



Tian Ge Interactive Holdings Limited  
天鵲互動控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 1980



**INTERIM REPORT 2017**



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## Company Overview

### ABOUT TIAN GE

Tian Ge Interactive Holdings Limited (the “**Company**”, “**We**” or “**Tian Ge**”) was founded in Hangzhou, China in 2008 with its shares listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”) on July 9, 2014 (the “**Listing Date**”). In March 2015, Tian Ge was included in Hang Seng Composite Index Series including: HSCI, Industry Index – Information Technology, SmallCap Index, Hang Seng Broad Consumption Index and Hang Seng Global Composite Index. In September 2016, Tian Ge was included in Hang Seng Software & Services Index. Shenzhen-Hong Kong Stock Connect was launched in December 2016 and Tian Ge is among the first batch to be selected as the “Mobile Entertainment” stock under Shenzhen-Hong Kong Stock Connect.

The Company and its subsidiaries (collectively the “**Group**”) operate a number of renowned “many-to-many” and “one-to-many” live social video communities. Leveraging on its leading industrial position, Tian Ge launched series of live streaming mobile applications and entered overseas market including Thailand and Taiwan. The wide acceptance of live streaming mobile applications allows Tian Ge to fully capture the opportunities arising from the rapidly growing demand for mobile entertainment in China, Asia and the rest of the world, which also creates synergistic effects with Tian Ge’s live social video businesses.

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Fu Zhengjun (*Chairman and Chief Executive Officer*)

Mr. Mai Shi'en (*Chief Operating Officer and Acting Chief Financial Officer*)

### Non-executive Directors

Mr. Mao Chengyu

Mr. Herman Yu

### Independent non-executive Directors

Ms. Yu Bin

Mr. Wu Chak Man

Mr. Chan Wing Yuen Hubert

## JOINT COMPANY SECRETARIES

Mr. Chen Shi

Ms. Ng Sau Mei

## AUTHORISED REPRESENTATIVES

Mr. Fu Zhengjun

Ms. Ng Sau Mei

## AUDIT COMMITTEE

Ms. Yu Bin (*Chairman*)

Mr. Wu Chak Man

Mr. Chan Wing Yuen Hubert

## REMUNERATION COMMITTEE

Mr. Wu Chak Man (*Chairman*)

Mr. Chan Wing Yuen Hubert

Mr. Mao Chengyu

## NOMINATION COMMITTEE

Mr. Fu Zhengjun (*Chairman*)

Ms. Yu Bin

Mr. Wu Chak Man

## REGISTERED OFFICE

Grand Pavilion

Hibiscus Way

802 West Bay Road

P.O. Box 31119

KY1-1205

Cayman Islands

## HEADQUARTERS

Room 3A09

Sunshine International Business Center

No. 186 South Hushu Road

Hangzhou, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Offshore Incorporations (Cayman) Limited

Grand Pavilion

Hibiscus Way

802 West Bay Road

P.O. Box 31119

KY1-1205

Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

# Corporate Information

## **LEGAL ADVISERS**

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

## **AUDITOR**

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

## **STOCK CODE**

1980

## **COMPANY'S WEBSITE**

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

## **PRINCIPAL BANKERS**

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

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



## Financial Highlights

The board of directors (the “**Directors**”) (the “**Board**”) of the Company hereby announces the unaudited consolidated results of the Group for the six months ended June 30, 2017 (the “**Reporting Period**”). These interim results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).


| <i>(in RMB'000)</i>                                      | <b>Unaudited</b>        |               | Year-on-Year <sup>(1)</sup><br>Change |
|--|-------------------------|---------------|---------------------------------------|
|  | <b>Six months ended</b> |               |                                       |
|  | <b>June 30, 2017</b>    | June 30, 2016 |                                       |
| Revenue  | <b>498,797</b>          | 349,707       | 42.6%                                 |
| – Online interactive entertainment                       | <b>423,065</b>          | 311,003       | 36.0%                                 |
| – Game licensing & Others                                | <b>75,732</b>           | 38,704        | 95.7%                                 |
| Gross Profit   | <b>426,948</b>          | 252,621       | 69.0%                                 |
| <i>Gross Margin</i>                                      | <b>85.6%</b>            | 72.2%         |                                       |
| Net Profit   | <b>149,372</b>          | 74,335        | 100.9%                                |
| Net Profit Margin  | <b>29.9%</b>            | 21.3%         |                                       |
| Adjusted Net Profit <sup>(2)</sup>                       | <b>211,502</b>          | 96,829        | 118.4%                                |
| Adjusted Net Profit Margin                               | <b>42.4%</b>            | 27.7%         |                                       |
| Adjusted EPS <sup>(3)</sup> (expressed in RMB per share) |                         |               |                                       |
| – basic  | <b>0.161</b>            | 0.078         | 106.4%                                |
| – diluted  | <b>0.156</b>            | 0.075         | 108.0%                                |
| Adjusted EBITDA <sup>(4)</sup>                           | <b>258,309</b>          | 127,286       | 102.9%                                |
| Adjusted EBITDA Margin                                   | <b>51.8%</b>            | 36.4%         |                                       |

# Financial Highlights

|   | Unaudited<br>Three months ended |                   |                                  | June 30,<br>2016 | Year-on-<br>Year <sup>(1)</sup><br>Change |
|---|---------------------------------|-------------------|----------------------------------|------------------|---|
|   | June 30,<br>2017                | March 31,<br>2017 | Quarter-<br>on-Quarter<br>Change |                  |   |
| <i>(in RMB'000)</i>   |                                 |                   |                                  |                  |   |
| Revenue   | <b>254,767</b>                  | <b>244,030</b>    | <b>4.4%</b>                      | 198,131          | 28.6%                                     |
| – Online interactive entertainment                          | <b>212,535</b>                  | <b>210,530</b>    | <b>1.0%</b>                      | 177,274          | 19.9%                                     |
| – Game licensing & Others                                   | <b>42,232</b>                   | <b>33,500</b>     | <b>26.1%</b>                     | 20,857           | 102.5%                                    |
| Gross Profit  | <b>220,328</b>                  | <b>206,620</b>    | <b>6.6%</b>                      | 142,535          | 54.6%                                     |
| Gross Margin  | <b>86.5%</b>                    | <b>84.7%</b>      |                                  | 71.9%            |   |
| Net Profit  | <b>50,145</b>                   | <b>99,227</b>     | <b>-49.5%</b>                    | 47,802           | 4.9%                                      |
| Net Profit Margin   | <b>19.7%</b>                    | <b>40.7%</b>      |                                  | 24.1%            |   |
| Adjusted Net Profit <sup>(2)</sup>                          | <b>106,264</b>                  | <b>105,238</b>    | <b>1.0%</b>                      | 58,908           | 80.4%                                     |
| Adjusted Net Profit Margin                                  | <b>41.7%</b>                    | <b>43.1%</b>      |                                  | 29.7%            |   |
| Adjusted EPS <sup>(3)</sup><br>(expressed in RMB per share) |                                 |                   |                                  |                  |   |
| – basic   | <b>0.081</b>                    | <b>0.081</b>      | <b>0.0%</b>                      | 0.047            | 72.3%                                     |
| – diluted   | <b>0.078</b>                    | <b>0.078</b>      | <b>0.0%</b>                      | 0.045            | 73.3%                                     |
| Adjusted EBITDA <sup>(4)</sup>                              | <b>130,940</b>                  | <b>127,369</b>    | <b>2.8%</b>                      | 76,608           | 70.9%                                     |
| Adjusted EBITDA Margin                                      | <b>51.4%</b>                    | <b>52.2%</b>      |                                  | 38.7%            |   |

## Notes:

- (1) Year-on-Year change represents a comparison between the current reporting period and the corresponding period last year.
- (2) Adjusted net profit was derived from the unaudited profit for the period excluding the effect of non-cash share-based compensation expenses, impairment loss arising from acquisitions and amortisation of intangible assets arising from acquisitions.
- (3) Adjusted basic earnings per share ("**EPS**") is calculated by dividing the adjusted net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year which have been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the issuance of bonus shares. The denominator for computing the adjusted diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume share options granted to employees under 2008 Global Share Option Plan and Post-IPO Share Option Scheme, restricted share units ("**RSUs**") granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the adjusted earnings.
- (4) Adjusted EBITDA represents operating profit, adjusted to exclude share-based compensation expenses, impairment loss arising from acquisitions, amortisation of intangible assets arising from acquisitions and depreciation and amortisation.



## Chairman's Statement

### **BUSINESS OVERVIEW AND OUTLOOK**

Tian Ge has successfully taken steps to evolve the core business towards mobile device in 2016. Since then, the Group's two pronged growth drivers formed by mobile and PC business have gradually matured. Success of the strategy is proven by the Group's robust financial growth in the first half of 2017, continuing the trend that started in mid-2016.

According to a report of iResearch, pan-entertainment live broadcasting's market size was RMB20.83 billion in 2016, representing an annual growth of 180.1%, and is estimated to reach RMB87.26 billion in 2019. The Board expressed full confidence in the prospect of the industry and will continue to step up efforts to promote development of our core business and to amplify our established social ecosystem into new opportunities.

### **OVERALL FINANCIAL PERFORMANCE**

In the first half of 2017, revenue increased by 42.6% year-on-year to RMB498.8 million. Revenue from online interactive entertainment was RMB423.1 million, representing an increase of 36.0% from the corresponding period in 2016. In the first half of 2017, based on the analysis on cash proceeds received from sales of our virtual currency and game coins, with respect to the revenue from online interactive entertainment service, 59.6% was generated from purchase of our virtual currency and game coins through mobile devices (the first half of 2016: 38.2%).

In the first half of 2017, profit attributable to equity holders of the Company increased by 91.4% year-on-year to RMB146.8 million; net profit increased by 100.9% year-on-year to RMB149.4 million; adjusted net profit increased by 118.4% year-on-year to RMB211.5 million, and adjusted EBITDA increased by 102.9% year-on-year to RMB258.3 million.



# Chairman's Statement

## BUSINESS HIGHLIGHTS

### “Mobile + PC” Dual Live Streaming

During the Reporting Period, Tian Ge spared no effort in optimizing and upgrading of our flagship applications, namely Miao Broadcasting (喵播) and 9158 Live Streaming, to provide our users an engaging entertainment experience that is all-rounded and “Interaction + Companion” oriented. Pursuing successful “Mobile + PC” Dual Live Streaming and competitive differentiation strategy, the Group's user base demonstrated a continual rapid growth over the Reporting Period. Total registered users reached 351.8 million as at June 30, 2017 (June 30, 2016: 300.6 million). Monthly active users (“**MAUs**”) increased to 26.6 million as at June 30, 2017 from 18.6 million in corresponding period last year. Such growth further signified the unique advantage of Tian Ge as a leading “Mobile + PC” live streaming service provider.

The Group launched a short video sharing platform, i.e. Meow Camera (喵拍), in the first quarter of 2017, to provide the hosts an effective self-promotion platform on one hand, and on the other hand to create synergy among different products. Short video would help diversify our video-based social networking ecosystem and facilitate our live streaming service.

The successful launch and operation of the above-mentioned mobile live streaming applications contributed to the significant increase in the Group's mobile MAUs and mobile quarterly paying users (“**QPUs**”), which represented 62.3% and 69.8% of the Group's total MAUs and total QPUs respectively as at June 30, 2017 (2016: 37.7% and 51.8%).

# Chairman's Statement

## **BUSINESS HIGHLIGHTS (continued)**

### **Mobile Games**

According to Statista, revenue of China's mobile game market reached US\$7,144 million in 2017, and is expected to show a steady annual growth rate of 10% resulting in a market volume of US\$12,028 million in 2021. The Board firmly believes that the mobile gaming market in China will continue to grow and flourish.

During the Reporting Period, Tian Ge has been expediting the research and development of new casual mobile games as well as actively identifying investment opportunities in potential products. By incorporating our games into the mobile live streaming platform, our users are able to enjoy all-rounded entertainment experience, generating immense synergy effects in line with our core business development.

As the mobile games segment become more mature, Tian Ge's nimble and professional team strives to optimize the advertising model of the games and expects to generate satisfying additional revenue in near future.

### **Financial Technology**

During the Reporting Period, the Board continued to enhance the financial technology ("**Fintech**") platforms by user classification and technological enhancement. Tian Ge also constructed a consolidated risk management system of Fintech companies to build a powerful big data system, and at the same time to refine its credit assessment and anti-fraud engine. Tian Ge is geared up to capture the opportunities driven from the rapidly growth in demand for both financing and wealth management services of our huge paying user base.



## Chairman's Statement

### **BUSINESS HIGHLIGHTS (continued)**

#### **International Expansion**

Tian Ge successfully opened up the overseas markets by introducing quality live streaming application abroad, i.e. Miao Broadcasting. Following the triumph in the Thailand and Taiwan markets, Tian Ge stepped into Indonesia market in March 2017. Development of live streaming application in foreign languages strengthened our presence in live streaming industry market across the globe. Looking forward, Southeast Asia will remain our main focus of expansion. The Group will launch the international version of Miao Broadcasting shortly to provide users across the globe first class entertainment experiences, and vigorous efforts will be made to penetrate to foreign market.

### **OUTLOOK**

Looking forward, thanks to the meteoric development of mobile games, as well as the related advertising business and Fintech platforms, i.e. the big data and risk management systems, Tian Ge's sources of revenue will be further diversified, while live streaming business will remain the Group's pillar business and enjoy the gigantic synergy generated. Successful penetration to Southeast Asia markets and rapid development of "Live Streaming+" will further reinforce our well-established ecosystem.

Tian Ge endeavors to pursue new growth drivers and to increase our market share by identifying suitable mergers and acquisitions opportunities. Grounded on the facts of our intrinsic strength, loyal user base and thorough understanding of Chinese internet users, the Group is confident to derive sustainable, profitable value for our shareholders in the second half of the year.

# Management Discussion and Analysis

## 1. OPERATING INFORMATION

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

|                                   | Three months ended |                   |                                  | June 30,<br>2016 | Year-on-<br>year<br>Change |
|-----------------------------------|--------------------|-------------------|----------------------------------|------------------|----------------------------|
|                                   | June 30,<br>2017   | March 31,<br>2017 | Quarter-<br>on-quarter<br>Change |                  |                            |
| Monthly Active Users (in '000)*   | <b>26,577</b>      | <b>24,900</b>     | <b>6.7%</b>                      | 18,617           | 42.8%                      |
| Quarterly Paying Users (in '000)* | <b>1,346</b>       | <b>1,314</b>      | <b>2.4%</b>                      | 1,029            | 30.8%                      |
| Quarterly Average Revenue         |                    |                   |                                  |                  |                            |
| Per User (RMB)*                   | <b>158</b>         | <b>160</b>        | <b>-1.3%</b>                     | 172              | -8.1%                      |
| Number of Rooms                   | <b>69,278</b>      | <b>67,835</b>     | <b>2.1%</b>                      | 55,677           | 24.4%                      |
| Number of Hosts                   | <b>116,002</b>     | <b>109,617</b>    | <b>5.8%</b>                      | 80,445           | 44.2%                      |

\* To be consistent with the revenue classification, the key operating data now includes the users from online interactive entertainment service only.

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

- The number of MAUs for Tian Ge's online interactive entertainment service was approximately 26.6 million for the three months ended June 30, 2017, representing an increase of approximately 6.7% from the three months ended March 31, 2017 and representing an increase of approximately 42.8% from the three months ended June 30, 2016.
- Our mobile MAUs as at June 30, 2017 represents 62.3% of our total MAUs, while the percentage as at March 31, 2017 and June 30, 2016 were 56.0% and 37.7%, respectively.
- The number of QPUs for Tian Ge's online interactive entertainment service was approximately 1,346,000 for the three months ended June 30, 2017, representing a slight increase of approximately 2.4% from the three months ended March 31, 2017 and representing an increase of approximately 30.8% from the three months ended June 30, 2016.
- Our mobile QPUs as at June 30, 2017 represents 69.8% of our total QPUs, while the percentage as at March 31, 2017 and June 30, 2016 were 66.8% and 51.8%, respectively.
- The Quarterly Average Revenue Per User ("QARPU") for Tian Ge's online interactive entertainment service was RMB158 for the three months ended June 30, 2017, remaining stable compared with the three months ended March 31, 2017 and representing a decrease of 8.1% from the three months ended June 30, 2016.

