天鴿 tianGe

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code：1980

2017
ANNUAL REPORT

CONTENTS

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 has launched a series of live streaming mobile applications and has entered into the 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.

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 *(resigned as non-executive director with effect from 11 January 2018)*
Ms. Cao Fei *(appointed as non-executive director with effect from 11 January 2018)*

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

JOINT COMPANY SECRETARIES
Mr. Chen Shi
Ms. Ng Sau Mei

AUTHORIZED REPRESENTATIVES
Mr. Fu Zhengjun
Ms. Ng Sau Mei

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

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

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT
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Computershare Hong Kong Investor Services Limited
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CORPORATE INFORMATION

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STOCK CODE
1980

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Central, Hong Kong

The board of directors (the "**Directors**") (the "**Board**") of Tian Ge is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2017 (the "**Reporting Period**"). The annual results have been audited by PricewaterhouseCoopers, the auditor of the Company, and reviewed by the audit committee of the Company (the "**Audit Committee**").

The following are the financial highlights of the Company for the year ended December 31, 2017:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
(in RMB'000)	**2017**	2016	%
Adjusted revenue(1)	**1,004,588**	834,185	20.4%
Continue operations	**915,969**	823,133	11.3%
– Online interactive entertainment service	**852,205**	759,336	12.2%
– Others	**63,764**	63,797	-0.1%
Discontinued operations	**88,619**	11,052	701.8%
Adjusted gross profit(1)	**884,302**	646,087	36.9%
Continuing operations	**806,678**	636,069	26.8%
Discontinued operations	**77,624**	10,018	674.8%
Adjusted gross profit margin(2)	**88.0%**	77.5%	
Net profit	**322,787**	230,709	39.9%
Net profit margin	**32.1%**	27.7%	
Adjusted net profit(3)	**455,732**	280,572	62.4%
Adjusted net profit margin(4)	**45.4%**	33.6%	
Adjusted EPS(5) *(expressed in RMB per share)*			
– basic	**0.352**	0.222	58.6%
– diluted	**0.341**	0.210	62.4%
Adjusted EBITDA(6)	**551,277**	359,555	53.3%
Adjusted EBITDA margin	**54.9%**	43.1%	
Total assets	**2,964,147**	2,907,042	2.0%
Total liabilities	**235,390**	283,070	-16.8%

FINANCIAL HIGHLIGHTS

(in RMB'000)	**December 31, 2017**	September 30, 2017	**Quarter-on-quarter Change %**	December 31, 2016	**Year-on-Year Change %**
	Three months ended				
Adjusted revenue[1]	**231,298**	274,493	-15.7%	248,348	-6.9%
Continuing operations	**231,298**	241,520	-4.2%	237,296	-2.5%
– Online interactive entertainment service	**209,161**	219,979	-4.9%	228,429	-8.4%
– Others	**22,137**	21,541	2.8%	8,867	149.7%
Discontinued operations	—	32,973	-100.0%	11,052	-100.0%
Adjusted gross profit[1]	**209,343**	248,011	-15.6%	213,741	-2.1%
Continuing operations	**209,343**	219,059	-4.4%	203,723	2.8%
Discontinued operations	—	28,952	-100.0%	10,018	-100.0%
Adjusted gross profit margin[2]	**90.5%**	90.4%		86.1%	
Net profit	**85,611**	87,804	-2.5%	92,541	-7.5%
Net profit margin	**37.0%**	32.0%		37.3%	
Adjusted net profit[3]	**116,410**	127,820	-8.9%	102,218	13.9%
Adjusted net profit margin[4]	**50.3%**	46.6%		41.2%	
Adjusted EPS[5] (expressed in RMB per share)					
– basic	**0.092**	0.101	-8.9%	0.079	16.5%
– diluted	**0.089**	0.098	-9.2%	0.076	17.1%
Adjusted EBITDA[6]	**143,784**	149,184	-3.6%	125,974	14.1%
Adjusted EBITDA Margin	**62.2%**	54.3%		50.7%	

Notes:

(1) Adjusted revenue and adjusted gross profit contain both continuing operations and discontinued operations.

(2) Adjusted gross profit margin is calculated by dividing adjusted gross profit by adjusted revenue.

(3) Adjusted net profit was derived from the net profit for the year excluding the effect of non-cash share-based compensation expenses, impairment loss arising from acquisitions, loss from disposal of subsidiaries/prepayment on potential investment, impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries and amortisation of intangible assets arising from acquisitions.

(4) Adjusted net profit margin is calculated by dividing adjusted net profit by adjusted revenue.

(5) Adjusted basic earnings per share ("**EPS**") is calculated by dividing the adjusted net profit attributable to equity holders of the Company (contain both continuing operations and discontinued operations) 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.

(6) Adjusted EBITDA represents adjusted operating profit (contain both continuing operations and discontinued operations), adjusted to exclude share-based compensation expenses, impairment loss arising from acquisitions, loss from disposal of subsidiaries/prepayment on potential investment, impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries, amortisation of intangible assets arising from acquisitions, and depreciation and amortization.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") and the management of Tian Ge, I am pleased to present the annual report of 2017 of the Company and its subsidiaries.

2017 was another year of positive development for Tian Ge, through continuous and steady operations, we managed to achieve good operational performance and financial results. Our adjusted revenue for 2017 grew to RMB1,004.6 million, representing a year-on-year increase of 20.4%, net profit increased by 39.9% year-on-year to RMB322.8 million (2016: RMB230.7 million), adjusted net profit increased by 62.4% year-on-year to RMB455.7 million (2016: RMB280.6 million), and adjusted EBITDA increased by 53.3% year-on-year to RMB551.3 million (2016: RMB359.6 million).

Notwithstanding increasingly heightened competition coupled with a tightened regulatory environment, we remained optimistic about the prospects of China's live streaming industry, considering the elimination of unauthorised operators from the market would create a healthier business environment for us. Tian Ge, firmly captured the favourable trend and continued to carry out its successful business strategy diligently, strived to provide users with attractive entertainment experience on its platform, including the online live streaming platforms of the five top mobile phones, namely Miao Broadcasting (喵播), Crystal Live Broadcasting (水晶直播), Happy Live Broadcasting (歡樂直播), Feng Broadcasting (瘋播) and "9158 Live Streaming", which were getting more and more popular among internet users in China.

Meanwhile, the Group achieved remarkable progress in reinforcing the ecosystem advantages persistently and enhancing synergies among different products, of which financial technology and game business are expected to bring more contributions to the Company. For overseas business, the Group was determined to expand the Southeast Asian market to accelerate its pace of internationalization.

Our continuous pursuit for excellence during the past year brought us fruitful results and made us the winners of several awards, including the honour of being one of the "Developing Culture Enterprises of Zhejiang Province" (浙江省發展型文化企業). Moreover, the Group became an executive member of live streaming by invitation, while Miao Broadcasting (喵播), one of the flagship brands of the online streaming platform of the Company, won the award of the "Most Influential APP for the Year" (年度最具影響力APP). The value of our listed company was also recognized by investors as we won the "Most Valuable Company of TMT Stocks" (最具價值TMT 股公司) award among listed companies of the 2017 Golden Hong Kong Stocks (2017 年度金港股上市公司).

2017 has brought us not only challenges, but also opportunities and honours, we are experiencing a new stage of corporate development. As we are approaching the next phase of growth, we will focus on our core business, strive to capture the new economic growth impetus and explore for long-term sustainable development opportunities in online live streaming and other online entertainments for the Group.

Finally, on behalf of all Directors of our Group, I would like to take this opportunity to express our gratitude for your trust in Tian Ge. We will never cease our endeavours to further diversify our business and create higher value and profits for our shareholders.

The Board has proposed a final dividend of HK$0.07 per share for the year ended December 31, 2017 (2016: HK$0.07), which is subject to approval at the forthcoming annual general meeting of the Company (the "**AGM**").

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

March 29, 2018

1. BUSINESS OVERVIEW

In 2017, amidst the heightened competition and tightening regulation, the market concentration in live streaming industry has been intensified, resulting in a relatively stable market landscape. Facing the market competition, Tian Ge has remained steadfast in promoting its strategy of "Interaction + Companion", enhanced user engagement, consolidated the benefits and advantages brought by "Companion Economy" and created unique live streaming content and business model. Over the past year, the Group saw favorable development in both operation targets and financial performance. Going forward, the Board is optimistic about the prospect of the industry and will face challenges with positive attitudes.

Overall Financial Performance

For the year ended 31 December 2017, Tian Ge's adjusted revenue increased by 20.4% year-on-year to RMB1,004.6 million from RMB834.2 million in 2016. Revenue from online interactive entertainment service increased by 12.2% year-on-year to RMB852.2 million from RMB759.3 million in 2016. In the fourth quarter of 2017, adjusted revenue decreased by 15.7% quarter-on-quarter to RMB231.3 million from RMB274.5 million for the three months ended 30 September 2017. Revenue from online interactive entertainment service decreased by 4.9% quarter-on-quarter from RMB220.0 million for the three months ended 30 September 2017. The year-on-year increase was mainly driven by robust growth in our mobile live streaming business. Based on the analysis on cash proceeds received from sales of our virtual currency and game coins, revenue generated from mobile devices represented approximately 58.7% of revenue from our online interactive entertainment service for the year ended 31 December 2017 compared with approximately 46.4% for the year ended 31 December 2016.

For the year ended 31 December 2017, profit attributable to equity holders of the Company was RMB324.1 million which increased by 39.0% year-on-year; net profit was RMB322.8 million which increased by 39.9% year-on-year; adjusted net profit was RMB455.7 million which increased by 62.4% year-on-year; and adjusted EBITDA was RMB551.3 million which increased by 53.3% year-on-year.

In the fourth quarter of 2017, profit attributable to equity holders of the Company was RMB85.8 million which decreased by 6.2% quarter-on-quarter from the three months ended 30 September 2017; net profit was RMB85.6 million which decreased by 2.5% quarter-on-quarter from the three months ended 30 September 2017; adjusted net profit was RMB116.4 million which decreased by 8.9% quarter-on-quarter from the three months ended 30 September 2017; and adjusted EBITDA was RMB143.8 million which decreased by 3.6% quarter-on-quarter from the three months ended 30 September 2017.

Business Highlights

"Mobile + PC" Dual Live Streaming

Driven by the stable growth of China's economy and continuous diversification of household life entertainment, live streaming has gradually become a social lifestyle of the people. According to "The China Statistical Report on Internet Development Report" published by China Internet Network Information Center, the users of live streaming reached 343 million as of June 2017, which accounted for 45.6% of total netizen; the users of reality show live streaming reached 173 million, which accounted for 23.1% of total netizen.

The year of 2017 witnessed a fierce competition in the live streaming industry. As a forerunner in the live streaming market, Tian Ge firmly rose to the challenge with adherence to the "Mobile + PC" Dual Live Streaming strategy and continuously optimized its mobile and PC businesses. During the year, by putting efforts in the marketing and technology improvement of the mobile live streaming applications such as Miao Broadcasting (喵播) and 9158 Live Streaming, we significantly expanded our user base.

To further strengthen the synergy of the Group's products and realizing maximum user traffic, the Group strived to build a mobile live streaming platform focusing on Miao broadcasting so as to promote a long-term sustainable development of the Group by integrating it with camera, short video and social interaction.

As at the year ended 31 December 2017, the Group's business experienced strong momentum as its total registered users reached 378.1 million (31 December 2016: 320.4 million). Monthly active users ("**MAUs**") for the year ended 31 December 2017 increased to 24.0 million from 19.2 million for the corresponding period in 2016.

Financial Technology

During the reporting period, leveraging on the increasing demand on financing and wealth management service from the huge domestic user base, Tian Ge endeavored to pursue suitable investment, merger and acquisition opportunities. In addition, the Group has successfully helped its financial technology ("**Fintech**") platforms optimize users' classification and technological enhancement, and improved its credit evaluation and anti-fraud engine with risk management system and big data system. At this stage, the portfolio companies which the Group has invested in were in a good operational condition, and are expected to become a new growth potential for the Group.

Mobile Games

During the reporting period, the Group has incorporated its games into its mobile live streaming platforms, continuously optimized the interconnection between games and mobile live streaming platform, promoted the synergy among its core businesses and enhanced customer loyalty. The Board believes that the mobile game industry in China remains massive, while Tian Ge will actively work on the research and development of IP games to generate more revenues for the Group.

International Expansion

The implementation of the national development strategy of "The Belt and Road" boosts our expansion of live streaming platform overseas. By replicating our successful business model abroad, aligning the local culture with local users' habits, the Group has successfully entered into Taiwan and Thailand, and has strategized its expansion into Indonesia, the Philippines and other South East Asia regions, which is beneficial for the Group to speed up internationalization and to expand international market share.

Outlook

At present, China plays a leading role around the globe in the live video broadcasting industry. Goldman Sachs, in their research report, estimated that the market scale of live video streaming will reach USD15 billion in 2020. Looking forward, we will focus on improving our core business, endeavoring to offer comprehensive entertainment and related services in tier 2 to tier 4 cities in China, and intend to explore "beauty economy" business. Utilizing big data insights of user interests and behavior, we aim to provide customized information push service for users to enrich their entertainment experiences.

To enhance synergy with a wide range of industries, Tian Ge will strive to search for deep cooperation with more outstanding enterprises to deepen the video-based social ecosystem. Meanwhile, on 26 January 2018, the Group announced its investment in "Wuta Camera". "Wuta Camera" provides "Beauty + Creative" self-portrait video taking function, attracting users of selfie, beauty broadcasting and cosmetic. Currently, "Wuta Camera" has evoked wild enthusiasm among users and has also occupied the majority of user traffic in the live streaming market. With high development potential, it is expected to create synergy with our live streaming platform.

Looking forward, the Group will continue to consolidate its core strength in real-time social interactive entertainment, strive for sustainable development in the live streaming and other related vertical industries, expand its market share, diversify its business, broaden the income sources in order to generate a higher profit value for our shareholders.

2. 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				
	31 December 2017	31 December 2016	Year-on-year change	30 September 2017	Quarter-on-quarter change
Monthly Active Users (in' 000) *	**21,964**	21,913	0.2%	22,704	-3.3%
Quarterly Paying Users (in' 000) *	**1,098**	1,264	-13.1%	1,191	-7.8%
Quarterly Average Revenue Per User (RMB) *	**191**	181	5.5%	185	3.2%
Number of Rooms	**70,643**	65,259	8.3%	70,152	0.7%
Number of Hosts	**126,288**	99,909	26.4%	121,519	3.9%

* 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:

- For the three months ended 31 December 2017, MAUs of Tian Ge's online interactive entertainment service remained stable as compared to the same period in 2016 and slightly decreased by 3.3% as compared to the three months ended 30 September 2017.

- Our mobile MAUs as at 31 December 2017 represents 64.2% of our total MAUs, while the percentages as at 30 September 2017 and 31 December 2016 were 63.4% and 47.0%, respectively.

- The number of quarterly paying users ("**QPUs**") of the online interactive entertainment service of Tian Ge for the three months ended 31 December 2017 was approximately 1,098,000, decreased by approximately 7.8% and 13.1% as compared to the three months ended 30 September 2017 and 31 December 2016, respectively. This was primarily driven by our stringent execution on precision marketing to clean up certain mobile channels with low user conversion rate.

- Our mobile QPUs as at 31 December 2017 represents 71.0% of our total QPUs, while the percentages as at 30 September 2017 and 31 December 2016 were 70.4% and 63.9%, respectively.

- During the year ended 31 December 2017, the Company continued to further optimize the interconnection of mobile platform and PC platform. In view of this, the quarterly average revenue per user ("**QARPU**") for Tian Ge's online interactive entertainment service for the three months ended 31 December 2017 was RMB191, representing an increase of approximately 3.2% from the three months ended 30 September 2017 and representing an increase of 5.5% from the three months ended 31 December 2016.

- Number of virtual rooms for Tian Ge's online interactive entertainment service remained stable as compared to the three months ended 30 September 2017 and increased by 8.3% as compared to the three months ended 31 December 2016. Number of hosts for Tian Ge's online interactive entertainment service increased by 3.9% as compared to the three months ended 30 September 2017 and representing an increase of 26.4% as compared to the three months ended 31 December 2016.

- The total number of registered users* of Tian Ge as at 31 December 2017 was 378.1 million, as compared to 320.4 million as at 31 December 2016.

  * Registered users 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.

The following table sets forth certain annual operating statistics relating to the Company's online interactive entertainment service for the periods presented below:

	Year ended		
	31 December 2017	31 December 2016	Year-on-Year Change
Monthly Active Users (in'000)	**24,036**	19,235	25.0%
Quarterly Paying Users (in'000)	**1,237**	1,078	14.7%
Quarterly Average Revenue Per User (RMB)	**172**	176	-2.3%

3. FINANCIAL INFORMATION

Revenue

Revenue generated from online interactive entertainment service was RMB852.2 million for the year ended 31 December 2017, mainly including revenue from live social video platforms and online games which increased by 12.2% as compared to the corresponding period in 2016. Revenue generated from online interactive entertainment service was RMB209.2 million for the three months ended 31 December 2017 which decreased by 4.9% as compared to the three months ended 30 September 2017. The year-on-year increase was primarily due to the growth from live social video platforms especially from live streaming and partially offset by the decrease of games revenue which was caused by the expiration of life cycle of certain online games. The quarter-on-quarter decrease was caused by the decrease of QPUs while partially offset by the increase of QARPU.

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

Cost of Revenue

Cost of revenue experienced a decrease of 41.6% year-on-year to RMB109.3 million for the year ended 31 December 2017 from RMB187.1 million for the corresponding period in 2016, and remained stable quarter-on-quarter for the three months ended 31 December 2017 compared with the three months ended 30 September 2017. The year-on-year decrease was primarily due to the decreased commission charged by game developers relating to the operation of our mobile games and decreased costs of other value-added services and employee costs.

The gross profit margin for the year ended 31 December 2017 was 88.1%, compared with 77.3% for the corresponding period in 2016. The gross profit margin for the three months ended 31 December 2017 was 90.5%, compared with 90.7% for the three months ended 30 September 2017.

Selling and Marketing Expenses

Selling and marketing expenses increased by 10.5% year-on-year to RMB219.5 million for the year ended 31 December 2017 from RMB198.7 million for the corresponding period in 2016, and decreased by 8.6% quarter-on-quarter for the three months ended 31 December 2017 from the three months ended 30 September 2017. The year-on-year increase was mainly caused by the increase of employee costs mainly relating to share-based compensation expense and the increase in promotion expenses. The quarter-on-quarter decrease was mainly due to the decrease of employee costs and the decrease in promotion expenses.

Administrative Expenses

Administrative expenses increased by 15.0% year-on-year to RMB139.1 million for the year ended 31 December 2017 from RMB121.0 million for the corresponding period in 2016, and decreased by 45.1% quarter-on-quarter to RMB27.0 million for the three months ended 31 December 2017 from the three months ended 30 September 2017. The year-on-year increase was primarily due to the increase of impairment loss and increase of employee costs mainly relating to share-based compensation expense. The quarter-on-quarter decrease was primarily due to the decrease of impairment loss and decrease of employee costs.

Research and Development Expenses

Research and development expenses increased by 18.2% year-on-year to RMB102.2 million for the year ended 31 December 2017 from RMB86.5 million for the corresponding period in 2016, and remained stable quarter-on-quarter for the three months ended 31 December 2017 compared with the three months ended 30 September 2017. The year-on-year increase was primarily due to the increase of employee costs.

Finance Income/(Costs), Net

Finance income, net was RMB5.7 million for the year ended 31 December 2017 while finance costs, net was RMB1.4 million for the corresponding period in 2016, which was mainly due to the increased foreign exchange gains. Finance income, net was RMB1.8 million for the three months ended 31 December 2017 which decreased by 27.2% from the three months ended 30 September 2017. The quarter-on-quarter decrease was mainly due to the decrease of foreign exchange gains and interest income on cash and cash equivalents.

Other Gains/(loss), Net

Other gains, net decreased by 26.7% year-on-year to RMB43.2 million for the year ended 31 December 2017 from RMB58.9 million for the corresponding period in 2016. The year-on-year decrease was primarily due to the loss derived from the disposal of subsidiaries/prepayment on potential investment, increase of impairment loss and partially offset by increase of the interest income on loans and the decrease of foreign exchange losses on non-financing activity. Other loss, net was RMB0.7 million for the three months ended 31 December 2017, while the other gains, net was RMB14.9 million for the three months ended 30 September 2017, which was primarily due to the loss derived from the disposal of subsidiaries/prepayment on potential investment and the increase of impairment loss.

Income tax expense

Income tax expense increased by 50.0% year-on-year to RMB78.4 million for the year ended 31 December 2017 from RMB52.2 million for the corresponding period in 2016, and increased by 3.6% quarter-on-quarter to RMB19.5 million for the three months ended 31 December 2017 from RMB18.8 million for the three months ended 30 September 2017. For the year ended 31 December 2017, the income tax expense consists of (a) current corporate income tax of RMB75.9 million (2016: RMB52.5 million), (b) reversal of temporary differences of RMB2.5 million (2016: reversal of temporary differences of RMB5.2 million) and (c) withholding tax of RMB5.0 million (2016: RMB5.0 million). The increase of current year income tax expenses reflected an increase in profit before income tax.

Gain attributable to shareholders of the Company

We recorded gain attributable to shareholders of the Company for the year ended 31 December 2017 of RMB324.1 million compared with gain attributable to equity holders of the Company of RMB233.2 million for the corresponding period of 2016, and gain attributable to equity holders of the Company for the three months ended 31 December 2017 was RMB85.8 million which decreased by 6.2% from RMB91.5 million for the three months ended 30 September 2017. The year-on-year increase was mainly due to the increase of gross profit and partially offset by the increase of operating expenses and income tax expenses. The quarter-on-quarter decrease was mainly due to the decrease of gross profit, increases of other loss, net, share of loss of investment accounted for using the equity method and income tax expenses, and partially offset by the saving of operating expenses.

Non-IFRS Presentation

To supplement our consolidated financial statements which are presented in accordance with IFRS, the adjusted financial information including discontinued operations is used as additional disclosure to enable investors and others to understand and evaluate the Company's consolidated results of operations as a whole and in a consistence way as presented in previous quarters when the subsidiaries were yet to be disposed.

ADJUSTED CONDENSED CONSOLIDATED STATEMENT OF PROFIT

(FOR THE YEAR ENDED 31 DECEMBER 2017)

	Continued operations Year ended 31 December		Discontinued operations Year ended 31 December		Total Year ended 31 December	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Revenue	**915,969**	823,133	**88,619**	11,052	**1,004,588**	834,185
Cost of revenue	**(109,291)**	(187,064)	**(10,995)**	(1,034)	**(120,286)**	(188,098)
Gross profit	**806,678**	636,069	**77,624**	10,018	**884,302**	646,087
Selling and marketing expenses	**(219,503)**	(198,689)	**(53,737)**	(7,686)	**(273,240)**	(206,375)
Administrative expenses	**(139,116)**	(120,966)	**(11,901)**	(1,306)	**(151,017)**	(122,272)
Research and development expenses	**(102,243)**	(86,524)	**(4,255)**	(628)	**(106,498)**	(87,152)
Other gains, net	**43,150**	58,899	**307**	461	**43,457**	59,360
Operating profit	**388,966**	288,789	**8,038**	859	**397,004**	289,648
Finance income	**5,732**	1,126	**65**	24	**5,797**	1,150
Finance costs	**—**	(2,498)	**—**	—	**—**	(2,498)
Finance income/(costs), net	**5,732**	(1,372)	**65**	24	**5,797**	(1,348)
Share of loss of investment accounted for using the equity method	**(504)**	(5,110)	**—**	—	**(504)**	(5,110)
Profit before income tax	**394,194**	282,307	**8,103**	883	**402,297**	283,190
Income tax expense	**(78,375)**	(52,245)	**(1,135)**	(236)	**(79,510)**	(52,481)
Profit for the period	**315,819**	230,062	**6,968**	647	**322,787**	230,709
Profit/(loss) attributable to:						
– Shareholders of the Company	**319,650**	232,801	**4,449**	412	**324,099**	233,213
– Non-controlling interests	**(3,831)**	(2,739)	**2,519**	235	**(1,312)**	(2,504)
	315,819	230,062	**6,968**	647	**322,787**	230,709

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 indicators. These financial indicators are presented because they are used by our management team 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 our management team and in comparing financial results across accounting periods and to those of our peer companies.

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

	Year ended		Three months ended		
(in RMB'000)	**31 December 2017**	31 December 2016	**31 December 2017**	30 September 2017	31 December 2016
Adjusted operating profit*	**397,004**	289,648	**108,237**	103,513	111,463
Share-based compensation expense	**64,128**	31,790	**7,911**	9,337	4,504
Impairment loss arising from acquisitions	**39,237**	6,997	**7,500**	22,033	—
Loss from disposal of subsidiaries/prepayment on potential investment	**20,078**	—	**14,205**	5,873	—
Impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries	**—**	4,835	**—**	—	3,162
Amortization of intangible assets arising from acquisition	**9,502**	6,241	**1,183**	2,773	2,011
Depreciation and amortization expense	**21,328**	20,044	**4,748**	5,655	4,834
Adjusted EBITDA	**551,277**	359,555	**143,784**	149,184	125,974

* Adjusted operating profit contains both continuing operations and discontinued operations.

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

	Year ended		Three months ended		
(in RMB'000)	**31 December 2017**	31 December 2016	**31 December 2017**	30 September 2017	31 December 2016
Net profit	**322,787**	230,709	**85,611**	87,804	92,541
Share-based compensation expense	**64,128**	31,790	**7,911**	9,337	4,504
Impairment loss arising from acquisitions	**39,237**	6,997	**7,500**	22,033	—
Loss from disposal of subsidiaries/ prepayment on potential investment	**20,078**	—	**14,205**	5,873	—
Impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries	**—**	4,835	**—**	—	3,162
Amortization of intangible assets arising from acquisition	**9,502**	6,241	**1,183**	2,773	2,011
Adjusted net profit	**455,732**	280,572	**116,410**	127,820	102,218

Adjusted EBITDA

Adjusted EBITDA increased by 53.3% year-on-year from the corresponding period in 2016 and decreased by 3.6% quarter-on-quarter for the three months ended 31 December 2017 from the three months ended 30 September 2017. Adjusted EBITDA margin was 54.9% for the year ended 31 December 2017 and 43.1% for the corresponding period in 2016. Adjusted EBITDA margin was 62.2% for the three months ended 31 December 2017, compared to 54.3% for the three months ended 30 September 2017 and 50.7% for the corresponding period in 2016. Adjusted EBITDA represents adjusted operating profit adjusted to exclude non-cash share-based compensation expenses, impairment loss arising from acquisitions, loss from disposal of subsidiaries/repayment on potential investment, impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries, amortisation of intangible assets arising from acquisitions and depreciation and amortisation.

