	-	11,915
Repurchase of shares	-	-	-	-	-	-	-	-	(29,112)	(29,112)	-	(29,112)
Cancellation of shares	-	(36,981)	-	-	-	-	-	-	36,981	-	-	-
Equity-settled share-based payments expenses	-	-	-	10,235	-	-	-	-	-	10,235	-	10,235
Exercise of share option	-	16,429	-	(11,495)	-	-	-	-	-	4,934	-	4,934
At 30 June 2017 (unaudited)	1	496,082	11,879*	144,823*	352,760*	(10,044)*	28,695*	(51,279)*	(525)	972,392	(257)	972,135

\* These reserve accounts comprise the consolidated reserves of RMB476,834,000 (For the year ended 31 December 2016: RMB530,959,000) in the consolidated statement of financial position.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2016

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Treasury shares RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	1	490,051	11,779	76,405	353,337	(18,419)	14,843	150,006	(5,090)	1,072,913	(2,470)	1,070,443
Loss for the period	-	-	-	-	-	-	-	(76,455)	-	(76,455)	(4,484)	(80,939)
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	3,814	-	-	-	3,814	-	3,814
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,484	-	-	1,484	(4)	1,480
Total comprehensive loss for the period	-	-	-	-	-	3,814	1,484	(76,455)	-	(71,157)	(4,488)	(75,645)
Distribution to non-controlling shareholders	-	-	-	-	(4,172)	-	-	-	-	(4,172)	4,172	-
Issue of shares (note 26)	-	53,590	-	-	-	-	-	-	-	53,590	-	53,590
Repurchase of shares	-	-	-	-	-	-	-	-	(14,627)	(14,627)	-	(14,627)
Cancellation of shares	-	(18,373)	-	-	-	-	-	-	18,373	-	-	-
Equity-settled share-based payments expenses	-	-	-	75,002	-	-	-	-	-	75,002	-	75,002
Exercise of share option	-	21,846	-	(15,464)	-	-	-	-	-	6,382	-	6,382
2015 final dividends	-	(39,737)	-	-	-	-	-	-	-	(39,737)	-	(39,737)
At 30 June 2016 (unaudited)	1	507,377	11,779	135,943	349,165	(14,605)	16,327	73,551	(1,344)	1,078,194	(2,786)	1,075,408



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months end 30 June

	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Cash flows from operating activities:</b>			
Loss before tax		(50,538)	(70,152)
Adjustments for:			
Finance costs		627	456
Interest income	4	(4,604)	(6,162)
Dividend income from available-for-sale investments	4	(608)	–
Depreciation of property, plant and equipment	10	3,150	3,875
Amortisation of prepaid land lease payments	11	1,378	–
Amortisation of other intangible assets	13	1,915	11,095
Loss on disposal of items of property, plant and equipment		219	–
Equity-settled share-based payment expenses		10,235	75,002
Fair value gains, net:			
Available-for-sale investments (transfer from equity on disposal)	4	(2,406)	(2,484)
Loss/(gain) on fair value change of contingent consideration		495	(4,286)
Loss on disposal of a subsidiary	5	5,808	–
Share of losses of associates		1,029	595
Impairment of goodwill	12	20,360	–
Impairment of an investment in an associate	5	–	3,503
		(12,940)	11,442
Decrease in accounts receivable and receivables due from third-party game distribution platforms and payment channels		24,466	3,101
Increase in prepayments, deposits and other receivables		(3,845)	(4,604)
Decrease in other payables and accruals		(43,785)	(10,944)
Increase in restricted cash		(1)	–
Increase in other current assets		(1,568)	–
(Decrease)/increase in deferred revenue		(4,997)	20,342
Cash (used in)/generated from operations		(42,670)	19,337
Income tax paid		(5,272)	(3,864)
Net cash flows (used in)/from operating activities		(47,942)	15,473



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months end 30 June

	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Cash flows from investing activities:</b>			
Interest received		5,429	6,578
Dividends received from available-for-sale investments		608	–
Purchases of items of property, plant and equipment	10	(4,901)	(1,042)
Additions to other intangible assets	13	–	(750)
Proceeds from disposal of items of property, plant and equipment		1,245	–
Purchase of available-for-sale investments		(323,364)	(322,114)
Proceeds from disposal of available-for-sale investments		298,774	283,864
Deposit transferred to an account in a domestic securities company		(601)	(6,009)
Deposit of bidding for land use rights		–	(21,400)
Disposal of a subsidiary		(18)	–
Net cash flows used in investing activities		(22,828)	(60,873)
<b>Cash flows from financing activities:</b>			
Proceeds from exercise of share options		5,153	6,151
Addition of bank loans		347,160	309,759
Repayment of bank loans		(346,532)	(309,288)
Repurchase of shares		(29,112)	(14,611)
Interest paid		(10)	–
Dividends paid		–	(38,980)
Net cash flows used in financing activities		(23,341)	(46,969)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		237,028	463,897
Effect of foreign exchange rate changes, net		(1,758)	1,195
Cash and cash equivalents at end of period		141,159	372,723
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and cash equivalents as stated in the statement of financial position	18	141,159	372,723



# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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

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

### 2.1 Basis of preparation

The interim financial information for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 “Interim Financial Reporting” and the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2016.