# Management Discussion and Analysis

## 1. OPERATING INFORMATION (continued)

- Number of virtual rooms for Tian Ge's online interactive entertainment service increased by 2.1% as compared to the three months ended March 31, 2017 and increased by 24.4% from the three months ended June 30, 2016. Number of hosts for Tian Ge's online interactive entertainment service increased by 5.8% as compared to the three months ended March 31, 2017 and representing an increase of 44.2% from the three months ended June 30, 2016. The year-on-year increase was mainly due to the newly launched mobile live streaming business in the second quarter of 2016 which was popular.
- The total number of registered users\* of Tian Ge as at June 30, 2017 was 351.8 million, as compared to 300.6 million as at June 30, 2016.

\* Registered users here refer to accumulated number of users who have registered an account on our live social video platform or online games and duplicated accounts were not excluded.

## 2. FINANCIAL INFORMATION

### Revenue

Revenue generated from online interactive entertainment service was RMB212.5 million for the three months ended June 30, 2017, mainly including revenue from live social video platforms and online games, which remained stable quarter-on-quarter from RMB210.5 million for the three months ended March 31, 2017. Revenue generated from online interactive entertainment service increased by 36.0% year-on-year to RMB423.1 million for the six months ended June 30, 2017 from RMB311.0 million for the corresponding period in 2016. The increase was primarily due to the growth of QPUs contributed by mobile live streaming business.

Revenue generated from game licensing service comprises of the provision of licensing of the Group's self-developed games and its own platforms for an agreed period.

Revenue generated from others mainly includes the revenue from provision of e-commerce transactions, provision of beauty clinic service and other services.



# Management Discussion and Analysis

## 2. FINANCIAL INFORMATION (continued)

### Cost of Revenue and Gross Margins

Cost of revenue experienced a decrease of 7.9% for the three months ended June 30, 2017 from the three months ended March 31, 2017 and a decrease of 26.0% for the six months ended June 30, 2017 as compared with the corresponding period in 2016. The decrease was primarily due to the decreased commission charged by game developers relating to the operation of our mobile games and cost of inventories sold relating to other value-added services.

The gross margin for the three months ended June 30, 2017 was 86.5%, compared with 84.7% for the three months ended March 31, 2017. The gross margin for the six months ended June 30, 2017 was 85.6%, compared with 72.2% for the corresponding period in 2016.

### Selling and Marketing Expenses

Selling and marketing expenses increased by 61.7% to RMB88.9 million for the three months ended June 30, 2017 from the three months ended March 31, 2017 and increased by 64.7% to RMB143.8 million for the six months ended June 30, 2017 from the corresponding period in 2016. The increase was primarily due to the increase of promotion expenses for the promotion of our mobile live streaming applications and the increase of employee costs mainly relating to share-based compensation expense.

### Administrative Expenses

Administrative expenses increased by 123.5% to RMB48.8 million for the three months ended June 30, 2017 from the three months ended March 31, 2017 and increased by 26.8% to RMB70.7 million for the six months ended June 30, 2017 from the corresponding period in 2016. The increase was primarily due to the increase of employee costs mainly relating to share-based compensation expense.

### Research and Development Expenses

Research and development expenses increased by 33.5% to RMB32.1 million for the three months ended June 30, 2017 from the three months ended March 31, 2017 and increased by 33.3% to RMB56.1 million for the six months ended June 30, 2017 from the corresponding period in 2016. The increase was primarily due to the increase of employee costs mainly relating to share-based compensation expense. In order to celebrate our success in evolving our core business towards mobile device in 2016 and motivate key employees, the Company granted restricted share units to key employees in April 2017, which incurred share-based compensation expense of approximately RMB8.1 million.

# Management Discussion and Analysis

## 2. FINANCIAL INFORMATION (continued)

### Gain attributable to equity holders of the Company

We recorded gain attributable to shareholders of the Company for the three months ended June 30, 2017 of RMB48.7 million compared with gain attributable to shareholders of the Company of RMB98.1 million for the three months ended March 31, 2017 and recorded gain attributable to shareholders of the Company for the six months ended June 30, 2017 of RMB146.8 million compared with gain attributable to shareholders of the Company of RMB76.7 million for the corresponding period in 2016. The quarter-on-quarter decrease was primarily due to the increase of operating expenses mainly caused by share-based compensation expense and partially offset by the increase of gross profit and other gains. The year-on-year increase was primarily due to the increase of gross profit and share profit of investments accounted for using the equity method, and partially offset by the increase of operating expenses and income tax expense.

### Non-IFRS Measures

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

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

|                                | Unaudited<br>Six months ended |                  |                              | Unaudited<br>Three months ended |                   |                                    |                  |                              |
|--------------------------------|-------------------------------|------------------|------------------------------|---------------------------------|-------------------|------------------------------------|------------------|------------------------------|
|                                | June 30,<br>2017              | June 30,<br>2016 | Year-on-<br>Year<br>change % | June 30,<br>2017                | March 31,<br>2017 | Quarter-on-<br>Quarter<br>change % | June 30,<br>2016 | Year-on-<br>Year<br>change % |
| <i>(in RMB'000)</i>            |                               |                  |                              |                                 |                   |                                    |                  |                              |
| <b>Non-IFRS Financial Data</b> |                               |                  |                              |                                 |                   |                                    |                  |                              |
| Adjusted EBITDA                | <b>258,309</b>                | 127,286          | 102.9%                       | <b>130,940</b>                  | <b>127,369</b>    | <b>2.8%</b>                        | 76,608           | 70.9%                        |
| Adjusted EBITDA margin*        | <b>51.8%</b>                  | 36.4%            |                              | <b>51.4%</b>                    | <b>52.2%</b>      |                                    | 38.7%            |                              |
| Adjusted Net Profit            | <b>211,502</b>                | 96,829           | 118.4%                       | <b>106,264</b>                  | <b>105,238</b>    | <b>1.0%</b>                        | 58,908           | 80.4%                        |

\* Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue.

# Management Discussion and Analysis

## 2. FINANCIAL INFORMATION (continued)

### Adjusted EBITDA

Adjusted EBITDA increased by 2.8% quarter-on-quarter for the three months ended June 30, 2017 from the three months ended March 31, 2017 and increased by 102.9% year-on-year for the six months ended June 30, 2017 from the corresponding period in 2016. Adjusted EBITDA margin was 51.4% for the three months ended June 30, 2017, compared to 52.2% for the three months ended March 31, 2017. Adjusted EBITDA margin was 51.8% for the six months ended June 30, 2017, compared to 36.4% for the corresponding period in 2016. Adjusted EBITDA represents operating profit adjusted to exclude non-cash share-based compensation expenses, impairment loss arising from acquisitions, amortisation of intangible assets arising from acquisitions and depreciation and amortisation.

The following table reconciles our operating profit to our adjusted EBITDA for the periods presented:

| <i>(in RMB'000)</i>  | Unaudited<br>Six months ended |                  | Unaudited<br>Three months ended |                   | June 30,<br>2016 |
|--|-------------------------------|------------------|---------------------------------|-------------------|------------------|
|  | June 30,<br>2017              | June 30,<br>2016 | June 30,<br>2017                | March 31,<br>2017 |                  |
| <b>Operating Profit</b>  | <b>185,254</b>                | 94,723           | <b>69,049</b>                   | <b>116,205</b>    | 60,557           |
| Share-based compensation<br>expense                            | <b>46,880</b>                 | 19,968           | <b>43,642</b>                   | <b>3,238</b>      | 9,402            |
| Impairment loss arising<br>from acquisitions                   | <b>9,704</b>                  | –                | <b>9,704</b>                    | –                 | –                |
| Amortization of intangible assets<br>arising from acquisitions | <b>5,546</b>                  | 2,526            | <b>2,773</b>                    | <b>2,773</b>      | 1,704            |
| Depreciation and amortization<br>expense                       | <b>10,925</b>                 | 10,069           | <b>5,772</b>                    | <b>5,153</b>      | 4,945            |
| <b>Adjusted EBITDA</b>   | <b>258,309</b>                | 127,286          | <b>130,940</b>                  | <b>127,369</b>    | 76,608           |

# Management Discussion and Analysis

## 2. FINANCIAL INFORMATION (continued)

### Adjusted Net Profit and Earnings Per Share

Adjusted net profit increased by 1.0% quarter-on-quarter for the three months ended June 30, 2017 from RMB105.2 million for the three months ended March 31, 2017. Adjusted net profit increased by 118.4% year-on-year for the six months ended June 30, 2017 from RMB96.8 million for the corresponding period in 2016. Adjusted diluted earnings per share is RMB0.156 for the six months ended June 30, 2017, compared with RMB0.075 for the six months ended June 30, 2016. Adjusted diluted earnings per share is RMB0.078 for the three months ended June 30, 2017.

Adjusted net profit is not defined under IFRS, and eliminates the effect of non-cash share based compensation expenses, impairment loss arising from acquisitions and amortisation of intangible assets arising from acquisitions.

Adjusted diluted earnings per share is not defined under IFRS. The denominator for computing the adjusted diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume share options granted to employees under 2008 Global Share Option Plan and Post-IPO Share Option Scheme, restricted share units granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the adjusted earnings. The numerator of adjusted diluted EPS is adjusted net profit attributable to the equity holders of the Company.

The following table sets forth the reconciliations of the Company's net profit to adjusted net profit for the periods presented below:

| (in RMB'000)  | Unaudited<br>Six months ended |                  | Unaudited<br>Three months ended |                   | June 30,<br>2016 |
|---|-------------------------------|------------------|---------------------------------|-------------------|------------------|
|   | June 30,<br>2017              | June 30,<br>2016 | June 30,<br>2017                | March 31,<br>2017 |                  |
| <b>Net Profit</b>   | <b>149,372</b>                | 74,335           | <b>50,145</b>                   | <b>99,227</b>     | 47,802           |
| Share-based compensation expense                            | <b>46,880</b>                 | 19,968           | <b>43,642</b>                   | <b>3,238</b>      | 9,402            |
| Impairment loss arising from acquisitions                   | <b>9,704</b>                  | –                | <b>9,704</b>                    | –                 | –                |
| Amortization of intangible assets arising from acquisitions | <b>5,546</b>                  | 2,526            | <b>2,773</b>                    | <b>2,773</b>      | 1,704            |
| <b>Adjusted Net Profit</b>                                  | <b>211,502</b>                | 96,829           | <b>106,264</b>                  | <b>105,238</b>    | 58,908           |

# Management Discussion and Analysis

## 3. LIQUIDITY AND FINANCIAL RESOURCES

### Cash and Cash Equivalent and Financial Assets/Term Deposits

Cash and cash equivalents consist of cash at bank and cash on hand, and as at June 30, 2017 and December 31, 2016 amounted to RMB179.2 million and RMB290.3 million, respectively. All cash at bank balances as of these dates were demand deposits and term deposits with initial terms of less than three months.

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

The Company had current available-for-sale financial assets of RMB803.2 million and RMB611.0 million as at June 30, 2017 and December 31, 2016, respectively. Current available-for-sale financial assets typically consist of RMB-denominated principal-guaranteed structured deposits with floating interest rates ranging from 2% to 5% per annum with maturity periods within one year or with an ongoing term offered by large state-owned and commercial banks in China.

The Company had term deposits with initial terms of over three months of RMB568.1 million and RMB776.0 million as at June 30, 2017 and December 31, 2016, respectively.

### Bank Loans and Other Borrowings

As at June 30, 2017 and December 31, 2016, the Company had no bank loans and other borrowings outstanding.

### Gearing Ratio

The gearing ratio as at June 30, 2017 and December 31, 2016 were 0%.

### Capital Expenditures

For the six months ended June 30, 2017, the Group's capital expenditures were approximately RMB40.4 million, mainly including approximately RMB16.4 million and RMB14.9 million relating to purchase of a real estate property located in the United States and a real estate property located in Hong Kong, respectively, the tax of approximately RMB3.0 million relating to our office building located in Hangzhou and approximately RMB4.6 million relating to purchase of server and equipment.



# Management Discussion and Analysis

## 3. LIQUIDITY AND FINANCIAL RESOURCES (continued)

### Significant Investment

The Company did not make any significant investments for the six months ended June 30, 2017.

### Mergers and Acquisitions

On May 23, 2017, the Company, through a subsidiary of a PRC operating entity of the Group (the “Investor”), as one of the series B investors of Beijing Mijing Hefeng Technology Company Limited (北京密境和風科技有限公司) (the “Beijing Mijing”), entered into an investment agreement with controlling shareholders and the series A investors of Beijing Mijing, pursuant to which, the Investor has conditionally agreed to subscribe certain equity interest of Beijing Mijing by way of capital injection for a cash consideration of RMB100 million. As at the date of this report, the transaction is yet to be consummated.

In January 2017, the Group signed a series of agreements to invest in Shanghai Jieta Financial Information Services Company Limited (上海截塔金融信息服務有限公司) (“Shanghai Jieta”) for a cash consideration of RMB11.7 million, an internet loan company specializing in the operation of microcredit through its website and mobile application. In June 2017, the Group signed a series of agreements to further acquire the equity interest of Shanghai Jieta for a cash consideration of RMB113.1 million. As at the date of this report, the transactions are yet to be consummated.

Except as disclosed above, the Group did not make any other material mergers or acquisitions for the six months ended June 30, 2017.

### Charges on Assets

As at June 30, 2017, the Group did not have any asset charges.

### Contingent Liabilities

As at June 30, 2017, the Group did not have any significant contingent liabilities.

### Foreign Exchange Risk

Most of our subsidiaries’ functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at June 30, 2017. We do not hedge against any fluctuation in foreign currency.

# Management Discussion and Analysis

## 4. CORPORATE INFORMATION

### Staff

The Company had 771 full time employees as at June 30, 2017. Tian Ge's success depends on its ability to attract, retain and motivate qualified personnel. The Company adopts high standards in recruitment with strict procedures to ensure the quality of new hiring and use various methods for recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy the demand for different types of talents. Moreover, the Company provides a robust training program for new employees in order to effectively equip them with the skill sets and work ethics which are necessary to succeed at Tian Ge.

Relevant staff cost was RMB118.0 million for the six months ended June 30, 2017, while our staff cost was RMB86.0 million for the six months ended June 30, 2016. The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

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

### Share Option Schemes

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

The share-based compensation expenses for the six months ended June 30, 2017 were RMB46.9 million, as compared to RMB20.0 million for the corresponding period in 2016.

As at June 30, 2017, options representing a total of 39,557,788 shares were outstanding. If all such options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our shareholders of approximately 2.94% as at June 30, 2017. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per share may be staggered over several years.

# Management Discussion and Analysis

## 4. CORPORATE INFORMATION (continued)

### Share Option Schemes (continued)

As of June 30, 2017, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 3.57% of the total ordinary shares of the Company.

On April 5, 2017, the Company granted restricted share units in respect of a total of 10,668,254 ordinary shares of the Company of US\$0.0001 each to the grantees under the Post-IPO RSU Scheme, which represented approximately 0.82% of the total ordinary shares of the Company as at June 30, 2017.

On April 18, 2017, the Company granted restricted share units in respect of a total of 2,957,546 ordinary shares of the Company of US\$0.0001 each to the grantees under the Post-IPO RSU Scheme, which represented approximately 0.23% of the total ordinary shares of the Company as at June 30, 2017.

## 5. USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the global offering (after the exercise of the over-allotment option and after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the global offering) amounted to approximately HK\$1,725.0 million (equivalent to approximately RMB1,376.0 million). As at June 30, 2017, all of the net proceeds from the global offering had been used in investing in potential acquisitions, expanding our marketing and promotion activities, developing our mobile applications and enhancing our research and development efforts. We have utilized the net proceeds from the IPO for the purposes consistent with those set out in the section headed “Future Plans and Use of Proceeds” contained in the prospectus of the Company dated June 25, 2014 (the “**Prospectus**”).

## Corporate Governance/Other Information

### CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance. During the six months ended June 30, 2017, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Fu Zhengjun (傅政軍) is our Chairman and chief executive officer and has been a Director of our Board since July 28, 2008. He was designated to our Board as an executive Director on March 11, 2014. Mr. Fu is the founder of our Group and has served as the chief executive officer of all our wholly foreign-owned enterprises and PRC operating entities since their respective incorporations. With extensive experience in the internet industry, Mr. Fu is responsible for the overall strategic planning, management and operation of our Group and is instrumental to our growth and business expansion since our establishment in 2008. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-calibre individuals. Our Board currently comprises two executive Directors (including Mr. Fu), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2017.

### BOARD OF DIRECTORS AND BOARD COMMITTEES

The compositions of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company remain the same as set out in the latest annual report of the Company published on April 26, 2017.

## Corporate Governance/Other Information

### DIVIDEND

Pursuant to the resolution of the annual general meeting on June 1, 2017, the Company declared a final dividend of HK\$0.07 per ordinary share out of the Company's share premium account, which was fully paid in June 2017.

The Board did not declare any interim dividend for the six months ended June 30, 2017.

### AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), which comprises three independent non-executive Directors, namely Ms. Yu Bin (Chairman), Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee has reviewed (i) the accounting principles and practices adopted by the Group, and (ii) the auditing, risk management, internal control and financial reporting matters, including the review of the interim results for the six months ended June 30, 2017.

### CHANGES TO DIRECTORS' INFORMATION

One of our non-executive Directors, Mr. Herman Yu, has resigned as chief financial officer of Weibo Corporation since September 2017 and has been appointed as the chief financial officer of Baidu, Inc. (NASDAQ: BIDU) in the same month.

One of our independent non-executive Directors, Mr. Chan Wing Yuen Hubert, has been appointed as an independent non-executive director of FIT Hon Teng Limited (鴻騰六零八八精密科技股份有限公司) (stock code: 6088), whose shares are listed on the Stock Exchange, with effect from July 13, 2017.

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

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

On February 17, 2017, the Company has repurchased 100,000 shares on the Stock Exchange at an aggregate consideration of approximately HK\$451,300. The price per share or highest price paid was HK\$4.54, and the lowest price paid was HK\$4.5. The above repurchased shares were subsequently cancelled on February 28, 2017.

Except as disclosed above, during the six months ended June 30, 2017, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.



## Corporate Governance/Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2017, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

#### Interests in ordinary shares of the Company:

| Name of director           | Nature of interests                       | Number of shares held | Approximate percentage of shareholding as at June 30, 2017 |
|----------------------------|---|-----------------------|--|
| Mr. Fu Zhengjun (“Mr. Fu”) | Founder of a discretionary trust (Note 1) | 306,000,000           | 23.41%   |
|                            | Beneficiary of a trust (Note 2)           | 21,260,000            | 1.63%  |
|                            | Beneficial owner                          | 200,000               | 0.02%  |

#### Notes:

- UBS Trustees (BVI) Limited, the trustee of Mr. Fu’s Trust (as defined below), holds the entire issued share capital of Three-Body Holdings Ltd through its nominee, UBS Nominee Limited. Three-Body Holdings Ltd holds the entire issued share capital of Blueberry Worldwide Holdings Limited. Blueberry Worldwide Holdings Limited in turn holds 306,000,000 shares in our Company. Mr. Fu’s trust (“Mr. Fu’s Trust”) is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (BVI) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 306,000,000 shares held by Blueberry Worldwide Holdings Limited.
- UBS Trustees (BVI) Limited is also the trustee of Mr. Fu Yanchang’s Trust (“Mr. Fu Yanchang’s Trust”) and holds the entire issued share capital of Star Wonder Holding Ltd through its nominee, UBS Nominee Limited. Star Wonder Holding Ltd holds the entire issued share capital of Cloud Investment Holding Limited. Cloud Investment Holding Limited in turn holds 21,260,000 shares in our Company. Mr. Fu Yanchang’s Trust is a discretionary trust established by Mr. Fu’s father Mr. Fu Yanchang (as the settlor) and the discretionary beneficiaries of which are Mr. Fu Yanchang and his family members. Accordingly, each of Mr. Fu Yanchang, Mr. Fu, UBS Trustees (BVI) Limited, Star Wonder Holding Limited and Cloud Investment Holding Limited is deemed to be interested in the 21,260,000 shares held by Cloud Investment Holding Limited.

## Corporate Governance/Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

#### Interests in underlying shares of the Company:

| Name of director          | Position held within our Group   | Nature                      | Number of shares represented by options or RSUs | Exercise price (US\$) | Approximate percentage of shareholding as at June 30, 2017 |
|---------------------------|--|-----------------------------|---|-----------------------|--|
| Mr. Fu Zhengjun           | Chairman, executive Director and chief executive officer                       | RSUs (Note 1)               | 10,000,000                                      | Nil                   | 0.77%  |
|                           |  | Interest of Spouse (Note 4) | 20,000,000                                      | Nil                   | 1.53%  |
| Mr. Mai Shi'en            | Executive director, chief operating officer and acting chief financial officer | RSUs (Note 2)               | 4,050,000                                       | Nil                   | 0.31%  |
| Mr. Mao Chengyu           | Non-executive Director   | Options (Note 3)            | 200,000   | 0.35                  | 0.02%  |
| Mr. Herman Yu             | Non-executive Director   | Options (Note 3)            | 200,000   | 0.35                  | 0.02%  |
| Ms. Yu Bin                | Independent Non-executive Director   | Options (Note 3)            | 200,000   | 0.35                  | 0.02%  |
| Mr. Wu Chak Man           | Independent Non-executive Director   | Options (Note 3)            | 200,000   | 0.35                  | 0.02%  |
| Mr. Chan Wing Yuen Hubert | Independent Non-executive Director   | Options (Note 3)            | 200,000   | 0.35                  | 0.02%  |

## Corporate Governance/Other Information

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**

Notes:

1. *Mr. Fu is also interested in 1,000,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 shares.*
2. *Mr. Mai Shi'en is interested in 405,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 4,050,000 shares subject to vesting.*
3. *Mr. Mao Chengyu, Mr. Herman Yu, Ms. Yu Bin, Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert are each interested in 20,000 Pre-IPO options granted to each of them on May 22, 2014 under the Pre-IPO share Option Scheme entitling each of them to receive 200,000 shares subject to vesting.*
4. *Ms. Hong Yan is Mr. Fu's spouse and she is interested in 2,000,000 Pre-IPO RSUs granted to her on May 22, 2014 under the Pre-IPO RSU Scheme entitling her to receive 20,000,000 shares subject to vesting. Accordingly, Mr. Fu is deemed to be interested in the 20,000,000 shares which are interested by Ms. Hong Yan under the SFO.*

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

## Corporate Governance/Other Information

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

As at June 30, 2017, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of shareholders                              | Nature of interests                         | Number of Shares or securities held | Approximate percentage of interest as at June 30, 2017 |
|---|---|-------------------------------------|--|
| UBS Trustees (BVI) Limited                        | Trustee (Note 1)                            | 327,260,000                         | 25.04%   |
| Three-Body Holdings Ltd                           | Interest in Controlled Corporation (Note 1) | 306,000,000                         | 23.41%   |
| Blueberry Worldwide Holdings Limited              | Beneficial Owner (Note 1)                   | 306,000,000                         | 23.41%   |
| Sina Hong Kong Limited                            | Beneficial Owner                            | 300,000,000                         | 22.95%   |
| Ho Chi Sing                                       | Interest in Controlled Corporation (Note 2) | 110,000,000                         | 8.42%  |
| Zhou Quan   | Interest in Controlled Corporation (Note 2) | 110,000,000                         | 8.42%  |
| IDG-Accel China Growth Fund GP II Associates Ltd. | Interest in Controlled Corporation (Note 2) | 110,000,000                         | 8.42%  |
| IDG-Accel China Growth Fund II Associates L.P.    | Interest in Controlled Corporation (Note 2) | 101,684,000                         | 7.78%  |
| IDG-Accel China Growth Fund II L.P.               | Beneficial Owner (Note 2)                   | 101,684,000                         | 7.78%  |

## Corporate Governance/Other Information

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

Notes:

- (1) *UBS Trustees (BVI) Limited, the trustee of Mr. Fu's Trust and Mr. Fu Yanchang's Trust, holds the entire issued share capital of Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited through Three-Body Holdings Ltd and Star Wonder Holding Ltd, respectively. Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited hold 306,000,000 shares and 21,260,000 shares in our Company, respectively. Mr. Fu's Trust is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (BVI) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 306,000,000 shares held by Blueberry Worldwide Holdings Limited. Mr. Fu Yanchang's Trust is a discretionary trust established by Mr. Fu Yanchang (as the settlor) and the discretionary beneficiaries of which are Mr. Fu Yanchang and his family members. Accordingly, each of Mr. Fu Yanchang, UBS Trustees (BVI) Limited, Cloud Investment Holding Limited and Star Wonder Holding Ltd is deemed to be interested in the 21,260,000 shares held by Cloud Investment Holding Limited.*
- (2) *IDG-Accel China Growth Fund II L.P. is wholly owned by IDG-Accel China Growth Fund II Associates L.P., which is in turn wholly owned by IDG-Accel China Growth Fund GP II Associates Ltd. Accordingly, each of IDG-Accel China Growth Fund II L.P., IDG-Accel China Growth Fund II Associates L.P. and IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the 101,684,000 shares held by IDG-Accel China Growth Fund II L.P.. Separately, IDG-Accel China Investors II L.P. is wholly owned by IDG-Accel China Growth Fund GP II Associates Ltd., therefore IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the 8,316,000 shares held by IDG-Accel Growth Investors II L.P.*

*Each of Ho Chi Sing and Zhou Quan holds 50% of the issued share capital of IDG-Accel China Growth Fund GP II Associates Ltd., therefore both Ho Chi Sing and Zhou Quan are deemed to be interested in the 110,000,000 shares which IDG-Accel China Growth Fund GP II Associates Ltd. is interested in total.*

Save as disclosed above, as at June 30, 2017, the Directors and the chief executive of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Incentive Schemes" in this report and in note 24 to the financial statements, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.



### SHARE INCENTIVE SCHEMES

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

The principal terms of the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme, Post-IPO RSU Scheme and the Post-IPO Share Option Scheme are summarized in the section headed “Statutory and General Information – D. Share Incentive Schemes” in Appendix IV to the Company’s Prospectus.

#### Outstanding Share Options

##### *Pre-IPO Share Option Scheme*

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

As at June 30, 2017, options representing a total of 36,257,788 shares (taking into account the 27,985,665 options which have lapsed and options in respect of an aggregate of 49,436,547 shares which have been exercised in accordance with the terms of the Pre-IPO Share Option Scheme) were outstanding. If all the options under the Pre-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our Shareholders of approximately 2.7% as at June 30, 2017. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per Share may be staggered over several years.

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

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



## Corporate Governance/Other Information

### SHARE INCENTIVE SCHEMES (continued)

#### Outstanding Share Options (continued)

##### *Post-IPO Share Option Scheme*

The maximum number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 121,706,700, representing 10% of the total number of shares in issue as at the Listing Date.

During the Reporting Period, 58,000 share options were exercised and no share option was granted, lapsed and cancelled under the Post-IPO Share Option Scheme. As a result, as at June 30, 2017, options representing a total of 3,300,000 shares were outstanding, representing approximately 0.25% of the issued shares of the Company.

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date and the remaining life of this scheme is around 6 years and 10 months. The options are exercisable over a 10-year period from the date of grant.

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

### SHARE INCENTIVE SCHEMES (continued)

#### Outstanding RSUs

##### *Pre-IPO RSU Scheme*

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

On July 9, 2014, upon the Company's IPO on the Main Board of the Stock Exchange, the Company's ordinary shareholders received 9 bonus shares for every registered ordinary share that they already held. As a result, the 7,280,000 ordinary shares of the Company underlying the RSUs were adjusted to 72,800,000 ordinary shares on a one-to-ten basis. As at the date of this report, the total number of shares underlying the RSUs represents approximately 5.57% of the total number of shares of the Company.

The duration of the Pre-IPO RSU Scheme is 10 years commencing on May 22, 2014 and the remaining life of this scheme is around 6 years and 9 months.

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

During the Reporting Period, RSUs in respect of an aggregate of 3,357,000 shares have been exercised by grantees under the Pre-IPO RSU Scheme and no RSUs have granted, cancelled and lapsed. As a result, as at June 30, 2017, 44,124,000 shares have been issued and allotted to Tangguo Limited.

## Corporate Governance/Other Information

### SHARE INCENTIVE SCHEMES (continued)

#### Outstanding RSUs (continued)

##### *Post-IPO RSU Scheme*

As at June 30, 2017, RSUs in respect of a total of 20,893,488 shares pursuant to the Company's Post-IPO RSU Scheme have been granted on April 20, 2015, September 15, 2015, April 1, 2016, April 5, 2017 and April 18, 2017.

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

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

The RSUs granted on April 1, 2016 has been vested on August 3, 2016 and August 3, 2017 respectively and the number of RSUs granted for the respective vesting date was 524,350 and 524,338. The closing price of the shares immediately before the date of grant was HK\$4.96.

The RSUs granted on April 5, 2017 has been vested on May 28, 2017 and July 20, 2017 respectively, and will be vested on May 28, 2018 and July 20, 2018 respectively and the number of RSUs granted for the respective vesting date was 4,944,800, 389,333, 4,944,800 and 389,321. The closing price of the shares immediately before the date of grant was HK\$6.19.

The RSUs granted on April 18, 2017 has been vested on May 28, 2017 and July 20, 2017 respectively, and will be vested on May 28, 2018 and July 20, 2018 respectively and the number of RSUs granted for the respective vesting date was 1,455,200, 23,573, 1,455,200 and 23,573. The closing price of the shares immediately before the date of grant was HK\$5.13.

The duration of the Post-IPO RSU Scheme is 10 years commencing on June 16, 2014 and the remaining life of this scheme is around 6 years and 10 months.

The Company appointed The Core Trust Company Limited (匯聚信託有限公司) as the trustee and Xinshow Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Post-IPO RSU Scheme. During the Reporting Period, RSUs in respect of an aggregate of 583,136 shares have been exercised by grantees under the Post-IPO RSU Scheme and 1,000 RSUs have lapsed and cancelled, as a result, as at the date of this report, 16,027,412 shares have been allotted and issued to Xinshow Limited.

# Corporate Governance/Other Information

## SHARE INCENTIVE SCHEMES (continued)

### Details of the options and the RSUs granted under the Schemes

The following table shows the details of the options and/or the RSUs granted and outstanding under the Schemes to, on an individual basis, the Directors, chief executive members and other connected person of the Group as at June 30, 2017.

| Name of Grantee                             | Position Held within Our Group  | Nature           | Number of Shares Represented by Option or RSUs | Date of Grant | Outstanding as at January 1, 2017 | Exercise Price (US\$) | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at June 30, 2017 |
|---|---|------------------|--|---------------|-----------------------------------|-----------------------|---------------------------------------|---------------------------------------|------------------------------------|---------------------------------|
| <b>Director of our Company</b>              |   |                  |  |               |                                   |                       |                                       |                                       |                                    |                                 |
| Mr. Fu Zhengjun                             | Chairman, executive Director and chief executive officer                                    | RSUs             | 10,000,000                                     | 22 May 2014   | 10,000,000                        | Nil                   | 0                                     | 0                                     | 0                                  | 10,000,000                      |
| Mr. Mai Shi'en                              | Executive director, chief operating officer and acting chief financial officer              | RSUs             | 4,050,000                                      | 22 May 2014   | 4,800,000                         | Nil                   | 750,000                               | 0                                     | 0                                  | 4,050,000                       |
| Mr. Mao Chengyu                             | Non-executive Director  | Options          | 200,000  | 22 May 2014   | 200,000                           | 0.35                  | 0                                     | 0                                     | 0                                  | 200,000                         |
| Mr. Herman Yu                               | Non-executive Director  | Options          | 200,000  | 22 May 2014   | 200,000                           | 0.35                  | 0                                     | 0                                     | 0                                  | 200,000                         |
| Ms. Yu Bin                                  | Independent Non-executive Director  | Options          | 200,000  | 22 May 2014   | 200,000                           | 0.35                  | 0                                     | 0                                     | 0                                  | 200,000                         |
| Mr. Wu Chak Man                             | Independent Non-executive Director  | Options          | 200,000  | 22 May 2014   | 200,000                           | 0.35                  | 0                                     | 0                                     | 0                                  | 200,000                         |
| Mr. Chan Wing Yuen Hubert                   | Independent Non-executive Director  | Options          | 200,000  | 22 May 2014   | 200,000                           | 0.35                  | 0                                     | 0                                     | 0                                  | 200,000                         |
| <b>Other connected persons of our Group</b> |   |                  |  |               |                                   |                       |                                       |                                       |                                    |                                 |
| Ms. Hong Yan                                | Vice president of Tiange Technology (Hangzhou) Co., Ltd. (天格科技(杭州)有限公司) ("Hangzhou Tiange") | RSUs             | 20,000,000                                     | 22 May 2014   | 20,000,000                        | Nil                   | 0                                     | 0                                     | 0                                  | 20,000,000                      |
| Seven Directors and one connected person    |   | Options          | 1,000,000                                      |               |                                   |                       |                                       |                                       |                                    |                                 |
|   |   | RSUs             | 34,050,000                                     |               |                                   |                       |                                       |                                       |                                    |                                 |
|   |   | <b>Sub-total</b> | <b>35,050,000</b>                              |               |                                   |                       |                                       |                                       |                                    |                                 |

## Corporate Governance/Other Information

### SHARE INCENTIVE SCHEMES (continued)

#### Details of the options and the RSUs granted under the Schemes (continued)

The following is a summary table showing further details of the options and/or the RSUs granted and outstanding under the Schemes to individuals who are neither a Director, chief executive member nor a connected person of the Group as at June 30, 2017.