Adjusted Net Profit and Earnings Per Share

Adjusted net profit increased by 62.4% year-on-year from RMB280.6 million for the corresponding period in 2016 and decreased by 8.9% quarter-on-quarter for the three months ended 31 December 2017 from the three months ended 30 September 2017. Adjusted diluted earnings per share is RMB0.341 for the year ended 31 December 2017, compared with RMB0.210 for the year ended 31 December 2016.

Adjusted net profit is not defined under IFRS, and eliminates the effect of non-cash share based compensation expenses, impairment loss arising from acquisitions, loss from disposal of subsidiaries/ prepayment on potential investment, impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries 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.

4. LIQUIDITY AND FINANCIAL RESOURCES

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

Cash and cash equivalents consist of cash at bank and cash on hand, and as at 31 December 2017 and 31 December 2016, it amounted to RMB273.7 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. The Company had term deposits with initial term of over three months of RMB199.4 million and RMB776.0 million as at 31 December 2017 and 31 December 2016, respectively.

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

The Company had current available-for-sale financial assets of RMB915.1 million and RMB611.0 million as at 31 December 2017 and 31 December 2016, respectively. Current available-for-sale financial assets typically consist of RMB-denominated principal protected wealth management products with floating interest rates ranging from 2.7% to 5.2% per annum with maturity periods within one year or with an ongoing term offered by large state-owned and commercial banks in China.

The Group had current financial assets at fair value through profit or loss of RMB15.5 million and nil as at 31 December 2017 and 31 December 2016, respectively. Financial assets at fair value through profit or loss mainly represent investments in structure notes issued by reputable international financial institutions in Hong Kong which provide a potential return linked to the price of certain listed equity security at the predetermined valuation day in future, and were classified as financial assets at fair value through profit or loss upon initial recognition.

Bank Loans and Other Borrowings

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

Gearing Ratio

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

Capital Expenditures

For the year ended 31 December 2017, the Group's capital expenditures were approximately RMB45.8 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 RMB9.7 million relating to purchase of server, equipment and motor vehicles.

Significant Investment

The Company did not make any significant investments for the year ended 31 December 2017.

Mergers and Acquisitions

On 23 May 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.

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 during the year ended 31 December 2017.

Charges on Assets

As at 31 December 2017, the Group did not have any asset charges.

Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities.

Foreign Exchange Risk

Except that the Group operates the business in Japan, 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 31 December 2017. We do not hedge against any fluctuation in foreign currency.

5. CORPORATE INFORMATION

Staff

The Company had 647 full time employees as at 31 December 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 RMB197.4 million for the year ended 31 December 2017, while our staff cost was RMB165.8 million for the year ended 31 December 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 year ended 31 December 2017 were RMB64.1 million, as compared to RMB31.8 million for the year ended 31 December 2016.

As at 31 December 2017, options representing a total of 36,617,137 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 2.80% as at 31 December 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.

As of 31 December 2017, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 4.52% of the total ordinary shares of the Company.

On 5 April 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 0.84% of the total ordinary shares of the Company as at 31 December 2017.

On 18 April 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 31 December 2017.

FINANCIAL SUMMARY

	Year ended December 31,				
	2013	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	548,240	692,159	677,543	823,133	**915,969**
Gross profit	480,095	586,851	526,208	636,069	**806,678**
Profit/(Loss) before income tax	(56,431)	(71,450)	184,458	282,307	**394,194**
Profit/(Loss) for the year	(92,609)	(107,601)	149,750	230,709	**322,787**
Profit/(Loss) attributable to Shareholders of the Company	(92,602)	(107,503)	151,792	233,213	**324,099**
Total comprehensive income/(loss) for the year	(78,032)	(121,597)	211,759	321,066	**362,587**
Total comprehensive income/(loss) attributable to Shareholders of the Company	(78,025)	(121,499)	213,587	323,133	**363,933**

	As at December 31,				
	2013	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets					
Non-current assets	251,885	775,000	820,756	1,087,818	**1,359,049**
Current assets	592,501	1,487,591	1,679,452	1,819,224	**1,605,098**
Total assets	844,386	2,262,591	2,500,208	2,907,042	**2,964,147**
Equity and liabilities					
Equity/(deficits) attributable to Shareholders of the Company	(88,556)	2,083,689	2,286,712	2,588,331	**2,717,175**
Non-controlling interests	4,897	4,799	21,960	35,641	**11,582**
Total Equity/(deficits)	(83,659)	2,088,488	2,308,672	2,623,972	**2,728,757**
Non-current liabilities	628,326	1,750	6,495	16,252	**6,391**
Current liabilities	299,719	172,353	185,041	266,818	**228,999**
Total liabilities	928,045	174,103	191,536	283,070	**235,390**
Total equity and liabilities	844,386	2,262,591	2,500,208	2,907,042	**2,964,147**

EXECUTIVE DIRECTORS

Mr. Fu Zhengjun (傅政軍), aged 39, is our Chairman and has been a Director of our Board since July 28, 2008. He was re-designated to our Board as an executive Director on March 11, 2014. Mr. Fu is the founder of our Group and has served as the chief executive officer of all our wholly-owned foreign enterprises ("**WFOE**") and PRC Operating Entities (as defined below) since their respective incorporation. He is responsible for the overall strategic planning, management and operations of our Group, and is instrumental to our growth and business expansion. Mr. Fu has approximately 16 years of experience in the Internet industry. Prior to founding our Group, Mr. Fu was the chief technology officer of Tiantu Information Technology (Shanghai) Co., Ltd. (天圖信息技術 (上海) 有限公司), a company mainly engaging in the development of Internet advertising technology, from August 2000 to September 2004, where he was responsible for products research and development. From August 1999 to August 2000, Mr. Fu served as an engineer at Zhejiang Data Communications Administration Bureau (浙江省數據通訊局) (formerly known as Zhejiang Communications Administration Bureau (浙江省通訊管理局)), where he was responsible for project management and implementation.

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

Mr. Mai Shi'en (麥世恩), aged 42, was appointed as a Director of our Board on March 5, 2014 and re-designated as an executive Director on March 11, 2014. From August 2012 to April 2014, Mr. Mai served as the chief financial officer of the Company and was responsible for the corporate finance, investor relations and financial management of our Group. He has been the chief operating officer of our Group since April 22, 2014 and is responsible for the overall operation of our Group and mergers and acquisitions, as well as our Group's strategy planning and implementation. After the resignation of the former chief financial officer, Mr. Mai has resumed as the acting chief financial officer of the Company, since July 31, 2015. Mr. Mai has served as the directors of a number of subsidiaries or associated companies. Mr. Mai possesses extensive knowledge of the Internet industry and financial management. Prior to joining our Group, Mr. Mai was an executive director and the chief financial officer of Shanghai Nineyou Internet Technology Co. Ltd. (上海久遊網絡科技有限公司), an online games and interactive online platform operator in China, where he worked from September 2005 to July 2012 and was responsible for the company's overall financial planning, internal auditing and investment. From September 2003 to September 2005, Mr. Mai worked at Praxair (China) Investment Co., Ltd. (普萊克斯 (中國)）投資有限公司), responsible for financial related matters. In addition, from August 1998 to July 2003, Mr. Mai worked in the auditing departments of several top global accounting firms including Ernst & Young, Arthur Anderson and KPMG.

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

NON-EXECUTIVE DIRECTORS

Mr. Mao Chengyu (毛丞宇), aged 47, was appointed to our Board on December 30, 2008, as a director representative of series B pre-IPO investors. He was re-designated to our Board as a non-executive Director on March 11, 2014. Mr. Mao has resigned as a partner of IDG Capital Partners on August 2015, and now serves as the founder of Yun Qi Capital Partners. Mr. Mao has been a partner of IDG Capital Partners, which is a venture capital fund principally engaged in investing in technology start-up companies with PRC-related businesses, since July 1, 2012 and is responsible for the equity investment. Mr. Mao was a partner of the Shanghai Branch of IDG Investment Consulting (Beijing) Co., Ltd. (IDG資本投資顧問 (北京) 有限公司上海分公司) (formerly known as Shanghai Pacific Technology Co., Ltd. (上海太平洋技術創業有限公司)) ("**IDG Shanghai Branch**") from July 2006 to June 2012 and was an investment manager and vice president of IDG Shanghai Branch from December 1999 to June 2006, where he was responsible for identifying and analyzing investment opportunities. Prior to entering into the venture capital industry, Mr. Mao was a business manager at Unilever (China) Co., Ltd. (聯合利華中國有限公司), one of the world's largest food and personal care products manufacturers, from April 1999 to November 1999.

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

Ms. Cao Fei (曹菲), aged 43, was appointed as a non-executive Director on January 11, 2018. Ms. Cao has been serving as the vice president, finance of Weibo Corporation (NASDAQ: WB) since September 2017. Ms. Cao served as the vice president, finance of SINA Corporation (NASDAQ: SINA) from January 2017 to September 2017 overseeing the corporate finance department and she served as the corporate controller of SINA Corporation from June 2005 to December 2016. Prior to that, Ms. Cao served as an audit manager in PricewaterhouseCoopers in Beijing from 1997 to 2005.

Ms. Cao is a certified public accountant in China and a member of China Institute of Certified Public Accountants (CICPA) since 2003. Ms. Cao obtained a bachelor agree in engineering from Shanghai Jiaotong University in July 1997 and an executive master of business administration from Shanghai Jiaotong University in December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yu Bin (余濱), aged 48, was appointed to our Board as an independent non-executive Director on June 16, 2014. Ms. Yu Bin is the chief financial officer of LingoChamp Inc., an AI driven education technology company since September 2017. Mr. Yu was the chief financial officer of Innolight Technology Co., Ltd, a company manufacturing transceiver used in data center from January 2015 to April 2017. She has been a director and the chief financial officer of Star Media China Limited (星空華文傳媒集團), a company engaging in entertainment TV programs business, since December 2013 and May 2013 respectively, where she is responsible for the corporate finance, legal, investor relations and financial management. From August 2012 to April 2013, she was the senior vice president of Youku Tudou Inc. (優酷土豆集團), a NYSE-listed China's leading Internet television company and was in charge of the company's investment in content production, merger and acquisition and the strategic investment. From July 2010 to December 2011 and from January 2012 to April 2013, she served as the chief financial officer and the vice president of finance of Tudou Holdings Limited ("**Tudou**"), respectively a company engaging in Internet television business, and oversaw the management of the company's finance, legal, public relationship and investor relationship departments. Prior to joining Tudou, from September 1999 to July 2010, she worked at KPMG and eventually was promoted to a senior manager of KPMG Greater China region, where she was responsible for financial statements auditing and China based private entities' overseas listing.

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

Mr. Wu Chak Man (胡澤民), aged 46, was appointed to our Board as an independent non-executive Director on June 16, 2014. He was an executive director of 91 Wireless Websoft Limited (now known as Baidu 91 Wireless), a company engaging in the development and operation of smartphone application distribution platforms from January 2011 to June 2014 and was responsible for the overall management and strategic planning of the company. Before that, he had been the vice president and chief finance officer of NetDragon Websoft Limited ("**NetDragon**"), a HK-listed company engaging in the online games and mobile Internet business, since April 2004. Mr. Wu was in charge of NetDragon's sales and marketing, North American business, the expansion of overseas market, financing and mergers and acquisitions as well as its listing business. From 2000 to 2002, Mr. Wu was the chief operating officer of Octant Communication Inc., a taxi service company and was in charge of corporate operation. During 1995 to 1999, Mr. Wu served as the vice president, in charge of marketing, in Beso Biological Research Inc., a company engaging in heath food and nutrition supplement business.

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

Mr. Chan, Wing Yuen Hubert (陳永源), aged 60, was appointed to our Board as an independent non-executive Director on June 16, 2014. He has been 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) since November 4, 2016), whose shares are listed on the Stock Exchange with effect from July 13, 2017, and also a member of The Hong Kong Institute of Directors (香港董事學會). He is an executive director of Northern New Energy Holdings Limited (北方新能源控股有限公司) (stock code: 8246) and Zhong Fa Zhan Holdings Limited (中發展控股有限公司) (stock code: 475), and an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司), HK-listed companies. He spent over ten years with the Stock Exchange. In addition, Mr. Chan held various positions with HK listed companies, including: as an executive director of China Pipe Group Limited (中國管業集團有限公司) (now known as Softpower International Limited (冠力國際有限公司) (stock code: 380) and Interchina Holdings Company Limited (國中控股有限公司) (now known as EverChina Int'l Holdings Company Limited (潤中國際控股有限公司) (stock code: 202), as an independent non-executive director of Rising Development Holdings Limited (麗盛集團控股有限公司) (now known as China Smarter Energy Group Holdings Limited (中國智慧能源集團控股有限公司) (stock code: 1004), and as a director of Guangdong Investment Limited (粵海投資有限公司) (stock code: 270).

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

SENIOR MANAGEMENT (OTHER THEN OUR EXECUTIVE DIRECTORS)

Mr. Zhao Weiwen (趙偉文), aged 50, has been the general manager of Zhejiang Tiange Information and Technology Co., Ltd. ("**Zhejiang Tiange**") since April 2010 and is responsible for the daily management of Zhejiang Tiange, including administration, HR, IT, finance, customer services, and Internet supervision. He has also served as a director of Tianhu since August 29, 2013 and is in charge of its daily management and development. He has approximately 15 years of experience in the telecommunications industry, gained from his employment at China Telecom's Jinhua branch (中國電信金華分公司) from August 1995 to March 2010, where he was involved in building Internet network infrastructures and related projects.

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

Mr. Yan Xiang (閆祥), aged 39, has been the deputy general manager and an executive director of Star Power Culture Media (Beijing) Co., Ltd ("**Star Power**") since May 2013 and September 2013, respectively. He is responsible for our Group's products development in Beijing as well as the overall daily management and operations of Star Power. He has also been the responsible person of the Beijing Branches of Hangzhou Hantang Cultural Communication Co., Ltd. ("**Hantang**") and Jinhua Xingxiu Cultural Communication Co., Ltd. ("**Xingxiu**") and is in charge of the daily management since May 2011 and August 2013, respectively. Prior to joining our Group, Mr. Yan worked at Sina Technology (China) Co., Ltd. (新浪技術 (中國) 有限公司) from July 2004 to May 2011. At Sina Technology (China) Co., Ltd., Mr. Yan was involved in, among others, unified communication system, interactive music video platforms and advertising products, taking different roles in strategy, development, operation and marketing.

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

REPORT OF THE DIRECTORS

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2017.

INITIAL PUBLIC OFFERING

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

PRINCIPAL ACTIVITIES

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

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

An analysis of the Group's revenue and operating profit for the year ended December 31, 2017 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

The business review, the analysis using financial key performance indicator on the Group and the indication of likely future development on the Company's business are set out on pages 10 to 23 of this annual report.

IMPORTANT EVENT AFTER REPORTING DATE

The Group's important event after reporting date is set out in note 40 to the financial statements.

RESULTS

The Group's results for the year ended December 31, 2017 are set out in the consolidated statement of comprehensive income on page 100 of this annual report.

COMPLIANCE WITH THE RELEVANT SIGNIFICANT LAWS AND REGULATIONS

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

Regulations Relating to Value-added Telecommunications Business

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

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

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

Regulations Relating to Online Cultural Business

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

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

On December 2, 2016, the MOC promulgated the Administrative Measures on Online Performance Operating Activities (《網絡表演經營活動管理辦法》) (the "**Online Performance Measures**") which took effect from January 1, 2017. The Online Performance Measures regulate online performance operating activities and emphasizes that any entities engaging in online performance operating activities must obtain the Network Cultural Business Permit. We have put measures to rectify and improve operations to comply with the Online Performance Measures.

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

Regulations Relating to Internet Publication Business

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

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

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

Regulations Relating to Online Games

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

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

Regulations Relating to Virtual Currency

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

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

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

Regulations Relating to Online Payment

On July 1, 2016, the People's Bank of China promulgated the Online Payment Business Regulations of Non-Banking Payment Institutions (《非銀行支付機構網絡支付業務管理辦法》) (the "**Payment Business Regulations**"), for further strengthening the administration and transition of online payment business. One of the important measures of the Payment Business Regulations is the system for identifying users. In consideration of the regulations, non-banking payment institutions request all applications in channels of distribusement only to the operators of APP. The previous amendment may bring differences in the details of top-up orders, but will not affect the settlement.

POTENTIAL RISK FACTORS

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

Economic Environment

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

Market Acceptance

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

Content Monitoring

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

Changing of Technologies

Our business and future success depend on our ability to adapt to rapidly changing of technologies, and our ability to provide new products and services through using new technologies plays an important role on our future performance. In recent years, the development of mobile technology resulted users shifting from PC to mobile device, which also demands more innovation and diversification in technology application. If we fail to keep pace with rapid technological changes, our future success may be adversely affected.

Contractual Arrangements

We rely on contractual arrangements with our PRC Operating Entities (as defined below) and their shareholders for the operation of our business, which may not be as effective as direct ownership. If our PRC Operating Entities (as defined below) and their shareholders fail to perform their obligations under these contractual arrangements, we may have to resort to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation. For details, please refer to the section “Contractual Arrangements” on page 52.

Investment and New Business Development

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

Foreign Exchange Risk

Except that the Group operates the business in Japan, most of our subsidiaries' functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at December 31, 2017. We do not hedge against any fluctuation in foreign currency.

SOCIAL RESPONSIBILITIES AND HUMAN RESOURCES

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

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

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

DIVIDEND

The Board has proposed a final dividend of HK$0.07 per share for the year ended December 31, 2017 (2016: HK$0.07 per share). Subject to the approval at the forthcoming annual general meeting of the Company (the "**AGM**") to be held on June 7, 2018, the final dividend will be payable on June 27, 2018 to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on June 14, 2018.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year 2017 are set out in note 27 to the financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Incentives Schemes as disclosed in this report and note 29 to the Consolidated Financial Statements, no equity-linked agreements were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

RESERVES

Details of movements in the reserves of the Group and the Company for the year ended December 31, 2017 are set out in the consolidated statement of changes in equity and note 28 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2017, the Company's reserves available for distribution, calculated in accordance with the provisions of Cayman Companies Law, amounted to approximately 1.2 billion (as at December 31, 2016: RMB1.6 billion).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended December 31, 2017 are set out in note 16 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the Group's five largest distributors accounted for approximately 70.5% of the Group's total revenue for the year ended December 31, 2017 and among which our top distributor accounted for approximately 31.5% of the Group's total revenue for the year ended December 31, 2017.

The Group's five largest suppliers for the year 2017 were distribution channels, promotion channels and server provider. The aggregate charges from the Group's five largest suppliers accounted for approximately 14.9% of the Group's cost of revenues and expenses attributable to suppliers for the year ended December 31, 2017 and among which our top supplier accounted for approximately 4.1% of the Group's cost of revenues and expenses attributable to suppliers for the year ended December 31, 2017.

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

DONATIONS

During the year ended December 31, 2017, the Company did not make any charitable contributions and other donations (2016: Nil).

DIRECTORS

The Directors for the year ended December 31, 2017 and up to the date of this report are:

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

Non-Executive Directors
Mr. Mao Chengyu
Mr. Herman Yu *(resigned as a non-executive Director with effect from January 11, 2018)*
Ms. Cao Fei *(appointed as a non-executive Director with effect from January 11, 2018)*

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

In accordance with article 83(3) of the Company's articles of association passed on June 16, 2014 (the "**Articles**"), any Director appointed by the Board either to fill a casual vacancy on the Board shall hold office until the first general meeting of the company after his appointment, or as an addition to the Board shall hold office until the next following annual general meeting of the Company after his appointment, and shall then be eligible for re-election at such meeting. Accordingly, Ms. Cao Fei will hold office as the Director until the AGM and is subject to re-election.

In accordance with article 84 of the Articles, one-third of the Directors shall retire from office by rotation at an AGM and be eligible for re-election. Accordingly, Mr. Mai Shi'en, being an executive Director, Mr. Mao Chengyu, being a non-executive Director and Ms. Yu Bin, being an independent non-executive Director, shall retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into service agreement with the Company for a term of three years (subject to termination in certain circumstances as stipulated in the relevant service agreements and retirement by rotation in accordance with the Articles).

Each of the non-executive Directors and the independent non-executive Directors has entered into letter of appointment with the Company for a term of three years (subject to termination in certain circumstances as stipulated in the relevant letters of appointment and retirement by rotation in accordance with the Articles).

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors or any entity connected with the Directors has or had a material beneficial interest, whether directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the Group's business to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the year ended December 31, 2017.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Controlling Shareholders (as defined below) or its subsidiary has or had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended December 31, 2017.

ENFORCEMENT OF THE DEED OF NON-COMPETITION

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

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

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

DIRECTORS' EMOLUMENTS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Particulars of the Directors' emoluments and five highest paid individuals for the year ended December 31, 2017 are set out in note 42 and note 10 respectively to the financial statements and the emolument policy of the Company is set out in the Corporate Governance Report on pages 67 to 76 of this annual report.

No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2017, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which was in competition or was likely to compete, either directly or indirectly, with the business of the Group.

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

As of December 31, 2017, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") are as follows:

Interests in ordinary shares of the Company:

Name of director	Nature of interests	Number of shares held	Approximate percentage of shareholding as at December 31, 2017
Mr. Fu Zhengjun ("**Mr. Fu**")	Founder of a discretionary trust *(Note 1)*	306,000,000	24.03%
	Beneficiary of a trust *(Note 2)*	21,260,000	1.67%
	Beneficiary Owner	200,000	0.02%

Notes:

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

2. *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.*

Interest in underlying shares of the company:

Name of director	Position held within our Group	Nature	Number of shares represented by options or RSUs	Exercise price (US$)	Approximate percentage of shareholding as at December 31, 2017
Mr. Fu Zhengjun	Chairman, executive Director and chief executive officer	RSUs *(Note 1)*	10,000,000	Nil	0.79%
		Interest of Spouse *(Note 4)*	20,000,000	Nil	1.57%
Mr. Mai Shi'en	Executive Director, chief operating officer and acting chief financial officer	RSUs *(Note 2)*	4,050,000	Nil	0.32%
Mr. Mao Chengyu	Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Mr. Herman Yu *(Note 5)*	Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Ms. Yu Bin	Independent Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Mr. Wu Chak Man	Independent Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Mr. Chan Wing Yuen, Hubert	Independent Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%

Notes:

1. *Mr. Fu is also interested in 1,000,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 shares.*

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.*

5. *Mr. Herman Yu resigned as a non-executive Director with effect from January 11, 2018.*

Save as disclosed above, as at December 31, 2017, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2017, the following persons (other than the Directors or chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Nature of interests	Number of Shares or securities held	Approximate percentage of interest as at December 31, 2017
UBS Trustees (BVI) Limited	Trustee *(Note 1)*	327,260,000	25.70%
Three-Body Holdings Ltd	Interest in Controlled Corporation *(Note 1)*	306,000,000	24.03%
Blueberry Worldwide Holdings Limited	Beneficial Owner *(Note 1)*	306,000,000	24.03%
Sina Hong Kong Limited	Beneficial Owner	300,000,000	23.56%
Ho Chi Sing	Interest in Controlled Corporation *(Note 2)*	110,000,000	8.64%
Zhou Quan	Interest in Controlled Corporation *(Note 2)*	110,000,000	8.64%
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest in Controlled Corporation *(Note 2)*	110,000,000	8.64%
IDG-Accel China Growth Fund II Associates L.P.	Interest in Controlled Corporation *(Note 2)*	101,684,000	7.99%
IDG-Accel China Growth Fund II L.P.	Beneficial Owner *(Note 2)*	101,684,000	7.99%

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 December 31, 2017, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Incentive Schemes" in this report and in note 29 to the financial statements, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE INCENTIVE SCHEMES

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

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

Pre-IPO Share Option Scheme

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

(i) The maximum aggregate number of shares that may be issued under the Pre-IPO Share Option Scheme shall not exceed 8,845,575 shares as at the date of the Prospectus. But following the capitalization issue (as defined in the Prospectus), it has been adjusted to 88,455,750 shares, which represented 6.93% of the total number of issued shares of the Company as at the date of this report;

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

(iii) The Pre-IPO Share Option Scheme shall remain in effect for a term of ten (10) years subject to any amendments, alterations, suspension or termination by the Board or any of its committee (the "**Administrator**") and the remaining life of this scheme is around 9 months; and

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

Post-IPO Share Option Scheme

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

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

(ii) The maximum number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 121,706,700, representing 9.5% of the total number of shares in issue as at the date of this report. As at December 31, 2017, 4,000,000 options have been granted by us pursuant to the Post-IPO Share Option Scheme;

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

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

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

(vi) The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date and the remaining life of this scheme is around 6 years and 3 months; and

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

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 caseby-case basis, the general vesting period for the option holders are as follows: 25% of the shares subject to the Pre-IPO Share Option shall vest on the first anniversary of the granting date, and 1/48 of the shares subject to the Pre-IPO Share Option shall vest each month thereafter over the next three years on the same day of the month as the granting date (such day to be deemed to be the last day of the month, when necessary), subject to the option holders continuing to be a service provider through these dates.

As at December 31, 2017, options representing a total of 33,465,137 shares (taking into account the 28,318,316 options which have lapsed and options in respect of an aggregate of 51,896,547 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 2.56% as at December 31, 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 Option Scheme pursuant to its scheme rules. During the Reporting Period, no shares have been issued and allotted to Happy88 Limited.

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 scheme 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 year ended December 31, 2017, 76,000 share options were exercised, 130,000 share options were lapsed, and no share option was granted and cancelled under the Post-IPO Share Option Scheme. As a result, as at December 31, 2017, options representing a total of 3,152,000 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 4 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.

Pre-IPO RSU Scheme

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

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

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

(iii) the duration of the Pre-IPO RSU Scheme is 10 years commencing on May 22, 2014 and the remaining life of this scheme is around 6 years and 2 months.