### 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

Amendments to IAS 7  
Amendments to IAS 12

*Disclosure Initiative*  
*Recognition of Deferred Tax Assets for Unrealised Losses*

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

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

## 3. OPERATING SEGMENT INFORMATION

### Information about geographical areas

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

### Information about major customers

Revenue from continuing operations of approximately RMB6,943,000 was derived from a single customer for game operation which is 10% or more of the Group’s revenue for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).



## NOTES TO THE FINANCIAL STATEMENTS

### 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents net invoiced value of goods sold, after allowances for returns and trade discounts; the services rendered after allowances for chargebacks; and the royalties derived from licensing agreements.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Revenue</b>		
Online web and mobile games	42,710	76,408
Single-player mobile games	1,046	4,576
Game operation	43,756	80,984
– Gross basis	1,818	3,291
– Net basis	41,938	77,693
Online game distribution	1,137	352
Licensing income	5,741	6,968
Advertising revenue	3,877	6,948
Sale of goods	167	–
Technical service income	180	–
	54,858	95,252
<b>Other income</b>		
Interest income	4,604	6,162
Government grants	4,002	4,502
	8,606	10,664
<b>Gains</b>		
Fair value gains, net:		
Available-for-sale investments (transfer from equity on disposal)	2,406	2,484
Dividend income from available-for-sale investments	608	–
Gain on disposal of items of property, plant and equipment	4	–
Gain on fair value change of contingent consideration	–	4,286
Other gains	155	36
	11,779	17,470

## 5. OTHER EXPENSES

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Impairment of goodwill	12	20,360	–
Loss on disposal of items of property, plant and equipment		223	–
Loss on disposal of a subsidiary		5,808	–
Loss on fair value change of contingent considerations	26	495	–
Foreign exchange loss		377	7,465
Impairment of an investment in an associate		–	3,503
Others		11	158
		<b>27,274</b>	11,126

## 6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Channel costs	467	1,216
Rental fee (including servers)	5,981	6,164
Depreciation	3,150	3,875
Amortisation of other intangible assets	1,915	11,095
Amortisation of land lease payments	1,378	–
Advertising expenses	6,481	3,071
Impairment of goodwill*	20,360	–
Loss on disposal of a subsidiary	5,808	–
Impairment of an investment in an associate*	–	3,503
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	32,880	43,307
Pension scheme contributions	6,157	7,737
Share-based payment expenses	10,235	75,002
	<b>49,272</b>	126,046
Dividend income from available-for-sale investments	(608)	–
Interest income	(4,604)	(6,162)
Government grants	(4,002)	(4,502)

\* The impairment of goodwill and the impairment of an investment of an associate are included in "Other expenses" in the interim condensed consolidated statement of profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

### 7. INCOME TAX EXPENSE

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

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Xiamen Youli Information Technology Co., Ltd. ("Xiamen Youli"), Beijing Kailuo Tianxia Technology Co., Ltd. ("Kailuo Tianxia"), Xiamen Yidou, Xiamen Guangyu Investment Management Co., Ltd. ("Xiamen Guangyu") and Xiamen Feixin Internet Technology Co., Ltd. ("Xiamen Feixin") which were certified as Software Enterprises and are exempted from income tax for two years starting from the first year in which they generate taxable profit, followed by a 50% reduction for the next three years. 2013, 2013, 2014, 2015 and 2016 are the first profitable years for Xiamen Youli, Kailuo Tianxia, Xiamen Yidou, Xiamen Guangyu and Xiamen Feixin, respectively.

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current tax	3,184	10,510
Deferred tax	578	277
Total tax charge for the period	3,762	10,787

### 8. DIVIDEND

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Proposed and paid 2015 final dividend – HK3 cents per ordinary share	–	39,737
	–	39,737

## 9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,554,245,021 (for the six months ended 30 June 2016: 1,546,288,797) in issue during the period.

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

The Company does not present diluted loss per share for the six months ended 30 June 2017, as the Company had net loss for the period.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of RMB4,901,000 (for the six months ended 30 June 2016: RMB1,042,000). Depreciation for items of property, plant and equipment was RMB3,150,000 during the period (for the six months ended 30 June 2016: RMB3,875,000).

Assets with a net book value of RMB1,464,000 were disposed of by the Group during the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil), resulting in a net loss on disposal of RMB219,000 (for the six months ended 30 June 2016: Nil).