| Rank/Position Held<br>With Our Group | Nature               | Number of<br>Shares<br>Represented<br>by Option<br>or RSUs | Date of Grant      | Outstanding<br>as at<br>January 1,<br>2017 | Exercise<br>Price<br>(US\$/HK\$) | Exercised<br>during the<br>Reporting<br>Period | Cancelled<br>during the<br>Reporting<br>Period | Lapsed<br>during the<br>Reporting<br>Period | Outstanding<br>as at<br>June 30,<br>2017 |
|--------------------------------------|----------------------|--|--------------------|--|----------------------------------|--|--|---|--|
| 226 other employees,                 | Options              | 9,069,000  | January 14, 2009   | 11,811,000                                 | US\$0.01                         | 2,742,000                                      | 0  | 0   | 9,069,000                                |
| 28 other consultants and             |                      | 841,000  | July 23, 2009      | 2,160,000                                  | US\$0.021                        | 1,319,000                                      | 0  | 0   | 841,000                                  |
| 4 ex-employees (Note 1)              |                      | 3,487,540  | July 23, 2009      | 3,848,540                                  | US\$0.03                         | 361,000  | 0  | 0   | 3,487,540                                |
|                                      |                      | 1,648,380  | June 17, 2010      | 2,231,380                                  | US\$0.06                         | 583,000  | 0  | 0   | 1,648,380                                |
|                                      |                      | 220,000  | September 6, 2010  | 300,000                                    | US\$0.06                         | 80,000   | 0  | 0   | 220,000                                  |
|                                      |                      | 6,601,000  | September 6, 2010  | 6,601,000                                  | US\$0.035                        | 0  | 0  | 0   | 6,601,000                                |
|                                      |                      | 2,763,050  | December 20, 2010  | 2,859,050                                  | US\$0.06                         | 96,000   | 0  | 0   | 2,763,050                                |
|                                      |                      | 16,000   | December 20, 2010  | 35,000                                     | US\$0.03                         | 19,000   | 0  | 0   | 16,000                                   |
|                                      |                      | 1,600,000  | December 26, 2011  | 1,600,000                                  | US\$0.06                         | 0  | 0  | 0   | 1,600,000                                |
|                                      |                      | 687,000  | December 26, 2011  | 1,184,000                                  | US\$0.1                          | 497,000  | 0  | 0   | 687,000                                  |
|                                      |                      | 779,439  | December 26, 2011  | 908,439                                    | US\$0.12                         | 129,000  | 0  | 0   | 779,439                                  |
|                                      |                      | 1,616,100  | October 14, 2012   | 1,931,100                                  | US\$0.15                         | 315,000  | 0  | 0   | 1,616,100                                |
|                                      |                      | 728,570  | September 14, 2013 | 1,045,570                                  | US\$0.2                          | 292,000  | 0  | 25,000                                      | 728,570                                  |
|                                      |                      | 5,200,709  | May 22, 2014       | 6,723,807                                  | US\$0.35                         | 1,392,818                                      | 0  | 130,280                                     | 5,200,709                                |
|                                      |                      | 3,300,000  | September 22, 2015 | 3,358,000                                  | HK\$3.50                         | 58,000   | 0  | 0   | 3,300,000                                |
|                                      | <b>Options total</b> | <b>38,557,788</b>  |                    | <b>46,596,886</b>                          | <b>-</b>                         | <b>7,883,818</b>                               | <b>0</b>                                       | <b>155,280</b>                              | <b>38,557,788</b>                        |
|                                      | RSUs                 | 10,074,000   | May 22, 2014       | 12,681,000                                 | Nil                              | 2,607,000                                      | 0  | 0   | 10,074,000                               |
|                                      |                      | 1,550,239  | April 20, 2015     | 1,823,197                                  | Nil                              | 272,958  | 0  | 0   | 1,550,239                                |
|                                      |                      | 230,838  | September 15, 2015 | 393,833                                    | Nil                              | 162,995  | 0  | 0   | 230,838                                  |
|                                      |                      | 724,755  | April 1, 2016      | 768,718                                    | Nil                              | 43,963   | 0  | 0   | 724,755                                  |
|                                      |                      | 10,568,254   | April 5, 2017      | 0  | Nil                              | 100,000  | 0  | 0   | 10,568,254                               |
|                                      |                      | 2,953,326  | April 18, 2017     | 0  | Nil                              | 3,220  | 0  | 1,000                                       | 2,953,326                                |
|                                      | <b>RSUs total</b>    | <b>26,101,412</b>  |                    | <b>15,666,748</b>                          |                                  | <b>3,190,136</b>                               | <b>0</b>                                       | <b>1,000</b>                                | <b>26,101,412</b>                        |
|                                      | <b>Sub-total</b>     | <b>64,659,200</b>  |                    |  |                                  |  |  |   |  |

#### Notes:

1. Consultants are third party agents who provided our Group with business consultancy services on financial management, research and development, human resources and sales. Pursuant to the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, a total of 8,214,200, options have been granted to 28 consultants.
2. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the Reporting Period was approximately HKD5.88.
3. The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised during the Reporting Period was approximately HKD5.70.

## Glossary

This glossary contains explanations of certain terms used in this interim report in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“Quarterly Average Revenue Per User” or “QARPU”      Average quarterly revenue in a particular period divided by the QPUs in that period.

“MAUs”      Number of active registered users that accessed our products or services in the relevant month. (A MAU is defined as a registered user that accessed our products or services at least once during the relevant month.)

“QPUs”      Number of paying users for our products and services in the relevant quarter. (A QPU for live social video platform is defined as a user that purchased virtual goods at least once during the relevant quarter.)

“Host”      User who generate content, have host accounts and are deemed by us to be hosts. Hosts may receive marketing fees from distributors.

“Registered users”      The accumulated number of users who have registered an account on our live social video platform or online games and duplicated accounts were not excluded.



# Condensed Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2017

|   | Note | Unaudited<br>Three months ended<br>30 June |                 | Unaudited<br>Six months ended<br>30 June |                 |
|---|------|--|-----------------|--|-----------------|
|   |      | 2017<br>RMB'000                            | 2016<br>RMB'000 | 2017<br>RMB'000                          | 2016<br>RMB'000 |
| Revenue   | 6    | <b>254,767</b>                             | 198,131         | <b>498,797</b>                           | 349,707         |
| Cost of revenue   | 7    | <b>(34,439)</b>                            | (55,596)        | <b>(71,849)</b>                          | (97,086)        |
| <b>Gross profit</b>   |      | <b>220,328</b>                             | 142,535         | <b>426,948</b>                           | 252,621         |
| Selling and marketing expenses  | 7    | <b>(88,861)</b>                            | (44,948)        | <b>(143,831)</b>                         | (87,310)        |
| Administrative expenses   | 7    | <b>(48,843)</b>                            | (27,714)        | <b>(70,699)</b>                          | (55,758)        |
| Research and development expenses   | 7    | <b>(32,095)</b>                            | (22,965)        | <b>(56,140)</b>                          | (42,109)        |
| Other gains, net  | 8    | <b>18,520</b>                              | 13,649          | <b>28,976</b>                            | 27,279          |
| <b>Operating profit</b>   |      | <b>69,049</b>                              | 60,557          | <b>185,254</b>                           | 94,723          |
| Finance income  | 9    | <b>1,162</b>                               | 189             | <b>1,492</b>                             | 964             |
| Finance costs   | 9    | <b>–</b>                                   | (576)           | <b>–</b>                                 | (1,079)         |
| Finance income/(loss), net  |      | <b>1,162</b>                               | (387)           | <b>1,492</b>                             | (115)           |
| Share of profit/(loss) of investment accounted<br>for using the equity method                       | 16   | <b>1,254</b>                               | (1,915)         | <b>4,506</b>                             | (2,697)         |
| <b>Profit before income tax</b>   |      | <b>71,465</b>                              | 58,255          | <b>191,252</b>                           | 91,911          |
| Income tax expense  | 10   | <b>(21,320)</b>                            | (10,453)        | <b>(41,880)</b>                          | (17,576)        |
| <b>Profit for the period</b>  |      | <b>50,145</b>                              | 47,802          | <b>149,372</b>                           | 74,335          |
| <b>Other comprehensive income/(loss)</b><br><i>Items that may be reclassified to profit or loss</i> |      |  |                 |  |                 |
| Changes in value of available-for-sale<br>financial assets  |      | <b>22,983</b>                              | (84)            | <b>26,619</b>                            | 15,649          |
| Currency translation differences  |      | <b>(18,693)</b>                            | 25,666          | <b>(24,117)</b>                          | 20,833          |
| <b>Total comprehensive income<br/>for the period</b>  |      | <b>54,435</b>                              | 73,384          | <b>151,874</b>                           | 110,817         |

# Condensed Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2017

|   | Note | Unaudited<br>Three months ended<br>30 June |                 | Unaudited<br>Six months ended<br>30 June |                 |
|---|------|--|-----------------|--|-----------------|
|   |      | 2017<br>RMB'000                            | 2016<br>RMB'000 | 2017<br>RMB'000                          | 2016<br>RMB'000 |
| <b>Profit/(loss) attributable to:</b>                     |      |  |                 |  |                 |
| – Shareholders of the Company                             |      | <b>48,735</b>                              | 49,049          | <b>146,806</b>                           | 76,699          |
| – Non-controlling interests                               |      | <b>1,410</b>                               | (1,247)         | <b>2,566</b>                             | (2,364)         |
|   |      | <b>50,145</b>                              | 47,802          | <b>149,372</b>                           | 74,335          |
| <b>Total comprehensive income/(loss) attributable to:</b> |      |  |                 |  |                 |
| – Shareholders of the Company                             |      | <b>53,053</b>                              | 74,514          | <b>149,286</b>                           | 112,655         |
| – Non-controlling interests                               |      | <b>1,382</b>                               | (1,130)         | <b>2,588</b>                             | (1,838)         |
|   |      | <b>54,435</b>                              | 73,384          | <b>151,874</b>                           | 110,817         |
| <b>Earnings per share (expressed in RMB per share)</b>    |      |  |                 |  |                 |
| – Basic   | 11   | <b>0.038</b>                               | 0.038           | <b>0.113</b>                             | 0.060           |
| – Diluted   | 11   | <b>0.036</b>                               | 0.037           | <b>0.110</b>                             | 0.058           |

The notes on pages 43 to 80 form an integral part of these condensed consolidated financial information.

# Condensed Consolidated Balance Sheet

As at 30 June 2017

|  | <i>Note</i> | <b>Unaudited<br/>30 June<br/>2017<br/>RMB'000</b> | Audited<br>31 December<br>2016<br>RMB'000 |
|--|-------------|---|---|
| <b>Assets</b>  |             |   |   |
| <b>Non-current assets</b>                              |             |   |   |
| Property and equipment                                 | 13          | 198,240   | 182,908                                   |
| Investment properties                                  | 14          | 43,123  | 27,748                                    |
| Intangible assets                                      | 15          | 238,057   | 251,003                                   |
| Investments accounted for using the equity method      | 16          | 106,952   | 55,497                                    |
| Available-for-sale financial assets                    | 19          | 389,789   | 304,478                                   |
| Prepayments and other receivables                      | 18          | 282,865   | 191,601                                   |
| Deferred income tax assets                             | 27          | 82,454  | 74,583                                    |
|  |             | <b>1,341,480</b>                                  | 1,087,818                                 |
| <b>Current assets</b>                                  |             |   |   |
| Inventories  | 21          | 1,557   | 1,082                                     |
| Trade receivables                                      | 17          | 20,109  | 25,834                                    |
| Prepayments and other receivables                      | 18          | 137,694   | 115,090                                   |
| Available-for-sale financial assets                    | 19          | 803,239   | 610,954                                   |
| Term deposits with initial term over 3 months          |             | 568,061   | 775,958                                   |
| Cash and cash equivalents                              | 20          | 179,225   | 290,306                                   |
|  |             | <b>1,709,885</b>                                  | 1,819,224                                 |
| <b>Total assets</b>                                    |             | <b>3,051,365</b>                                  | 2,907,042                                 |
| <b>Equity</b>  |             |   |   |
| <b>Equity attribute to shareholders of the Company</b> |             |   |   |
| Share capital  | 22          | 809   | 804                                       |
| Share premium  | 22          | 2,175,289   | 2,250,388                                 |
| Shares held for RSU Scheme                             | 22          | (1)   | (7)                                       |
| Other reserves   | 23          | 476,168   | 426,403                                   |
| Retained earnings/(Accumulated deficits)               |             | 57,549  | (89,257)                                  |
|  |             | <b>2,709,814</b>                                  | 2,588,331                                 |
| Non-controlling interests                              |             | 36,307  | 35,641                                    |
| <b>Total equity</b>                                    |             | <b>2,746,121</b>                                  | 2,623,972                                 |

# Condensed Consolidated Balance Sheet

As at 30 June 2017

|  | <i>Note</i> | <b>Unaudited<br/>30 June<br/>2017<br/>RMB'000</b> | Audited<br>31 December<br>2016<br>RMB'000 |
|--|-------------|---|---|
| <b>Liabilities</b>                           |             |   |   |
| <b>Non-current liabilities</b>               |             |   |   |
| Deferred income tax liabilities              | 27          | <b>13,778</b>                                     | 14,948                                    |
| Other non-current liabilities                |             | <b>1,283</b>                                      | 1,304                                     |
|  |             | <b>15,061</b>                                     | 16,252                                    |
| <b>Current liabilities</b>                   |             |   |   |
| Trade payables                               | 25          | <b>17,348</b>                                     | 29,435                                    |
| Other payables and accruals                  | 26          | <b>63,566</b>                                     | 61,407                                    |
| Income tax liabilities                       |             | <b>129,907</b>                                    | 117,088                                   |
| Customer advance and deferred revenue        |             | <b>74,642</b>                                     | 53,888                                    |
| Provisions for other liabilities and charges | 28          | <b>4,720</b>                                      | 5,000                                     |
|  |             | <b>290,183</b>                                    | 266,818                                   |
| <b>Total liabilities</b>                     |             | <b>305,244</b>                                    | 283,070                                   |
| <b>Total equity and liabilities</b>          |             | <b>3,051,365</b>                                  | 2,907,042                                 |

The notes on pages 43 to 80 form an integral part of these condensed consolidated financial information.