Post-IPO RSU Scheme

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

(i) the maximum aggregate number of shares underlying all grants of RSUs pursuant to the Post-IPO RSU Scheme will not exceed 24,341,340 shares, representing approximately 2% of the total number of shares in issue as at the Listing Date;

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

(iii) the duration of the Post-IPO RSU Scheme is 10 years commencing on June 16, 2014 and the remaining life of this scheme is around 6 years and 3 months.

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 5.71% of the total number of shares of the Company.

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

During the Reporting Period, RSUs in respect of an aggregate of 3,561,000 shares have been exercised by grantees under the Pre-IPO RSU Scheme and no RSUs were granted, cancelled and lapsed. As a result, as at December 31, 2017, 43,920,000 shares have been allotted and issued to Tangguo Limited.

Post-IPO RSU Scheme

As at December 31, 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 were vested on August 16, 2015 and August 16, 2016, respectively and the number of RSUs granted for the respective vesting date is 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 were on December 15, 2015, September 15, 2016 and September 15, 2017, respectively and the number of RSUs granted for the respective vesting date is 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 were vested on August 3, 2016 and August 3, 2017, respectively and the number of RSUs granted for the respective vesting date is 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 were or will be vested on May 28, 2017, July 20, 2017, 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 were or will be vested on May 28, 2017, July 20, 2017, 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 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 2,221,375 shares have been exercised by grantees under the Post-IPO RSU Scheme and 39,497 RSUs were lapsed and cancelled. As a result, as at December 31, 2017, 14,350,676 shares have been allotted and issued to Xinshow Limited.

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

The following table shows the details of the options and/or the RSUs granted and outstanding under the Schemes to, on an individual basis, the Directors, chief executive members and other connected person of the Group as at December 31, 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 December 31, 2017
Director of our Company										
Mr. Fu Zhengjun	Chairman, executive Director and chief executive officer	RSUs	10,000,000	22 May 2014	10,000,000	Nil	0	0	0	10,000,000
Mr. Mai Shi'en	Executive director, chief operating officer and 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
Other connected persons of our Group										
Ms. Hong Yan	Vice president of Tiange Technology (Hangzhou) Co., Ltd. (天格科技(杭州)有限公司) ("Hangzhou Tiange")	RSUs	20,000,000	22 May 2014	20,000,000	Nil	0	0	0	20,000,000
Seven Directors and one connected person		Options	1,000,000							
		RSUs	34,050,000							
		Sub-total	35,050,000							

* *Mr. Herman Yu resigned as a non-executive Director with effect from 11 January 2018.*

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

The following is a summary table showing further details of the options and/or the RSUs granted and outstanding under the Share Option Schemes and the RSU Schemes to individuals who are neither a Director, chief executive member nor a connected person of the Group as at December 31, 2017.

Rank/Position Held With Our Group	Nature	Number of Shares Represented by Option or RSUs	Date of Grant	Outstanding as at January 1, 2017	Exercise Price(US$/HK$)	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2017
198 other employees, 56 other consultants (Note 1)	Options	8,693,000	January 14, 2009	11,811,000	US$0.01	3,118,000	0	0	8,693,000
		783,000	July 23, 2009	2,160,000	US$0.021	1,377,000	0	0	783,000
		3,445,540	July 23, 2009	3,848,540	US$0.03	403,000	0	0	3,445,540
		1,638,380	June 17, 2010	2,231,380	US$0.06	593,000	0	0	1,638,380
		190,000	September 6, 2010	300,000	US$0.06	110,000	0	0	190,000
		5,601,000	September 6, 2010	6,601,000	US$0.035	1,000,000	0	0	5,601,000
		2,582,050	December 20, 2010	2,859,050	US$0.06	277,000	0	0	2,582,050
		12,000	December 20, 2010	35,000	US$0.03	23,000	0	0	12,000
		1,540,000	December 26, 2011	1,600,000	US$0.06	60,000	0	0	1,540,000
		687,000	December 26, 2011	1,184,000	US$0.1	497,000	0	0	687,000
		753,110	December 26, 2011	908,439	US$0.12	154,000	0	1,329	753,110
		1,352,795	October 14, 2012	1,931,100	US$0.15	569,000	0	9,305	1,352,795
		610,000	September 14, 2013	1,045,570	US$0.2	406,000	0	29,570	610,000
		4,577,262	May 22, 2014	6,723,807	US$0.35	1,698,818	0	447,727	4,577,262
		3,152,000	September 22, 2015	3,358,000	HK$3.50	76,000	0	130,000	3,152,000
	Options total	35,617,137		46,596,886	–	10,361,818	0	617,931	35,617,137
	RSUs	9,870,000	May 22, 2014	12,681,000	Nil	2,811,000	0	0	9,870,000
		1,499,759	April 20, 2015	1,823,197	Nil	323,438	0	0	1,499,759
		224,838	September 15, 2015	393,833	Nil	168,995	0	0	224,838
		676,109	April 1, 2016	768,718	Nil	85,212	0	7,397	676,109
		9,356,734	April 5, 2017	0	Nil	1,311,520	0	0	9,356,734
		2,593,236	April 18, 2017	0	Nil	332,210	0	32,100	2,593,236
	RSUs total	24,220,676		15,666,748		5,032,375	0	39,497	24,220,676
	Sub-total	59,837,813							

Note:

1. *Consultants are third party agents who provided our Group with business consultancy services on financial management, research and development, human resources and sales. Pursuant to the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, a total of 10,059,500, options have been granted to 56 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 HKD5.94.*

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 HKD5.84.*

CONNECTED TRANSACTIONS

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

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

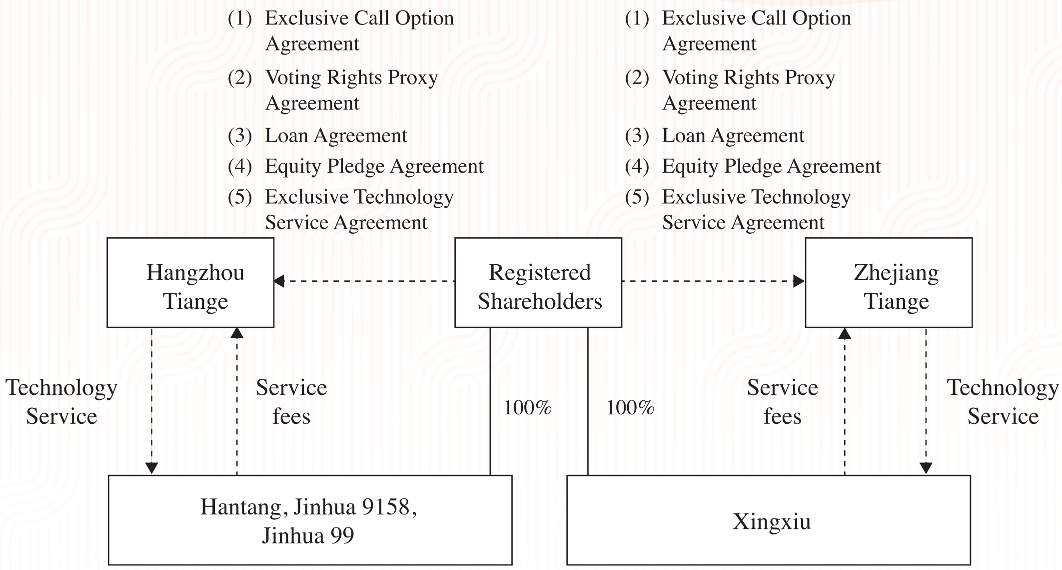
Name	Connected Relationship
Mr. Fu	Mr. Fu is our Director and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules.
SINA HK	SINA HK is a substantial shareholder of our Company and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules.
Beijing SINA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

Contractual Arrangements

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

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

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



Notes:

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

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

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

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

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

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

Exclusive Technology Service Agreements

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

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

Exclusive Call Option Agreements

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

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

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

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

Equity Pledge Agreements

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

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

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

Voting Rights Proxy Agreements

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

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

Powers of Attorney

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

Loan Agreements

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

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

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

In 2016, to comply with the restrictions of foreign investment under the PRC laws and regulations, four PRC operating entities, Zhejiang Genxuan Investment Management Co., Ltd ("**Genxuan**", formerly known as Jinhua Tianchuang Investment Management Co., Ltd), Jinhua Chaduan Investment Management Co., Ltd ("**Chaduan**"), Jinhua Duance Investment Management Co., Ltd ("**Duance**") and Jinhua Xuance Investment Management Co., Ltd ("**Xuance**") were established. These four PRC operating entities were the wholly-owned subsidiaries of Jinhua99. The Company, through a set of Contractual Arrangements, has asserted management control over the operation of Jinhua99 and in turn has taken effective control over the wholly-owned subsidiaries of Jinhua99.

In 2016, due to the restrictions of foreign investment under PRC laws and regulations, two another PRC operating entities, Zhejiang Genfan Investment Management Co., Ltd ("**Genfan**", formerly known as Jinhua Tianxiang Investment Management Co., Ltd) and Jinhua9158 Investment Management Co., Ltd ("**9158 Investment Management**") were established for the segments other than the Principal Business. Each of Genfan and 9158 Investment Management has entered into a set of contractual agreements with their registered shareholders and Zhejiang Tiange, which consist of substantially identical structure and terms with the New Agreement. The Company considers these are not material changes and have no significant influences on the organization of the Contractual Agreements. As at the date of this annual report, Genfan and 9158 Investment Management are the wholly-owned subsidiaries of Jinhua 99.

Save as disclosed in the Prospectus and above, as at the date of this annual report, there has not been any material change in the Contractual Agreements and/or the circumstances under which they were adopted.

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

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

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

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

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

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

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

5. Nothing has come to their attention that causes them to believe that there were dividends or other distributions made by Hantang, Jinhua9158, Jinhua99, Xingxiu during the year ended December 31, 2017 to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

Save as disclosed in the annual report, the Board confirmed that none of the related party transactions set out in note 38 to the financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. During the Reporting Period, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this annual report pursuant to the Listing Rules.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT

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

Despite the lack of clear guidance or interpretation on the Qualification Requirement, we have been gradually building up our track record of overseas business operations to comply with the Qualification Requirement. As at December 31, 2017, the Company has no further update to disclose in relation to the Qualification Requirement.

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

As of the date of this annual report, there has been no material change in the Contractual Arrangements and/or the circumstances under which they had been adopted by our Group prior to our listing. Therefore, for the year ended December 31, 2017, none of the Contractual Arrangements have been unwound.

Information about the PRC Operating Entities

Name of the PRC Operating Entity	Type of legal entity/place of establishment and operation	Registered owners	Business activities
As at December 31, 2017			
Hantang	Limited liability company/the PRC	98% by Mr. Fu and 2% by Mr. Fu Yanchang	Online entertainment service and advertising
Jinhua9158	Limited liability company/the PRC	98% by Mr. Fu and 2 by Mr. Fu Yanchang	Online entertainment service
Jinhua99	Limited liability company/the PRC	98% by Mr. Fu and 2% by Mr. Fu Yanchang	Online entertainment service
Xingxiu	Limited liability company/the PRC	98% by Mr. Fu and 2% by Mr. Fu Yanchang	Online entertainment service

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

In addition, the PRC Operating Entities are significant to the Group as they hold most of the intellectual property rights, licenses and permits that are essential to the operation of the business of the Group. The revenue and the total asset value of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB842.6 (2016: RMB698.3 million) for the year ended December 31, 2017 and approximately RMB449.6 (2016: RMB423.6 million) as at December 31, 2017, respectively.

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

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

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

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

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

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

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

No.	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
1.	If the relevant PRC authorities find that the agreements that establish the structure for operating our live social video communities, online and mobile games in China do not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interests in the PRC Operating Entities.	Pursuant to the Exclusive Technology Service Agreement, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change on such laws, regulations or rules, the following agreement shall be applicable: if the economic interests of any party under the agreements suffer a significant adverse effect directly or indirectly due to above change of laws, regulations or rules, the agreements should continue to operate pursuant to the original terms. Each of the parties shall obtain a waiver for complying on such change or rule via all legal channels. If any adverse effect on the economic interests of any party may not be eliminated according to this agreement, upon the receipt by other parties of such notice from the affected party, all the parties shall promptly discuss and make all necessary modification to the agreements to maintain the economic interests of the affected party under the agreement.
2.	Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. PRC Operating Entities or their shareholders may fail to perform their obligations under our Contractual Arrangements and certain terms of the Contractual Arrangements may not be enforceable under PRC laws.	Each of the New Agreements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute relating to the Contractual Arrangements, arbitrators may award remedies over the equity interests or assets of PRC Operating Entities and courts of competent jurisdiction may grant interim remedies over the equity interest or assets of PRC Operating Entities.
3.	We may lose the ability to use and enjoy assets held by the PRC Operating Entities that are material to our business operations if the PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.	According to the Exclusive Call Option Agreement, in the event of a mandatory liquidation required by PRC laws, all of the remaining assets and residual interests of the PRC Operating Entities shall be transferred through a non-reciprocal transfer to Hangzhou Tiange and Zhejiang Tiange or its appointee after such liquidation at the lowest transfer price permitted by PRC laws. In such case, if the Registered Shareholders receive any payment after the liquidation, they shall return in full such payment to Hangzhou Tiange and Zhejiang Tiange or its appointee, after the deduction of relevant taxes or payments pursuant to applicable PRC laws.

No.	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
4.	Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and any finding that we or the PRC Operating Entities owe additional taxes could substantially reduce our consolidated net income and the value of your investment.	As advised by the Company's PRC legal advisers, who took the view that the Contractual Arrangements will not be challenged by the PRC tax authorities or other government authorities, provided that Hangzhou Tiange, Zhejiang Tiange and the PRC Operating Entities implement the Contractual Arrangements in accordance with the terms thereof, unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis.
5.	The Group may be subject the higher income tax rates and incur additional taxes as a result of the Contractual Arrangements, which may increase the tax expenses and decrease the new profit margin.	Hangzhou Tiange and Zhejiang Tiange are qualified as the software enterprises recognized by the relevant authorities in Zhejiang and enjoy the preferential tax treatment. Hangzhou Tiange enjoys a reduced income tax rate of 15% from 2014 to 2017. Zhejiang Tiange enjoys a preferential tax rate of 12.5% from 2014 to 2015 and a reduced income tax rate of 15% from 2016 to 2017. As the new high-tech enterprises, both of them will use their reasonable endeavors to take all necessary actions to maintain its status as "software enterprise". Please also refer to paragraph 4 above.
6.	Shareholders of the PRC Operating Entities may have conflicts of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.	Each of the Registered Shareholders have undertaken that during the period when the Contractual Arrangements remain effective, (i) unless a prior written consent is obtained from the PRC Operating Entities, such shareholder will not engage in, conduct, participate in or use the information obtained from the PRC Operating Entities or any of its affiliates to participate in, directly or indirectly, any business or activity which competes or is likely to compete with the business of the PRC Operating Entities or its subsidiaries (if any), nor will he acquire, hold any interests in or derive any interests from any business which competes or is likely to compete with the business of the PRC Operating Entities or its subsidiaries (if any); (ii) such shareholder will not take any action deviating from the intention and purposes of the New Agreements which may lead to any conflict of interests between Hangzhou Tiange and Zhejiang Tiange and the PRC Operating Entities or its subsidiaries (if any); and (iii) if any conflict of interests occurs during the performance of the New Agreements by such shareholder, he will act in favor of Zhejiang Tiange and Hangzhou Tiange as set forth under the New Agreements and in accordance with the directions of Zhejiang Tiange and Hangzhou Tiange.

No.	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
7.	We depend on the PRC Operating Entities to provide certain services that are critical to our business. The breach or termination of any of our service agreements with PRC Operating Entities or any failure of or significant quality deterioration in these services could materially and adversely affect our business, financial condition and results of operations.	To ensure sound and effective operation of the Group after the adoption of the Contractual Arrangements, the relevant business units and operation divisions of the Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the Contractual Arrangements and other related matters. In addition, pursuant to the Exclusive Technology Service Agreement and the Exclusive Call Option Agreement, to the extent permitted by law, each PRC Operating Entity and its Registered Shareholders are not contractually entitled to terminate relevant Exclusive Technology Service Agreement and Exclusive Call Option Agreement with Hangzhou Tiange and/or Zhejiang Tiange.
8.	If we exercise the option to acquire equity ownership and assets of PRC Operating Entities, the ownership or asset transfer may subject us to substantial costs.	According to the Exclusive Call Option Agreement, in the event that the option is exercised by Hangzhou Tiange and/or Zhejiang Tiange, the transfer price of equity interests and/or assets shall be the higher of the capital contribution paid to the registered capital by the respective Registered Shareholder for such interest/net book value of such assets or the lowest price permitted under the PRC laws, and the Registered Shareholders shall return any proceeds received from transfer of equity interest in the PRC Operating Entities, or any distributions upon liquidation of the PRC Operating Entities, and if the amount of such proceeds or distribution is higher than the loans owed by the Registered Shareholders respectively to the Hangzhou Tiange and/or Zhejiang Tiange under the relevant Loan Agreements, they shall return to the Hangzhou Tiange and/or Zhejiang Tiange such proceeds or distribution they receive, with deduction of applicable taxes and governmental fees, and the amounts of relevant loans. Therefore, If Hangzhou Tiange and/or Zhejiang Tiange exercise this option, all or any part of the equity interests of the PRC Operating Entities acquired would be transferred to Hangzhou Tiange and/or Zhejiang Tiange and the benefits of equity ownership would flow to the Company and our shareholders.
9.	Certain terms of the Contractual Arrangements may not be enforceable under PRC laws	As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended December 31, 2017, the Company has repurchased a total of 50,081,000 ordinary shares listed on Stock Exchange with an aggregate amount of HK$267,203,329.87. As at the date of this annual report, all repurchased shares have been cancelled. Details of shares repurchased during the year ended December 31, 2017 are set out as follows:

Month of repurchases	Number of Shares repurchased on the Stock Exchange	Price paid per Share Highest (HKD)	Lowest (HKD)	Aggregate consideration paid (HKD)
February 2017	100,000	4.54	4.5	451,300
August 2017	16,185,000	5.42	5.09	84,962,629.60
September 2017	29,052,000	5.88	5.15	154,672,830.50
October 2017	4,744,000	5.85	5.54	27,116,569.77

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2017.

PRE-EMPTIVE RIGHTS

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

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the global offering (after the exercise of the over-allotment option and after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the global offering) amounted to approximately HK$1,725.0 million (equivalent to approximately RMB1,376.0 million). As at December 31, 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.

AUDIT COMMITTEE

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 24 of this annual report. This summary does not form part of the audited consolidated financial statements.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2017.

PERMITTED INDEMNITY PROVISION

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

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended December 31, 2017.

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

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

Hong Kong, March 29, 2018

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance practices to enhance the corporate performance accountability and safeguard Shareholders' interests. The Board is also committed to comply with the principles of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Save and except for the deviation disclosed in this annual report, the Directors are of the opinion that the Company has complied with the code provisions set out in the CG Code throughout the year ended December 31, 2017. The Company will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code.

THE BOARD OF DIRECTORS

Board Composition

The Board currently comprises seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The brief biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 25 to 29 of this annual report. Details regarding the term of appointment of the non-executive directors are set out in the section headed "Directors Service Contracts" on page 38 of this annual report. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board.

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

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

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

Role and Function and Delegation by the Board

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

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

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

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

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

Board Meetings

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

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

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

During the Reporting Period, four Board meetings were held on March 24, 2017, May 23, 2017, August 25, 2017 and November 30, 2017, respectively. The attendance of the Directors at the board meetings is presented hereinafter.

Board Committees

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

Audit Committee

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

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

Remuneration Committee

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

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

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

The emoluments of each Director and senior management for the year ended December 31, 2017 are set out in note 42 to the consolidated financial statement.

Nomination Committee

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

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

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

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

The composition of the Board and the Board members' respective attendance in Board meetings, general meetings, the Audit Committee meetings, the Remuneration Committee meeting(s) and the Nomination Committee meeting(s) during the year ended December 31, 2017 are as follows:

No. of meeting attended/held

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

* *Mr. Herman Yu resigned as a non-executive Director with effect from 11 January 2018.*

CHANGES IN INFORMATION OF DIRECTORS

Ms. Yu Bin, one of our independent non-executive Directors, is the chief financial officer of LingoChamp Inc., an AI driven education technology company since September 2017.

Mr. Chan, Wing Yuen Hubert, one of our independent non-executive Directors, has been 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) since November 4, 2016, whose shares are listed on the Stock Exchange with effect from July 13, 2017.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

Code provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the Reporting Period, the Chairman met with the independent non-executive Directors and other non-executive Directors without other executive Directors present to understand their concerns and to discuss pertinent issues.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2017 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

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

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

The statement by the auditor of the Company regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 92 and 99 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control of the Group, and continuously monitors and reviews the effectiveness of its operation. A defined management structure with specified limits of authority and responsibilities is developed for promoting the effectiveness of operations, ensuring the reliability of financial reporting, complying with applicable laws, rules and regulations, and safeguarding assets of the Group.

Characteristics of Risk Management and Internal Control Organization System

The Company has been equipped with sufficient resources, staff qualifications and experience, sufficient training courses and relevant budgets in risk management and internal control to establish the risk management and internal control organization system, which includes the Board, the Audit Committee, internal audit department, the Company's management, and all the departments of the organization. All departments and the Company's management are the first line of defense for risk management and internal control, which are responsible for identification, reporting and preliminary management of risks. The internal audit department is the second line of defense. It is responsible for the overall organization, coordination and planning of risk management and internal control work, and monitors the first line of defense. The Audit Committee is the third line, which is responsible for monitoring the work of the first and second lines of defense. As the highest decision-making body of the Company's risk management and internal control, the Board takes ultimate responsibility for the sound and effective implementation of the Company's risk management and internal control system.

Work Carried Out and Reviewed of Risk Management and Internal Control

The Company conducts annual reviews of the effectiveness of the risk management and internal control organization system and evaluates all key monitoring aspects, including financial monitoring, operational monitoring, compliance monitoring and risk management.

Internal audits carried out by the internal audit department, with the assistance of internal and external monitoring consultants, ensure that the monitoring is carried out properly and functioning according to the intended function. The results of the internal audits and review are reported to the executive Directors and the Audit Committee at least once a year. In 2017, around the overall business objectives, the Company sorted out and identified the possible risks from four levels of the strategic-business-reputation, compliance monitoring, financial, organization and operation, which formed the risk management framework as the basis for risk management. The internal audit department discussed with all the responsible departments to analyze and evaluate the risk identified, and submitted the assessment and measures to be taken for major risks to the Company's management for review, and to Audit Committee and Directors for consideration and approval. The Board has reviewed the effectiveness of the risk management and internal control organization system and confirmed that the system is effective during the Reporting Period, and there are no significant monitoring errors or significant monitoring weaknesses.

The Processing and Publishing of Inside Information

The Company has established procedures on disclosure of inside information to ensure that inside information is promptly identified, assessed and submitted, where appropriate, for the attention of the Board.

To manage the risks regarding inside information, we have adopted the Model Code as the Company's own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all members of the Board complied with the Model Code during the year ended December 31, 2017. Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended December 31, 2017.

INDEPENDENT AUDITORS' REMUNERATION

The Group's independent auditor is PricewaterhouseCoopers.

For the year ended December 31, 2017, the fees paid/payable to PricewaterhouseCoopers for the audit and review of the financial statements of the Group were RMB8.3 million.

Fees paid/payable to PricewaterhouseCoopers for non-audit services provided to the Group for the year were RMB0.

JOINT COMPANY SECRETARIES

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

During the year ended December 31, 2017, each of Mr. Chen Shi and Ms. Ng Sau Mei have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2017, there were no significant changes in the constitutional documents of the Company.

This glossary contains explanations of certain terms used in this annual 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.

1. ABOUT THIS REPORT

This is our second Environmental, Social and Governance ("**ESG**") Report (the "**Report**"). It outlines our sustainability approaches and discloses our ESG performances during the Reporting Period. Unless otherwise stated, the reporting scope in this Report only covers our major business in live social video communities. In compiling the Report, we are in stringent compliance with the applicable disclosure requirements of the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKEX ESG Reporting Guide**").

For the corporate governance section, please refer to the separate "Corporate Governance Report" session in the annual report.

We treasure every valuable opinion of our stakeholders. If you have any opinions about this report and our sustainability performances, please do not hesitate to send your feedback to IR@tiange.com.

2. ABOUT TIAN GE

Tian Ge is the leading operator of live streaming platforms in China. We create online social communities for both mobile and PC users. Our flagship social interactive entertainment platforms include 9158 Live Streaming, Sina Show, Miao Broadcasting (喵 播), Crystal Live Broadcasting (水 晶 直 播), Happy Live Broadcasting (歡 樂 直 播) and Feng Broadcasting (瘋 播), of which our "many-to-many" concept has been innovatively been incorporated. Fully grasping the opportunity of the Web 2.0 era with the high permeation of social media, we continue to design multi device live streaming platforms to bring people together and realize our mission of bringing optimism and joy to the masses.

Vision:

Tian Ge is here to make the world smile every day.

Mission:

Our mission is to bring optimism and joy to the masses by building technologies and platforms that enable live social video interaction.

- Showcase the power of youth through every video window.
- Break geographic boundaries and share the world's sparkle and vitality through the global network.
- Establish harmonious online ecosystems with an ever-changing horizon.
- Meet and exceed each and every customer's needs.
- Maintain a consistent focus on corporate responsibility by introducing programs and activities that create a better and healthier society.