## 11. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000
Carrying amount at 1 January	109,062
Recognised during the period	(1,378)
Carrying amount at 30 June (unaudited)	107,684
Current portion included in prepayments, deposits and other receivables	(2,755)
Non-current portion	104,929



## 12. GOODWILL

	RMB'000
At 1 January 2017:	
Cost	422,007
Accumulated impairment	(107,754)
Net carrying amount	314,253
Cost at 1 January 2017, net of accumulated impairment	314,253
Impairment during the period	(20,360)
Disposal of a subsidiary	(939)
At 30 June 2017 (unaudited)	292,954
At 30 June 2017:	
Cost	421,068
Accumulated impairment	(128,114)
Net carrying amount	292,954

### Impairment testing of goodwill

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

- Carrot Fantasy cash-generating unit
- Super Phantom Cat cash-generating unit
- Jiong Xi You cash-generating unit
- Sanguo Zhiren cash-generating unit
- Tianxia Jiayou cash-generating unit



## 12. GOODWILL (Continued)

The recoverable amount of the above cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a seven-year period approved by board of directors. The discount rate applied to the cash flow projections is 25% (2016: 24%). The growth rate used to extrapolate the cash flows of the relevant games beyond the seven-year period is 3%. The carrying amount of goodwill allocated to each cash-generating unit is as follows:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Carrot Fantasy cash-generating unit	<b>279,716</b>	300,076
Super Phantom Cat cash-generating unit	<b>12,450</b>	12,450
Jiong Xi You cash-generating unit	<b>401</b>	401
Sanguo Zhiren cash-generating unit	<b>387</b>	387
Tianxia Jiayou cash-generating unit	<b>–</b>	939
Carrying amount of goodwill	<b>292,954</b>	314,253

Management expected an impairment of goodwill of Carrot Fantasy cash-generating unit due to the underperformance in revenue generating activities of Carrot Fantasy series.

Assumptions were used in the value in use calculation of the cash-generating units for the period ended 30 June 2017 and year ended 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

**Budgeted income** – The budgeted income includes estimated income from existing games and games in the pipeline, taking into account game popularity, income patterns in game life cycle and the Group's strategy in operation. The Company believes this budgeted income is justified given the strong game development capability and experience of games, the cooperation with major third-party distribution platforms and the successful record of developing its games.

**Discount rates** – The discount rates used are before tax and reflect specific risks relating to the relevant units.

## 13. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2017, the Group did not acquire any intangible asset (for the six months ended 30 June 2016: acquisition of RMB750,000). Amortisation for intangible assets were RMB1,915,000 during the period (for the six months ended 30 June 2016: RMB11,095,000).

No intangible asset was disposed of for the six months ended 30 June 2017 and 2016.



## NOTES TO THE FINANCIAL STATEMENTS

### 14. INVESTMENT IN ASSOCIATES

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Shares of net assets	<b>1,134</b>	2,163
Goodwill on acquisition	<b>15,505</b>	15,505
	<b>16,639</b>	17,668

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	30 June 2016 RMB'000 (Unaudited)
Share of the associates' loss for the period	<b>(1,029)</b>	(595)
Impairment of an investment in an associate	-	(3,503)
Aggregate carrying amount of the Group's investments in the associates	<b>16,639</b>	9,603

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

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

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Within 3 months	<b>29,802</b>	54,268

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

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Neither past due nor impaired	<b>29,802</b>	54,268

All of the receivables that were neither past due nor impaired mainly relate to a large number of diversified customers for whom there was no recent history of default.

## 16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
<b>Non-current</b>		
Prepayments	<b>12,212</b>	12,477
Land lease payments related deposits	<b>8,025</b>	8,025
Other receivables	<b>2,135</b>	1,910
	<b>22,372</b>	22,412
<b>Current</b>		
Prepayments	<b>7,084</b>	6,513
Deposits	<b>4,657</b>	4,566
Other receivables	<b>12,011</b>	8,807
	<b>23,752</b>	19,886



## NOTES TO THE FINANCIAL STATEMENTS

### 17. AVAILABLE-FOR-SALE INVESTMENTS AND SHORT TERM INVESTMENTS

		<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Structured financial products	(1)	<b>40,467</b>	–
<b>Total short term investments</b>		<b>40,467</b>	–
Structured financial products	(2)	<b>15,169</b>	7,139
<b>Total current available-for-sale investments</b>		<b>15,169</b>	7,139
Structured financial products	(2)	–	64,000
Straight bonds	(3)	<b>92,478</b>	112,007
Convertible bonds	(4)	<b>20,815</b>	19,257
Convertible preferred shares	(5)	<b>45,784</b>	46,342
Investment in life insurance policies	(6)	<b>87,959</b>	90,708
Unlisted equity investments, at cost	(7)	<b>128,699</b>	66,802
<b>Total non-current available-for-sale investments</b>		<b>375,735</b>	399,116

- (1) The short term investments were structured financial products issued by a bank and an asset management company with fixed interest rates ranging from 3.4% to 4.5% per annum and maturity periods of 90 to 180 days in the PRC.
- (2) The current available-for-sale investments were structured financial products issued by banks and asset management companies with expected interest rates ranging from 4.5% to 4.9% per annum and maturity periods of 30 to 180 days in the PRC. The non-current available-for-sale investments were structured financial products issued by banks with floating interest rate in the PRC without maturity date.