**Fu Zhengjun**  
*Director*

**Mai Shi'en**  
*Director*

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

|   |      | Unaudited  |               |                            |                |   |           |                           |              |
|---|------|--|---------------|----------------------------|----------------|---|-----------|---------------------------|--------------|
|   |      | Equity attributable to shareholders of the company |               |                            |                |   |           |                           |              |
|   | Note | Share capital                                      | Share premium | Shares held for RSU Scheme | Other reserves | Retained earnings/ (Accumulated deficits) | Total     | Non-controlling interests | Total equity |
|   |      | RMB'000  | RMB'000       | RMB'000                    | RMB'000        | RMB'000                                   | RMB'000   | RMB'000                   | RMB'000      |
| <b>Balance at 1 January 2017</b>  |      | 804  | 2,250,388     | (7)                        | 426,403        | (89,257)                                  | 2,588,331 | 35,641                    | 2,623,972    |
| <b>Comprehensive income</b>   |      |  |               |                            |                |   |           |                           |              |
| Profit for the six months ended 30 June 2017  |      | -  | -             | -                          | -              | 146,806                                   | 146,806   | 2,566                     | 149,372      |
| <b>Other comprehensive income/(loss)</b>  |      |  |               |                            |                |   |           |                           |              |
| Currency translation differences  | 23   | -  | -             | -                          | (24,139)       | -   | (24,139)  | 22                        | (24,117)     |
| Changes in value of available-for-sale financial assets                                   | 23   | -  | -             | -                          | 26,619         | -   | 26,619    | -                         | 26,619       |
| Total other comprehensive income, net of tax  |      | -  | -             | -                          | 2,480          | -   | 2,480     | 22                        | 2,502        |
| <b>Total comprehensive income</b>   |      | -  | -             | -                          | 2,480          | 146,806                                   | 149,286   | 2,588                     | 151,874      |
| <b>Transactions with shareholders of the Company, recognised directly in equity</b>       |      |  |               |                            |                |   |           |                           |              |
| Employees share option scheme and restricted share units ("RSU") schemes:                 |      |  |               |                            |                |   |           |                           |              |
| - value of employee services  | 23   | -  | -             | -                          | 46,880         | -   | 46,880    | -                         | 46,880       |
| - proceeds from shares issued   | 22   | 5  | 4,856         | -                          | -              | -   | 4,861     | -                         | 4,861        |
| - vest and transfer of RSUs   | 22   | -  | (6)           | 6                          | -              | -   | -         | -                         | -            |
| Dividends relating to 2016 paid in June 2017  | 12   | -  | (79,591)      | -                          | -              | -   | (79,591)  | -                         | (79,591)     |
| Repurchase of ordinary shares   | 22   | -  | (358)         | -                          | -              | -   | (358)     | -                         | (358)        |
| Contribution from a non-controlling interest  |      | -  | -             | -                          | 405            | -   | 405       | 101                       | 506          |
| Appropriation of dividend to non-controlling interests                                    |      | -  | -             | -                          | -              | -   | -         | (2,023)                   | (2,023)      |
| <b>Total transactions with shareholders of the Company, recognised directly in equity</b> |      | 5  | (75,099)      | 6                          | 47,285         | -   | (27,803)  | (1,922)                   | (29,725)     |
| <b>Balance at 30 June 2017</b>  |      | 809  | 2,175,289     | (1)                        | 476,168        | 57,549                                    | 2,709,814 | 36,307                    | 2,746,121    |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

|   | Unaudited  |               |               |                            |                |                      |           |                           |              |
|---|--|---------------|---------------|----------------------------|----------------|----------------------|-----------|---------------------------|--------------|
|   | Equity attributable to shareholders of the company |               |               |                            |                |                      |           | Non-controlling interests | Total equity |
|   | Note   | Share capital | Share premium | Shares held for RSU Scheme | Other reserves | Accumulated deficits | Total     |                           |              |
|   | RMB'000  | RMB'000       | RMB'000       | RMB'000                    | RMB'000        | RMB'000              | RMB'000   | RMB'000                   |              |
| <b>Balance at 1 January 2016</b>  |  | 797           | 2,305,423     | (14)                       | 273,425        | (292,919)            | 2,286,712 | 21,960                    | 2,308,672    |
| <b>Comprehensive income/(loss)</b>  |  |               |               |                            |                |                      |           |                           |              |
| Profit/(loss) for the six months ended 30 June 2016                                       |  | -             | -             | -                          | -              | 76,699               | 76,699    | (2,364)                   | 74,335       |
| <b>Other comprehensive income</b>   |  |               |               |                            |                |                      |           |                           |              |
| Currency translation differences  | 23   | -             | -             | -                          | 20,307         | -                    | 20,307    | 526                       | 20,833       |
| Changes in value of available-for-sale financial assets                                   | 23   | -             | -             | -                          | 15,649         | -                    | 15,649    | -                         | 15,649       |
| Total other comprehensive income, net of tax  |  | -             | -             | -                          | 35,956         | -                    | 35,956    | 526                       | 36,482       |
| <b>Total comprehensive income/(loss)</b>  |  | -             | -             | -                          | 35,956         | 76,699               | 112,655   | (1,838)                   | 110,817      |
| <b>Transactions with shareholders of the Company, recognised directly in equity</b>       |  |               |               |                            |                |                      |           |                           |              |
| Employees share option scheme and RSU schemes:  |  |               |               |                            |                |                      |           |                           |              |
| - value of employee services  | 23   | -             | -             | -                          | 19,968         | -                    | 19,968    | -                         | 19,968       |
| - proceeds from shares issued   | 22   | 4             | 6,915         | -                          | -              | -                    | 6,919     | -                         | 6,919        |
| - vest and transfer of RSUs   | 22   | -             | (4)           | 4                          | -              | -                    | -         | -                         | -            |
| Non-controlling interests arising from acquisition and establishment of subsidiaries      |  | -             | -             | -                          | -              | -                    | -         | 4,730                     | 4,730        |
| Dividends relating to 2015 paid in June 2016  | 12   | -             | (65,633)      | -                          | -              | -                    | (65,633)  | -                         | (65,633)     |
| <b>Total transactions with shareholders of the Company, recognised directly in equity</b> |  | 4             | (58,722)      | 4                          | 19,968         | -                    | (38,746)  | 4,730                     | (34,016)     |
| <b>Balance at 30 June 2016</b>  |  | 801           | 2,246,701     | (10)                       | 329,349        | (216,220)            | 2,360,621 | 24,852                    | 2,385,473    |

The notes on pages 43 to 80 form an integral part of these condensed consolidated financial information.



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

|   | Unaudited                |             |
|---|--------------------------|-------------|
|   | Six months ended 30 June |             |
|   | 2017                     | 2016        |
|   | RMB'000                  | RMB'000     |
| <b>Cash flows from operating activities</b>   |                          |             |
| Cash generated from operations  | 230,006                  | 127,854     |
| Income tax paid   | (38,102)                 | (19,011)    |
| <b>Net cash generated from operating activities</b>   | <b>191,904</b>           | 108,843     |
| <b>Cash flows from investing activities</b>   |                          |             |
| Proceeds from disposal of a subsidiary, net of cash disposed  | 6,100                    | –           |
| Proceeds from potential disposal of a subsidiary  | 1,864                    | –           |
| Step-acquisition of a subsidiary, net of cash acquired  | –                        | (23,780)    |
| Acquisition of subsidiaries, net of cash acquired   | –                        | (5,000)     |
| Purchase of and prepayment for property and equipment, construction in progress and investment property             | (39,629)                 | (28,511)    |
| Proceeds on disposal of property and equipment and intangible assets  | 167                      | 628         |
| Purchase of intangible assets   | (798)                    | (305)       |
| Payment of term deposits with initial term of over 3 months and available-for-sales financial assets                | (1,341,683)              | (1,331,378) |
| Proceeds from disposal of term deposits with initial term of over 3 months and available-for-sales financial assets | 1,297,814                | 1,296,384   |
| Repayment of capital contribution of available-for-sales financial assets   | 484                      |             |
| Interest received   | 4,302                    | 1,121       |
| Proceeds from return of prepayment for investments  | 19,000                   | 145,000     |
| Cash paid for prepayments of investments  | (137,860)                | (218,500)   |
| Investment in an associate  | (4,800)                  | –           |
| Loans granted to third parties and related parties  | (219,584)                | (22,620)    |
| Repayment of loans granted to related parties & third parties   | 187,594                  | 10,629      |
| Loans granted to borrowers through investment and financing platforms   | –                        | (215,699)   |
| Repayment of loans from borrowers through financial platforms   | –                        | 89,536      |
| Cash paid for other investing activities  | (591)                    | (109)       |
| <b>Net cash used in investing activities</b>  | <b>(227,620)</b>         | (302,604)   |

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

|  | Note | Unaudited<br>Six months ended 30 June |                 |
|--|------|---------------------------------------|-----------------|
|  |      | 2017<br>RMB'000                       | 2016<br>RMB'000 |
| <b>Cash flows from financing activities</b>              |      |                                       |                 |
| Funds from individual investors                          |      | –                                     | 119,303         |
| Proceeds from exercise of share options                  |      | <b>5,248</b>                          | 6,691           |
| Payments for repurchase of ordinary shares               | 22   | <b>(358)</b>                          | –               |
| Dividends paid to the Company's shareholders             | 12   | <b>(79,591)</b>                       | (65,633)        |
| <b>Net cash (used)/generated in financing activities</b> |      | <b>(74,701)</b>                       | 60,361          |
| <b>Net decrease in cash and cash equivalents</b>         |      |                                       |                 |
| Cash and cash equivalents at beginning of period         |      | <b>290,306</b>                        | 232,848         |
| Exchange (loss)/gain on cash and cash equivalents        |      | <b>(664)</b>                          | 444             |
| <b>Cash and cash equivalents at end of period</b>        |      | <b>179,225</b>                        | 99,892          |

The notes on pages 43 to 80 form an integral part of these condensed consolidated financial information.

# Notes to the Condensed Consolidated Financial Information

## 1 GENERAL INFORMATION

Tian Ge Interactive Holdings Limited (the “**Company**”), was incorporated in the Cayman Islands on July 28, 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands as an investment holding company. The address of the Company’s registered office is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands.

The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in the operating of live social video platforms, mobile and online games and other services in the People’s Republic of China (the “**PRC**”).

This condensed consolidated financial information is presented in Renminbi (the “**RMB**”), unless otherwise stated. This condensed consolidated financial information was approved by the board of directors of the Company for issue on 25 August 2017.

### Key events

- (a) Pursuant to the resolution of the board meeting held in March 2017 and approval of the annual general meeting held in June 2017, the Company declared a final dividend for the year ended 31 December 2016 of Hong Kong Dollar (“HKD”) 91,474 thousand (approximately RMB79,591 thousand) in total or HK\$0.07 per ordinary share out of the Company’s share premium account. The dividends were fully paid in June 2017 (Note 12).
- (b) In April 2017, the Company granted 13,625,800 RSUs pursuant to the Company’s Post-IPO Restricted Share Unit Scheme (Note 24(b)). As at 30 June 2017, the shares are yet to be issued.

## 2 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS as set out in the 2016 annual report of the Company dated 24 March 2017.

## 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

### (b) Impact of standards issued but not yet applied by the Group

#### (i) IFRS 9 Financial instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- The debt instruments that are currently classified as available-for-sale (AFS) financial assets appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.
- A FVOCI election is available for the equity instruments which are currently classified as AFS.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group is assessing the impact of IFRS 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

# Notes to the Condensed Consolidated Financial Information

## 3 ACCOUNTING POLICIES (continued)

### (b) Impact of standards issued but not yet applied by the Group (continued)

#### (ii) IFRS 15 Revenue from contracts with customers

A new standard has been issued for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The group will adopt the new standard from 1 January 2018. The Group is assessing the impact of IFRS 15.

#### (iii) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB785 thousand. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

# Notes to the Condensed Consolidated Financial Information

## 4 ESTIMATES

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

In preparing this condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes (Note 10).

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

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

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

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

### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.



# Notes to the Condensed Consolidated Financial Information

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 5.3 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2017.

|                                     | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|--------------------|--------------------|--------------------|------------------|
| <b>Assets</b>                       |                    |                    |                    |                  |
| Available-for-sale financial assets | –                  | –                  | 1,193,028          | 1,193,028        |
|                                     | –                  | –                  | 1,193,028          | 1,193,028        |

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2016.

|                                     | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|--------------------|--------------------|--------------------|------------------|
| <b>Assets</b>                       |                    |                    |                    |                  |
| Available-for-sale financial assets | –                  | –                  | 915,432            | 915,432          |
|                                     | –                  | –                  | 915,432            | 915,432          |

# Notes to the Condensed Consolidated Financial Information

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 5.4 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 instruments as at 30 June 2017.

|   | <b>Available-for-sale<br/>financial assets</b> |
|---|--|
|   | RMB'000  |
| Opening balance at 1 January 2017   | <b>915,432</b>                                 |
| Additions   | <b>1,274,853</b>                               |
| Investment interest income recognised in consolidated statement<br>of comprehensive income under "other gains, net"     | <b>13,782</b>                                  |
| Disposals of available-for-sale financial assets  | <b>(1,032,897)</b>                             |
| Repayment of capital contribution available-for-sale financial assets   | <b>(484)</b>                                   |
| Fair value gain recognized in consolidated statements of comprehensive income   | <b>26,619</b>                                  |
| Exchange and currency difference  | <b>(4,277)</b>                                 |
| Closing balance at 30 June 2017   | <b>1,193,028</b>                               |
| Total unrealised losses for the period included in profit or loss for<br>assets held at the end of the reporting period | <b>8,439</b>                                   |

# Notes to the Condensed Consolidated Financial Information

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 5.4 Fair value measurements using significant unobservable inputs (Level 3) (continued)

The following table presents the changes in level 3 instruments as at 30 June 2016.

|   | Available-for-sale<br>financial assets<br>RMB'000 |
|---|---|
| Opening balance at 1 January 2016   | 470,066   |
| Additions   | 937,378   |
| Investment interest income recognised in consolidated statement<br>of comprehensive income under "other gains, net"     | 6,112   |
| Disposals of available-for-sale financial assets  | (795,267)   |
| Fair value loss recognized in consolidated statements of comprehensive income   | 15,649  |
| Exchange difference   | 1,798   |
| Closing balance at 30 June 2016   | 635,736   |
| Total unrealised losses for the period included in profit or loss for<br>assets held at the end of the reporting period | 3,859   |

### 5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables
- Prepayments and other receivables
- Cash and cash equivalents
- Trade payables
- Other payables and accruals

## 6 SEGMENT INFORMATION

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

The Group has following reportable segments for the three and six months ended 30 June 2017 and 2016:

- Online interactive entertainment service;
- Game licensing;
- Others.

Online interactive entertainment service of the Group mainly comprise of the provision of live social video platform and provision of online games. Game licensing service of the Group comprise of the provision of licensing its self-developed games and its own platforms for an agreed period. Other segments of the Group mainly comprise of the provision of ecommerce transactions, provision of beauty clinic service and other services.

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

There were no material inter-segment sales during the three and six months ended 30 June 2017 and 2016. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the condensed consolidated statement of comprehensive income.

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

## Notes to the Condensed Consolidated Financial Information

### 6 SEGMENT INFORMATION (continued)

The segment information provided to the CODM for the reportable segments for the three and six months ended 30 June 2017 and 2016 is as follows:

|  | Three months ended 30 June 2017                  |                        |                |                                   |               | Three months ended 30 June 2016                  |                |               |
|--|--|------------------------|----------------|-----------------------------------|---------------|--|----------------|---------------|
|  | Online interactive entertainment service RMB'000 | Game licensing RMB'000 | Others RMB'000 | Inter-segment elimination RMB'000 | Total RMB'000 | Online interactive entertainment service RMB'000 | Others RMB'000 | Total RMB'000 |
| Segment Revenue  | 212,535  | 30,218                 | 12,297         | (283)                             | 254,767       | 177,274  | 20,857         | 198,131       |
| Gross Profit   | 186,908  | 27,092                 | 6,328          | -                                 | 220,328       | 131,255  | 11,280         | 142,535       |
| - Depreciation, amortization and impairment charges included in segment cost   | 1,720  | 92                     | (594)          | -                                 | 1,218         | 1,508  | 63             | 1,571         |
| Operating profit   |  |                        |                |                                   | 69,049        |  |                | 60,557        |
| Finance income   |  |                        |                |                                   | 1,162         |  |                | 189           |
| Finance costs  |  |                        |                |                                   | -             |  |                | (576)         |
| Shares of profit/(losses) of investments accounted for using the equity method | (17)   | -                      | 1,271          | -                                 | 1,254         | (1,692)  | (223)          | (1,915)       |
| Profit before income tax   |  |                        |                |                                   | 71,465        |  |                | 58,255        |

# Notes to the Condensed Consolidated Financial Information

## 6 SEGMENT INFORMATION (continued)

|  | Six months ended 30 June 2017                                |                              |                   |   |                  | Six months ended 30 June 2016                                |                   |                  |
|--|--|------------------------------|-------------------|---|------------------|--|-------------------|------------------|
|  | Online<br>interactive<br>entertainment<br>service<br>RMB'000 | Game<br>licensing<br>RMB'000 | Others<br>RMB'000 | Inter-segment<br>elimination<br>RMB'000 | Total<br>RMB'000 | Online<br>interactive<br>entertainment<br>service<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
| Segment Revenue  | 423,065  | 55,646                       | 20,369            | (283)                                   | 498,797          | 311,003  | 38,704            | 349,707          |
| Gross Profit   | 366,569  | 48,672                       | 11,707            | -                                       | 426,948          | 235,298  | 17,323            | 252,621          |
| - Depreciation, amortization and<br>impairment charges included<br>in segment cost   | 3,416  | 158                          | (1,241)           | -                                       | 2,333            | 2,542  | 567               | 3,109            |
| Operating profit   |  |                              |                   |   | 185,254          |  |                   | 94,723           |
| Finance income   |  |                              |                   |   | 1,492            |  |                   | 964              |
| Finance costs  |  |                              |                   |   | -                |  |                   | (1,079)          |
| Shares of profit/(losses) of<br>investments accounted for<br>using the equity method | (572)  | -                            | 5,078             | -                                       | 4,506            | (2,564)  | (133)             | (2,697)          |
| Profit before income tax   |  |                              |                   |   | 191,252          |  |                   | 91,911           |