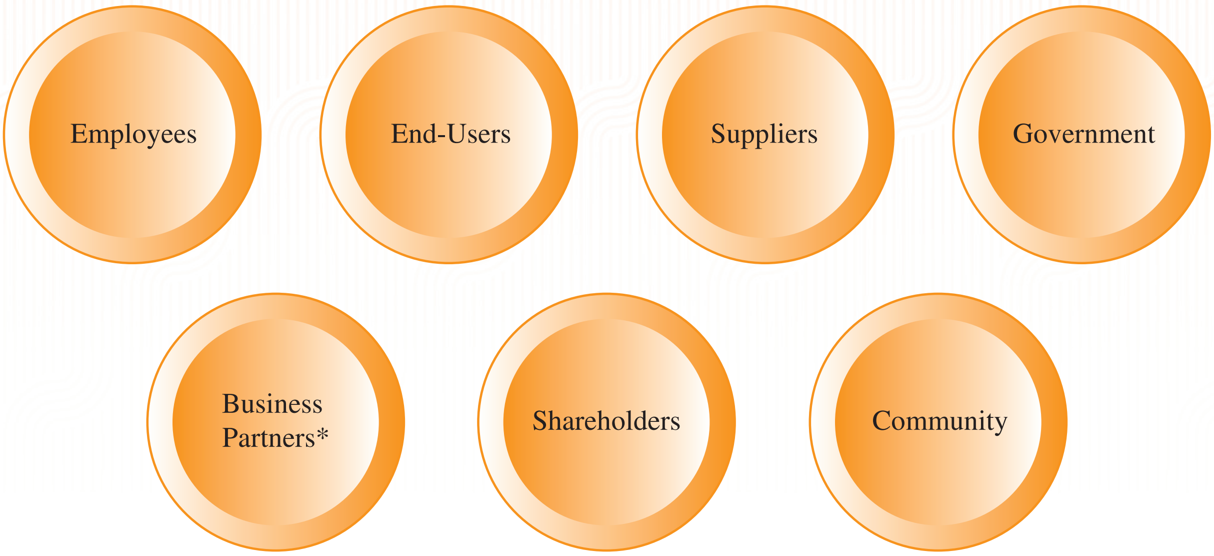
Core Values:

- Integrity and Honesty
- Optimism and Dedication
- Open Communication and Innovation

3. OUR SUSTAINABILITY APPROACH

Our vision to "make the world smile every day" underpins our sustainability approach in creating long-term value to make our stakeholders smile. As a global citizen, we are devoted to creating sustained value for a better environment and community by incorporating environmental, social and governance considerations into our operations.

Our stakeholders are identified as follows:



* Including distributors, sales agents, hosts and room managers.

We are assured that without the trust and support from with our stakeholders, we cannot achieve sustainability and success in the long haul. Therefore, we have been managing diverse communication channels for them to express their views, including conference calls, official Weibo, WeChat, email and phone. We hope to maintain long-lasting and harmonious relationships with our stakeholders. As a result, we take account of their valuable opinions as an impetus enabling us to improve our corporate strategies, mitigate risks and reinforce major relationships.

4. MAKING OUR PEOPLE SMILE

(a) Talent Acquisition

Employees are our foremost property. In order to remain our leading position in the online entertainment industry in China, we have a holistic recruitment policy in scouting for talents. Apart from online recruitment, roadshows, media recruitment and internal referral, we have also developed an official WeChat account specialized for posting recruitment notice for interested parties. Our recruitment procedure includes written test, interview, aptitude test and background check. During recruitment, we will only take into account of candidates' competencies, skills, knowledge and work experience with respect to the concerned job positions, irrespective of their age, gender, nationality, race as well as disability. Being an inclusive employer, we firmly uphold the principle of diversity and equal opportunity in the workplace to the greatest extent. We take a zero-tolerance approach to any forms of discrimination.

(b) Remuneration and Benefits

Our employees are the most important assets of the Group. We make our best endeavour to provide a harmonious and comfortable working environment, as well as competitive remuneration packages and plentiful benefits to attract and retain talents.

Remuneration packages employees receive comprise of basic salary, special bonuses and allowances. Special bonuses include performance bonus, project bonus and internal referral bonus. As for allowances, employees may receive a monthly full duty bonus (without lateness, early leave and changing roster that month), lunch allowance, transportation allowance and overtime allowance. In accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), we ensure that employees are covered by the social security scheme (pensions, unemployment, medical, work-related injury and maternity insurances plus housing provident fund (五險一金)). We review the remuneration policy annually to keep up with market pace. Below are the examples of our fringe benefits:

- Birthday coupons
- Maternity allowances
- Book purchase subsidies
- Transportation subsidies
- Marriage benefits
- Festival bonuses
- Free overtime meals
- Annual Travel

Different departments also organize an array of staff activities such as picnic and meal gatherings in the hope of enhancing the sense of belonging and promoting a better work-life balance. Our WeChat account for staff enables them to exchange ideas, knowledge and coordinate leisure activities.

(c) Occupational Health and Safety

Though our operation is office-based, maintaining workplace safety and occupational health is our top priority. Adhering to the Labour Law of the PRC (《中華人民共和國勞動法》) and other applicable laws and regulations, we have taken meticulous measures in health and safety for the sake of our employees' wellbeing. All new employees have to undergo an obligatory medical check before commencing their duties. Besides, we arrange annual medical check-up, weekly-medical consultation sessions and quarterly medical talks. Our offices are also equipped with gym appliances so that employees can work out in their leisure time. In terms of workplace safety, we conduct fire drill twice a year and conduct inspection once a year to ensure the good condition of safety equipment, including first-aid kits, fire sprinkler system, fire alarm system and emergency exit by complying with the Fire Protection Law of the PRC and other related laws and regulations. During the Reporting Period, no work-related accidents or casualties have been recorded.

(d) Development and Training

To become an employer of choice requires substantial investment in human capital. One of our focus has been offering development opportunities, at both professional and personal levels, to enable our talents to keep up with online social entertainment industry.

We provide our talents with abundant opportunities to receive training through establishing a training management system and an annual training plan in light of the yearly business development goals, incorporating internal and external trainings in the forms of lectures, visits, videos and sharing sessions, which can be categorized into four dimensions:

i. New staff orientation;

ii. Pre-job training;

iii. On-the-job training; and

iv. Personal development.

The Group values talents by giving them opportunities for advancement in career development. We have formulated a performance appraisal system and conduct appraisal on a monthly, quarterly or yearly basis, depending on job position or projects. The appraisers will assess employees' performances on a quantitative scale based on a set of key performance indicators. The outcomes will be used as a reference for promotion and salary adjustment.

(e) Labour Standards

We are in stringent compliance with the Labour Law of the PRC prohibiting child and forced labour. In terms of child labour, we require new employees to provide us with identity document for inspection. Human Resources department will keep the copies of the document for record. Such inspection can prevent the introduction of underage labour. As for forced labour, our employee handbook and contract have listed out standard working hours, overtime policy, rest periods, leave and dismissal arrangement. New employees ought to sign the contracts to acknowledge these terms. We strictly abide by relevant laws and regulations to implement human resources policies in avoidance of forced labour.

5. MAKING OUR CUSTOMER SMILE

(a) Customer Services

In accord with our mission "to bring optimism and joy to the masses" through our live social video platforms, with our unceasing effort, we continue to develop advanced broadcasting technology and polishing up the features of our platforms to catch up in the innovation and technology race in pursuit of enhancement of user experience. Besides, we believe that professional and hospitable customer services also enhance user experience, realizing our mission to "meet and exceed each and every customer's needs". Our customer service specialists handle enquiries round the clock to communicate with our users in a professional and courteous manner. Communication channels include our official Weibo, WeChat, hotline and live chat on our live streaming platforms. We promise to solve issues that can be settled at prompt within 1-2 hours and those that are more complicated within 1-2 working days so that our users can have a good time in our online social communities with ease.

(b) Healthy Live Streaming

With the high prevalence of interactive social media, users are not only receivers of media information, but they can also act as internet content generators who may produce illegal and harmful information. As a leading enterprise in the industry, we recognize the permeability and influence of social media to society. Resonating with our mission to "establish harmonious online ecosystems with an ever-changing horizon", we are committed to upholding a safe and healthy online social community. Our professional team has been devoted to building a well-rounded broadcast monitoring system to regulate our users and hosts to prevent the spread of improper information that involves obscenity, violence, illegality and vulgarity in accordance with applicable laws and regulations, including but not limited to the Criminal Law of the PRC (《中華人民共和國刑法》), Regulations of the PRC on the Protecting the Safety of Computer Information Systems (《中華人民共和國計算機信息系統安全保護條例》), Regulation on Internet Information Service of the PRC (《互聯網信息服務管理辦法》), Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), Regulations on Online Live Webcasting (《互聯網直播服務管理規定》) and Measures for the Administration of Communication Network Security Protection (《通信網絡安全防護管理辦法》).

Our broadcast monitoring system encompasses a number of sophisticated software developed by our technological staff to wipe out unbefitting contents at all hands, ranging from real-time videos, text messages, voice messages to visual images. To give an instance, "method for automatic filtering disqualified image based on multilayer characteristics" (《基於多層特徵的不良圖像自動過濾方法》) can automatically analyse screenshot images and filter out inappropriate ones. It increases the efficiency and reliability of our monitoring work.

Our content monitoring system works in three levels, as illustrated below:

Before broadcast

- To register for new accounts, every user ought to abide by the terms of use before using our services to ensure that they agree with and clearly understand our terms and regulations. Registered users will be informed of the types of messages that are strictly prohibited on our live streaming platforms, consisting of illegal, unethical and harming messages together with messages that infringe intellectual property.

During broadcast

- While live streaming rooms begin to broadcast, our content monitoring system and manual inspection by our room managers and technological specialists are responsible for spotting cases of incompliance. Meanwhile, we screenshot every broadcasting room every 3 minutes. The screenshot images will undergo an automatic detection progress in our self-developed filtering system. Inappropriate ones will be sent to our content monitoring team for further handling.

- Once incompliance is confirmed, corresponding actions will be taken to alert and penalize the concerned hosts or audience. By conforming to applicable laws and strict laws, we apply penalties regarding violations on content regulatory requirements comprising warning, room closure, suspension of the stream and/or account, permanent deletion of account with forfeiture of virtual currency and items as well as reporting to the police, depending on the level of severity.

After broadcast

- We will keep the record of cases of incompliance for at least two years, longer than three months as required by the government.

- We have made an agreement with the police to report illegal cases, especially those concerning severe violations like drug use and obscenity and a summary of violations of our terms of services will be reported to relevant local authority weekly. We also provide them with administrative accounts to access our platforms if necessary.

(c) Privacy Protection and Information Security

Besides innovations and excellent customer service, privacy protection is also a prerequisite to enhance user experience and retain our users, especially in the virtual world when personal data is susceptible to leakage. In view of this, we have adopted various policies to protect personal data on all fronts.

Personal data we have collected is mainly made up of personal information of our users. Once users are registering for new accounts, they are required to sign an agreement, authorising us to handle their data with profession. All of our employees ought to sign a Confidentiality Agreement, guaranteeing that they will handle privacy matters properly and will not disclose any of the users' data to the third party without their consent under general circumstances.

We have established an information security management system with reference to international standard ISO/IEC 27001: 2005 which ensures that arrangements concerning information security are fine-tuned to keep pace with changes to the security threats, vulnerabilities and business impacts. The system incorporates measures and working procedures to handle incidents that may pose threat to information security, such as being hacked and leakage of sensitive business information and personal data.

To safeguard information security in the live streaming level, our advanced security mechanisms and content filters can take up the role of a defender to filter out sensitive personal information. Additionally, we manage our own servers to save all of the user data which will be encrypted, saved in different places in our long-distance disaster recovery system, protected by access right control, and backed up regularly to avoid data loss.

(d) Intellectual Property Protection

As an enterprise devoted to developing leading-edge software, we are striving our best in protecting our innovations. We have enacted standard working procedures for our legal professionals to apply for Certificate for the Registration of Computer Software Copyright (《計算機軟件著作權登記證書》) to protect the intellectual property right of the software developed. During the Reporting Period, a total of 132 pieces of intellectual property, including 1 patent, 36 trademarks, 16 domain names and 79 copyrights have been newly registered.

In conjunction with protecting the copyright of our own innovations, in strict compliance with the Copyright Law of the PRC (《中華人民共和國著作權法》), Regulation on the Protection of the Right to Communicate Works to the Public Over Information Networks (《信息網絡傳播權保護條例》), Measures for the Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》) and Provisions on the Administration of Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》), we also pledge to protect intellectual property right in general, notably the originality of the contents our hosts broadcast. For instance, our trademark broadcasting platform, 9158, has declared to its hosts and users that if any case of infringement of intellectual property is identified, the team has the right to remove the infringing work without prior notice. Anyone who suspects that his or her intellectual property is being infringed by our hosts or users when using our service, can notice us in writing and provide us with evidence. Our team will delete the infringing work by request after investigation.

(e) **Advertising**

When publishing advertisements to promote our products and services to the general public, we are in uncompromising compliance with applicable laws and regulations in relation to advertising, including but not limited to Advertisements Law of the PRC and The Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》) to deliver factual and trustworthy messages to safeguard the legitimate rights and interests of our customers.

As the Group is not involved in product manufacturing and sales, laws and regulations relating to labelling are not applicable.

6. MAINTAINING CORPORATE GOVERNANCE

(a) Collaboration with Our Supplier and Business Partner

To maintain and elevate our leading status in the industry, building cooperative, harmonious and long-lasting relationships with concerned parties in the supply chain and the entire industry is of paramount importance. We expect our suppliers and business partners to operate ethically while obeying to applicable laws and regulations. To put our expectation into action, we have established Code of Conduct for our suppliers and business partners. We require them to maintain good business ethics through strategies in occupational health and safety, employee benefits, avoiding child and forced labour and environmental protection. For example, they should have maintained a hygienic working area, discouraged discrimination, complied with applicable environmental laws and established anti-corruption policies. Only our suppliers, business partners and we are highly self-regulated can we achieve sustainability in the industry.

(b) Anti-corruption

To be in line with our core value "integrity and honesty", we have structured an internal control system in light of relevant laws and regulations to superintend our employees' behaviours. Within the system, anti-corruption is one of the most essential aspects. Our anti-corruption policies prohibit any behaviour that harms the Group's benefits and ethics, such as money laundering, bribery, extortion and fraud.

Whistleblowing policy is reinforced in the Group for the purpose of reporting suspected wrongdoings to the management, which can be done by phone, email or post. Anonymous complaints are accepted. Our conduct monitoring team is responsible for handling the complaints by investigating and reporting the findings to the board of directors and relevant parties.

During the Reporting Period, there were no whistleblowing disclosures or confirmed incidents with respect to corruption brought within the Group. We were not aware of any non-compliance with relevant laws and regulations regarding bribery, extortion, fraud and money laundering.

7. MAKING OUR COMMUNITY SMILE

(a) Community Investment

We are committed to our core business of live social interactive entertainment by turning our mission of bringing optimism and joy to the masses into action. The Group strives to ensure business continuity at the same time as it addresses the needs of the community to help create a better society. Throughout the years, we have been advocating volunteer work by educating our employees to give a hand to the needy.

During the Reporting Period, we initiated a charity program, gathering our staff to raise fund and donate resources to poor students in a rural primary school (楨旺鄉小學) in Jiejiang Province. Apart from financial aid, we donated 252 sets of summer uniforms, 30 sets of learning materials and 86 books to the school library. In response to the call from the government, we also donated winter clothing to spread our warmth to the poor rural families in Liupanshui in Guizhou Province.

On top of that, we have also been fully supporting youth education by sponsoring Zhejiang University of Technology. Similar to last year, "Tian Ge Cup" mobile application development contest in the university was also held during the Reporting Period to nurture and explore future elites in technology.

Besides, taking advantage of our technological knowhow, our employees volunteered to help locals with computer-related issues in a residential community in Jinhua city, echoing our mission to maintain a consistent focus on corporate responsibility to create a better and healthier society.

8. MAKING OUR EARTH SMILE

Combating climate change and maintaining a sustainable supply of natural resources have been a critical topic around the world. As a global corporate citizen, albeit our nature of business focusing on digital products and services, we regard environmental protection of great importance. We have formulated an Environmental Policy that addresses our commitment to mitigate the impact of our operations on the environment in line with relevant laws and regulations, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》).

Measures to save the planet

- Following the 4R principle (Replace, Reduce, Reuse, Recycle) to implement measures to prevent pollution, lower resource consumption and reduce waste at source.
- Complying with environment-related laws and regulations to handle and reduce waste and energy.
- Monitoring suppliers' production of safe and eco-friendly products and urging them to use recyclable materials.
- Reinforcing environmentally-friendly strategies, such as paperless operation via electronical means and purchasing energy and water efficient facilities.
- Mitigating greenhouse gas emissions by cutting business travels that are unnecessary.

OUR ENVIRONMENTAL FOOTPRINT IN 2017

Greenhouse Gas Emissions

Total (Scope 1 + Scope 2)[1]: 771.95 tonnes CO_2e

Intensity: 1.01 tonnes CO_2e/employee

Scope 1: 57.02 tonnes CO_2e

Scope 2: 714.93 tonnes CO_2e

Air Emissions

Nitrogen oxides: 3.77 kg

Sulphur oxides: 0.22 kg

Particulate matters: 0.28 kg

Non-hazardous Waste[2]

Total: 3.76 tonnes

Intensity: 4.90 kg/employee

Waste disposed to landfill: 3.13 tonnes

Waste collected for recycling: 0.62 tonnes

Energy Consumption

Total: 1,181,394.47 kWh

Intensity: 1,540.28 kWh/employee

Electricity: 976,884.00 kWh

Unleaded Petrol: 134,970.84 kWh

LPG: 69,539.63kWh

Water Consumption[3]

Total: 1,882 cubicmetres

Intensity[4]: 5.24 cubic metres/employee

Remark: There was a total of 767 employees as of 31 December 2017.

1. For greenhouse gas emissions, in accordance with The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition), published by World Business Council for Sustainable Development and World Resources Institute, Scope 1 Direct Emissions are those from operations that are owned or controlled by the Group, while Scope 2 Indirect Emissions are those emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group.
2. Due to our business nature, we were not aware of any significant generation of hazardous waste.
3. Data of water consumption in our Hangzhou office was not available as sub-meter for individual occupant was not provided by the respective building management. The above data only covers water consumption in our Jinhua and Beijing offices.
4. There were 359 employees in Jinhua and Beijing offices as of 31 December 2017.

(a) **Emission Reduction**

To help assuage climate change which is aggravating here and now, corporates should assume a more active role to engage in low-carbon operations in order to lessen greenhouse gas emissions. As a responsible corporate, we are no exception. Aiming to reduce emissions and hence our impact on the environment, we have enacted the following measures to use energy wisely and efficiently:

- During the Reporting Period, traditional lights in our Hangzhou office have been replaced by LED lights, reducing energy use by 70%.
- Staff is urged to turn off electrical appliances when they are not in use.
- We encourage green travelling with the use of public transport.
- We will conduct inspection to ensure air-conditioners in areas where no staff is working overtime are shut off.
- In terms of procurement, electrical appliances awarded with Grade One Energy Label indicating the most efficient level will be prioritized.

(b) **Waste Reduction**

Optimising resource use and lowering the amount of waste are challenging yet crucial to sustainable development in this resource-constrained world. Waste reduction initiatives are put into action to save the planet by "following the 4R principle (Replace, Reduce, Reuse, Recycle)". Initiatives include separating different kinds of waste, such as general refuse and electrical refuse, recyclable and non-recyclable waste. Electrical refuse generated, predominantly computers, will be recycled and reused by qualified third-party recyclers. Also, we will educate our employees to handle office supplies carefully to extend their life cycles.

Technology plays a critical role, not only in our core business, but also in sustainable development in our operations. We have deployed an online Human Resources system for our employees to manage administrative work, such as applying for leave and carrying out appraisals. This measure can reduce paper consumption remarkably. In the near future, we hope that a paperless office can be created to save trees.

(c) **Water Conservation**

To maximise efficiency and minimise wastage of water, we have implemented water saving strategies in our offices. For instance, in the greening area in Hangzhou office, we use drip irrigation, time control and partial spraying for irrigation to save water.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tian Ge Interactive Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Tian Ge Interactive Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 100 to 236, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition from operation of live social video platforms
- Impairment of goodwill, investments accounted for using the equity method, and investments in unlisted equity investments recorded in available-for-sale financial assets
- Fair value measurement of investments in venture capital funds and unlisted equity investments recorded in available-for-sale financial assets

Key Audit Matter

Revenue recognition from operation of live social video platforms

Refer to note 2.25 and note 6 to the consolidated financial statements

Revenue from operation of live social video platforms for the year ended 31 December 2017 amounted to RMB809,937 thousand which represented 88% of total revenues.

Such revenue derives from sales of virtual currency which can be used to exchange for virtual gifts or purchase virtual items. The revenue is recognised at the reduction of virtual currency during the exchange of virtual gifts, or when the consumable virtual items are consumed, or ratably over the beneficial period of the durable virtual items on the platforms.

We focused on this area as significant efforts were spent on auditing the accuracy of revenue recognized from live social video platforms due to the magnitude of revenue amount and the huge volume of revenue transactions generated from the application systems and billing systems.

How our audit addressed the Key Audit Matter

Our procedures in relation to the revenue recognition from operation of live social platforms included:

- We tested the general control environment of the information technology systems in which the virtual currency was sold and reduced, the virtual gifts were exchanged and the virtual items were consumed;
- We tested the system automated controls, including checking top up of virtual currencies through payment collection channels, as well as calculating reduction of virtual currency, consumption of virtual items and amortization of virtual items in accordance with pre-set system logic. We also tested the interface between the application systems and billing systems;
- We tested management's key controls in respect of revenue recognition from sales of virtual currency, including management review and approval of changes in the discount rate offered on the platforms based on the updated contract entered into with distributors;
- We reconciled the cash collections recorded in the general ledger to the sold virtual currency recorded in the billing systems. We tested, on sample basis, the amount and the timing of cash collection by checking to the evidence of cash receipts;

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We tested the accuracy of revenue from major operating platforms by testing the system logic for generation of revenue reports. By using the computer-assisted audit techniques, we tested the accuracy of computation of revenue recognised on reduction of virtual currency, consumption and amortization of virtual items, which are generated directly from the application systems and billing systems. Based on the procedures performed, we found the revenue recorded was supported by available evidence.
Impairment of goodwill, investments accounted for using the equity method, investments in unlisted equity investments recorded in available-for-sale financial assets *Refer to note 18, note 15 and note 23 to the consolidated financial statements* As at 31 December 2017, the Group held goodwill, investment accounted for using the equity method and investments in unlisted equity investments recorded in available-for-sale financial assets amounting to RMB29,563 thousand, RMB131,760 thousand, and RMB332,862 thousand, respectively. During the year ended 31 December 2017, impairment provision of RMB25,470 thousand, nil and RMB7,500 thousand was made against the carrying amount of goodwill, investments accounted for using equity method and unlisted equity investments recorded in available-for-sale financial assets, respectively.	Our procedures in relation to the impairment assessments of goodwill, investments accounted for using equity method and investments in unlisted equity investments recorded in available-for-sale financial assets included: • With respect to the management's assessment of goodwill, our procedures included: – We assessed the basis which management used to identify separate groups of cash generating units that contained goodwill, and the appropriateness of the valuation methodologies used by reference to industry practice;

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area due to the magnitude of the carrying amounts of these assets and the fact that significant judgements were involved by management (i) to identify whether any impairment indicators exist for investments accounted for using the equity method, investments in unlisted equity investments recorded in available-for-sale financial assets during the year; (ii) to determine the key assumptions to be adopted in the valuation models for the impairment assessments, such as weighted average cost of capital, long-term growth rate, sales growth rate and gross profit margin.	– With assistance of our internal valuation specialists, we assessed the reasonableness of the key assumptions adopted, such as weighted average cost of capital, by comparing them with information independently gathered from comparable companies in the same industry, and compared the long-term growth rate to relevant economic forecasts; – We tested the logic of the cash flow forecast models built by the Group and assessed the reasonableness of the key assumptions used in the models, e.g. sales growth rate, gross profit margin and working capital requirement, by comparing such key assumptions with the Group's historical performance and market data; – We tested the mathematical accuracy of the mathematical calculations applied in the valuation models and the calculation of impairment charges; – We also evaluated management's sensitivity calculations over the recoverable amount of the Group's cash generating units, focusing on those key assumptions to which the calculations were most sensitive.