## 17. AVAILABLE-FOR-SALE INVESTMENTS AND SHORT TERM INVESTMENTS (Continued)

- (3) On 17 February 2015, the Group invested in a bond issued by Huarong Finance II Co., Ltd. with a nominal amount of US\$5,000,000 at a consideration of US\$5,135,000 (equivalent to approximately RMB31.5 million). The bond has a coupon interest rate of 4.5% per annum with a maturity period of 5 years. On 26 December 2016, the Group sold part of the straight bond with a nominal amount of US\$1,500,000 at a consideration of US\$1,566,000 (equivalent to approximately RMB10.8 million).

In April and July 2015, the Group invested in a bond issued by Sparkle Assets Limited with a nominal amount of US\$9,200,000 at a consideration of US\$9,679,000 (equivalent to approximately RMB59.3 million). The bond has a coupon interest rate of 6.875% per annum with a maturity period of 7 years. On 30 May 2017, the Group sold the straight bond with a nominal amount of US\$9,200,000 at a consideration of US\$9,727,000 (equivalent to approximately RMB66.8 million).

On 9 September 2016, the Group invested in a bond issued by Zhongrong International Trust Co., Ltd. with a nominal amount of US\$3,000,000 at a consideration of US\$3,062,000 (equivalent to approximately RMB20.4 million). The bond has a coupon interest rate of 6% per annum with a maturity period of 3 years.

On 23 June 2017, the Group invested in a bond issued by Huarong Finance 2017 Co., Ltd. with a nominal amount of US\$3,000,000 at a consideration of US\$3,142,000 (equivalent to approximately RMB21.4 million). The bond has a coupon interest rate of 4.75% per annum with a maturity period of 10 years.

On 27 June 2017 and 28 June 2017, the Group invested in a bond issued by The Bank of East Asia, Limited with a nominal amount of US\$4,000,000 at a consideration of US\$4,093,000 (equivalent to approximately RMB27.9 million). The bond has a coupon interest rate of 4.25% for first five years and aggregate of the then-prevailing U.S. Treasury Rate and the Spread, 2.7%, for the next five years with a maturity period of 10 years.

Available-for-sale investments in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

- (4) On 4 June 2015, the Group invested in a perpetual convertible bond issued by HSBC Holdings PLC with a nominal amount of US\$2,000,000 and a coupon interest rate of 5.625% per annum, at a consideration of US\$2,035,000 (equivalent to approximately RMB12.4 million). On 5 July 2016, the Group sold the above perpetual convertible bond with a nominal amount of US\$2,000,000 for a consideration of US\$1,993,000 (equivalent to approximately RMB13.3 million).

On 6 April 2015, the Group invested in a perpetual convertible bond issued by Standard Chartered PLC with a nominal amount of US\$8,000,000 and a coupon interest rate of 6.5% per annum at a consideration of US\$8,101,000 (equivalent to approximately RMB49.7 million). In July and August 2016, the Group sold part of the above perpetual convertible bond with a nominal amount of US\$5,000,000 for a consideration of US\$4,788,000 (equivalent to approximately RMB31.9 million).

The coupon interest can be cancelled any time at the issuers' sole discretion. The two convertible bonds shall be converted into ordinary shares of the issuers if the issuers failed to meet certain covenants.

Available-for-sale investments in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.



## 17. AVAILABLE-FOR-SALE INVESTMENTS AND SHORT TERM INVESTMENTS (Continued)

- (5) On 18 February 2015, the Group invested in convertible preferred shares issued by Industrial and Commercial Bank of China Limited with a nominal amount of US\$5,000,000 at a consideration of US\$5,225,000 (equivalent to approximately RMB32.0 million). The convertible preferred shares have a non-cumulative dividend of 6% per annum.

On 30 September 2016, the Group invested in convertible preferred shares issued by China Cinda Asset Management Co., Ltd. with a nominal amount of US\$1,500,000 at a consideration of US\$1,504,000 (equivalent to approximately RMB10.0 million). The convertible preferred shares have a non-cumulative dividend of 4.45% per annum.

The declaration of dividend is at the issuer's sole discretion. The convertible preferred shares shall be converted into ordinary shares of the issuer if the issuer failed to meet certain covenants. The Group is not entitled to any voting right by holding such convertible preferred shares unless the dividend has not been paid in full for the most recent two dividend periods or a total of three dividend payments have not been paid in full.