## Notes to the Condensed Consolidated Financial Information

### 7 EXPENSES BY NATURE

|   | Three months ended<br>30 June |                 | Six months ended<br>30 June |                 |
|---|-------------------------------|-----------------|-----------------------------|-----------------|
|   | 2017<br>RMB'000               | 2016<br>RMB'000 | 2017<br>RMB'000             | 2016<br>RMB'000 |
| Employee benefit expenses (including share-based compensation expenses)   | <b>78,719</b>                 | 42,263          | <b>117,955</b>              | 86,020          |
| Promotion and advertising expenses  | <b>56,692</b>                 | 27,863          | <b>96,883</b>               | 54,320          |
| Commission charged by platforms and game developers   | <b>14,817</b>                 | 30,003          | <b>31,585</b>               | 47,735          |
| Impairment of goodwill (Note 15)  | <b>9,704</b>                  | –               | <b>9,704</b>                | –               |
| Bandwidth and server custody fees   | <b>9,466</b>                  | 7,338           | <b>18,870</b>               | 13,898          |
| Cost of inventories sold  | <b>6,361</b>                  | 8,309           | <b>13,210</b>               | 17,031          |
| Travelling and entertainment expenses   | <b>5,625</b>                  | 3,905           | <b>10,850</b>               | 9,071           |
| Amortization of intangible assets (Note 15)   | <b>4,525</b>                  | 2,852           | <b>8,669</b>                | 4,986           |
| Depreciation of property and equipment (Note 13)  | <b>4,020</b>                  | 3,797           | <b>7,802</b>                | 7,609           |
| Game development costs  | <b>3,531</b>                  | 4,309           | <b>6,263</b>                | 6,227           |
| Utilities and office expenses   | <b>2,191</b>                  | 2,584           | <b>4,988</b>                | 5,397           |
| Turnover tax and related surcharges   | <b>1,744</b>                  | 1,704           | <b>3,402</b>                | 2,640           |
| Professional and consultancy fees   | <b>1,578</b>                  | 1,553           | <b>2,467</b>                | 2,657           |
| Auditors' remuneration  | <b>1,522</b>                  | 1,362           | <b>2,902</b>                | 2,682           |
| Operating lease rentals in respect of office buildings  | <b>1,389</b>                  | 1,673           | <b>2,672</b>                | 3,308           |
| Payment handling costs  | <b>1,145</b>                  | 1,924           | <b>2,036</b>                | 2,911           |
| Provision of bad debts of prepayments and other receivables   | <b>453</b>                    | 5,500           | <b>453</b>                  | 8,000           |
| (Reverse of write-down)/write down of inventories to net realizable value   | <b>(596)</b>                  | 751             | <b>(1,245)</b>              | 2,182           |
| Others  | <b>1,352</b>                  | 3,533           | <b>3,053</b>                | 5,589           |
| <b>Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses</b> | <b>204,238</b>                | 151,223         | <b>342,519</b>              | 282,263         |

# Notes to the Condensed Consolidated Financial Information

## 8 OTHER GAINS, NET

|   | Three months ended<br>30 June |                 | Six months ended<br>30 June |                 |
|---|-------------------------------|-----------------|-----------------------------|-----------------|
|   | 2017<br>RMB'000               | 2016<br>RMB'000 | 2017<br>RMB'000             | 2016<br>RMB'000 |
| Investment interest   | <b>10,473</b>                 | 10,151          | <b>20,274</b>               | 19,366          |
| Gain on remeasuring existing interest<br>in Happy Alliance on acquisition | –                             | 4,351           | –                           | 4,351           |
| Government grants   |                               |                 |                             |                 |
| – Tax subsidy   | <b>238</b>                    | –               | <b>238</b>                  | –               |
| – Technology award  | <b>5,532</b>                  | 5,114           | <b>5,743</b>                | 6,361           |
| – Scientific project fund   | –                             | 463             | –                           | 463             |
| Foreign exchange loss on non-financing activity                           | <b>(1,017)</b>                | (8,002)         | <b>(1,451)</b>              | (5,379)         |
| Interest income on loans to third parties<br>and loans to employees       | <b>3,329</b>                  | 846             | <b>4,373</b>                | 1,277           |
| Gains on disposal of property and equipment, net                          | <b>23</b>                     | 367             | <b>23</b>                   | 495             |
| Others  | <b>(58)</b>                   | 359             | <b>(224)</b>                | 345             |
|   | <b>18,520</b>                 | 13,649          | <b>28,976</b>               | 27,279          |

## 9 FINANCE INCOME/(LOSS), NET

|  | Three months ended<br>30 June |                 | Six months ended<br>30 June |                 |
|--|-------------------------------|-----------------|-----------------------------|-----------------|
|  | 2017<br>RMB'000               | 2016<br>RMB'000 | 2017<br>RMB'000             | 2016<br>RMB'000 |
| Finance income:                                |                               |                 |                             |                 |
| – Exchange gain on financing activities, net   | <b>796</b>                    | –               | <b>654</b>                  | –               |
| – Interest income on cash and cash equivalents | <b>366</b>                    | 189             | <b>838</b>                  | 964             |
|  | <b>1,162</b>                  | 189             | <b>1,492</b>                | 964             |
| Finance costs:                                 |                               |                 |                             |                 |
| – Exchange loss on financing activities, net   | –                             | (576)           | –                           | (1,079)         |
| Finance income/(loss), net                     | <b>1,162</b>                  | (387)           | <b>1,492</b>                | (115)           |

## Notes to the Condensed Consolidated Financial Information

### 10 INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands. Hong Kong profits tax has been provided for at a rate of 16.5% (2016:16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax (“EIT”) at a rate of 25% (2016: 25%), and certain Group’s subsidiaries established in the PRC and PRC Operating Entities are entitled to preferential EIT rate of 15% (2016: 15%) and 12.5% (2016: 0%).

|                     | Three months ended<br>30 June |                 | Six months ended<br>30 June |                 |
|---------------------|-------------------------------|-----------------|-----------------------------|-----------------|
|                     | 2017<br>RMB'000               | 2016<br>RMB'000 | 2017<br>RMB'000             | 2016<br>RMB'000 |
| Current income tax  |                               |                 |                             |                 |
| – PRC income tax    | <b>29,795</b>                 | 13,229          | <b>50,911</b>               | 22,488          |
| Deferred income tax | <b>(8,475)</b>                | (2,776)         | <b>(9,031)</b>              | (4,912)         |
|                     | <b>21,320</b>                 | 10,453          | <b>41,880</b>               | 17,576          |

Income tax expense is recognised based on management’s estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ended 31 December 2017 is 17.23% and 16.5%, respectively (the average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ended 31 December 2016 was 15.64% and 16.5%, respectively).

### 11 EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the profit of the Group attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during each interim period.

|  | Three months ended<br>30 June |           | Six months ended<br>30 June |           |
|--|-------------------------------|-----------|-----------------------------|-----------|
|  | 2017                          | 2016      | 2017                        | 2016      |
| Profit attributable to shareholders<br>of the Company (RMB'000)          | <b>48,735</b>                 | 49,049    | <b>146,806</b>              | 76,699    |
| Weighted average number of ordinary<br>shares in issue (thousand shares) | <b>1,298,465</b>              | 1,275,990 | <b>1,294,215</b>            | 1,271,306 |
| Basic earnings per share (in RMB/share)                                  | <b>0.038</b>                  | 0.038     | <b>0.113</b>                | 0.060     |

# Notes to the Condensed Consolidated Financial Information

## 11 EARNINGS PER SHARE (continued)

### (b) Diluted

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

The Company has two categories of dilutive potential ordinary shares, share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme and RSUs granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme. The share options and RSUs are assumed to have been fully vested and released from restrictions with no impact on earnings.

|   | Three months ended<br>30 June |           | Six months ended<br>30 June |           |
|---|-------------------------------|-----------|-----------------------------|-----------|
|   | 2017                          | 2016      | 2017                        | 2016      |
| Profit attributable to shareholders of the Company (RMB'000)                                    | <b>48,735</b>                 | 49,049    | <b>146,806</b>              | 76,699    |
| Weighted average number of ordinary shares in issue (thousand shares)                           | <b>1,298,465</b>              | 1,275,990 | <b>1,294,215</b>            | 1,271,306 |
| Adjustments for share based compensation – share options (thousand shares)                      | <b>35,434</b>                 | 43,403    | <b>35,230</b>               | 43,141    |
| Adjustments for share based compensation – RSUs (thousand shares)                               | <b>7,807</b>                  | 13,026    | <b>7,928</b>                | 13,623    |
| Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares) | <b>1,341,706</b>              | 1,332,419 | <b>1,337,373</b>            | 1,328,070 |
| Diluted earnings per share (in RMB/share)   | <b>0.036</b>                  | 0.037     | <b>0.110</b>                | 0.058     |

## 12 DIVIDENDS

|                               | Three months ended<br>30 June |                 | Six months ended<br>30 June |                 |
|-------------------------------|-------------------------------|-----------------|-----------------------------|-----------------|
|                               | 2017<br>RMB'000               | 2016<br>RMB'000 | 2017<br>RMB'000             | 2016<br>RMB'000 |
| Dividends paid by the Company | <b>79,591</b>                 | 65,633          | <b>79,591</b>               | 65,633          |

Pursuant to the resolution of the board meeting held in March 2017 and approval of the annual general meeting held in June 2017, the Company declared a final dividend for the year ended 31 December 2016 of HK\$91,474 thousand (approximately RMB79,591 thousand) in total or HK\$0.07 per ordinary share out of the Company's share premium account, which were fully paid in June 2017.

# Notes to the Condensed Consolidated Financial Information

## 13 PROPERTY AND EQUIPMENT

|  | Building | Decorations | Furniture<br>and Office<br>Equipment | Server<br>and Other<br>Equipment | Motor<br>Vehicles | Leasehold<br>Improvement | Construction<br>in progress | Total    |
|--|----------|-------------|--------------------------------------|----------------------------------|-------------------|--------------------------|-----------------------------|----------|
|  | RMB'000  | RMB'000     | RMB'000                              | RMB'000                          | RMB'000           | RMB'000                  | RMB'000                     | RMB'000  |
| <b>Six months ended 30 June 2017</b>           |          |             |                                      |                                  |                   |                          |                             |          |
| <b>Net book value</b>                          |          |             |                                      |                                  |                   |                          |                             |          |
| Opening amount as at 1 January 2017            | 162,173  | 6,054       | 2,980                                | 8,737                            | 2,697             | 62                       | 205                         | 182,908  |
| Additions                                      | 3,036    | 144         | 287                                  | 4,556                            | 326               | -                        | 14,928                      | 23,277   |
| Transferred from/(to) construction in progress | -        | 205         | -                                    | -                                | -                 | -                        | (205)                       | -        |
| Disposals                                      | -        | -           | (8)                                  | (114)                            | (21)              | -                        | -                           | (143)    |
| Depreciation charge                            | (2,310)  | (1,719)     | (560)                                | (2,650)                          | (505)             | (58)                     | -                           | (7,802)  |
| Closing amount as at 30 June 2017              | 162,899  | 4,684       | 2,699                                | 10,529                           | 2,497             | 4                        | 14,928                      | 198,240  |
| <b>At 30 June 2017</b>                         |          |             |                                      |                                  |                   |                          |                             |          |
| Cost   | 175,812  | 12,795      | 6,205                                | 45,426                           | 6,410             | 7,957                    | 14,928                      | 269,533  |
| Accumulated depreciation and impairment        | (12,913) | (8,111)     | (3,506)                              | (34,897)                         | (3,913)           | (7,953)                  | -                           | (71,293) |
| Net book amount                                | 162,899  | 4,684       | 2,699                                | 10,529                           | 2,497             | 4                        | 14,928                      | 198,240  |
| <b>Six months ended 30 June 2016</b>           |          |             |                                      |                                  |                   |                          |                             |          |
| <b>Net book value</b>                          |          |             |                                      |                                  |                   |                          |                             |          |
| Opening amount as at 1 January 2016            | 157,510  | 7,836       | 3,140                                | 9,312                            | 1,573             | 496                      | 10,976                      | 190,843  |
| Acquisition of subsidiaries                    | -        | -           | -                                    | 145                              | -                 | -                        | -                           | 145      |
| Transferred from/(to) construction in progress | -        | -           | 428                                  | -                                | -                 | 2,143                    | (2,571)                     | -        |
| Additions                                      | -        | 1           | 200                                  | 1,826                            | 986               | 274                      | 1,890                       | 5,177    |
| Disposals                                      | -        | -           | -                                    | (112)                            | (21)              | -                        | -                           | (133)    |
| Depreciation charge                            | (2,192)  | (1,251)     | (631)                                | (2,483)                          | (460)             | (592)                    | -                           | (7,609)  |
| Closing amount as at 30 June 2016              | 155,318  | 6,586       | 3,137                                | 8,688                            | 2,078             | 2,321                    | 10,295                      | 188,423  |
| <b>At 30 June 2016</b>                         |          |             |                                      |                                  |                   |                          |                             |          |
| Cost   | 163,729  | 11,886      | 6,608                                | 41,846                           | 6,180             | 9,888                    | 10,295                      | 250,432  |
| Accumulated depreciation                       | (8,411)  | (5,300)     | (3,471)                              | (33,158)                         | (4,102)           | (7,567)                  | -                           | (62,009) |
| Net book amount                                | 155,318  | 6,586       | 3,137                                | 8,688                            | 2,078             | 2,321                    | 10,295                      | 188,423  |

## Notes to the Condensed Consolidated Financial Information

### 14 INVESTMENT PROPERTIES

|                                      | <b>Investment<br/>properties</b><br>RMB'000 |
|--------------------------------------|---|
| <b>Six months ended 30 June 2017</b> |   |
| <b>Net book value</b>                |   |
| Opening amount as at 1 January 2017  | <b>27,748</b>                               |
| Additions (i)                        | <b>16,350</b>                               |
| Currency translation differences     | <b>(975)</b>                                |
| Closing amount as at 30 June 2017    | <b>43,123</b>                               |

- (i) In March 2017, the Group purchased a real estate property located in California, U.S.A., at a cash consideration of US\$2,366 thousand. The property is held as an investment property for long-term rental yields, and is not occupied by the Group. As at 30 June 2017, the consideration was fully paid.



# Notes to the Condensed Consolidated Financial Information

## 15 INTANGIBLE ASSETS

|   | Goodwill | Computer<br>Software | Domain<br>Name and<br>Technology | Brand name | Platform,<br>game and<br>license | Total    |
|---|----------|----------------------|----------------------------------|------------|----------------------------------|----------|
|   | RMB'000  | RMB'000              | RMB'000                          | RMB'000    | RMB'000                          | RMB'000  |
| <b>Six months ended 30 June 2017</b>    |          |                      |                                  |            |                                  |          |
| <b>Net book value</b>                   |          |                      |                                  |            |                                  |          |
| Opening amount as at 1 January 2017     | 139,165  | 19,144               | 1,663                            | 7,610      | 83,421                           | 251,003  |
| Additions                               | -        | 5,216                | 299                              | -          | -                                | 5,515    |
| Disposals                               |          |                      |                                  |            |                                  |          |
| Amortization charge                     | -        | (2,271)              | (339)                            | (895)      | (5,164)                          | (8,669)  |
| Impairment loss (i)                     | (9,704)  | -                    | -                                | -          | -                                | (9,704)  |
| Exchange difference                     | (50)     | -                    | (38)                             | -          | -                                | (88)     |
| Closing amount as at 30 June 2017       | 129,411  | 22,089               | 1,585                            | 6,715      | 78,257                           | 238,057  |
| <b>At 30 June 2017</b>                  |          |                      |                                  |            |                                  |          |
| Cost                                    | 146,112  | 33,534               | 9,647                            | 10,744     | 93,126                           | 293,163  |
| Accumulated amortization and impairment | (16,701) | (11,445)             | (8,062)                          | (4,029)    | (14,869)                         | (55,106) |
| Net book amount                         | 129,411  | 22,089               | 1,585                            | 6,715      | 78,257                           | 238,057  |

# Notes to the Condensed Consolidated Financial Information

## 15 INTANGIBLE ASSETS (continued)

|   | Goodwill | Computer<br>Software | Domain<br>Name and<br>Technology | Brand name | Platform,<br>game<br>and license | Total    |
|---|----------|----------------------|----------------------------------|------------|----------------------------------|----------|
|   | RMB'000  | RMB'000              | RMB'000                          | RMB'000    | RMB'000                          | RMB'000  |
| <b>Six months ended 30 June 2016</b>    |          |                      |                                  |            |                                  |          |
| <b>Net book value</b>                   |          |                      |                                  |            |                                  |          |
| Opening amount as at 1 January 2016     | 44,843   | 20,431               | 2,344                            | 13,618     | 40,076                           | 121,312  |
| Acquisition of subsidiaries             | 30,370   | –                    | –                                | –          | 21,166                           | 51,536   |
| Additions                               | –        | 305                  | –                                | –          | –                                | 305      |
| Amortization charge                     | –        | (1,485)              | (463)                            | (1,043)    | (1,995)                          | (4,986)  |
| Exchange difference                     | 42       | –                    | 30                               | –          | –                                | 72       |
| Closing amount as at 30 June 2016       | 75,255   | 19,251               | 1,911                            | 12,575     | 59,247                           | 168,239  |
| <b>At 30 June 2016</b>                  |          |                      |                                  |            |                                  |          |
| Cost                                    | 75,255   | 26,551               | 9,437                            | 15,183     | 65,694                           | 192,120  |
| Accumulated amortization and impairment | –        | (7,300)              | (7,526)                          | (2,608)    | (6,447)                          | (23,881) |
| Net book amount                         | 75,255   | 19,251               | 1,911                            | 12,575     | 59,247                           | 168,239  |

- (i) The carrying amount of Uncle Sam (HK) Co., Limited (“**Uncle Sam**”) has been reduced to its recoverable amount through recognition of an impairment loss of RMB9,704 thousand against goodwill. This loss has been included in ‘administrative expenses’ in the consolidated statement of comprehensive income.