Key Audit Matter	How our audit addressed the Key Audit Matter
	• With respect to management's assessment of the investments accounted for using equity method and investments in unlisted equity investments recorded in available-for-sale financial assets, our procedures included: – We evaluated management's judgements of the occurrence of the impairment indicators by corroborating the market data, including financial information of the investees and market information. We also evaluated the appropriateness of the criteria applied by the management in their assessment as to whether the decline in fair value was "significant" or "prolonged" by reference to market practice; – With respect to the impaired investments, we assessed the appropriateness of the estimation of the recoverable amount generated from the discounted cash flow made by the management by checking the financial forecast and business plans of the investee. Based on the procedures performed, management's judgements of occurrence of impairment indicators for investments accounted for using the equity method, investments in unlisted equity investments recorded in available-for-sale financial assets, and the key assumptions adopted in the models for the impairment assessment of goodwill and investments in unlisted equity investments recorded in available-for-sale financial assets were supported by the available evidence and consistent with our understanding.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of investments in venture capital funds and unlisted equity investments recorded in available-for-sale financial assets *Refer to notes 3.3 and note 23 to the consolidated financial statements* As at 31 December 2017, the Group held investments in venture capital funds and unlisted equity investments recorded in available-for-sale financial assets amounting to RMB298,958 thousand and RMB332,862 thousand, respectively, which were carried at fair value. We focused on this area due to the magnitude of the financial assets and the significant judgements in determining the respective fair values of such financial instruments.	Our procedures in relation to the fair value measurement of investments in venture capital funds and unlisted equity investments recorded in available-for-sale financial assets included: – With assistance of our internal valuation specialist, we assessed the appropriateness of the valuation methodologies used by management by reference to industry practice. – We evaluated, on a sample basis, the appropriateness of the unobservable and observable inputs used for measuring the fair value of such financial instruments by reference to relevant market information including recent rounds of financing information and underlying supporting documents of the investees. – We also tested, on a sample basis, the arithmetical accuracy of the valuation computation. Based on the procedures performed, we found the valuation methodologies used were acceptable and the key inputs used for measuring the fair value were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chui Yin Wong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Continuing operations			
Revenue	6	**915,969**	823,133
Cost of revenue	8	**(109,291)**	(187,064)
Gross profit		**806,678**	636,069
Selling and marketing expenses	8	**(219,503)**	(198,689)
Administrative expenses	8	**(139,116)**	(120,966)
Research and development expenses	8	**(102,243)**	(86,524)
Other gains, net	9	**43,150**	58,899
Operating profit		**388,966**	288,789
Finance income	11	**5,732**	1,126
Finance costs	11	**—**	(2,498)
Finance income/(costs), net	11	**5,732**	(1,372)
Share of loss of investment accounted for using the equity method	15	**(504)**	(5,110)
Profit before income tax		**394,194**	282,307
Income tax expense	12	**(78,375)**	(52,245)
Profit from continuing operations		**315,819**	230,062
Profit from discontinued operation		**6,968**	647
Profit for the year		**322,787**	230,709
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Changes in value of available-for-sale financial assets		**98,215**	26,677
Currency translation differences		**(58,415)**	63,680
Total comprehensive income for the year		**362,587**	321,066

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Profit/(Loss) attributable to:			
– Shareholders of the Company		**324,099**	233,213
– Non-controlling interests		**(1,312)**	(2,504)
		322,787	230,709
Profit attributable to Shareholders of the Company arising from:			
– Continuing operations		**319,650**	232,801
– Discontinued operations		**4,449**	412
		324,099	233,213
Total comprehensive income/(loss) attributable to:			
– Shareholders of the Company		**363,933**	323,133
– Non-controlling interests		**(1,346)**	(2,067)
		362,587	321,066
Total comprehensive income attributable to Shareholders of the Company arising from:			
– Continuing operations		**359,484**	322,721
– Discontinued operations		**4,449**	412
		363,933	323,133
Earnings per share from continuing and discontinued operations attributable to owners of the Company (expressed in RMB per share):			
Basic earnings per share			
– From continuing operations	13	**0.248**	0.183
– From discontinued operations	13	**0.003**	—
		0.251	0.183
Diluted earnings per share			
– From continuing operations	13	**0.240**	0.175
– From discontinued operations	13	**0.003**	—
		0.243	0.175

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2017	2016
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property and equipment	16	**193,444**	182,908
Investment property	17	**45,319**	27,748
Intangible assets	18	**97,200**	251,003
Investments accounted for using the equity method	15	**131,760**	55,497
Deferred income tax assets	33	**35,968**	74,583
Available-for-sale financial assets	23	**631,820**	304,478
Prepayments and other receivables	21	**203,948**	191,601
Financial assets at fair value through profit or loss	24	**19,590**	—
		1,359,049	1,087,818
Current assets			
Inventories	22	—	1,082
Trade receivables	20	**28,862**	25,834
Prepayments and other receivables	21	**172,544**	115,090
Available-for-sale financial assets	23	**915,074**	610,954
Financial assets at fair value through profit or loss	24	**15,518**	—
Term deposits with initial term over 3 months	25	**199,448**	775,958
Cash and cash equivalents	26	**273,652**	290,306
		1,605,098	1,819,224
Total assets		**2,964,147**	2,907,042
Equity			
Equity attributable to Shareholders of the Company			
Share capital	27	**787**	804
Shares held for restricted share units scheme	27	**(6)**	(7)
Share premium	27	**1,952,499**	2,250,388
Other reserves	28	**569,960**	426,403
Retained earnings/(Accumulated deficits)	30	**193,935**	(89,257)
		2,717,175	2,588,331
Non-controlling interests		**11,582**	35,641
Total equity		**2,728,757**	2,623,972

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	33	**5,130**	14,948
Other non-current liabilities		**1,261**	1,304
		6,391	16,252
Current liabilities			
Trade payables	31	**11,054**	29,435
Other payables and accruals	32	**63,310**	61,407
Income tax liabilities		**107,305**	117,088
Customer advance and deferred revenue		**42,610**	53,888
Provisions for other liabilities and charges	35	**4,720**	5,000
		228,999	266,818
Total liabilities		**235,390**	283,070
Total equity and liabilities		**2,964,147**	2,907,042

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

The financial statements on pages 100 to 236 were approved for issue by the Board of Directors on 29 March 2018 and were signed on its behalf.

Fu Zhengjun
Director

Mai Shi'en
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Shareholders of the Company						Non-controlling interests	Total Equity
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for restricted share units schemes RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	RMB'000	RMB'000
Balance at 1 January 2016		797	2,305,423	(14)	273,425	(292,919)	2,286,712	21,960	2,308,672
Comprehensive income/(loss)									
Profit/(loss) for the year		—	—	—	—	233,213	233,213	(2,504)	230,709
Other comprehensive income									
Currency translation differences	28	—	—	—	63,243	—	63,243	437	63,680
Changes in value of available-for-sale financial assets	28	—	—	—	26,677	—	26,677	—	26,677
Total other comprehensive income, net of tax		—	—	—	89,920	—	89,920	437	90,357
Total comprehensive income/(loss)		—	—	—	89,920	233,213	323,133	(2,067)	321,066
Transactions with Shareholders in their capacity as owners									
Employees share option scheme and restricted share units schemes:									
– value of employee services	10	—	—	—	31,790	—	31,790	—	31,790
– proceeds from shares issued	27	6	10,606	—	—	—	10,612	—	10,612
– vest and transfer of restricted share units	27	—	(8)	8	—	—	—	—	—
Issuance of shares held for restricted share units schemes	27	1	—	(1)	—	—	—	—	—
Non-controlling interests arising from acquisition and establishment of subsidiaries		—	—	—	—	—	—	16,655	16,655
Disposal of a subsidiary		—	—	—	—	—	—	(3,920)	(3,920)
Non-controlling interests arising from step-acquisition of a subsidiary		—	—	—	—	—	—	4,730	4,730
Dividends relating to 2015 paid in June 2016	14	—	(65,633)	—	—	—	(65,633)	—	(65,633)
Profit appropriations to statutory reserves	28	—	—	—	29,551	(29,551)	—	—	—
Changes in ownership interests in subsidiaries without change of control	37	—	—	—	1,717	—	1,717	(1,717)	—
Total transactions with Shareholders in their capacity as owners		7	(55,035)	7	63,058	(29,551)	(21,514)	15,748	(5,766)
Balance at 31 December 2016		804	2,250,388	(7)	426,403	(89,257)	2,588,331	35,641	2,623,972

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Shareholders of the Company						Non-controlling interests	Total Equity
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for restricted share units schemes RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	RMB'000	RMB'000
Balance at 1 January 2017		804	2,250,388	(7)	426,403	(89,257)	2,588,331	35,641	2,623,972
Comprehensive income/(loss)									
Profit/(loss) for the year		—	—	—	—	324,099	324,099	(1,312)	322,787
Other comprehensive income									
Currency translation differences	28	—	—	—	(58,381)	—	(58,381)	(34)	(58,415)
Changes in value of available-for-sale financial assets	28	—	—	—	98,215	—	98,215	—	98,215
Total other comprehensive income/(loss), net of tax		—	—	—	39,834	—	39,834	(34)	39,800
Total comprehensive income/(loss)		—	—	—	39,834	324,099	363,933	(1,346)	362,587
Transactions with Shareholders in their capacity as owners									
Employees share option scheme and restricted share units schemes:		—	—	—	—	—	—	—	—
– value of employee services	10	—	—	—	64,128	—	64,128	—	64,128
– proceeds from shares issued	27	6	6,386	—	—	—	6,392	—	6,392
– vest and transfer of restricted share units	27	—	(9)	9	—	—	—	—	—
Repurchase and cancellation of ordinary shares	27	(31)	(224,675)	—	—	—	(224,706)	—	(224,706)
Issuance of shares held for restricted share units schemes	27	8	—	(8)	—	—	—	—	—
Contribution from a non-controlling interest		—	—	—	405	—	405	101	506
Appropriation of dividend to non-controlling interests		—	—	—	—	—	—	(2,023)	(2,023)
Dividends relating to 2016 paid in June 2017	14	—	(79,591)	—	—	—	(79,591)	—	(79,591)
Profit appropriations to statutory reserves	28	—	—	—	40,907	(40,907)	—	—	—
Disposal of subsidiaries	5	—	—	—	(1,717)	—	(1,717)	(20,791)	(22,508)
Total transactions with Shareholders in their capacity as owners		(17)	(297,889)	1	103,723	(40,907)	(235,089)	(22,713)	(257,802)
Balance at 31 December 2017		787	1,952,499	(6)	569,960	193,935	2,717,175	11,582	2,728,757

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year Ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**466,603**	391,187
Income tax paid		**(55,606)**	(30,401)
Net cash generated from operating activities		**410,997**	360,786
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		—	(100,494)
Step acquisition of subsidiaries, net of cash acquired		—	(25,605)
Proceeds from disposal of subsidiaries, net of cash disposed	5	**33,233**	2,212
Payment for acquisition of investment in associates and joint ventures		**(34,800)**	(17,248)
Purchase of and prepayment for property and equipment and investment property		**(44,862)**	(33,224)
Proceeds on disposal of property and equipment and intangible assets	34(b)	**748**	912
Purchase and prepayment for intangible assets and game licenses		**(939)**	(12,605)
Payment of term deposits with initial term over 3 months and available-for-sales financial assets		**(3,865,178)**	(3,303,810)
Proceeds from disposal of term deposits with initial term over 3 months and available-for-sales financial assets		**3,929,619**	3,167,908
Repayment of capital contribution of available-for-sales financial assets		**15,984**	—
Interest received		**7,982**	3,208
Receipt for refundable prepayments of potential investments		**19,003**	—
Proceeds from return of prepayment for investments		—	181,266
Cash paid for prepayments of investments		**(121,984)**	(116,195)
Payment for financial assets at fair value through profit or loss		**(35,465)**	—
Loans granted to third parties and related parties		**(461,819)**	(32,635)
Repayment of loans granted to third parties and a related party		**435,596**	36,000
Loans granted to borrowers through investment and financing platforms		—	(323,128)
Repayment of loans from borrowers through financial platforms		—	154,019
Net cash used in investing activities		**(122,882)**	(419,419)

	Note	Year Ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Funds from individual investors		—	169,109
Proceeds from exercise of share options		**7,921**	10,567
Payment for repurchase of shares	27	**(224,706)**	—
Proceeds from capital injection of non-controlling interests		**506**	—
Dividends paid to non-controlling interests		**(2,023)**	—
Dividends paid to the Company's shareholders	14	**(79,591)**	(65,633)
Net cash generated from/(used in) financing activities		**(297,893)**	114,043
Net increase/(decrease) in cash and cash equivalents		**(9,778)**	55,410
Cash and cash equivalents at beginning of year		**290,306**	232,848
Exchange gain/(loss) on cash and cash equivalents		**(6,876)**	2,048
Cash and cash equivalents at end of year		**273,652**	290,306
Non-cash financing and investing activities	34	**64,348**	6,144
Cash flows of discontinued oeprations	7	**(1,754)**	24,767

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Tian Ge Interactive Holdings Limited (the 'Company') was incorporated in the Cayman Islands on 28 July 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.

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

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

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

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

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

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

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

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

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

1 GENERAL INFORMATION – *continued*

The Group does not have any equity interest in Hantang, Jinghua9158, Jinghua99 and Xingxiu. As a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement in Hantang, Jinghua9158, Jinghua99 and Xingxiu and has the ability to affect those returns through its power over Hantang, Jinghua9158, Jinghua99 and Xingxiu, and is considered to control Hantang, Jinghua9158, Jinghua99 and Xingxiu. Consequently, the Company regards Hantang, Jinghua9158, Jinghua99 and Xingxiu as the structured entities under IFRSs (see also Note 2.2.1 and Note 5).

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

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

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

These consolidated financial statements of the Group have been approved for issue by the Board of Directors (the 'Board') on 29 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

Changes in accounting policies and disclosure

(a) New amendments and interpretation adopted by the Group in 2017

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

– Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and

– Disclosure of changes in liabilities arising from financing activities – Amendments to IFRS 7.

– Disclosure of interest in other entities – Amendments to IFRS 12.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2018, and have not been early adopted by the Group

A number of new standards and amendments to standards and interpretations to be adopted in future reporting periods, and have not been applied in preparing this consolidated financial information. None of these are expected to have a significant effect on the consolidated financial information of the Group, except the following set out below:

(i) IFRS 9 Financial Instruments

Nature of change

IFRS 9 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

(b) New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2018, and have not been early adopted by the Group – continued

(i) IFRS 9 Financial Instruments – *continued*

Impact

The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a "solely payment of principal and interest" (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as financial assets at fair value through profit or loss (FVTPL). The intent of SPPI test is to ensure that debt instruments that contain non-basic leading features, such as conversion options and equity linked pay-outs, are measured at FVTPL. Subsequent measurement of instruments classified as FVTPL under IFRS 9 operates in a similar manner to trading under IAS 39.

For debt instrument financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are measured. Debt instruments that are managed on a "held for trading" or "fair value" basis will be classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis will be classified as financial assets at fair value through other comprehensive income (FVOCI) for debt. Debt instruments that are managed on a "hold to collect" basis will be classified as amortized cost. Subsequent measurement of instruments classified at FVOCI and amortized cost classification under IFRS 9 operates in a similar manner to available-for-sale financial assets for debt securities and loans and receivables, respectively, under existing IAS 39, except for the impairment provisions which are discussed below.

For those debt instrument financial assets that would otherwise be classified as FVOCI or amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All equity instrument financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument at FVOCI for equities. Unlike AFS for equity securities under IAS 39, the FVOCI for equities category results in all realized and unrealized gains and losses being recognized in other comprehensive income with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss.

The Group has reviewed its financial assets and is expecting the following impact from the adoption of the new standard on 1 January 2018:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

(b) New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2018, and have not been early adopted by the Group – continued

(i) IFRS 9 Financial Instruments – *continued*

***Impact** – continued*

The Group's debt instruments that are currently classified as measured at amortised cost appear to meet the conditions for classification at amortised cost under IFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

The Group's equity investments that are currently classified as financial assets at fair value through profit or loss will continue to be measured at FVTPL. The Group's equity investments that are currently classified as available-for-sale (AFS) will be reclassified to FVTPL or FVOCI, which is being under the process of election.

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 IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group is still assessing how its impairment provision would be affected by IFRS 9, it may result in an earlier recognition of credit loss.

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.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

(b) New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2018, and have not been early adopted by the Group – continued

(ii) IFRS 15 Revenue from Contracts with Customers

Nature of change

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.

Impact

The Group is in the process of assessing the impact of applying the new standard on the Group's financial statements.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

(b) *New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2018, and have not been early adopted by the Group – continued*

(iii) IFRS 16 Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised 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 recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The Group is a lessee of office buildings and servers which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in note 2.27 with the Group's future operating lease commitments, which are not reflected in the consolidated balance sheet, set out in note 36(b). IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheet. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in property and equipment and an increase in financial liabilities in the consolidated balance sheet. In the consolidated statement of comprehensive income, leases will be recognised in the future as capital expenditure on the purchasing side and will no longer be recorded as an operating expense. As a result, the operating expense under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. This will lead to an improvement in earnings before interest, taxes, depreciation and amortisation. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(iv) There are no other amendments and new or amended standards that are not yet effective that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.2 Principles of consolidation and equity accounting

2.2.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.2 Principles of consolidation and equity accounting – *continued*

2.2.1 Consolidation – continued

(a) Business combinations – *continued*

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

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

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

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

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.2 Principles of consolidation and equity accounting – *continued*

2.2.2 Separate financial statements

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

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

2.3 Associates

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.3 Associates – *continued*

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

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

2.4 Joint arrangements

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

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

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

2.5 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.6 Foreign currency translation – *continued*

(c) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.7 Property and equipment

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

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

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

– Building	30 - 58 years
– Decorations	2 - 5 years
– Furniture	5 years
– Office equipment	3 years
– Server and other equipment	3 - 4 years
– Motor vehicles	4 years
– Leasehold improvement	Shorter of remaining term of the lease and the estimated useful lives of the assets

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other gains, net' in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.8 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income as part of a valuation gain or loss in 'other gains – net'.

2.9 Intangible assets

(a) Goodwill

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.9 Intangible assets – *continued*

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

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

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

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

(c) Research and development expenditures

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.10 Impairment of non-financial assets

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

2.11 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'other receivables', 'term deposits with initial term over 3 months' and 'cash and cash equivalents' in the balance sheet (Notes 19, 20, 21, 25 and 26).

(c) Available-for-sale financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.12 Financial assets – *continued*

2.12.2 Recognition and measurement

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

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

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

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

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

2.13 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.14 Impairment of financial assets – *continued*

(b) Assets classified as available-for-sale

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

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

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

2.15 Inventories

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

2.16 Trade and other receivables

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

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 2.12 for further information about the Group's accounting for trade receivables and note 2.14 for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.17 Cash and cash equivalents

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

2.18 Share capital

Ordinary shares are classified as equity.

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

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

2.19 Shares held for restricted share units ('RSU') scheme

The consideration paid by the RSU Trustee (see Note 29(f)) for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as 'Shares held for RSU Scheme' and deducted from total equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance.

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

2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities unless the payment is not due within 12 months after the reporting period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.21 Current and deferred income tax

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

(a) Current Income Tax

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

(b) Deferred Income Tax

Inside Basis Differences

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.21 Current and deferred income tax – *continued*

(b) Deferred Income Tax – continued

Outside Basis Differences

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

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

(c) Offsetting

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

2.22 Employee benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.23 Share-based payments

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

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

– including any market performance conditions;

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

– including the impact of any non-vesting conditions.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.23 Share-based payments – *continued*

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

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

(b) Share-based payments transactions among group entities

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

2.24 Provisions and contingent liabilities

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.25 Revenue recognition

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

(a) Live social video platforms

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.25 Revenue recognition – *continued*

(a) Live social video platforms – continued

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.25 Revenue recognition – *continued*

(b) Game operation

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.25 Revenue recognition – *continued*

(b) Game operation – continued

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

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

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

(c) ECommerce transactions

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.25 Revenue recognition – *continued*

(d) Advertising

The Group primarily derives its advertising revenue from performance-based advertisements.

Revenue from performance-based advertisements is recognized based on actual performance measurement. The Group recognizes the revenue from delivery of pay-for click or pay-for instant display advertisements for advertisers to users of the Group's live social video platforms based on a per-click basis when the users click on the content, or on a per-display when the advertising contents are displayed to users.

(e) Game licensing

The Group generates revenues from licensing its self-developed games and its own platforms for an agreed period. The revenue from licensing agreements is recognised when all the following criteria are met: persuasive evidence of an arrangement exists; the content has been delivered or is available for immediate and unconditional delivery and the Group has no further obligations; the price to the customer is fixed or determinable; and collectability is reasonably assured. The revenue is recognised based on an agreed percentage of the proceeds from the players over the period of the licensing agreement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.25 Revenue recognition – *continued*

(f) Rental income

Rental income from investment property is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

2.26 Interest income

Interest income mainly represents interest income from bank deposits, and is recognised using effective interest method. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.27 Leases

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.28 Dividend distribution

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

2.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Note 9 provides further information on how the Group accounts for government grants.

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

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

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Except that the Group operates the business in Japan, most of the Company's subsidiaries' functional currencies are RMB as the majority of the revenues of these companies are derived from operations in mainland China. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets and net investments in foreign-operations as at 31 December 2017. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's entities. The Group does not hedge against any fluctuation in foreign currency. Details of the Group's trade receivables, term deposits with initial term over 3 months, and cash and cash equivalents as at 31 December 2017, which are denominated in currencies other than RMB, are disclosed in Notes 20, 25 and 26 respectively.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Details of the Group's investments accounted for using equity method and available-for-sale financial assets, which are denominated in currencies other than RMB, are disclosed in Note 15 and 23, respectively.

For group companies outside the PRC whose functional currencies are US$, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, the pre-tax profit for the year ended 31 December 2017 would have been RMB178 thousand lower/higher (2016: RMB2,928 thousand), mainly as a result of net foreign exchange gains/losses of monetary assets denominated in RMB.

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

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(a) Market risk – continued

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from wealth management products held by the Group (Note 23) and classified as available-for-sale, and the term deposits with initial term over 3 months held by the Group.

The sensitivity analysis is determined based on the exposure to interest risk of available-for-sale financial assets and term deposits with initial term over 3 months at the end of each reporting period. If the interest rate of the respective instruments held by the Group had been 25 base points higher/lower, the profit before income tax would have been RMB323 thousand higher/lower for the years ended 31 December 2017 (2016: RMB1,028 thousand).

(iii) Price risk

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

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

The sensitivity analysis is determined based on the exposure to equity price risks of available-for-sale financial assets and financial assets at fair value through profit or loss at the end of the reporting period.

For available-for-sale financial assets, if equity prices of the respective instruments held by the Group had been 10% higher/lower, the other comprehensive income would have been approximately RMB63,182 thousand higher/lower for the year ended 31 December 2017 (2016: RMB30,448 thousand).

For financial assets at fair value through profit or loss, if equity prices of the respective instruments held by the Group had been 10% higher/lower, the other gain or loss would have been approximately RMB3,525 thousand higher/lower for the year ended 31 December 2017 (2016: Nil).

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk

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

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

The Group had made term deposits with initial term over 3 months and certain wealth management products with relatively higher interest rates in certain financial institutions. As at 31 December 2017, the Group had outstanding investments in wealth management products which were bought from reputable state-owned financial institutions and regional financial institutions in the PRC and Hong Kong. Management has exercised due care when making investment decision with focus only on low risk wealth management products. There has been no history of default in relation to these financial institutions.

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

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

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(c) Liquidity risk

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

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

The Group

	Less than 3 Months RMB'000	3-6 Months RMB'000	6 Months-1 Year RMB'000	More than 1 Year RMB'000	Total RMB'000
At 31 December 2016					
Trade payables	29,435	—	—	—	29,435
Other payables and accruals (excluding accrued payroll, government grant and other tax liabilities)	39,885	—	—	—	39,885
At 31 December 2017					
Trade payables	**11,054**	—	—	—	**11,054**
Other payables and accruals (excluding accrued payroll, government grant and other tax liabilities)	**33,594**	—	—	—	**33,594**

As at 31 December 2017 and 2016, the Group and the Company had no derivative financial liability.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.2 Capital management

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

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

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

3.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value estimation – *continued*

(i) Fair value hierarchy – continued

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value estimation – *continued*

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- the discounted cash flow analysis.
- the net asset value of private equity fund investments.
- the latest round financing, i.e. the prior transaction price or the third-party pricing information.

An explanation of each level follows underneath the table.

Recurring fair value measurements at 31 December 2017	Valuation techniques and key input	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit and loss		24				
– Structured notes	Bank quoted expected return		–	–	15,518	15,518
– Redeemable preferred shares	Discounted cash flow, future cash flows are estimated based on the key assumptions including weighted average cost of capital (discount rate), risk free interest rate and volatility, etc.		–	–	19,590	19,590
Available-for-sale financial assets		23				
– Wealth management products	Bank quoted expected return		–	–	915,074	915,074
– Venture capital funds	Net asset value		–	–	298,958	298,958
– Unlisted equity securities	Latest round financing		–	–	332,862	332,862
Total financial assets			–	–	1,582,002	1,582,002

3 FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value estimation – *continued*

(ii) Valuation techniques used to determine fair values – continued

Recurring fair value measurements at 31 December 2016	Valuation techniques and key input	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets						
Available-for-sale financial assets		23				
– Wealth management products	Bank quoted expected return		–	–	610,954	610,954
– Venture capital funds	Net asset value		–	–	224,009	224,009
– Unlisted equity securities	Latest round financing		–	–	80,469	80,469
Total financial assets			–	–	915,432	915,432

3 FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value estimation – *continued*

(iii) Fair value measurements using significant unobservable inputs (level 3)– continued

The following table presents the changes in level 3 items for the periods ended 31 December 2017 and 31 December 2016:

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Opening balance 31 December 2016	—	915,432	915,432
Additions	35,465	3,616,873	3,652,338
Remeasurement of the retained interest from "Langqing" and "Pangu Group" due to partial disposal of subsidiaries	—	29,873	29,873
Repayment of capital contribution	—	(15,984)	(15,984)
Maturity of wealth management products	—	(3,108,644)	(3,108,644)
Impairment	—	(7,500)	(7,500)
Investment interest income recognised in consolidated statement of comprehensive income under 'other gains, net'*	(166)	29,964	29,798
Fair value gain recognised in consolidated statement of comprehensive income under 'other comprehensive income'	—	98,215	98,215
Exchange and currency translation difference	(191)	(11,335)	(11,526)
Closing balance 31 December 2017	35,108	1,546,894	1,582,002
*includes unrealized losses recognized in profit or loss attributable to balances held at 31 December 2017	(166)	(2,626)	(2,792)

3 FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value estimation – *continued*

(iii) Fair value measurements using significant unobservable inputs (level 3)

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Opening balance 31 December 2015	—	470,066	470,066
Additions	—	2,272,255	2,272,255
Maturity of wealth management products	—	(1,876,940)	(1,876,940)
Investment interest income recognised in consolidated statement of comprehensive income under 'other gains, net'	—	16,736	16,736
Fair value gain recognised in consolidated statement of comprehensive income under 'other comprehensive income'	—	26,677	26,677
Exchange and currency translation difference	—	6,638	6,638
Closing balance 31 December 2016	—	915,432	915,432
*includes unrealized gains recognized in profit or loss attributable to balances held at 31 December 2016	—	3,854	3,854

(iv) Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every three months, in line with the Group's quarterly reporting periods.

The main level 4 inputs used by the group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Qutoed bank expected return.
- Latest rounds of financing or the prior transcation price.
- Third party transaction pricing information.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the quarterly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

4 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

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

4.1 Critical accounting estimates and assumptions

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

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

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

(b) Fair value of share-based compensation expenses

As mentioned in Note 2.23, the Group has awarded share options under Global Share Option Plan ('Pre-IPO Share Option Scheme') and Post-IPO Share Option Scheme to eligible directors and employees, and used the Binomial option-pricing model to determine the total fair value of the share options awarded. Significant estimates on key assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Company in applying the Binomial option-pricing model (Note 29).

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

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

4 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS – *continued*

4.1 Critical accounting estimates and assumptions – *continued*

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

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

Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expense recognised by the Group in respect of their services rendered for the years ended 31 December 2017 and 2016 was RMB64,128 thousand and RMB31,790 thousand respectively.

(c) Fair value for other financial instruments

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

(d) Current and deferred income tax

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

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

4 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS – *continued*

4.1 Critical accounting estimates and assumptions – *continued*

(e) Impairment of goodwill

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

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income (Note 18).

4.2 Critical judgments in applying the Group's accounting policies

(a) Revenue presentation and recognition

(i) Live social video platforms

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

(ii) Games

For revenues relating to mobile games operated by the Group or by third-party developers which are published on third party platforms, the Group is able to make a reasonable estimate of the gross revenue because (i) the Group is the primary obligor in the arrangements and has discretion in the selection of online application store and third party payment channels; (ii) the Group has lattitude to determine the price of virtual items offered in the mobile games; (iii) As the Group's mobile games are published through a small number of platforms, the Group can obtain the data from these mobile platforms in determining the actual price of the virtual items purchased by the paying players. Accordingly, such revenue is recognised on a gross basis.