Available-for-sale investments in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

- (6) In August 2015, the Group entered into life insurance policies with an insurance company to insure certain members of the key management of the Group. Under these policies, the beneficiary and policy holder is the Company. The Company has paid out the total insurance premium with an aggregate amount of approximately US\$14.5 million (equivalent to approximately RMB89.0 million) at the inception of the insurance. The Company can terminate the policy at any time and receive back based on the cash value of the contract at the date of withdrawal, which is determined by the insurance premium of each insurance policy plus the accumulated interest earned and minus the insurance costs ("Cash Value"). In addition, if the withdrawal is made between the first and tenth policy years, there is a special amount of surrender charge by the insurance company. The insurance company will declare a guaranteed interest of 3.9% per annum plus a premium determined by the insurance company on the outstanding Cash Value of the contract for the first three years. Commencing from the fourth year, the guaranteed interest will be reduced to 2% per annum.

As at 30 June 2017, the insurance premium was pledged to a bank to secure a short term advance facility granted to the Group (note 20).

- (7) The investments represent the equity interests held by the Group in several unlisted companies at a total investment cost of RMB128,699,000 (2016: RMB66,802,000).

As at 30 June 2017, the above unlisted equity investments were stated at cost less impairment. The directors are of the opinion that fair value cannot be measured reliably because (a) the variability in the range of reasonable fair value estimates is significant for those investments or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The Group does not intend to dispose them in the near future.

During the period, the net gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB7,280,000 (six months ended 30 June 2016: RMB6,298,000). In the meantime, profit of RMB2,406,000 (six months ended 30 June 2016: RMB2,484,000) was reclassified from other comprehensive income to the statement of profit or loss for the period.

## 18. CASH AND CASH EQUIVALENTS

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Cash and bank balances	<b>141,159</b>	230,167
Time deposits	–	6,861
Cash and cash equivalents	<b>141,159</b>	237,028
Denominated in HK\$	<b>21,443</b>	28,243
Denominated in RMB	<b>85,776</b>	157,423
Denominated in US\$	<b>33,940</b>	51,362
Cash and cash equivalents	<b>141,159</b>	237,028

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

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

## 19. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Salaries and welfare payables	<b>22,505</b>	40,648
Other payables and accruals	<b>12,009</b>	34,525
Other tax payables	<b>1,109</b>	3,309
Advance from customers	<b>363</b>	366
Payables for contingent consideration	–	11,505
	<b>35,986</b>	90,353



## NOTES TO THE FINANCIAL STATEMENTS

### 20. INTEREST-BEARING BANK BORROWING

	As at 30 June 2017			As at 31 December 2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Short term loan – secured	2.567	Monthly renewable	54,969	2.082	Monthly renewable	55,655
				<b>30 June 2017</b>	31 December 2016	
				<b>RMB'000</b>	RMB'000	
				<b>(Unaudited)</b>	(Audited)	
Analysed into:						
Bank loan repayable:						
Within one year or on demand				<b>54,969</b>	55,655	

Notes:

(a) The Group's short term loan facility amounted to US\$40,000,000 (2016: US\$40,000,000), of which US\$8,114,000 (equivalent to approximately RMB55.0 million) (2016: US\$8,023,000) had been drawn as at the end of the reporting period, and is secured by the Group's investment in the insurance policies (note 17). The period of the loan is one month and renewable on a monthly basis.

(b) The borrowing is in United States dollars.

### 21. DEFERRED REVENUE

Deferred revenue mainly represents service fees prepaid by game players or licensees for online game services to which related services have not been rendered as at the end of the period.



## 22. SHARE CAPITAL

### Shares

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Issued and fully paid or credited as fully paid:		
Ordinary shares of US\$0.0000001 each	<b>1,555,515,455</b>	1,569,261,000
Equivalent to RMB'000	<b>1</b>	1

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

	<b>Number of issued and fully paid ordinary shares</b>	<b>Equivalent nominal value of ordinary shares RMB'000</b>	<b>Equivalent share premium RMB'000</b>	<b>Total RMB'000</b>
At 1 January 2017	1,569,261,000	1	504,719	504,720
Share options exercised	10,139,000	–	16,429	16,429
Issue of shares (note 26)	11,183,955	–	11,915	11,915
Cancellation of repurchased shares	(35,068,500)	–	(36,981)	(36,981)
At 30 June 2017 (unaudited)	1,555,515,455	1	496,082	496,083
At 30 June 2016 (unaudited)	1,572,554,500	1	507,377	507,378