The key assumptions used for the calculations of fair value less costs to sell, are summarized as follows:

|   | <b>Uncle Sam</b> |
|---|------------------|
| WACC (Weighted average cost of capital) | 15.4%            |
| Long-term growth rate                   | 3%               |

## Notes to the Condensed Consolidated Financial Information

### 16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|               | As at<br>30 June<br>2017<br>RMB'000 | As at<br>31 December<br>2016<br>RMB'000 |
|---------------|-------------------------------------|---|
| Associates    | 92,279                              | 39,993                                  |
| Joint venture | 14,673                              | 15,504                                  |
|               | <b>106,952</b>                      | 55,497                                  |

#### (a) Investment associates

|  | Six months ended        |                         |
|--|-------------------------|-------------------------|
|  | 30 June 2017<br>RMB'000 | 30 June 2016<br>RMB'000 |
| Beginning of the period  | 39,993                  | 33,390                  |
| Additions (i)  | 46,800                  | –                       |
| Share of profit/(loss) of investment accounted<br>for using the equity method    | 5,407                   | (100)                   |
| Reclassification of revaluation of previously held interest<br>in Happy Alliance | –                       | (3,328)                 |
| Exchange and currency translation difference                                     | 79                      | –                       |
| End of the period  | <b>92,279</b>           | 29,962                  |

- (i) In January 2017, the Group completed the acquisition of 36% of the total equity interests of Wuhan Jiuxin Puhui Financial Information Services Co., Ltd (“**Jiuxin Puhui**”) from its shareholders at a cash consideration of RMB46,800 thousand. Jiuxin Puhui primarily engages in the operation of a P2P investment and financing platform in the PRC.

# Notes to the Condensed Consolidated Financial Information

## 16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

### (b) Investment in joint venture

|   | Six months ended        |                         |
|---|-------------------------|-------------------------|
|   | 30 June 2017<br>RMB'000 | 30 June 2016<br>RMB'000 |
| Beginning of the period   | 15,504                  | 18,688                  |
| Share of loss of investment accounted for using the equity method | (901)                   | (2,597)                 |
| Exchange and currency translation difference                      | 70                      | –                       |
| End of the period   | 14,673                  | 16,091                  |

### (c) Transactions with associates and joint venture

#### (i) Transactions related to online interactive entertainment service

During the six months ended 30 June 2017, the Group had undertaken transactions under certain online live social platform co-operation arrangements with one joint venture. The revenues recorded by the Group during the six months ended 30 June 2017 were considered to be insignificant (six months ended 30 June 2016: Nil).

#### (ii) Transactions related to other services

During the six months ended 30 June 2017, the Group purchased advertising and promotion services amounted to RMB3,804 thousand from a joint venture, and lent loan amounted to RMB12,500 thousand to a joint venture and an associate. As at 30 June 2017, loan of RMB2,500 thousand had been repaid.

## Notes to the Condensed Consolidated Financial Information

### 17 TRADE RECEIVABLES

|  | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|--|---|---|
| Third parties                                | <b>21,927</b>                                 | 25,385                                  |
| Amount due from related parties (Note 29(c)) | <b>135</b>                                    | 449                                     |
|  | <b>22,062</b>                                 | 25,834                                  |
| Less: provision for impairment               | <b>(1,953)</b>                                | –                                       |
|  | <b>20,109</b>                                 | 25,834                                  |

At 30 June 2017 and 31 December 2016, the ageing analysis of the trade receivables (including amounts due from related parties of trading in nature) based on the issuance of billing were as follows:

|              | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|--------------|---|---|
| 0-90 days    | <b>16,270</b>                                 | 21,444                                  |
| 91-180 days  | <b>2,039</b>                                  | 1,755                                   |
| 181-365 days | <b>1,534</b>                                  | 2,175                                   |
| Over 1 year  | <b>266</b>                                    | 460                                     |
|              | <b>20,109</b>                                 | 25,834                                  |

# Notes to the Condensed Consolidated Financial Information

## 18 PREPAYMENTS AND OTHER RECEIVABLES

|   | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|---|---|---|
| <b>Included in non-current assets</b>   |   |   |
| Prepayments for purchase of investments (a)   | <b>260,360</b>                                | 164,500                                 |
| Loans to employees  | <b>12,437</b>                                 | 10,882                                  |
| Capital surplus attributable to non-controlling interests of newly established subsidiaries | <b>9,314</b>                                  | 9,451                                   |
| Long-term prepayment for game licenses and decorations, net                                 | <b>5,589</b>                                  | 11,603                                  |
|   | <b>287,700</b>                                | 196,436                                 |
| Less: provision for impairment (b)  | <b>(4,835)</b>                                | (4,835)                                 |
|   | <b>282,865</b>                                | 191,601                                 |
| <b>Included in current assets</b>   |   |   |
| Loans to third parties  | <b>71,610</b>                                 | 30,620                                  |
| Deferred commission charges   | <b>12,050</b>                                 | 12,755                                  |
| Loan to a related party (Note 29(c))  | <b>10,000</b>                                 | –                                       |
| Advance to suppliers  | <b>9,817</b>                                  | 7,495                                   |
| Prepaid promotion expenses  | <b>9,044</b>                                  | 6,925                                   |
| Refundable prepayment for potential investments (a)   | <b>7,884</b>                                  | 45,929                                  |
| Receivable from disposal of a subsidiary  | <b>–</b>                                      | 6,100                                   |
| Others  | <b>32,789</b>                                 | 22,291                                  |
|   | <b>153,194</b>                                | 132,115                                 |
| Less: provision for impairment (b)  | <b>(15,500)</b>                               | (17,025)                                |
|   | <b>137,694</b>                                | 115,090                                 |
|   | <b>420,559</b>                                | 306,691                                 |

(a) In 2017 and 2016, the Group entered into a series of prospective investments agreements with refundable terms if investments agreements failed to be reached. If the investment agreements are more likely to be reached than not based on management's intention and estimates at period end, the prepayments will be reclassified to non-current assets.

(b) The provision for impairment represents the impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries and the bad debt provided for loans granted to a third party and prepayments for potential investments.



## Notes to the Condensed Consolidated Financial Information

### 19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

|  | As at<br>30 June<br>2017<br>RMB'000 | As at<br>31 December<br>2016<br>RMB'000 |
|--|-------------------------------------|---|
| <b>Included in non-current assets</b>    |                                     |   |
| Investments in venture capital funds (a) | 295,550                             | 224,009                                 |
| Unlisted equity investments (b)          | 94,239                              | 80,469                                  |
|  | <b>389,789</b>                      | 304,478                                 |
| <b>Included in current assets</b>        |                                     |   |
| Investment in structured deposits (c)    | 803,239                             | 610,954                                 |
|  | <b>1,193,028</b>                    | 915,432                                 |

- (a) This represented the Group's investments in some venture funds as limited partner. Set out below are the movements of the Group's investments in venture capital funds as at 30 June 2017 and 2016:

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2017<br>RMB'000          | 2016<br>RMB'000 |
| <b>Investments in venture capital funds</b>                                     |                          |                 |
| Opening balance as at 1 January   | 224,009                  | 92,208          |
| Additions   | 48,399                   | 73,378          |
| Repayment   | (484)                    | -               |
| Fair value gain recognised in consolidated statement<br>of comprehensive income | 26,619                   | 15,649          |
| Exchange and currency translation difference                                    | (2,993)                  | 1,798           |
| Closing balance as at 30 June   | <b>295,550</b>           | 183,033         |

## Notes to the Condensed Consolidated Financial Information

### 19 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

- (b) This represented the Group's investments in unlisted equity interests. The Group acquired certain unlisted equity interests for an aggregate consideration of RMB15,054 thousand during the six months ended 30 June 2017. The entities are principally engaged in operation of a car P2P investment and financing platform, a mobile application of audio interactive game and provision of channel promotion. Set out below are the movements of the Group's unlisted equity investments as at 30 June 2017 and 2016:

|  | Six months ended 30 June |                 |
|--|--------------------------|-----------------|
|  | 2017<br>RMB'000          | 2016<br>RMB'000 |
| <b>Unlisted equity investments</b>           |                          |                 |
| Opening balance as at 1 January              | <b>80,469</b>            | 7,800           |
| Additions                                    | <b>15,054</b>            | –               |
| Exchange and currency translation difference | <b>(1,284)</b>           | –               |
| Closing balance as at 30 June                | <b>94,239</b>            | 7,800           |

- (c) The current portion of available-for-sale financial assets represented RMB-denominated principal protected structured deposits with interest rates ranging from 2% to 5% per annum and maturity period within 1 year or revolving terms. These structured deposits are offered by large state-owned commercial banks in the PRC. The fair value of these available-for-sale financial assets approximated its carrying amount at period end.

## Notes to the Condensed Consolidated Financial Information

### 20 CASH AND CASH EQUIVALENTS

|                                      | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|--------------------------------------|---|---|
| Cash at bank and on hand             | <b>103,687</b>                                | 243,865                                 |
| Short-term bank deposits             | <b>73,120</b>                                 | 39,185                                  |
| Cash at other financial institutions | <b>2,418</b>                                  | 7,256                                   |
|                                      | <b>179,225</b>                                | 290,306                                 |
| Total cash and cash equivalents      | <b>179,225</b>                                | 290,306                                 |
| Maximum exposure to credit risk      | <b>179,225</b>                                | 290,306                                 |

### 21 INVENTORIES

|                  | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|------------------|---|---|
| Trading stocks   | <b>1,684</b>                                  | 2,454                                   |
| Less: provisions | <b>(127)</b>                                  | (1,372)                                 |
|                  | <b>1,557</b>                                  | 1,082                                   |

For the three and six months ended 30 June 2017, the cost of inventories recognised as expense and included in 'cost of revenue' amounted to RMB5,765 thousand (three months ended 30 June 2016: RMB9,060 thousand) and RMB11,965 thousand (six months ended 30 June 2016: RMB19,213 thousand), which included inventory reversal of write-down of RMB596 thousand (three months ended 30 June 2016: write-down of RMB751 thousand) and RMB1,245 thousand (six months ended 30 June 2016: write-down of RMB2,182 thousand) respectively.

# Notes to the Condensed Consolidated Financial Information

## 22 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME

|   | Number of<br>Shares  | Share capital |            | Share            | Shares held |
|---|----------------------|---------------|------------|------------------|-------------|
|   |                      | US\$'000      | RMB'000    | premium          | for RSU     |
|   |                      |               |            | RMB'000          | Scheme      |
|   |                      |               |            |                  | RMB'000     |
| <b>At 1 January 2017</b>                                  | <b>1,299,361,417</b> | <b>129.93</b> | <b>804</b> | <b>2,250,388</b> | <b>(7)</b>  |
| Employees share option scheme and<br>RSU schemes:         |                      |               |            |                  |             |
| – proceeds from shares issued (a)                         | 7,883,818            | 0.78          | 5          | 4,856            | –           |
| – vest and transfer of RSUs (Note 24(b))                  | –                    | –             | –          | (6)              | 6           |
| Dividends relating to 2016 paid<br>in June 2017 (Note 12) | –                    | –             | –          | (79,591)         | –           |
| Repurchase and cancellation of ordinary shares (b)        | (100,000)            | (0.01)        | 0          | (358)            | –           |
| <b>At 30 June 2017</b>                                    | <b>1,307,145,235</b> | <b>130.70</b> | <b>809</b> | <b>2,175,289</b> | <b>(1)</b>  |

|   | Number of<br>Shares  | Share capital |            | Share            | Shares held |
|---|----------------------|---------------|------------|------------------|-------------|
|   |                      | US\$'000      | RMB'000    | premium          | for RSU     |
|   |                      |               |            | RMB'000          | Scheme      |
|   |                      |               |            |                  | RMB'000     |
| <b>At 1 January 2016</b>                                  | <b>1,285,538,896</b> | <b>128.55</b> | <b>797</b> | <b>2,305,423</b> | <b>(14)</b> |
| Employees share option scheme and<br>RSU schemes:         |                      |               |            |                  |             |
| – proceeds from shares issued (a)                         | 9,664,090            | 0.97          | 4          | 6,915            | –           |
| – vest and transfer of RSUs (Note 24(b))                  | –                    | –             | –          | (4)              | 4           |
| Dividends relating to 2015 paid<br>in June 2016 (Note 12) | –                    | –             | –          | (65,633)         | –           |
| <b>At 30 June 2016</b>                                    | <b>1,295,202,986</b> | <b>129.52</b> | <b>801</b> | <b>2,246,701</b> | <b>(10)</b> |

(a) Employees share options scheme: options exercised during the six months ended 30 June 2017 resulted in 7,883,818 ordinary shares being issued (30 June 2016: 9,664,090), with exercise proceeds of approximately RMB4,861 thousand (30 June 2016: RMB6,919 thousand). The related weighted average price at the time of exercise was HK\$6.0085 per share (equivalent to approximately RMB5.2767 per share).

(b) In February 2017, the Company repurchased 100,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited. All the repurchased ordinary shares had been cancelled as at 31 March 2017. The total amount paid to repurchase these ordinary shares was HK\$451 thousand (approximately RMB358 thousand) and had been deducted from the share capital and share premium within shareholders' equity.

## Notes to the Condensed Consolidated Financial Information

### 22 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME (continued)

- (c) In April 2017, the Company granted 13,625,800 ordinary shares to an independent trust nominee for the purpose of granting Post-IPO RSUs to the participants under Post-IPO RSU Scheme (Note 24(b)). The shares are yet to be issued as at 30 June 2017. The ordinary shares held for Post-IPO RSU scheme will be deducted from shareholders' equity once being issued as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance (Note 24(d)).

### 23 RESERVES

|  | Statutory Reserves | Share-based Compensation Reserve | Translation Differences | Step Acquisition | Change in the value of available-for-sale financial assets | Changes in ownership interests in subsidiaries without change of control | Contribution from a non-controlling interest | Total          |
|--|--------------------|----------------------------------|-------------------------|------------------|--|--|--|----------------|
|  | RMB'000            | RMB'000                          | RMB'000                 | RMB'000          | RMB'000  | RMB'000  | RMB'000                                      | RMB'000        |
| <b>Opening balance at 1 January 2017</b>                   | <b>86,390</b>      | <b>165,509</b>                   | <b>144,297</b>          | <b>1,813</b>     | <b>26,677</b>  | <b>1,717</b>   | <b>-</b>                                     | <b>426,403</b> |
| Employees share option scheme and RSU schemes:             |                    |                                  |                         |                  |  |  |  |                |
| – value of employee services                               | -                  | 46,880                           | -                       | -                | -  | -  | -  | 46,880         |
| Contribution from non-controlling interests                | -                  | -                                | -                       | -                | -  | -  | 405  | 405            |
| Change in the value of available-for-sale financial assets | -                  | -                                | -                       | -                | 26,619   | -  | -  | 26,619         |
| Currency translation differences                           | -                  | -                                | (24,139)                | -                | -  | -  | -  | (24,139)       |
| <b>At 30 June 2017</b>                                     | <b>86,390</b>      | <b>212,389</b>                   | <b>120,158</b>          | <b>1,813</b>     | <b>53,296</b>  | <b>1,717</b>   | <b>405</b>                                   | <b>476,168</b> |
| <b>Opening balance at 1 January 2016</b>                   | <b>56,839</b>      | <b>133,719</b>                   | <b>81,054</b>           | <b>1,813</b>     | <b>-</b>   | <b>-</b>   | <b>-</b>                                     | <b>273,425</b> |
| Employees share option scheme and RSU schemes:             |                    |                                  |                         |                  |  |  |  |                |
| – value of employee services                               | -                  | 19,968                           | -                       | -                | -  | -  | -  | 19,968         |
| Change in the value of available-for-sale financial assets | -                  | -                                | -                       | -                | 15,649   | -  | -  | 15,649         |
| Currency translation differences                           | -                  | -                                | 20,307                  | -                | -  | -  | -  | 20,307         |
| <b>At 30 June 2016</b>                                     | <b>56,839</b>      | <b>153,687</b>                   | <b>101,361</b>          | <b>1,813</b>     | <b>15,649</b>  | <b>-</b>   | <b>-</b>                                     | <b>329,349</b> |

# Notes to the Condensed Consolidated Financial Information

## 24 SHARE-BASED PAYMENTS

### (a) Share Options

The Company adopted two share option schemes, namely, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, under which the directors of the Company may, at their discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein.