4 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS – *continued*

4.2 Critical judgments in applying the Group's accounting policies – *continued*

(b) Contractual Arrangements

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

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

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

5 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2017:

Company Name	Jurisdiction and Date of Incorporation/ Acquisition	Particulars of issued/paid-in capital	Proportion of equity interest held by the Group for 2017 and 2016	Principal Activities and Place of Operation
Directly held by the Company				
Week8 Holdings (HK) Limited ('Week8 HK')	Hong Kong/ 6 August 2008	Hong Kong Dollar ('HK$') 1	100%	Investment holding, Hong Kong
Dimensional Media Inc. ('DMI')	Japan/ 31 March 2015	JPY94,080,000	68%	Investment management, Japan
Indirectly held by the Company				
Tiange Technology (Hangzhou) Co., Ltd. ('Hangzhou Tiange')	PRC/ 26 November 2008	US$18,000,000	100%	Software and internet development and consulting service, the PRC
Zhejiang Tiange Information and Technology Co., Ltd. ('Zhejiang Tiange')	PRC/ 25 September 2009	US$9,476,043/ US$18,000,000	100%	Software and internet development and consulting service, the PRC
Star Power Culture Media(Beijing) Co., Ltd. ('Star Power')	PRC/ 16 November 2010	US$16,866,600	100%	Software and internet development and consulting service, the PRC
Hangzhou Han Tang Cultural Communication Co., Ltd. ('Hantang')	PRC/ 14 September 2004	RMB10,000,000	100%	Online entertainment service and advertising, the PRC
Jinhua 9158 Network Science and Technology Co., Ltd. ('Jinhua9158')	PRC/ 18 November 2008	RMB10,000,000	100%	Online entertainment service and mobile games, the PRC
Jinhua 99 Information Technology Co., Ltd. ('Jinhua99')	PRC/ 18 November 2008	RMB10,000,000	100%	Online entertainment service, the PRC
Jinhua Xingxiu Cultural Communication Co., Ltd. ('Xingxiu')	PRC/ 23 October 2012	RMB10,000,000	100%	Online entertainment service and mobile games, the PRC
Jinhua Tianhu Network Technology Co., Ltd. ('Tianhu')	PRC/ 29 August 2013	RMB10,000,000	51%	Online entertainment service, the PRC
Zhejiang Tian Yue Information Technology Co., Ltd. ('Tianyue')	PRC/ 14 January 2015	US$4,890,000/ US$16,000,000	100%	Software and internet development and consulting service, the PRC
Chengdu Happy Alliance Technology Co., Ltd. ('Happy Alliance')	PRC/1 April 2016	RMB1,000,000	80%	Design and development of mobile games, the PRC

The proportion of equity interest held by the Group is consistent as at 31 December 2017 and 2016.

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

5 SUBSIDIARIES – *continued*

(a) Significant restrictions

Cash and cash equivalents and term deposits of the Group, amounting to RMB61,600 thousand are held in Mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on payment of dividends, share repurchase and offshore investments, etc.

(b) Aggregated financial information on disposal of subsidiaries

	2017 RMB'000	2016 RMB'000
Cash consideration received or receivable	**81,365**	11,100
– Cash consideration received	**33,607**	5,000
– Cash consideration receivable	**46,733**	6,100
– Currency translation differences	**1,025**	—
Remeasurement of the retained interest from partial disposal of subsidiary	**29,873**	—
Total disposal consideration	**111,238**	11,100
Total assets disposed	**(208,497)**	(19,895)
– Cash and cash equivalents disposed	**(6,474)**	(2,788)
– Net book value of property and equipment disposed (Note 16)	**(2,975)**	(4,096)
– Net book value of intangible assets disposed (Note 18)	**(107,658)**	(8,828)
Total liabilities disposed	**69,677**	5,282
Other reserves disposed	**1,717**	—
Non-controlling interests disposed	**20,791**	3,921
Gain/(Loss) on disposal before income tax	**(5,074)**	408
Income tax expense on gain	—	—
Gain/(Loss) on disposal after income tax	**(5,074)**	408

5 SUBSIDIARIES – *continued*

(c) Details of the disposal of subsidiaries

(i) In July 2017, the Group disposed of its 80% equity interest in Jinhua Shixun Network Technology Co., Ltd. ('Jinhua Shixun'), a company specialized in the Online live social video related technologies. The revenue and net loss relating to Jinhua Shixun for the six months ended 30 June 2017 were RMB466 thousand and RMB70 thousand, respectively.

	Jinhua Shixun
	RMB'000
Cash consideration received or receivable	1,864
– Cash consideration received	1,864
Total disposal consideration	1,864
Total assets disposed	(2,460)
– Cash and cash equivalents disposed	(1,279)
Total liabilities disposed	179
Non-controlling interests	922
Gain on disposal before income tax	505
Income tax expense on gain	—
Gain on disposal after income tax	505

5 SUBSIDIARIES – *continued*

(c) Details of the disposal of subsidiaries – *continued*

(ii) In July 2017, the Group disposed of the 61% out of the 80% equity interest it held in Jinhua Langqing Network Technology Co., Ltd. ('Langqing'), a company set up to operate the Happy Alliance. The remaining interests had been recognised as an available-for-sale financial asset. The revenue and net profit relating to Langqing for the six months ended 30 June 2017 were RMB14,516 thousand and RMB115 thousand, respectively.

	Langqing
	RMB'000
Cash consideration received or receivable	61
– Cash consideration received	61
Remeasurement of the retained interest from partial disposal of subsidiary	1,746
Total disposal consideration	1,807
Total assets disposed	(11,585)
– Cash and cash equivalents disposed	(2,660)
– Net book value of property and equipment disposed	(14)
– Net book value of intangible assets disposed	(8,385)
Total liabilities disposed	3,339
Non-controlling interests	(28)
Loss on disposal before income tax	(6,467)
Income tax expense on gain	—
Loss on disposal after income tax	(6,467)

5 SUBSIDIARIES – *continued*

(c) Details of the disposal of subsidiaries – *continued*

(iii) In September 2017, the Group disposed of the 44% out of the 64% equity interest it held in Jinhua Pangu Information Technology Co. Ltd. and Poon Ku International (Macau) Co., Ltd. (collectively 'Pangu Group'), a company specialized in design and development of web-based and mobile casual games, for an aggregated cash consideration of RMB77,350 thousand. The revenue and net profit relating to Pangu Group for the nine months ended 30 September 2017 were RMB88,619 thousand and RMB6,968 thousand, respectively. The transaction was completed as at 30 September 2017 and the remaining interests had been recognised as an available-for-sale financial asset. Its operating results are presented in this consolidated financial statements as a discontinued operation (Note 7).

Discontinued operation	**Pangu Group**
	RMB'000
Cash consideration received or receivable	77,350
– Cash consideration received	31,682
– Cash consideration receivable	44.643
– Currency translation differences	1,025
Remeasurement of the retained interest from partial disposal of subsidiary	28,127
Total disposal consideration	105,477
Total assets disposed	(185,663)
– Cash and cash equivalents disposed	(1,079)
– Net book value of property and equipment disposed	(2,942)
– Net book value of intangible assets disposed	(99,245)
Total liabilities disposed	60,864
Non-controlling interests	19,411
Gain on disposal before income tax	89
Income tax expense on gain	—
Gain on disposal after income tax	89

5 SUBSIDIARIES – *continued*

(c) Details of the disposal of subsidiaries – *continued*

(iv) In December 2017, the Group disposed of its 59.98% equity interest in Uncle Sam (HK) Co., Limited ('Uncle Sam'), a company specialized in the online trading of overseas health products and baby products in HK. The revenue and net loss relating to Uncle Sam for the eleven months ended 30 November 2017 were RMB26,294 thousand and RMB1,428 thousand, respectively. The cash proceeds of RMB2,090 thousand from the disposal of Uncle Sam was received by the Group in 2018.

	Uncle Sam
	RMB'000
Cash consideration received or receivable	2,090
– Cash consideration received	—
– Cash consideration receivable	2,090
Total disposal consideration	2,090
Total assets disposed	(8,789)
– Cash and cash equivalents disposed	(1,456)
– Net book value of property and equipment disposed	(19)
– Net book value of intangible assets disposed	(28)
Total liabilities disposed	5,295
Other reserve disposed	1,717
Non-controlling interests	486
Gain on disposal before income tax	799
Income tax expense on gain	—
Gain on disposal after income tax	799

5 SUBSIDIARIES – *continued*

(c) Details of the disposal of subsidiaries – *continued*

(v) In October 2016, the Group disposed of its full equity interest in Hangzhou Raily Tian Ge Beauty Clinic Co., Ltd. ('Hangzhou Raily'), a company specialized in the provision of beauty clinic procedures. The revenue and net loss relating to Hangzhou Raily for the nine months ended 30 September 2016 were RMB15,316 thousand and RMB1,421 thousand, respectively. The remaining cash proceeds of RMB6,100 thousand from disposal of Hangzhou Raily, was received by the Group in March 2017.

	Hangzhou Raily
	RMB'000
Cash consideration received or receivable	11,100
– Cash consideration received	5,000
– Cash consideration receivable	6,100
Total disposal consideration	11,100
Total assets disposed	(19,895)
– Cash and cash equivalents disposed	(2,788)
– Net book value of property and equipment disposed	(4,096)
– Net book value of intangible assets disposed	(8,828)
Total liabilities disposed	5,282
Non-controlling interests	3,921
Gain on disposal before income tax	408
Income tax expense on gain	—
Gain on disposal after income tax	408

6 SEGMENT INFORMATION

(a) Description of segments and principal activities

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 had following reportable segments for the year ended 31 December 2016:

– Online interactive entertainment service;

– Game licensing;

– Others.

Game licensing segment of the Group mainly licensed its self-developed games and its own platforms for an agreed period. The segment was disposed as at 30 September 2017 and is reported in the financial statements as a discontinued operation.

Therefore, for the year ended 31 December 2017, the Group had two reportable segments including online interactive entertainment service and others.

Online interactive entertainment service of the Group mainly comprises provision of live social video platforms and provision of online games. Others segment of the Group mainly comprise provision of advertising, ECommerce transactions and other services.

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

There were no material inter-segment sales during the years ended 31 December 2017 and 2016. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of comprehensive income.

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

6 SEGMENT INFORMATION – *continued*

(b) Segment revenue and gross profit

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2017 and 2016 is as follows:

	Year Ended 31 December 2017		
	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000
Revenue	852,205	63,764	915,969
Gross profit	768,421	38,257	806,678
– Depreciation, amortization and impairment charges included in segment cost	(11,206)	(9)	(11,215)
Impairment of goodwill	(15,766)	(9,704)	(25,470)
Operating profit			388,966
Finance income			5,732
Finance costs			—
Shares of profit/(loss) of investments accounted for using the equity method of investments accounted for using the equity	(2,679)	2,175	(504)
Profit before income tax			394,194

6 SEGMENT INFORMATION – *continued*

(b) Segment revenue and gross profit – *continued*

	Year Ended 31 December 2016		
	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000
Revenue	759,336	63,797	823,133
Gross profit	611,615	24,454	636,069
– Depreciation, amortization and impairment charges included in segment cost	(6,394)	(534)	(6,928)
Impairment of goodwill	—	(6,997)	(6,997)
Operating profit			288,789
Finance income			1,126
Finance costs			(2,498)
Shares of profit/(loss) of investments accounted for using the equity method	(5,373)	263	(5,110)
Profit before income tax			282,307

A breakdown of the revenue derived from continuing operations is as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Live social video platforms	**809,937**	643,559
Game operation	**42,268**	115,777
ECommerce transactions	**26,294**	33,466
Advertising	**30,622**	896
Others	**6,848**	29,435
	915,969	823,133

6 SEGMENT INFORMATION – *continued*

(b) Segment revenue and gross profit – *continued*

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC. For the year ended 31 December 2017 and 2016, the total geographic information on the revenue derived from continuing operations is as follows:

	Year Ended 31 December 2017		
	PRC (Excluding Hong Kong) RMB'000	**Other regions RMB'000**	**Total RMB'000**
Revenue	**894,757**	**21,212**	**915,969**

	Year Ended 31 December 2016		
	PRC (Excluding Hong Kong) RMB'000	Other regions RMB'000	Total RMB'000
Revenue	817,382	5,751	823,133

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

Risk of Concentration

Management currently expects that the Company's operating results will, for the foreseeable future, continue to depend on the revenue directly from a relatively small number of distributors. All the revenue derived from any single user of the live social video platform was less than 10% of the Group's total revenue during the years ended 31 December 2017 and 2016.

6 SEGMENT INFORMATION – *continued*

(c) Segment assets

The Group's non-current assets other than deferred income tax assets and financial instruments, broken down by location of the assets, is shown as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
PRC (Excluding Hong Kong)	**602,673**	653,410
Other regions	**68,998**	55,347
	671,671	708,757

7 DISCONTINUED OPERATION

(a) Description

In September 2017, the Group entered into agreements to dispose of 44% out of the 64% equity interest it held in Pangu Group that provided game licensing for an aggregated cash consideration of RMB77,350 thousand. The transaction was completed as at 30 September 2017 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

7 DISCONTINUED OPERATION – *continued*

(b) Financial performance and cash flow information

The financial performance and cash flow information presented for the nine months ended 30 September 2017 and the year ended 31 December 2016.

	Nine Months Ended 30 September 2017 RMB'000	Year Ended 31 December 2016 RMB'000
Revenue	**88,619**	11,052
Cost of revenue	**(10,995)**	(1,034)
Gross profit from discontinued operations	**77,624**	10,018
Selling and marketing expenses	**(53,737)**	(7,686)
Administrative expenses	**(11,901)**	(1,306)
Research and development expenses	**(4,255)**	(628)
Other gains, net	**307**	461
Operating profit from discontinued operations	**8,038**	859
Finance income	**65**	24
Finance costs	**—**	—
Finance income/(loss), net	**65**	24
Profit before income tax	**8,103**	883
Income tax	**(1,135)**	(236)
Profit after income tax of discontinued operations	**6,968**	647

7 DISCONTINUED OPERATION – *continued*

(b) Financial performance and cash flow information – *continued*

	Nine Months Period Ended 30 September 2017 RMB'000	Year Ended 31 December 2016 RMB'000
Profit from discontinued operations attributable to:		
– Owners of the Company	4,449	412
– Non-controlling interests	2,519	235
	6,968	647
Other comprehensive income from discontinued operations	—	—
Net cash inflow from/(outflow) from operating activities	(13,580)	29,865
Net cash inflow/(outflow) from investing (2017 includes an inflow of RMB31,682 thousand from the disposal of 44% equity interest)	11,826	(5,098)
Total cash flows	(1,754)	24,767

7 DISCONTINUED OPERATION – *continued*

(c) **Details of the sale of the subsidiaries were disclosed in note 5 and the carrying amounts of assets and liabilities as at the date of sale (30 September 2017) were:**

	As at 30 September 2017 RMB'000
Assets	
Non-current assets	
Property and equipment	2,942
Intangible assets	99,245
Prepayments and other receivables	1,159
Deferred income tax assets	47,895
	151,241
Current assets	
Inventories	3,953
Trade receivables	567
Prepayments and other receivables	28,823
Cash and cash equivalents	1,079
	34,422
Total assets	185,663
Liabilities	
Current liabilities	
Trade payables	2,884
Other payables and accruals	6,240
Deferred income tax liabilities	5,906
Income tax liabilities	45,834
	60,864
Total liabilities	60,864
Net assets	124,799

8 EXPENSES BY NATURE

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Employee benefit expenses (including share-based compensation expenses) *(Note 10)*	**197,420**	165,830
Promotion and advertising expenses (a)	**142,035**	132,847
Commission charges by platforms and game developers	**35,224**	94,876
Bandwidth and server custody fees	**30,051**	29,524
Impairment of goodwill *(Note 18)*	**25,470**	6,997
Amortisation and impairment charges of intangible assets *(Note 18)*	**22,472**	10,999
Cost of inventories	**22,968**	31,090
Travelling and entertainment expenses	**19,787**	18,392
Depreciation and impairment charges of property and equipment *(Note 16)*	**13,953**	14,840
Game development costs	**10,260**	13,037
Auditors' remuneration		
– Audit services	**8,283**	6,021
– Non-audit services	**2**	—
Operating lease rentals	**4,682**	6,945
Provision of trade receivables, prepayments and other receivables impairment *(Note 20) (Note 21)*	**3,975**	21,860
(Reverse of write-down)/write down of inventories to net realizable value	**(1,372)**	365
Others	**34,943**	39,620
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**570,153**	593,243

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

9 OTHER GAINS, NET

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest on financial assets held as investments *(a)*	**36,949**	39,870
Government grants *(b)*		
– Technology award *(i)*	**9,977**	11,216
– Tax related subsidies *(ii)*	**7,491**	8,036
– Scientific project fund *(iii)*	**4,300**	1,638
Interest income on loans to third parties and loans to employees	**7,751**	2,877
Net gain from revaluation of investment property *(Note 17)*	**3,758**	2,667
Gains/(loss) on disposal of property and equipment, net	**482**	(289)
Loss on disposal of prepayment on potential Investment *(Note 21(c))*	**(15,004)**	—
Impairment loss of available-for-sale financial assets *(Note 23)*	**(7,500)**	—
Gain/(Loss) on disposal of subsidiaries and remeasurement of retained interests (Note 5(c))	**(13,900)**	408
Gain on remeasurement of retained interests in Langqin and Pangu Group upon disposal (Note 5(c))	**8,826**	—
Foreign exchange losses on non-financing activity	**(287)**	(14,379)
Financial assets at fair value through profit or loss – Fair value loss	**(166)**	—
Gain on remeasuring existing interest in Happy Alliance on acquisition	**—**	4,351
Others	**473**	2,504
	43,150	58,899

(a) This mainly represented the interest income gained from the Group's investment in term deposits with initial term over 3 months and available-for-sale financial assets included in current assets. Interest income earned from financial assets that are held for cash management purposes is presented as finance income, see note 11 below.

(b) For the years ended 31 December 2017 and 2016, government grants primarily consisted of:

(i) Technology award, amounting to RMB9,977 thousand (2016: RMB11,216 thousand) was granted by the local government authorities in Hangzhou, Jinhua and Chengdu to reward the Group's achievement and support the Group's development in information service industries;

(ii) Tax related subsidies, amounting to RMB7,491 thousand (2016: RMB8,036 thousand) were granted by local government authorities in Hangzhou and Jinhua to incentivise the Group's business growth;

(iii) Scientific project fund, amounting to RMB4,300 thousand (2016: RMB1,638 thousand) was granted by local government authorities in Hangzhou and Jinhua to fund the Group's qualified technology research projects.

10 EMPLOYEE BENEFIT EXPENSES

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and bonuses	**109,874**	113,802
Defined contribution plans (a)	**8,938**	8,706
Other social security costs, housing benefits and other employee benefits	**14,480**	11,532
Share-based compensation expenses *(Note 29)*	**64,128**	31,790
	197,420	165,830

(a) Defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage (20%, 14% and 20% for Beijing, Zhejiang Province and Sichuan Province, respectively) of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees and the Group has no further obligations for the actual payment of pensions or post-retirements benefits beyond these contributions.

(b) Senior management's emoluments

Senior management includes directors, CEO and other senior executives. The aggregate emoluments paid and payable to senior management for employee services excluding the directors and the CEO whose emoluments have been reflected in Note 42 is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and allowances	**482**	483
Discretionary bonus	**79**	79
Defined contribution plans	**85**	72
Other social security costs, housing benefits and other employee benefits	**465**	457
Share-based compensation expenses	**1,154**	955
	2,265	2,046

10 EMPLOYEE BENEFIT EXPENSES – *continued*

(b) Senior management's emoluments – *continued*

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

	Year ended 31 December	
	2017	2016
Emoluments band:		
Nil to RMB1,000,000	**1**	1
RMB1,000,001 to RMB5,000,000	**1**	1

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include Nil (2016: one) director whose emoluments are reflected in the Note 42. The emoluments paid and payable to the remaining five (2016: four) individuals during the year are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and allowances	**1,369**	892
Discretionary bonus	**266**	146
Defined contribution plans	**163**	121
Other social security costs, housing benefits and other employee benefits	**107**	428
Share-based compensation expenses	**37,726**	16,144
	39,631	17,731

The emoluments paid and payable to these individuals for the year ended 31 December 2017 and 2016 fell within the following bands:

	Year ended 31 December	
	2017	2016
Emoluments band:		
RMB1,000,001 to RMB1,500,000	—	1
RMB1,500,001 to RMB2,000,000	**1**	—
RMB2,500,001 to RMB3,000,000	**1**	—
RMB3,500,001 to RMB4,000,000	—	1
RMB6,000,001 to RMB6,500,000	—	1
RMB6,500,001 to RMB7,000,000	—	1
RMB9,000,001 to RMB9,500,000	**1**	—
RMB9,500,001 to RMB10,000,000	**1**	—
RMB16,500,001 to RMB17,000,000	**1**	—

11 FINANCE INCOME/(COSTS), NET

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Finance income:		
– Interest income on cash and cash equivalents	**2,584**	1,078
– Exchange gain on financing activities	**3,148**	—
– Others	—	48
	5,732	1,126
Finance costs:		
– Exchange loss on financing activities	—	(2,498)
	—	(2,498)
Finance income/(costs), net	**5,732**	(1,372)

12 TAX EXPENSE

(a) Income tax expense

The income tax expense of the Group for the years ended 31 December 2017 and 2016 are analysed as follows:

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current income tax:		
– Enterprise income tax	**75,914**	52,485
– PRC withholding tax	**5,000**	5,000
Deferred income tax *(Note 33)*		
– Increase in deferred tax assets *(note 33)*	**10**	(4,138)
– Decrease in deferred tax liabilities *(note 33)*	**(2,549)**	(1,102)
Income tax expense	**78,375**	52,245

12 TAX EXPENSE – *continued*

(a) Income tax expense – *continued*

(i) Cayman Islands income tax

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

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax for all the years presented. It has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2017 and 2016.

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

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

Hangzhou Tiange and Zhejiang Tiange qualified as 'New High-tech Enterprise' under the EIT Law in 2017. Star Power qualified as 'New High-tech Enterprise' under the EIT Law in 2015. Accordingly, they were entitled to a preferential EIT rate of 15% for a three-year period since the qualification day. The applicable EIT rate of these entities was 15% in 2017.

An entity qualifies as 'Software Enterprise' is entitled to an income tax exemption for two years and a 50% reduction to an EIT rate of 12.5% for the subsequent three years. And an entity that qualifies as 'Key National Software Enterprise' is entitled to a further reduced preferential income tax rate of 10%. Happy Alliance and Zhejiang Tianyue qualified as "Software Enterprise" in 2015 and 2016, respectively. Hangzhou Tiange, other than its qualification as a New High-tech Enterprise, was also approved in 2017 as a Key National Software Enterprise for the year ended 31 December 2016. Enterprises wishing to enjoy the status of a Software Enterprise or a Key National Software Enterprise must file required supporting documents with the tax authorities before using the preferential EIT rates. The filing record will be subject to verification by relevant government authorities. Accordingly, income tax for Happy Alliance, Zhejiang Tianyue and Hangzhou Tiange has been provided for at a tax rate of 25%, 25% and 15%, respectively, during the year and corresponding tax adjustments in relation to the change in applicable tax rate will be accounted for in the period upon the verification process is completed.

12 TAX EXPENSE – *continued*

(a) Income tax expense – *continued*

(iii) PRC enterprise income tax ('EIT') – continued

The following table sets out applicable EIT rate of Group's subsidiaries and the PRC Operating Entities in the PRC for the year ended 31 December 2017:

Name	Applicable EIT rate
Hangzhou Tiange	15%
Zhejiang Tiange	15%
Star Power	15%
Hantang	25%
Jinhua9158	25%
Jinhua99	25%
Xingxiu	25%
Tianhu	25%
Tianyue	25%
Happy Alliance	25%

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

(iv) PRC withholding tax ('WHT')

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

12 TAX EXPENSE – *continued*

(a) Income tax expense – *continued*

(v) Numerical reconciliation of income tax expense to prima facie tax payable

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

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit from continuing operations before income tax expense	**394,194**	282,307
Tax calculated at a tax rate of 25%	**98,549**	70,577
Tax effects of:		
Income not subject to tax	**—**	(1,088)
Different tax jurisdiction	**4,637**	2,999
Preferential income tax benefits applicable to subsidiaries in China	**(54,387)**	(36,613)
Withholding tax of appropriation of dividend (a)	**5,000**	5,000
Super deduction for research and development expenses	**(2,338)**	(2,647)
Tax losses for which no deferred tax assets was recognized (b)	**11,739**	329
Expenses not deducted for income tax purposes	**15,175**	13,688
Income tax expense	**78,375**	52,245

(a) Pursuant to the resolutions of the board meeting of Star Power in December 2017, the management plans to declare the dividend of RMB20,000 thousand from the profit of Star Power for the year ended 31 December 2017 to Week8 Holdings (HK) Limited, which were subject to a 10% withholding tax rate at a total amount of RMB2,000 thousand. The remaining undistributed profits of the year ended 31 December 2017 are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future. As of 31 December 2017, the withholding tax of RMB2,000 thousand on the earnings of Star Power for year ended 31 December 2017 was recognised.

As of 31 December 2016, the management declared the dividend of RMB60,000 thousand from the profit of Hangzhou Tiange for the year ended 31 December 2016 to Week8 Holdings (HK) Limited. Pursuant to the approval from the State Administration of Taxation (the 'SAT') in 2014, the relevant withholding tax of RMB3,000 thousand of dividend distributed by Hangzhou Tiange was accrued as of 31 December 2016. In February 2018, the dividend was paid to Week8 Holdings (HK) Limited and the relevant withholding tax of RMB6,000 thouand was paid to tax bureau as Week8 Holdings (HK) Limited didn't meet conditions or requirements stated in the Circular on the Non-residence Enterprise's Tax Treaty Under Double Taxation Agreement (Guoshui No. 124, 2009) issued by the SAT any more. Thus, a further withholding tax of RMB3,000 thousand of the dividend was recognized in the year ended 31 December 2017.