## NOTES TO THE FINANCIAL STATEMENTS

### 23. EQUITY-SETTLED SHARE-BASED PAYMENT

#### (1) Share option schemes

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

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

The maximum number of shares to be issued upon exercise of all share options to be granted under the Post-IPO Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 150,000,000 shares and 30% of the shares of the Company in issue from time to time. On 27 March 2017, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 10,160,000 shares at an exercise price of HK\$1.256 per share. 7,160,000 share options granted will be vested equally in four tranches as to 25% of the number of shares on 31 December 2017, 2018, 2019 and 2020, respectively. 3,000,000 share options granted will be vested in three tranches as to 50%, 25% and 25% of the number of shares on 30 June 2017, 2018 and 2019, respectively. Each option granted if not exercised subsequently will expire on 26 March 2027. On 15 May 2017, under the Post-IPO Share Option Scheme, share option were granted to employees to subscribe for 5,000,000 shares at an exercise price of HK\$1.1 per share. All share options granted will be vested equally in four tranches as to 25% of the aggregate number of shares on 15 May 2018, 2019, 2020 and 2021, respectively. Each option granted if not exercised subsequently will expire on 14 May 2027.

The following share options were outstanding during the period:

	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.71	69,507	0.65	102,253
Granted during the period	1.20	15,160	–	–
Forfeited during the period	0.55	(2,560)	0.55	(8,895)
Exercised during the period	0.55	(10,139)	0.55	(13,815)
Expired during the period	0.55	(1)	–	–
At 30 June (unaudited)	0.84	71,967	0.68	79,543

The weighted average share price at the date of exercise for share options exercised during the period was HK\$1.16 per share (six months ended 30 June 2016: HK\$1.96 per share).

## 23. EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

### (1) Share option schemes (Continued)

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

#### For six months ended 30 June 2017

Number of options '000	Exercise price* HK\$ per share	Exercise period
52,807	0.55	31-12-2015 to 05-12-2019
3,000	3.93	10-06-2016 to 09-06-2025
1,000	1.63	31-12-2016 to 04-07-2026
7,160	1.26	31-12-2017 to 26-03-2027
3,000	1.26	30-06-2017 to 26-03-2027
5,000	1.10	15-05-2018 to 14-05-2027
<b>71,967</b>		

#### For six months ended 30 June 2016

Number of options '000	Exercise price* HK\$ per share	Exercise period
76,543	0.55	31-12-2015 to 05-12-2019
3,000	3.93	10-06-2016 to 09-06-2025
<b>79,543</b>		

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



## 23. EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

### (1) Share option schemes (Continued)

The fair value of the share options granted during the period was approximately RMB10,905,000, of which the Group recognised a share option expense of RMB1,706,000 during the six months ended 30 June 2017.

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

	<b>For the six months ended 30 June 2017</b>
Dividend yield (%)	–
Expected volatility (%)	<b>56.6-57.3</b>
Risk-free interest rate (%)	<b>1.42-1.63</b>
Expected life of options (year)	<b>10</b>
Weighted average share price (HK\$ per share)	<b>1.19</b>

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

The 10,139,000 share options exercised during the six months ended 30 June 2017 resulted in the issue of 10,139,000 ordinary shares of the Company and share premium of RMB16,429,000 (before issue expense), as further detailed in note 22 to the financial statements.

At the end of the reporting period, the Company had 71,967,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 71,967,000 additional ordinary shares of the Company, an additional share capital of approximately RMB49 and a share premium of approximately RMB52,718,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 70,566,000 share options outstanding under the Schemes, which represented the 4.56% of the Company's shares in issue as at that date.

The Group recognised a total share option expenses of RMB6,609,000 during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB8,824,000).

## 23. EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

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

The Company approved and adopted a pre-IPO restricted share unit plan (“Pre-IPO RSU Plan”) and a post-IPO restricted share unit plan (“Post-IPO RSU Plan”) on 17 November 2014 for the purpose of rewarding eligible participants for their contribution to the Group. Eligible participants of the Pre-IPO RSU Plan and Post-IPO RSU Plan include full-time employees, officers or suppliers, customers, consultants, agents or advisers of the Group, and any other person who, in the sole opinion of the Board, has contributed or will contribute to the Group.

The total number of the ordinary shares underlying awards made pursuant to the Pre-IPO RSU Plan is 13,850,000. On 17 November 2014, RSUs to subscribe for 13,850,000 shares were granted to certain eligible employees and all of the 13,850,000 Pre-IPO RSUs granted were vested on 1 April 2015.

The maximum number of shares that may underlie awards of RSUs to be granted under the Post-IPO RSU Plan is 45,000,000 shares. On 27 March 2017, the Company approved and adopted a restricted share unit plan (“Post-IPO RSU Plan”) to reward employees’ contribution to the Group. The total number of the Post-IPO RSU Plan is 14,000,000. Post-IPO RSU Plan shall be vested 50% each at 31 December of year 2017 and 2018, respectively.

The fair value of the RSUs granted as at the date of grant was approximately RMB15,232,000 (HK\$1.23 each), of which the Group recognised a total RSU award expense of RMB3,626,000 during the period six months ended 30 June 2017.

As at the date of approval of these financial statements, the Company had 14,000,000 RSUs outstanding under the Post-IPO RSU Plan which represented 0.90% of the Company’s shares in issue as at that date.