Movements in the number of outstanding share options are as follows:

|                          | Average<br>Exercise<br>Price in US\$<br>per Share<br>Option | Number<br>of Pre-<br>IPO Share<br>Options | Average<br>Exercise<br>Price in HK\$<br>per Share<br>Option | Number<br>of Post-<br>IPO Share<br>Options | Total Number<br>of Share<br>Options |
|--------------------------|---|---|---|--|-------------------------------------|
| <b>At 1 January 2017</b> |   | <b>44,238,886</b>                         |   | <b>3,358,000</b>                           | <b>47,596,886</b>                   |
| Exercised (Note 22)      | <b>US\$0.0911</b>   | <b>(7,825,818)</b>                        | <b>HK\$3.5000</b>   | <b>(58,000)</b>                            | <b>(7,883,818)</b>                  |
| Forfeited                | <b>US\$0.3500</b>   | <b>(155,280)</b>                          |   | <b>-</b>                                   | <b>(155,280)</b>                    |
| <b>At 30 June 2017</b>   |   | <b>36,257,788</b>                         |   | <b>3,300,000</b>                           | <b>39,557,788</b>                   |
| <b>At 1 January 2016</b> |   | 56,847,469                                |   | 4,000,000                                  | 60,847,469                          |
| Exercised (Note 22)      | US\$0.1095  | (9,564,090)                               | HK\$3.5000  | (100,000)                                  | (9,664,090)                         |
| Forfeited                | US\$0.3348  | (348,420)                                 |   | -  | (348,420)                           |
| <b>At 30 June 2016</b>   |   | 46,934,959                                |   | 3,900,000                                  | 50,834,959                          |

As at 30 June 2017, out of the outstanding share options, 36,447,970 (30 June 2016: 43,926,062) share options were exercisable.

During the six months ended 30 June 2017 and 2016, no share options were granted to any directors of the Company.

As a result of options exercised during the six months ended 30 June 2017, 7,883,818 ordinary shares (six months ended 30 June 2016: 9,664,090 ordinary shares) were issued by the Company (Note 22). The weighted average price of the shares at the time these options were exercised was HK\$6.0085 per share (equivalent to approximately RMB5.2767 per share) (30 June 2016: HK\$5.4313 per share (equivalent to approximately RMB4.5715 per share)).



## Notes to the Condensed Consolidated Financial Information

### 24 SHARE-BASED PAYMENTS (continued)

#### (b) Restricted share units

The Company adopted two RSU schemes, namely, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme, under which the directors of the Company may, at their discretion, grant RSUs to any qualifying participants, subject to the terms and conditions stipulated therein.

Pursuant to the resolutions passed by the Board of the Company in April 2017, the Company granted RSUs under the Post-IPO RSU Scheme in respect of a total of 13,625,800 ordinary shares of US\$0.0001 each of the Company to 252 grantees with below vesting schedule, 6,399,500 shares shall vest on 28 May 2017, 412,906 shall vest on 20 July 2017, 6,399,500 shall vest on 28 May 2018 and 412,894 shall vest on 20 July 2018. The weighted average fair value of Post-IPO RSUs granted during the six month period ended 30 June 2017 was HK\$5.69 per share (equivalent to approximately RMB5.05 per share).

Movements in the number of outstanding RSUs are as follows:

|   | Number of<br>Pre-IPO<br>RSUs | Number of<br>Post-IPO<br>RSUs | Total               |
|---|------------------------------|-------------------------------|---------------------|
| <b>At 1 January 2017</b>  | <b>10,592,705</b>            | <b>578,338</b>                | <b>11,171,043</b>   |
| Granted   | –                            | <b>13,625,800</b>             | <b>13,625,800</b>   |
| Vested and transferred  | <b>(4,268,750)</b>           | <b>(6,349,500)</b>            | <b>(10,618,250)</b> |
| Forfeited   | –                            | <b>(1,000)</b>                | <b>(1,000)</b>      |
| <b>At 30 June 2017</b>  | <b>6,323,955</b>             | <b>7,853,638</b>              | <b>14,177,593</b>   |
| <b>Shares vested but not transferred to the grantees as at 30 June 2017</b> |                              |                               | <b>–</b>            |

|   | Number of<br>Pre-IPO<br>RSUs | Number of<br>Post-IPO<br>RSUs | Total       |
|---|------------------------------|-------------------------------|-------------|
| <b>At 1 January 2016</b>  | 19,071,875                   | 2,823,500                     | 21,895,375  |
| Granted   | –                            | 1,048,688                     | 1,048,688   |
| Vested and transferred  | (5,460,420)                  | –                             | (5,460,420) |
| <b>At 30 June 2016</b>  | 13,611,455                   | 3,872,188                     | 17,483,643  |
| <b>Shares vested but not transferred to the grantees as at 30 June 2016</b> |                              |                               | <b>–</b>    |

During the six months ended 30 June 2017, totally 3,940,136 of the above granted RSUs were exercised (six months ended 30 June 2016: 12,882,960).

## 24 SHARE-BASED PAYMENTS (continued)

### (c) Fair value of share options and RSUs

Before the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the directors have used the discounted cash flow method to determine the fair value of the underlying equity of the Company and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimates.

Upon the consummation of the IPO, the fair value of the underlying ordinary shares was calculated based on the market price of the Company's shares at the respective grant date.

#### *Fair value of share options*

The directors used Binomial pricing model to determine the fair value of the share option granted, which is to be expensed over the vesting period.

The management estimated the risk-free interest rate based on the yield of Hong Kong government bond with a maturity life equal to the life of the share option. Volatility was estimated at grant date based on the average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

Other than the exercise price mentioned above, significant estimates on parameters, such as risk free rate, dividend yield and expected volatility, made by the directors in applying the Binomial Model, are also taken into consideration.

#### *Fair value of RSUs*

The fair value of RSUs was calculated based on the fair value of underlying ordinary shares as at the grant date.

### (d) Shares held for RSU Scheme

The shares held for Pre-IPO RSU Scheme and Post-IPO RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance.

## Notes to the Condensed Consolidated Financial Information

### 25 TRADE PAYABLES

|   | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|---|---|---|
| Third parties                                       | <b>17,348</b>                                 | 27,435                                  |
| Amount due to related parties ( <i>Note 29(c)</i> ) | –   | 2,000                                   |
|   | <b>17,348</b>                                 | 29,435                                  |

As at 30 June 2017, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on billing date were as follows:

|              | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|--------------|---|---|
| 0-90 days    | <b>9,573</b>                                  | 16,555                                  |
| 91-180 days  | <b>1,875</b>                                  | 6,095                                   |
| 181-365 days | <b>5,900</b>                                  | 4,749                                   |
| Over 1 year  | –   | 2,036                                   |
|              | <b>17,348</b>                                 | 29,435                                  |

## Notes to the Condensed Consolidated Financial Information

### 26 OTHER PAYABLES AND ACCRUALS

|   | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|---|---|---|
| Marketing and administrative expense accruals               | <b>13,190</b>                                 | 15,446                                  |
| Staff costs and welfare accruals                            | <b>9,837</b>                                  | 12,022                                  |
| Amount due to related parties ( <i>Note 29(c)</i> )         | <b>5,510</b>                                  | 1,118                                   |
| Government grant for scientific project in progress         | <b>3,700</b>                                  | 3,700                                   |
| Audit expenses payable                                      | <b>3,136</b>                                  | 6,384                                   |
| Human resource outsourcing service fee payable              | <b>2,519</b>                                  | 2,810                                   |
| Payable for purchase of available-for-sale financial assets | <b>2,000</b>                                  | –                                       |
| Proceeds from potential disposal of a subsidiary            | <b>1,864</b>                                  | –                                       |
| Value added tax and other tax liabilities                   | <b>1,129</b>                                  | 5,800                                   |
| Others  | <b>20,681</b>                                 | 14,127                                  |
|   | <b>63,566</b>                                 | 61,407                                  |

## Notes to the Condensed Consolidated Financial Information

### 27 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

|   | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|---|---|---|
| <b>Deferred income tax assets:</b>          |   |   |
| – to be recovered after more than 12 months | <b>65,016</b>                                 | 58,985                                  |
| – to be recovered within 12 months          | <b>17,438</b>                                 | 15,598                                  |
|   | <b>82,454</b>                                 | 74,583                                  |
| <b>Deferred income tax liabilities:</b>     |   |   |
| – to be recovered after more than 12 months | <b>(9,399)</b>                                | (11,695)                                |
| – to be recovered within 12 months          | <b>(4,379)</b>                                | (3,253)                                 |
|   | <b>(13,778)</b>                               | (14,948)                                |
| <b>Deferred income tax assets – net</b>     | <b>68,676</b>                                 | 59,635                                  |

The movements of deferred income tax assets-net are as follows:

|   | <b>Six months ended 30 June</b> |                 |
|---|---------------------------------|-----------------|
|   | <b>2017<br/>RMB'000</b>         | 2016<br>RMB'000 |
| <b>Opening balance as at 1 January</b>                            | <b>59,635</b>                   | 28,312          |
| Acquisition of subsidiaries                                       | –                               | (5,292)         |
| Recognized in the consolidated statements of comprehensive income | <b>9,031</b>                    | 4,912           |
| Currency translation difference                                   | <b>10</b>                       | –               |
| <b>Closing balance as at 30 June</b>                              | <b>68,676</b>                   | 27,932          |

As at 30 June 2017, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB1,219,458 thousand, which are expected to be substantially retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future.

# Notes to the Condensed Consolidated Financial Information

## 28 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

|                        | <b>Legal claims</b><br>RMB'000 |
|------------------------|--------------------------------|
| At 31 December 2016    | 5,000                          |
| Utilised during period | (280)                          |
| At 30 June 2017        | 4,720                          |

Analysis of total provisions:

|         | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|---------|---|---|
| Current | <b>4,720</b>                                  | 5,000                                   |

### Copyright infringement

In 2015, the Group made a provision of RMB6,000 thousand for possible legal proceedings related to copyright infringement. In May 2016 and March 2017, a provision of RMB1,000 thousand and RMB280 thousand was utilized, respectively, as a result of settlement with two of the copyright holders.



# Notes to the Condensed Consolidated Financial Information

## 29 RELATED PARTY TRANSACTIONS

### (a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group for all the periods presented.

| <b>Company</b>   | <b>Relationship</b>                       | <b>Period of Related Party Relationship</b> |
|--|---|---|
| SINA Hong Kong Limited                                     | Non-controlling shareholder               | Since 15 July 2010                          |
| Beijing Sina Internet Information Service Co., Ltd.        | Subsidiary of non-controlling shareholder | Since 15 July 2010                          |
| Shanghai Sina Advertising Co., Ltd.                        | Subsidiary of non-controlling shareholder | Since 15 July 2010                          |
| Beijing Sina Advertising Co., Ltd.                         | Subsidiary of non-controlling shareholder | Since 15 July 2010                          |
| Weibo Internet Technology (China) Co., Ltd.                | Subsidiary of non-controlling shareholder | Since 15 July 2010                          |
| Beijing Star World Technology Co., Ltd.                    | Non-controlling shareholder of subsidiary | Since 19 August 2013                        |
| Mr. Li X   | Non-controlling Shareholder of subsidiary | Since 1 April 2015                          |
| Zhejiang Haile Technology Co., Ltd.                        | Joint venture of subsidiary               | Since 1 October 2015                        |
| Wuhan Jiuxin Puhui Financial Information Services Co., Ltd | Associate of subsidiary                   | Since 1 January 2017                        |

# Notes to the Condensed Consolidated Financial Information

## 29 RELATED PARTY TRANSACTIONS (continued)

### (b) Significant transactions with related parties

In the opinion of the executive directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

| Related party transactions                                  | Three months ended<br>30 June |                 | Six months ended<br>30 June |                 |
|---|-------------------------------|-----------------|-----------------------------|-----------------|
|   | 2017<br>RMB'000               | 2016<br>RMB'000 | 2017<br>RMB'000             | 2016<br>RMB'000 |
| (i) Other revenue generated from related parties:           |                               |                 |                             |                 |
| Zhejiang Haile Technology Co., Ltd.                         | 52                            | –               | 71                          | –               |
| Beijing Sina Internet Information Service Co., Ltd.         | –                             | –               | –                           | 71              |
|   | <b>52</b>                     | –               | <b>71</b>                   | 71              |
| (ii) Commission charges paid to related parties:            |                               |                 |                             |                 |
| Beijing Star World Technology Co., Ltd.                     | 31                            | 307             | 103                         | 1,061           |
| Weibo Internet Technology (China) Co., Ltd.                 | 1                             | 12              | 4                           | 24              |
|   | <b>32</b>                     | 319             | <b>107</b>                  | 1,085           |
| (iii) Other expenses paid to related parties:               |                               |                 |                             |                 |
| Weibo Internet Technology (China) Co., Ltd.                 | 4                             | 2               | 222                         | 5               |
| Beijing Sina Internet Information Service Co., Ltd.         | –                             | –               | –                           | 2               |
|   | <b>4</b>                      | 2               | <b>222</b>                  | 7               |
| (iv) Advertising/Marketing expense paid to related parties: |                               |                 |                             |                 |
| Zhejiang Haile Technology Co., Ltd.                         | 3,079                         | –               | 3,804                       | –               |

# Notes to the Condensed Consolidated Financial Information

## 29 RELATED PARTY TRANSACTIONS (continued)

### (c) Period end balances arising from sales and purchase of services

|  | As at<br>30 June<br>2017<br>RMB'000 | As at<br>31 December<br>2016<br>RMB'000 |
|--|-------------------------------------|---|
| (i) Receivables from related parties                       |                                     |   |
| <b>Trade receivables</b>                                   |                                     |   |
| Weibo Internet Technology (China) Co., Ltd.                | 77                                  | 14                                      |
| Shanghai Sina Advertising Co., Ltd.                        | 54                                  | 340                                     |
| Beijing Star World Technology Co., Ltd.                    | 4                                   | 95                                      |
|  | <b>135</b>                          | <b>449</b>                              |
|  |                                     |   |
|  | As at<br>30 June<br>2017<br>RMB'000 | As at<br>31 December<br>2016<br>RMB'000 |
| <b>Other receivables</b>                                   |                                     |   |
| Wuhan Jiuxin Puhui Financial Information Services Co., Ltd | 10,000                              | –                                       |
|  |                                     |   |
|  | As at<br>30 June<br>2017<br>RMB'000 | As at<br>31 December<br>2016<br>RMB'000 |
| (ii) Payables to related parties                           |                                     |   |
| <b>Trade payables</b>                                      |                                     |   |
| Beijing Sina Internet Information Service Co., Ltd.        | –                                   | 2,000                                   |

# Notes to the Condensed Consolidated Financial Information

## 29 RELATED PARTY TRANSACTIONS (continued)

### (c) Period end balances arising from sales and purchase of services (continued)

Trade payables due to related parties arose from outsourcing information and technical services and software development expense.

|  | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|--|---|---|
| <b>Other payables</b>                                      |   |   |
| Wuhan Jiuxin Puhui Financial Information Services Co., Ltd | <b>3,600</b>                                  | –                                       |
| Mr. Li X   | <b>1,910</b>                                  | 1,118                                   |
|  | <b>5,510</b>                                  | 1,118                                   |

## 30 CONTINGENCIES

The Group did not have any material contingent liabilities as at 30 June 2017 and 31 December 2016.

## 31 COMMITMENT

The Group did not have any capital commitment as at 30 June 2017 and 31 December 2016.

## 32 EVENTS AFTER THE BALANCE SHEET DATE

- (a) In July 2017, the Group entered into an agreement with Jinhua Aodun Information Technology Co., Ltd. to dispose 80% of its holding equity interests of Jinhua Shixun Network Technology Co., Ltd. for a cash consideration of RMB1,864 thousand. Upon the issue of those consolidated financial information, an advance of RMB1,864 thousand had been received by the Group, and the transaction is yet to be completed.
- (b) In July 2017, the Group entered into agreements to dispose 61% of its holding equity interests of Jinhua Langqing Network Technology Co., Ltd. for a cash consideration of RMB61 thousand. Upon the issue of those consolidated financial information, the transaction is yet to be completed.