12 TAX EXPENSE – *continued*

(b) Tax losses

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognized	**54,129**	7,177
Potential tax benefit calculated at a tax rate of 25%	**13,532**	1,794

The unused tax losses were incurred by subsidiaries that are not likely to generate taxable income in the foreseeable future. The losses can be carried forward and will expire from 2020 to 2022. See Note 33 for information about recognised tax losses and Note 4.1 for significant judgements made in relation to them.

(c) Value-added tax ('VAT')

The operation of the Group in the PRC primarily applies VAT as follows:

Category	Tax Rate	Basis of Levies
VAT	6%	Revenue from operation of live social video platforms and games
	6%	Other revenue
	3%	Disposal of property and equipment

13 EARNINGS PER SHARE

(a) Basic earnings per share

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.

	Year Ended 31 December	
	2017	2016
Profit attributable to shareholders of the Company (RMB'000)	**319,650**	232,801
Profit from discontinued operations attributable to shareholders of the Company (RMB'000)	**4,449**	412
	324,099	233,213
Weighted average number of ordinary shares in issue (thousand shares)	**1,291,326**	1,277,589
Basic earnings per share (in RMB/share)		
From continuing operations	**0.248**	0.183
From discontinued operations	**0.003**	—
	0.251	0.183

13 EARNINGS PER SHARE – *continued*

(b) Diluted earnings per share

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.

	Year Ended 31 December	
	2017	2016
Profit attributable to shareholders of the Company (RMB'000)	**319,650**	232,801
Profit from discontinued operations attributable to shareholders of the Company (RMB'000)	**4,449**	412
	324,099	233,213
Weighted average number of ordinary shares in issue (thousand shares)	**1,291,326**	1,277,589
Adjustments for share based compensation – share options (thousand shares)	**33,980**	42,580
Adjustments for share based compensation – RSUs (thousand shares)	**10,981**	11,936
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	**1,336,286**	1,332,105
Diluted earnings per share (in RMB/share)		
From continuing operations	**0.240**	0.175
From discontinued operations	**0.003**	—
	0.243	0.175

14 DIVIDENDS

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Dividends paid by the Company	**79,591**	65,633

The dividends paid in 2017 and 2016 were RMB79,591 thousand (HK$0.07 per share) and RMB65,633 thousand (HK$0.06 per share) respectively.

A final dividend in respect of the year ended 31 December 2017 of HK$0.07 per share, net of the Company's share premium account, was proposed pursuant to a resolution passed by the Board on 29 March 2018 and is subject to the approval of the shareholders at the annual general meeting on 7 June 2018. Such dividend was not recognzised as a liability at year end.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Associates	**118,948**	39,993
Joint ventures	**12,812**	15,504
	131,760	55,497

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Associates	**2,072**	120
Joint ventures	**(2,576)**	(5,230)
	(504)	(5,110)

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – *continued*

(a) Interests in associates

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	**39,993**	33,390
Additions *(Note i, ii)*	**76,800**	9,797
Derecognition of Happy Alliance from an associate	—	(3,328)
Share of profit of investment accounted for using the equity method	**2,072**	120
Exchange and currency translation difference	**83**	14
End of the year	**118,948**	39,993

(i) In January 2017, the Group completed the acquisition of a 36% 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 peer-to-peer ('P2P') investment and financing platform in the PRC.

(ii) In November 2017, the Group, together with two other third parties and one individual, established Hainan Xingxiu Microfinance Co., Ltd. ("Hainan Xingxiu"), which engaged in the operation of small loan lending in the PRC. The Group contributed RMB30,000 thousand and holds a 30% equity interests of Hainan Xingxiu.

(iii) Management has assessed the level of influence that the Group has on certain associates, and determined that it has significant influence even though the shareholding is below 20% because of the board representation or other arrangements. Consequently, these investments have been classified as associates. For the Group's other investments with shareholding above 20% but without board representation nor participation in the investee's policy-making process, management has concluded that the Group dose not have significant influence over these investees and classified them as available-for-sale financial assets (Note 23).

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – *continued*

(a) Interests in associates – *continued*

Set out below are the associates of the Group as at 31 December 2017, which, in the opinion of the directors, are material to the Group. The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of entity	Place of business	% of ownership interest 2017	2016	Nature of relationship	Measurement method	Carrying amount 2017	2016
		%	%			RMB'000	RMB'000
Wuhan Jiuxin Puhui Financial Information Services Co., Ltd ('Jiuxin Puhui') (武漢玖信普惠金融資訊服務有限公司)	Wuhan, PRC	36	NA	P2P investing and financing platform, enable the Group to have access to the technology and human resources relating to internet financing and help diversify the product offerings and broaden the service scope.	Equity method	49,073	NA
Immaterial associate						69,875	39,993
Total interests in associats						118,948	39,993

The tables below provide summarised financial information for the associates of the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – *continued*

(a) Interests in associates – *continued*

Individually material associate

Summarised balance sheet	Jiuxin Puhui As at 31 December 2017 RMB'000
Current assets	
Cash and cash equivalents	16,620
Other current assets	787,164
Total current assets	803,784
Non-current assets	39,423
Current liabilities	
Financial liabilities (excluding trade payables, accrued payroll and other tax liabilities)	51,866
Other current liabilities	734,081
Total current liabilities	785,947
Non-current liabilities	8,534
Net assets	**48,726**
Reconciliation to carrying amounts:	
Opening net assets 1 January	42,412
Profit for the period	6,314
Closing net assets	**48,726**
Group's share in %	36%
Group's share in RMB	17,541
Goodwill	31,532
Carrying amount	49,073
Revenue	233,809
Interest income	65
Depreciation and amortisation	4,838
Interest expense	2,394
Income tax expense	2,552
Profit from continuing operations	**6,314**
Profit for the period	**6,314**
Other comprehensive income	—
Total comprehensive income	6,314
Dividends received from associates	—

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – *continued*

(a) Interests in associates – *continued*

Individually material associate

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of individually immaterial associates	**69,875**	39,993
Aggregate amounts of the group's share of:		
Profit from continuing operations	**(201)**	120
Total comprehensive income	**(201)**	120

(b) Interests in joint ventures

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Beginning of the year	**15,504**	18,688
Additions	—	7,451
Adjustments on the capital injection	—	(5,000)
Share of loss of investment accounted for using equity method	**(2,576)**	(5,230)
Currency translation difference	**(116)**	(405)
End of the year	**12,812**	15,504

(i) Management has assessed the level of influence that the Group has on these investments, and determined that it has joint control even though the shareholding varies from 27% to 51% because unanimous consent is required from all parties to the agreements for all relevant activities. Consequently, these investments have been classified as joint ventures.

In the opinion of the directors, the joint ventures of the Group as at 31 December 2017, are not material to the Group. The joint venture have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business..

Individually immaterial joint ventures

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of individually immaterial joint ventures	12,812	15,504
Aggregate amounts of the group's share of:		
Profit from continuing operations	(2,576)	(5,230)
Total comprehensive income	(2,576)	(5,230)

16 PROPERTY AND EQUIPMENT

	Building RMB'000	Decorations RMB'000	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	CIP RMB'000	Total RMB'000
Year ended 31 December 2016								
Net book value								
Opening net book amount	157,510	7,836	3,140	9,312	1,573	496	10,976	190,843
Additions	180	1	516	4,483	1,701	855	2,154	9,890
Acquisition of subsidiaries	—	—	156	1,425	630	—	—	2,211
Step-acquisition of subsidiaries	—	—	—	145	—	—	—	145
Transferred from construction in progress	8,867	560	1,006	36	—	2,456	(12,925)	—
Disposals	—	—	(146)	(325)	(42)	(667)	—	(1,180)
Disposal of a subsidiary	—	—	(548)	(1,505)	(227)	(1,816)	—	(4,096)
Depreciation charge	(4,384)	(2,343)	(1,144)	(4,834)	(938)	(1,262)	—	(14,905)
Closing net book amount	162,173	6,054	2,980	8,737	2,697	62	205	182,908
At 31 December 2016								
Cost	172,776	12,446	5,934	41,567	6,505	7,957	205	247,390
Accumulated depreciation	(10,603)	(6,392)	(2,914)	(31,246)	(3,808)	(7,895)	—	(62,858)
Accumulated impairment	—	—	(40)	(1,584)	—	—	—	(1,624)
Net book amount	162,173	6,054	2,980	8,737	2,697	62	205	182,908

16 PROPERTY AND EQUIPMENT – *continued*

	Building RMB'000	Decorations RMB'000	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	CIP RMB'000	Total RMB'000
Year ended 31 December 2017								
Net book value								
Opening net book amount	162,173	6,054	2,980	8,737	2,697	62	205	182,908
Additions	3,034	316	502	6,888	2,342	—	15,429	28,511
Transferred from construction in progress	—	205	—	—	—	—	(205)	—
Disposals	—	—	(13)	(157)	(96)	—	—	(266)
Disposal of subsidiaries	—	—	(351)	(2,132)	(492)	—	—	(2,975)
Depreciation charge	(4,665)	(3,027)	(1,063)	(4,934)	(983)	(62)	—	(14,734)
Closing net book amount	160,542	3,548	2,055	8,402	3,468	—	15,429	193,444
At 31 December 2017								
Cost	175,810	12,967	5,917	42,621	6,310	7,957	15,429	267,011
Accumulated depreciation	(15,268)	(9,419)	(3,822)	(32,896)	(2,842)	(7,957)	—	(72,204)
Accumulated impairment	—	—	(40)	(1,323)	—	—	—	(1,363)
Net book amount	160,542	3,548	2,055	8,402	3,468	—	15,429	193,444

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

	Year Ended 31 December 2017 RMB'000	Year Ended 31 December 2016 RMB'000
Cost of revenue	**2,511**	3,439
Selling and marketing expenses	**1,649**	2,548
Administrative expenses	**2,668**	2,397
Research and development expenses	**7,125**	6,456
Continuing operations	**13,953**	14,840
Discontinued operations	**781**	65
	14,734	14,905

17 INVESTMENT PROPERTY

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
At fair value		
Opening amount	**27,748**	—
Additions (i)	**16,350**	23,334
Net gains from revaluation	**3,758**	2,667
Currency translation difference	**(2,537)**	1,747
Closing amount	**45,319**	27,748

(i) In 2016, the Group purchased a real estate property located in the United States at a cash consideration of US$3,611 thousand (approximately RMB23,334 thousand). The property is held as an investment property for long-term rental yields, and is not occupied by the Group.

In March 2017, the Group purchased three office units in the United States at a cash consideration of US$2,366 thousand (approximately RMB16,350 thousand). The property is held as an investment property for long-term rental yields, and is not occupied by the Group. As at 31 December 2017, the consideration was fully paid.

Amounts recognised in profit and loss for investment property	**2017**	2016
	RMB'000	RMB'000
Rental income	**622**	628
Direct operating expenses from property that generated rental income	**(569)**	(435)
	53	193

As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: Nil).

17 INVESTMENT PROPERTY – *continued*

The valuation of the investment property was performed by independent professionally qualified valuers, to determine the fair value of the investment property as at 31 December 2017. The revaluation gains or losses is included in 'Other gains - net' in the consolidated statement of comprehensive income (Note 9). The following table analyses the investment property carried at fair value, by valuation method. An explanation of each level is, provided in Note 3.3.

	Fair value measurement at 31 December 2017 using			
Description	**Quoted prices in active markets for identical assets (Level 1) RMB'000**	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurements				
Mokulua Dr Kailua	—	—	29,861	29,861
San Francisco, California	—	15,458	—	15,458
	—	15,458	29,861	45,319

	Fair value measurement at 31 December 2016 using			
Description	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurements				
Mokulua Dr Kailua	—	—	27,748	27,748

17 INVESTMENT PROPERTY – *continued*

(ii) Valuation techniques used to determine level 2 and level 3 fair values

At the end of each reporting period, the Group updates their assessment of the fair value of each property, taking into account the most recent independent valuations. The Group determines a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Group consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.
- discounted cash flow projections based on reliable estimates of future cash flows.
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

For the Group's investment property, the valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, quality of construction and gross living area, etc. The most significant input into this valuation approach is price per square foot.

There were no transfers between Levels 1, 2 and 3 during the year.

(iii) Fair value measurement using significant unobservable inputs (level 3)

The following table presents the changes in level 3 item for the year ended 31 December 2017 and 2016 for recurring fair value measurements:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance, at 1 January	**27,748**	—
Additions	—	23,334
Fair value change recognised in consolidated statement of comprehensive income under 'other gains, net'*	**3,758**	2,667
Exchange and currency translation difference	**(1,645)**	1,747
Closing balance, at 31 December	**29,861**	27,748
*includes unrealized gains recognized in profit or loss attributable to balances held at 31 December	**3,758**	2,667

18 INTANGIBLE ASSETS

	Goodwill	Computer Software	Domain Name and Technology	Brand Name	Platform License and Game License	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2016						
Opening net book amount	44,843	20,431	2,344	13,618	40,076	121,312
Additions	—	2,100	4	—	—	2,104
Acquisition of a subsidiary	75,623	—	—	—	27,432	103,055
Step-acquisition of a subsidiary	30,370	—	—	—	21,166	51,536
Disposal	—	(21)	—	—	—	(21)
Disposal of a subsidiary	(4,811)	—	(22)	(3,995)	—	(8,828)
Amortisation charge	—	(3,366)	(748)	(2,013)	(5,253)	(11,380)
Impairment charge	(6,997)	—	—	—	—	(6,997)
Exchange difference	137	—	85	—	—	222
Closing net book amount	139,165	19,144	1,663	7,610	83,421	251,003
At 31 December 2016						
Cost	146,162	28,318	9,386	10,744	93,126	287,736
Accumulated amortization	—	(8,147)	(7,723)	(3,134)	(9,705)	(28,709)
Accumulated impairment	(6,997)	(1,027)	—	—	—	(8,024)
Net book amount	139,165	19,144	1,663	7,610	83,421	251,003

18 INTANGIBLE ASSETS – *continued*

	Goodwill RMB'000	Computer Software RMB'000	Domain Name and Technology RMB'000	Brand Name RMB'000	Platform License and Game License RMB'000	Total RMB'000
Year ended 31 December 2017						
Opening net book amount	139,165	19,144	1,663	7,610	83,421	251,003
Additions	—	498	441	—	4,717	5,656
Disposal of subsidiaries	(84,008)	(28)	—	—	(23,622)	(107,658)
Amortisation charge	—	(3,874)	(517)	(1,343)	(10,362)	(16,096)
Impairment charge (i)	(25,470)	—	—	(6,267)	(3,538)	(35,275)
Exchange difference	(124)	(28)	(278)	—	—	(430)
Closing net book amount	29,563	15,712	1,309	—	50,616	97,200
At 31 December 2017						
Cost	45,329	28,715	9,549	—	70,411	154,004
Accumulated amortization	—	(11,976)	(8,240)	—	(16,257)	(36,473)
Accumulated impairment	(15,766)	(1,027)	—	—	(3,538)	(20,331)
Net book amount	29,563	15,712	1,309	—	50,616	97,200

(i) During the year ended 31 December 2017, a brand name and a game license have been impaired to the extent of RMB6,267 thousand and RMB3,538 thousand, respectively, as a result of significant deline in revenues and no future cash flows were expected to be brought to the Group.

18 INTANGIBLE ASSETS – *continued*

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

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of revenue	**3,988**	3,109
Selling and marketing expense	**1,484**	431
Administrative expenses	**41,174**	13,193
Research and development expenses	**1,296**	1,263
Continuing operations	**47,942**	17,996
Discontinued operations	**3,429**	381
	51,371	18,377

(a) Impairment tests for goodwill

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

2017	Opening RMB'000	Addition RMB'000	Disposal RMB'000	Impairment RMB'000	Cumulative translation adjustments RMB'000	Closing RMB'000
Sina Show Platform	593	—	—	—	(90)	503
9158 Platform	1,550	—	—	—	(34)	1,516
Jinhua Platform	21,325	—	—	—	—	21,325
Uncle Sam	9,704	—	—	(9,704)	—	—
Happy Alliance (i)	30,370	—	(8,385)	(15,766)	—	6,219
Pangu Group	75,623	—	(75,623)	—	—	—
	139,165	—	(84,008)	(25,470)	(124)	29,563

18 INTANGIBLE ASSETS – *continued*

(a) Impairment tests for goodwill – *continued*

2016	Opening RMB'000	Addition RMB'000	Disposal RMB'000	Impairment RMB'000	Cumulative translation adjustments RMB'000	Closing RMB'000
Sina Show Platform	555	—	—	—	38	593
9158 Platform	1,451	—	—	—	99	1,550
Jinhua Platform	21,325	—	—	—	—	21,325
Uncle Sam	16,701	—	—	(6,997)	—	9,704
Hangzhou Raily	4,811	—	(4,811)	—	—	—
Happy Alliance	—	30,370	—	—	—	30,370
Pangu Group	—	75,623	—	—	—	75,623
	44,843	105,993	(4,811)	(6,997)	137	139,165

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

For each of the CGUs with significant amount of goodwill, the key assumptions used for the value-in-use calculations in 2017 and 2016 are as follows. In addition, where there has been an impairment loss in CGUs, the recoverable amount is also disclosed below.

2017	Jinhua Platform	Uncle Sam	Happy Alliance	Pangu Group
WACC (Weighted average cost of capital)	**16.6%**	**15.4%**	**18.0%**	**N/A**
Long-term growth rate	**3%**	**3%**	**3%**	**N/A**
Sales growth rate	**3%~5%**	**-5%~3%**	**-70%~5%**	**N/A**
Gross profit margin	**28%**	**21%~24%**	**100%**	**N/A**
Recoverable amount of CGU (RMB'000)	**79,829**	**3,484**	**20,938**	**N/A**

2016	Jinhua Platform	Uncle Sam	Happy Alliance	Pangu Group
WACC (Weighted average cost of capital)	16.6%	15.4%	30%	20%
Long-term growth rate	3%	3%	3%	3%
Sales growth rate	3%~20%	3%~43%	-21%~40%	-59.2%~15%
Gross profit margin	30%	18%~23%	70%~73%	86.4%~89.9%
Recoverable amount of CGU (RMB'000)	N/A	32,934	N/A	N/A

18 INTANGIBLE ASSETS – *continued*

(a) Impairment tests for goodwill – *continued*

(i) Lanqing is a subsidiary established by Happy Alliance after its being acquired by the Group for the operation of games developed by Happy Alliance. Upon the disposal of Langqing and based on the relative values of the operation disposed and the portion of the CGU retained, an impairment charges on goodwill amounting to RMB15,766 thousand and a derecognition of goodwill amounting to RMB8,385 thousand were recorded by the Group, respectively.

(b) Impact of possible changes in key assumptions

If the long-term growth rate used in the value-in-use calculation for the CGU in Happy Alliance had been 10% lower than management's estimates at 31 December 2017, the Group would have recognised a further impairment of goodwill by RMB234 thousand.If the estimated cost of capital used in determining the pre-tax discount rate had been 1% higher than management's estimates, the Group would have recognised a further impairment against goodwill of RMB245 thousand.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Assets as per balance sheet		
Loans and receivables:		
– Trade receivables	**28,862**	25,834
– Other receivables (excluding prepayments)	**160,792**	97,544
– Cash and cash equivalents	**273,652**	290,306
– Term deposits with initial term over 3 months	**199,448**	775,958
Financial assets at fair value through profit or loss	**35,108**	—
– Available-for-sale financial assets	**1,546,894**	915,432
	2,244,756	2,105,074
Liabilities as per balance sheet		
Financial liabilities at amortised cost		
– Trade payables	**11,054**	29,435
– Other payables and accruals (excluding accrued payroll, government grant and other tax liabilities)	**33,594**	39,885
	44,648	69,320

20 TRADE RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Third parties	**30,659**	25,385
Less: allowance for impairment of trade receivables	**(1,953)**	—
Third parties, net	**28,706**	25,385
Amount due from related parties *(Note 38(c))*	**156**	449
	28,862	25,834

As at 31 December 2017 and 2016, the fair values of trade receivables approximated their carrying amounts.

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
0-90 days	**26,302**	21,444
91-180 days	**2,156**	1,755
181-365 days	**326**	2,175
Over 1 year	**2,031**	460
	30,815	25,834

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**26,528**	21,212
US$	**4,287**	4,521
HK$	**—**	101
	30,815	25,834

20 TRADE RECEIVABLES – *continued*

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

	2017	2016
	RMB'000	RMB'000
At 1 January	—	121
Provision for receivables impairment (i)	**1,953**	—
Receivables written off during the year as uncollectible	—	(121)
At 31 December	**1,953**	—

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within 'administrative expense' in the consolidated statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against 'administrative expense'.

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

(i) In 2017, one of the Group's customers encountered significant financial difficulties and the amount due from this customer of RMB1,953 thousand was fully impaired.

20 TRADE RECEIVABLES – *continued*

(d) As at 31 December 2017, trade receivables of RMB2,560 thousand were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default and no indicator of financial difficulty. Based on the past experience, the Group believes the overdue amount can be recovered. The aging analysis of these trade receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Up to 6 months	**2,156**	1,755
Over 6 months	**404**	2,635
	2,560	4,390

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

21 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Included in non-current assets		
Prepayments for purchase of investments *(a)*	**181,984**	164,500
Loans to employees	**11,328**	10,882
Long-term prepayments for game licenses and royalty fees, net	**6,827**	11,603
Others	**8,644**	9,451
	208,783	196,436
Less: provision for impairment *(e)*	**(4,835)**	(4,835)
	203,948	191,601
Included in current assets		
Loans to third parties (b)	**48,345**	30,620
Receivable from disposal of subsidiaries *(Note 5(c))*	**46,733**	6,100
Refundable prepayment for potential investments *(a)*	**17,817**	45,929
Receivable from disposal of prepayment on potential investment *(c)*	**14,993**	—
Deferred commission charges	**11,353**	12,755
Loan to a related party (d) *(Note 38(c))*	**10,000**	—
Deposit	**6,483**	2,244
Prepaid promotion expenses	**5,960**	6,925
Advance to suppliers	**4,798**	7,495
Receivable from issuance of ordinary shares	**2,622**	44
Others	**21,752**	20,003
	190,856	132,115
Less: provision for impairment *(e)*	**(18,312)**	(17,025)
	172,544	115,090
	376,492	306,691

21 PREPAYMENTS AND OTHER RECEIVABLES – *continued*

(a) 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, the prepayments are reclassified as non-current assets.

(b) The balance represents the loans lent by the Group to certain third-party companies with terms within 1 year and interest rates ranging from 3% to 10% per annum.

(c) The balance represents the consideration receivable from the disposal of prepayment for a potential investment which resulted in a recognition of loss of RMB15,004 thousand (note 9).

(d) The balance represented the loans lent by the Group to a related party with terms within 1 year and an interest rate of 8% per annum.

(e) As at 31 December 2017 and 2016, the carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximated their fair values. As at 31 December 2017 and 2016, there were no significant balances that are past due. The maximum exposure to credit risk at each of the reporting dates is the carrying value of each class of prepayments and other receivables mentioned above. The Group does not hold any collateral as security. Their recoverability was assessed with reference to the credit status of the recipients.

Individual other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

The provision for impairment primarily represents the impairment of deferred costs, the bad debt provided for loans granted to third parties, and the bad debt provided for prepayments for potential investments amounted to RMB4,835 thousand, RMB4,200 thousand and RMB7,817 thousand, respectively (2016: RMB4,835 thousand, RMB7,200 thousand and RMB7,929 thousand, respectively). Impairment losses are recognised in profit or loss within expense in the consolidated statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against expense.

21 PREPAYMENTS AND OTHER RECEIVABLES – *continued*

(f) Aging analysis based on recognition date of the Group's gross prepayments and other receivables at the respective balance sheet dates are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
0-90 days	**69,311**	120,817
91-180 days	**114,962**	18,428
181-365 days	**81,516**	74,390
Over 1 year	**133,850**	114,916
	399,639	328,551

(g) The carrying amount of the Group's net financial other receivables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**112,472**	95,832
US$	**48,300**	1,626
HK$	**20**	86
	160,792	97,544

22 INVENTORIES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trading stocks	—	2,454
Less: provisions	—	(1,372)
	—	1,082

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB21,596 thousand (2016: RMB31,455 thousand), which included inventory reverse of write-down of RMB1,372 thousand (2016: write-down of RMB365 thousand).

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Included in non-current assets		
Investments in venture capital funds *(a)*	**298,958**	224,009
Unlisted equity investments *(b)*	**332,862**	80,469
	631,820	304,478
Included in current assets		
Investment in wealth management products (c)	**915,074**	610,954
	1,546,894	915,432

(a) Investments in venture capital funds

This represented the Group's investments in certain venture funds as a limited partner. The size of these venture funds are ranged from RMB100,000 thousand to RMB10,000,000 thousand, in which the Group holds interests ranging from 2% to 47% as passive investors.

The nature and purpose of these venture funds are to generate fees from managing assets on behalf of investors. These vehicles are financed through issuing units to investors.

The Group's exposure to the variable returns in these venture funds is not significant and the maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

Set out below are the movements of the Group's investments in venture capital funds as at 31 December 2017 and 2016:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**224,009**	92,208
Additions	**60,019**	98,747
Repayment	**(15,984)**	—
Fair value gain recognised in consolidated statement of comprehensive income under 'other comprehensive income'	**39,048**	26,677
Currency translation difference	**(8,134)**	6,377
At end of the year	**298,958**	224,009

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS – *continued*

(b) Unlisted equity investments

This represented the Group's investments in unlisted equity interests. The Group acquired certain unlisted equity interests for an aggregate consideration of RMB174,054 thousand during the year ended 31 December 2017 with a shareholding percentage ranging from 0.82% to 27%. These companies are principally engaged in operation of web-based casual games, online broadcasting and peer-to-peer('P2P') investment and financing platform. Set out below are the movements of the Group's unlisted equity investments as at 31 December 2017 and 2016:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**80,469**	7,800
Additions	**174,054**	72,408
Partial disposal from subsidiaries to available-for-sale financial assets *(Note 5(c))*	**29,873**	—
Fair value gain recognised in consolidated statement of comprehensive income	**59,167**	—
Impairment (d)	**(7,500)**	—
Currency translation difference	**(3,201)**	261
At end of the year	**332,862**	80,469

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS – *continued*

(c) Investment in wealth management products

The current portion of available-for-sale financial assets represented RMB-denominated principal protected wealth management products with interest rates ranging from 2.7% to 5.2% per annum and maturity period within 1 year or revolving terms. These wealth management products are offered by large state-owned commercial banks in the PRC.