## 24. OPERATING LEASE ARRANGEMENT

### Operating lease commitments

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

#### As lessee

	<b>30 June 2017 RMB’000 (Unaudited)</b>	31 December 2016 RMB’000 (Audited)
Within one year	<b>9,484</b>	6,456
In the second to third years, inclusive	<b>6,237</b>	7,558
In the fourth to fifth years	<b>185</b>	–
	<b>15,906</b>	14,014



## NOTES TO THE FINANCIAL STATEMENTS

### 25. COMMITMENTS

In addition to the operating lease commitments detailed in note 24 above, the Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
Game operation	4,000	4,000
Capital contributions payable to an unlisted equity investment	5,690	–
Loans to an associate	2,000	–
Construction in progress	1,138	2,060
	<b>12,828</b>	6,060

### 26. RELATED PARTY TRANSACTIONS

#### (a) Name and relationship of related parties

Name	Relationship
Fine Point Development Limited ("Fine Point")	Controlled by one member of senior management of the Group*
Shenzhen Zhangxin Interactive Technology Co., Ltd. ("Shenzhen Zhangxin")	Associate
Guangzhou Popcorn Animation Technology Co., Ltd. ("Guangzhou Popcorn")	Associate
Chen Jianyu	Shareholder of the Company

\* The senior management resigned on 31 December 2016.

## 26. RELATED PARTY TRANSACTIONS (Continued)

### (b) Transactions with related parties

The following transactions were carried out with related parties:

	For the six months ended 30 June	
	2017 Number of shares '000 (Unaudited)	2016 Number of shares '000 (Unaudited)
Shares issued (note (i)) Fine Point	11,184	29,500

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Loan to (note (ii)) Shenzhen Zhangxin	1,000	–
Interest from (note (ii)) Shenzhen Zhangxin	13	–
Service outsourcing from (note (iii)) Guangzhou Popcorn	520	–
Purchases of property, plant and equipment (note (iv)) Chen Jianyu	891	–

## NOTES TO THE FINANCIAL STATEMENTS

### 26. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Transactions with related parties (Continued)

Notes:

- (i) The Group entered into a share transfer agreement to acquire the non-controlling interests in Xiamen Yidou and Xiamen Zhangxin Interactive from Fine Point through allotting and issuing a maximum of 118,000,000 shares to Fine Point. The maximum of 118,000,000 shares will be allotted and issued in four tranches which will be adjusted based on the financial results of Xiamen Yidou and Xiamen Zhangxin Interactive in the future years. Based on the share transfer agreement, upon completion of the acquisition of the non-controlling interests, the first tranche 29,500,000 shares were issued at an issue price of HK\$1.97 per share and listed on the Hong Kong Stock Exchange on 26 August 2015, and the second tranche 29,500,000 shares were issued at an issue price of HK\$2.18 per share and listed on the Hong Kong Stock Exchange on 31 March 2016. The third tranche 11,183,955 shares were issued at an issue price of HK\$1.20 per share and listed on the Hong Kong Stock Exchange on 31 March 2017. A fair value change amounted to RMB495,000 was recognised for the six months ended 30 June 2017. The fourth tranche of maximum of 29,500,000 shares were waived based on the mutual agreement between the Group and Fine Point on 31 December 2016.
- (ii) The Group offered a loan amounted to RMB1,000,000 at 5% p.a. to Shenzhen Zhangxin with a term of 3 months during the first half of 2017, which were repayable in August 2017.
- (iii) The purchase of video production services from Guangzhou Popcorn was mutually agreed after taking into account the prevailing market prices.
- (iv) The purchase of a vehicle from Mr. Chen Jianyu in June 2017 was mutually agreed after taking into account the prevailing market prices.

#### (c) Balances with related parties:

##### Due to a shareholder

	<b>30 June 2017 Number of shares '000 (Unaudited)</b>	31 December 2016 Number of shares '000 (Audited)
Fine Point	–	11,184
	<b>Amount RMB'000 (Unaudited)</b>	Amount RMB'000 (Audited)
Fine Point	–	11,505



## 26. RELATED PARTY TRANSACTIONS (Continued)

### (c) Balances with related parties: (Continued)

#### Due from an associate

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Shenzhen Zhangxin	<b>1,013</b>	–

### (d) Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2017 RMB'000 (Unaudited)</b>	2016 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	<b>1,482</b>	1,696
Equity-settled share-based payment expenses	<b>2,029</b>	23,598
Pension scheme contributions	<b>53</b>	79
	<b>3,564</b>	25,373



# NOTES TO THE FINANCIAL STATEMENTS

## 27. FINANCIAL INSTRUMENTS BY CATEGORY

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

### Financial assets

	As at 30 June 2017 (unaudited)		
	Available for-sale financial assets RMB'000	Loans and receivables RMB'000	Total RMB'000
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	29,802	29,802
Financial assets included in prepayments, deposits and other receivables	–	26,828	26,828
Available-for-sale investments	390,904	–	390,904
Short term investments	–	40,467	40,467
Cash and cash equivalents	–	141,159	141,159
Restricted cash	–	681	681
	<b>390,904</b>	<b>238,937</b>	<b>629,841</b>

	As at 31 December 2016 (audited)		
	Available for-sale financial assets RMB'000	Loans and receivables RMB'000	Total RMB'000
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	54,268	54,268
Financial assets included in prepayments, deposits and other receivables	–	23,308	23,308
Available-for-sale investments	406,255	–	406,255
Cash and cash equivalents	–	237,028	237,028
Restricted cash	–	680	680
	<b>406,255</b>	<b>315,284</b>	<b>721,539</b>

## 27. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### Financial liabilities

	Financial liabilities at amortised cost	
	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Financial liabilities included in other payables and accruals	7,568	31,804
Interest-bearing bank borrowing	54,969	55,655
	62,537	87,459

## 28. FAIR VALUE AND FAIR VALUE HIERARCHY

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

The fair values of available-for-sale investments have been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows from future proceeds when the investments mature. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the period.

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



## NOTES TO THE FINANCIAL STATEMENTS

### 28. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

As at 30 June 2017 (unaudited)

	Quoted price in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Available-for-sale investments	–	302,672	–	302,672

As at 31 December 2016 (audited)

	Quoted price in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Available-for-sale investments	–	339,453	–	339,453

During the six months ended 30 June 2017 and the year of 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

### 29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the board of the directors on 25 August 2017.

“ARPPU”	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“Cayman Islands”	the Cayman Islands
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the Chairman of the Board
“Chief Executive Officer”	the chief executive officer of our Company
“China” or “PRC” or “Mainland China”	the People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”, “our Company”, “we”, “us” or “our”	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
“Director(s)”	director(s) of the Company
“Executive Director(s)”	the executive Director(s) of the Company
“Global Offering”	the offer of 30,000,000 Shares for subscription by the public in Hong Kong pursuant to the Hong Kong Public Offering and the offer of 270,000,000 Shares for subscription by institutional, professional, corporate and other investors pursuant to the International Offering (as respectively defined in the Prospectus)
“Group” or “the Group”	our Company, its subsidiaries and the PRC Operating Entities
“HKD”, “HK\$” or “Hong Kong dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IAS(s)”	International Accounting Standards



## GLOSSARY

“IASB”	International Accounting Standard Board
“IFRS(s)”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“Independent Non-executive Director(s)”	the independent non-executive Director(s) of the Company
“Kailuo Tianxia”	Beijing Kailuo Tianxia Technology Co., Ltd. (北京凱羅天下科技有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	The date which dealings in Shares first commence on the Stock Exchange, i.e. December 5, 2014
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAU”	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPUs for a particular period is the average of the MPUs in each month during that period
“Nomination Committee”	The nomination committee of the Company
“Post-IPO RSU Plan”	The post-IPO restricted share unit plan adopted by the Shareholders on 17 November 2014



“Post-IPO Share Option Scheme”	The post-IPO share option scheme adopted by the Shareholders on 17 November 2014
“PRC Operating Entities”	Xiamen Guanghuan and its subsidiaries and “PRC Operating Entity” means any one of them
“Pre-IPO RSU Plan”	The pre-IPO restricted share unit plan adopted by the Shareholders on 17 November 2014
“Pre-IPO Share Option Scheme”	The pre-IPO share option scheme adopted by the Shareholders on 17 November 2014
“Prospectus”	the prospectus dated 25 November 2014 issued by the Company
“Remuneration Committee”	The remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“RPG”	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more “characters” who develop specific skill sets (such as melee combat or casting magic spells) and control the character’s actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
“RSU(s)”	restricted share units or any one of them
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of US\$0.0000001 each
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Listing Rules
“US\$”, “USD” or “United States dollars”	United States dollars, the lawful currency of the United States of America
“XD”	X.D. Network Inc. (心動網絡股份有限公司), an online game publishing and developing company with its shares listed on China New Third Board (Stock Code: 833897)



“Xiamen G-bits”

Xiamen G-bits Equity Investment Co., Ltd. (廈門吉比特股權投資有限公司), a wholly owned subsidiary of G-bits Network Technology (Xiamen) Co., Ltd. which is an online game developing and operating company with its shares listed on the Shanghai Stock Exchange (Stock Code: 603444)

“Xiamen Guanghuan”

Xiamen Guanghuan Information Technology Co., Ltd. (廈門光環信息科技 有限公司), a limited company incorporated under the laws of the PRC on 12 January 2009.

“Xiamen Youli”

Xiamen Youli Information Technology Co., Ltd. (廈門游力信息科技 有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company

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