(d) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 3.3. With reference to the assessment that the decline in fair value of the equity interest in one unlisted company was significant and unlikely to recover, an full impairment of RMB7,500 thousand was provided against the carrying amount.

The carrying amounts of the Group's available-for-sale financial assets are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**1,335,490**	752,248
US$	**147,339**	120,015
HK$	**64,065**	43,169
	1,546,894	915,432

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Included in non-current assets		
Redeemable preferred shares *(a)*	**19,590**	—
Included in current assets		
Structured notes *(b)*	**15,518**	—
	35,108	—

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

(a) Redeemable preferred shares

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Redeemable preferred shares		
At beginning of the year	—	—
Additions	**19,590**	—
Fair value gain or loss recognised in profit or loss	—	—
At end of the year	**19,590**	—

This represented the Group's investments in Shanghai Benqu Internet Technology Company Limited ('Shanghai Benqu') in 2017, a third party company principally engaged in developing and operating mobile photo and video applications in the PRC and developing platforms for simultaneous video re-touching features. The Group acquired a 13.6% equity interests for a consideration of RMB19,590 thousand during the year ended 31 December 2017. The equity interests can be redeemed if an initial public offering of Shanghai Benqu can't be achieved within five years since the investment date.

(b) Structured notes

This represented the Group's investments in structured notes. The Group acquired the notes for an aggregate consideration of US$2,400 thousand (equivalent to RMB15,875 thousand) during the year ended 31 December 2017. The product provides a potential return linked to the price of certain listed equity security at the predetermined valuation day in future. Set out below are the movements of the Group's structured notes as at 31 December 2017 and 2016:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Structured notes		
At beginning of the year	—	—
Additions	**15,875**	—
Fair value gain or loss recognised in in profit or loss	**(166)**	—
Currency translation difference	**(191)**	—
At end of the year	**15,518**	—

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 3.3. None of the financial assets at fair value through profit or loss are either past due or impaired.

25 TERM DEPOSITS WITH INITIAL TERM OVER 3 MONTHS

An analysis of the Group's and Company's term deposits denominated in RMB, HK$ and US$ with initial term over 3 months as at 31 December 2017 are listed as below:

	As at December 31	
	2017	2016
Current	**RMB'000**	RMB'000
HK$ term deposits	**134,046**	513,939
RMB term deposits	—	157,840
US$ term deposits	**65,402**	104,179
	199,448	775,958

The effective interest rate for the term deposits of the Group with initial term over 3 months for the year ended 31 December 2017 was 1.39% (2016: 2.35%).

Term deposits with initial term over 3 months were neither past due nor impaired. The directors of the Company considered that the carrying amount of the term deposits with initial term over 3 months approximated their fair value as at 31 December 2017 and 2016.

26 CASH AND CASH EQUIVALENTS

	As at December 31	
	2017	2016
	RMB'000	RMB'000
Current		
Cash at bank and on hand	**124,762**	243,865
Short-term bank deposits *(a)*	**144,945**	39,185
Cash at other financial institutions *(b)*	**3,945**	7,256
	273,652	290,306
Total cash and cash equivalents	**273,652**	290,306
Maximum exposure to credit risk	**273,652**	290,306

(a) The short-term bank deposits are denominated in RMB and have a term ranging from 1 month to 3 months. The effective interest rate of these deposits for the year ended 31 December 2017 was 0.68% (2016: 0.41%).

(b) As at 31 December 2017, RMB3,945 thousand (2016: RMB7,000 thousand) are held in a depositary bank account, and nil (2016: RMB256 thousand) are held in a third-party payment platform.

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**129,973**	152,161
US$	**103,639**	109,462
HK$	**39,499**	27,988
JPY	**541**	695
	273,652	290,306

27 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME

	Number of Shares	Share capital		Share premium	Shares held for RSU Scheme
		US$'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	**1,299,361,417**	**129.93**	**804**	**2,250,388**	**(7)**
Employees share option scheme and restricted share units schemes:					
– proceeds from shares issued *(a)*	**10,361,818**	**1.03**	**6**	**6,386**	**—**
– vest and transfer of RSUs *(Note 29(b))*	**—**	**—**	**—**	**(9)**	**9**
Issuance of shares held for RSU Scheme *(b)*	**13,625,800**	**1.36**	**8**	**—**	**(8)**
Repurchase and cancellation of ordinary shares *(c)*	**(50,081,000)**	**(5.01)**	**(31)**	**(224,675)**	**—**
Appropriation of final dividends *(Note 14)*	**—**	**—**	**—**	**(79,591)**	**—**
At 31 December 2017	**1,273,268,035**	**127.31**	**787**	**1,952,499**	**(6)**

	Number of Shares	Share capital		Share premium	Shares held for RSU Scheme
		US$'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	1,285,538,896	128.55	797	2,305,423	(14)
Employees share option scheme and restricted share units schemes:					
– proceeds from shares issued *(a)*	12,773,833	1.28	6	10,606	—
– vest and transfer of RSUs *(Note 29(b))*	—	—	—	(8)	8
Issuance of shares held for Post-IPO RSU Scheme *(b)*	1,048,688	0.10	1	—	(1)
Appropriation of final dividends *(Note 14)*	—	—	—	(65,633)	—
At 31 December 2016	1,299,361,417	129.93	804	2,250,388	(7)

27 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME – *continued*

(a) Employees share option plan: options exercised during the year ended 31 December 2017 resulted in 10,361,818 ordinary shares being issued (year ended 31 December 2016: 12,773,833 ordinary shares), with exercise proceeds of approximately RMB6,392 thousand (year ended 31 December 2016: RMB10,612 thousand). The related weighted average price at the time of exercise was HK$ 6.05.

(b) In 2017 and 2016, the Company issued 13,625,800 and 1,048,688 ordinary shares respectively to an independent trust nominee for the purpose of granting Post-IPO RSUs to the participants under Post-IPO RSU Scheme (Note 29(b)). The ordinary shares held for Post-IPO RSU scheme was deducted from shareholders' equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance (Note 29(f)).

(c) In February, August, September and October 2017, the Company respectively repurchased 100,000 ordinary shares,16,185,000 ordinary shares, 29,052,000 ordinary shares and 4,744,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited. The total amount paid to repurchase these ordinary shares was HK$267,203 thousand (approximately RMB224,706 thousand).

All the repurchased shares had been cancelled and deducted from the share capital and share premium within shareholders' equity.

28 RESERVES

	Statutory Reserves RMB'000	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Step Acquisition RMB'000	Change in the value of available-for-sale financial assets RMB'000	Changes in ownership interests in subsidiaries without change of control RMB'000	Appropriation of dividend to non-controlling inteterests RMB'000	Total RMB'000
Opening balance at 1 January 2017	**86,390**	**165,509**	**144,297**	**1,813**	**26,677**	**1,717**	**—**	**426,403**
Employees share option scheme and restricted share units schemes:								
– value of employee services	**—**	**64,128**	**—**	**—**	**—**	**—**	**—**	**64,128**
Change in the value of available-for-sale financial assets	**—**	**—**	**—**	**—**	**98,215**	**—**	**—**	**98,215**
Appropriation of dividend to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**405**	**405**
Profit appropriations to statutory reserves (a)	**40,907**	**—**	**—**	**—**	**—**	**—**	**—**	**40,907**
Changes in ownership interests in subsidiaries without change of control	**—**	**—**	**—**	**—**	**—**	**(1,717)**	**—**	**(1,717)**
Currency translation differences	**—**	**—**	**(58,381)**	**—**	**—**	**—**	**—**	**(58,381)**
At 31 December 2017	**127,297**	**229,637**	**85,916**	**1,813**	**124,892**	**—**	**405**	**569,960**
Opening balance at 1 January 2016	56,839	133,719	81,054	1,813	—	—	—	273,425
Employees share option scheme and restricted share units schemes:								
– value of employee services	—	31,790	—	—	—	—	—	31,790
Change in the value of available-for-sale financial assets	—	—	—	—	26,677	—	—	26,677
Profit appropriations to statutory reserves (a)	29,551	—	—	—	—	—	—	29,551
Changes in ownership interests in subsidiaries without change of control	—	—	—	—	—	1,717	—	1,717
Currency translation differences	—	—	63,243	—	—	—	—	63,243
At 31 December 2016	86,390	165,509	144,297	1,813	26,677	1,717	—	426,403

28 RESERVES – *continued*

(a) In accordance with the Company Law in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, i.e. the PRC Operating Entities, it is required to appropriate 10% of the annual net profits of the PRC Operating Entities, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the PRC Operating Entities, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions in the Articles of Association of Hangzhou Tiange, Zhejiang Tiange, Star Power and Tianyue appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these wholly-foreign owned subsidiaries to their reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer is not needed.

29 SHARE-BASED PAYMENTS

(a) Share options

Pre-IPO Share Option Scheme

On 9 December 2008, the Board of Directors of the Company approved Pre-IPO Share Option Scheme that provides for granting options to eligible directors and employees (collectively, the 'Grantees') to acquire ordinary shares of the Company at an exercise price as determined by the Board at the time of grant. Upon the Pre-IPO Share Option Scheme, the Board of Directors authorized and reserved 11,000,000 ordinary shares for the issuance.

The Pre-IPO Share Option Scheme was amended on 21 October 2011 to increase the aggregate number of ordinary shares available for issuance thereunder by 2,000,000 ordinary shares from 11,000,000 ordinary shares to 13,000,000 ordinary shares.

On 22 May 2014, the Pre-IPO Share Options Scheme was amended to decrease the aggregate number of ordinary share available for issuance thereunder by 4,154,425 ordinary shares from 13,000,000 ordinary shares to 8,845,575 ordinary shares.

On 9 July 2014, the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited. Upon the consummation of the IPO, all the then outstanding share options granted under the Pre-IPO Share Options Scheme are adjusted on a one-to-ten basis.

All the share options authorised by the Pre-IPO Share Option Scheme are only exercisable until the occurrence of the earliest of any of the trigger events ('Trigger Event'): the Initial Public Offering; a change in control in which the successor entity has equity securities publicly traded on an internationally-recognised stock exchange; and upon such date that the Option may be legally exercised pursuant to Applicable Law, as evidenced by a legal opinion provided to and approved by the Board. All share options granted will be expired after 10 years from the vesting commencement date.

Subject to the Grantee continuing to be a service provider, 25% of these options were vested on the specified vesting commence date or the first anniversary of the specified vesting commence date. Since then, the options were vested over 3 yers in monthly equal proportion.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

29 SHARE-BASED PAYMENTS – *continued*

(a) Share options – *continued*

Post-IPO Share Option Scheme

On 16 June 2014, the Board of Directors of the Company approved Post-IPO Share Option Scheme that provides for granting options to eligible directors and employees (collectively, the 'Grantees') to acquire ordinary shares of the Company at an exercise price as determined by the Board at the time of grant. The Post-IPO Share Option Scheme will be valid and effective for a period of 10 years, commencing from 9 July 2014.

In respect of Post-IPO Option Scheme, the exercise price shall not be less than the higher of: (i) the closing price of the Shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheet on the Offer Date; (ii) the average closing price of the Shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Shares. In addition, any Option shall be vested on an Option-holder immediately upon his acceptance of the offer of Options provided that if any vesting schedule and (or) conditions are specified in the offer of the Option, such Option shall only be vested on an Option-holder according to such vesting schedule and (or) upon the fulfillment of the vesting conditions, that is, to continue the employment for a certain period.

Upon the Post-IPO Share Option Scheme, the Board of Directors authorized and reserved 11,000,000 ordinary shares for the issuance.

Movements in the number of Pre-IPO outstanding share options, retroactively reflecting the one-to-ten basis bonus shares, and of Post-IPO outstanding share options, are as follows:

	Average Exercise Price in US$ per Share Option	Number of Pre-IPO Share Options	Average Exercise Price in HK$ per Share Option	Number of Post-IPO Share Options	Total Number of Share Options
At 1 January 2017		44,238,886		3,358,000	47,596,886
Exercised (Note 27)	US$0.0971	(10,285,818)	HK$3.5000	(76,000)	(10,361,818)
Lapsed	US$0.3354	(195,568)	—	—	(195,568)
Forfeited	US$0.3141	(292,363)	HK$3.5000	(130,000)	(422,363)
At 31 December 2017		33,465,137		3,152,000	36,617,137
At 1 January 2016		56,847,469		4,000,000	60,847,469
Exercised (Note 27)	US$0.1086	(12,131,833)	HK$3.5000	(642,000)	(12,773,833)
Forfeited	US$0.3321	(476,750)	HK$3.5000	—	(476,750)
At 31 December 2016		44,238,886		3,358,000	47,596,886

29 SHARE-BASED PAYMENTS – *continued*

(a) Share options – *continued*

During the year ended 31 December 2017 and 2016, no share option was granted.

As at 31 December 2017, 35,503,389 share options (2016: 43,179,869) were outstanding and exercisable. Options exercised in 2017 resulted in 10,361,818 shares (2016: 12,773,833 shares) being issued, and the weighted average price of the shares at the time these options were exercised was HK$6.0546 (2016: HK$5.4874) per share.

Details of the expiry dates, exercise prices and the respective numbers of Pre-IPO share options, retroactively reflecting the one-to-ten basis bonus shares, and of Post-IPO share options, which remained outstanding as at 31 December 2017 and 2016, are as follows:

Trench	Expiry Date	Exercise price	Number of share options	
			31 December 2017	31 December 2016
Trench I Option	10 years commencing from the date of grant of options since 14 January 2009	US$0.01	**8,693,000**	11,811,000
Trench II Option	10 years commencing from the date of grant of options since 23 July 2009	US$0.021	**783,000**	2,160,000
		US$0.03	**3,445,540**	3,848,540
Trench III Option	10 years commencing from the date of grant of options since 17 June 2010	US$0.06	**1,638,380**	2,231,380
Trench IV Option	10 years commencing from the date of grant of options since 6 September 2010	US$0.035	**5,601,000**	6,601,000
		US$0.06	**190,000**	300,000
Trench V Option	10 years commencing from the date of grant of options since 20 December 2010	US$0.03	**12,000**	35,000
		US$0.06	**2,582,050**	2,859,050

29 SHARE-BASED PAYMENTS – *continued*

(a) Share options – *continued*

Trench	Expiry Date	Exercise price	Number of share options 31 December 2017	31 December 2016
Trench VI Option	10 years commencing from the date of grant of options since 26 December 2011	US$0.06	**1,540,000**	1,600,000
		US$0.1	**687,000**	1,184,000
		US$0.12	**753,110**	908,439
Trench VII Option	10 years commencing from the date of grant of options since 14 October 2012	US$0.15	**1,352,795**	1,931,100
Trench VIII Option	10 years commencing from the date of grant of options since 14 September 2013	US$0.2	**610,000**	1,045,570
Trench IX Option	10 years commencing from the date of grant of options since 22 May 2014	US$0.35	**5,577,262**	7,723,807
Trench X Option	8 years and 10 months commencing from the date of grant of options since 22 September 2015	HK$3.5	**3,152,000**	3,358,000
			36,617,137	47,596,886
Weighted average remaining contractual life of options outstanding at the end of the period			**6.58 years**	5.68 years

29 SHARE-BASED PAYMENTS – *continued*

(b) Restricted share units

Pre-IPO RSU Scheme

On 22 May 2014, the Board of Directors of the Company approved the Pre-IPO RSU Scheme. Pursuant to the resolution, 7,280,000 Pre-IPO RSUs, which includes the 4,280,000 Pre-IPO RSUs granted to partially replace the options granted under the Pre-IPO Share Option Scheme, have been granted to 17 grantees, including two executive Directors, three senior management members, one connected person of the Group and 11 other employees.

The Pre-IPO RSU Scheme will be valid and effective for a period of 10 years, commencing from 22 May 2014.

On 9 July 2014, the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited. Upon the consummation of the IPO, all the then outstanding RSUs granted under the Pre-IPO RSU Scheme are adjusted on a one-to-ten basis.

Post-IPO RSU Scheme

On 16 June 2014, the Board of Directors of the Company approved the Post-IPO RSU Scheme. The Post-IPO RSU Scheme will be valid and effective for a period of 10 years commencing from 9 July 2014.

Movements in the number of outstanding Pre-IPO RSUs, retroactively reflecting the one-to-ten basis bonus shares, and of outstanding Post-IPO RSUs, are as follows:

	Number of shares held for Pre-IPO RSU Scheme	Number of shares held for Post-IPO RSU Scheme	Total
At 1 January 2017	10,592,705	578,338	11,171,043
Granted	—	13,625,800	13,625,800
Vested and transferred	(7,287,500)	(7,383,347)	(14,670,847)
Forfeited	—	(39,497)	(39,497)
At 31 December 2017	3,305,205	6,781,294	10,086,499
Shares vested but not transferred to the grantees as at 31 December 2017			—

29 SHARE-BASED PAYMENTS – *continued*

(b) Restricted share units – *continued*

	Number of shares held for Pre-IPO RSU Scheme	Number of shares held for Post-IPO RSU Scheme	Total
At 1 January 2016	19,071,875	2,823,500	21,895,375
Granted	—	1,048,688	1,048,688
Vested and transferred	(8,479,170)	(3,203,850)	(11,683,020)
Forfeited	—	(90,000)	(90,000)
At 31 December 2016	10,592,705	578,338	11,171,043
Shares vested but not transferred to the grantees as at 31 December 2016			—

During the year ended 31 December 2017, total 5,782,375 (2016: 22,638,309) of the above granted RSUs were exercised.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2017 RMB'000	2016 RMB'000
Options issued under share option schemes	**1,235**	4,762
Restricted share units granted under RSUs schemes	**62,893**	27,028
	64,128	31,790

(d) 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.

29 SHARE-BASED PAYMENTS – *continued*

(d) Fair value of share options and RSUs – *continued*

Fair value of share options

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

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

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.

(e) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the shares options (the ‘Expected Retention Rate’) in order to determine the amount of share-based compensation expenses charged to the statement of comprehensive income. As at 31 December 2017, the Expected Retention Rate was assessed to be 100% (2016: 100%).

29 SHARE-BASED PAYMENTS – *continued*

(f) Shares held for RSU Scheme

On 16 June 2014, the Company entered into a trust deed with an independent trustee (the 'RSU Trustee') and two independent trust nominee (the 'Pre-IPO RSU Nominee' and the 'Post-IPO RSU nominee'), pursuant to which the RSU Trustee shall act as the administrator of the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme, and the Pre-IPO RSU Nominee and the Post-IPO RSU Nominee shall hold the shares underlying the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme respectively.

On 9 July 2014, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's ordinary shareholders received nine bonus shares for every registered ordinary share that they already held. As a result, the 7,280,000 ordinary shares of the Company underlying the RSUs were adjusted to 72,800,000 ordinary shares on a one-to-ten basis.

As of 31 December 2017, 10,086,499 ordinary shares were held by the RSU Nominee for the benefit of the grantees pursuant to the RSU Scheme.

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

30 RETAINED EARNINGS/(ACCUMULATED DEFICITS)

	RMB'000
Balance at 1 January 2016	(292,919)
Profit for the year	233,213
Appropriations to statutory reserves (Note 28)	(29,551)
Balance at 31 December 2016	(89,257)
Balance at 1 January 2017	**(89,257)**
Profit for the year	**324,099**
Appropriations to statutory reserves (Note 28)	**(40,907)**
Balance at 31 December 2017	**193,935**

31 TRADE PAYABLES

Trade payables were mainly due to promotion and advertising expenses, commission charges by platforms and game developers, and bandwidth and server custody fees.

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Third parties	**11,054**	27,435
Related parties *(Note 38(c))*	**—**	2,000
	11,054	29,435

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
0-90 days	**7,810**	16,555
91-180 days	**1,842**	6,095
181-365 days	**1,280**	4,749
Over 1 year	**122**	2,036
	11,054	29,435

The carrying amount of the Group's trade payables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**10,875**	27,096
US$	**179**	2,339
	11,054	29,435

The carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature.

32 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Staff costs and welfare accruals	**12,772**	12,022
Marketing and administrative expense accruals	**11,882**	15,446
Audit expenses payable	**8,473**	6,384
VAT & Other tax liabilities	**4,619**	5,800
Consultancy fee	**4,287**	—
Human resource outsourcing service fee payable	**2,613**	2,810
Amount due to a related party (Note 38(c))	**2,600**	—
Government grant for scientific projects in progress	**—**	3,700
Others	**16,064**	15,245
	63,310	61,407

The carrying amounts of other payables are considered to be the same as their fair values, due to their short-term nature.

33 DEFERRED INCOME TAX

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**22,017**	58,985
– to be recovered within 12 months	**13,951**	15,598
	35,968	74,583
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(3,321)**	(11,695)
– to be recovered within 12 months	**(1,809)**	(3,253)
	(5,130)	(14,948)
Deferred income tax assets - net	**30,838**	59,635

33 DEFERRED INCOME TAX – *continued*

	Year Ended 31 December	
	2017	2016
Movements	**RMB'000**	RMB'000
At beginning of the year	**59,635**	28,312
Acquisition of a subsidiary	—	29,855
Step-acquisition of a subsidiary	—	(5,292)
Disposal of a subsidiary	**(41,989)**	69
Discontinued operation	**10,658**	1,476
Recognised in the consolidated statement of comprehensive income (Note 12(a))	**2,539**	5,240
Currency translation difference	**(5)**	(25)
At end of the year	**30,838**	59,635

(a) Deferred tax assets

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred Revenue and advance from customers RMB'000	Advertising expenses RMB'000	Deductible losses from previous years RMB'000	Provisions of liabilities and others RMB'000	Total RMB'000
At 1 January 2016	13,201	18,659	30	4,579	36,469
Acquisition of a subsidiary	—	36,713	—	—	36,713
Disposal of a subsidiary	(410)	—	(520)	—	(930)
Discontinued operation	—	1,381	—	—	1,381
Recognised in the consolidated statement of comprehensive income	196	2,043	2,772	(873)	4,138
At 31 December 2016	12,987	58,796	2,282	3,706	77,771
Disposal of a subsidiary	—	(47,895)	—	—	(47,895)
Discontinued operation	—	9,801	—	—	9,801
Recognised in the consolidated statement of comprehensive income	(2,145)	1,132	(836)	1,839	(10)
At 31 December 2017	10,842	21,834	1,446	5,545	39,667

33 DEFERRED INCOME TAX – *continued*

(b) Deferred tax liabilities

The movements in deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Assets Appreciation RMB'000	Unrealised investment income RMB'000	Deferred Cost RMB'000	Total RMB'000
At 1 January 2016	5,148	—	3,009	8,157
Acquisition of subsidiaries	6,858	—	—	6,858
Step-acquisition of a subsidiary	5,292	—	—	5,292
Disposal of a subsidiary	(999)	—	—	(999)
Discontinued operation	(95)	—	—	(95)
Recognised in the consolidated statement of comprehensive income	(1,598)	317	179	(1,102)
Currency translation difference	25	—	—	25
At 31 December 2016	14,631	317	3,188	18,136
Disposal of a subsidiary	(5,906)	—	—	(5,906)
Discontinued operations	(857)	—	—	(857)
Recognised in the consolidated statement of comprehensive income	(3,114)	914	(349)	(2,549)
Currency translation difference	5	—	—	5
At 31 December 2017	**4,759**	**1,231**	**2,839**	**8,829**

As at 31 December 2017, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the undistributed profits of approximately RMB1,363,567 thousand. Such earnings are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

34 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before income tax from		
Continuing operations	**394,194**	282,307
Discontinued operations	**8,103**	883
Profit before income tax including discontinued operations	**402,297**	283,190
Adjustments for:		
– Depreciation and impairment charges of property and equipment *(Note 16)*	**14,734**	14,905
– Amortisation and impairment charges of intangible assets and impairment of goodwill *(Note 18)*	**51,371**	18,377
– Amortisation of long-term prepayments	**1,148**	6,172
– Provision for inventories write-down and bad debts	**2,603**	22,225
– Loss on disposal of property and equipment and intangible assets *(b)*	**(482)**	289
– Loss on deemed disposal of prepayments of investments	**15,004**	—
– Loss from investments accounted for using the equity method	**504**	759
– Impairment loss from available-for-sale financial assets	**7,500**	—
– Non-cash employee benefits expense – Share-based compensation expenses *(Note 29)*	**64,128**	31,790
– Investment interest *(Note 9)*	**(36,949)**	(39,870)
– Gain/(Loss) on disposal of subsidiaries *(Note 9)*	**13,900**	(408)
– Gain on remeasurement of retained interests in Langqin and Pangu Group upon disposal *(Note 9)*	**(8,826)**	—
– Fair value gain on investment property *(Note 9)*	**(3,758)**	(2,667)
– Fair value loss on financial assets at fair value through profit or loss *(Note 9)*	**166**	—
– Interest income	**(7,751)**	(3,979)
– Foreign exchange losses	**(2,861)**	16,877
Changes in working capital:		
– Inventories	**(2,276)**	7,661
– Trade receivables	**(8,552)**	9,495
– Prepayments and other receivables	**(24,281)**	24,505
– Trade payables	**(13,035)**	(17,548)
– Other payables and accruals	**12,686**	8,719
– Other tax liabilities	**(101)**	3,642
– Customer advance and deferred revenue	**(10,286)**	8,053
– Provisions of other liabilities and charge	**(280)**	(1,000)
Cash generated from operations	**466,603**	391,187

34 CASH GENERATED FROM OPERATIONS – *continued*

(b) In the consolidated statement of cash flows, proceeds from sale of property and equipment and intangible assets comprise:

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Net book amount (Note 16) *(Note 18)*	**266**	1,201
Gain/(loss) on disposal of property and equipment and intangible assets *(Note 9)*	**482**	(289)
Proceeds from disposal of property and equipment and intangible assets	**748**	912

(c) Non-cash investing and financing activities

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Disposal of subsidiaries, net of cash disposed	**46,733**	6,100
Disposal of prepayments for investments	**14,993**	—
Issuance of ordinary shares	**2,622**	44

Non-cash investing and financing activities set out as above are shown in Note 21.

(d) Reconciliation of liabilities arising from financing activities

There were no liabilities arising from financing activities during the years ended 31 December 2017 and 2016.

35 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Current	**4,720**	5,000

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

36 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2017 RMB'000	2016 RMB'000
Property and equipment	508	212

(b) Non-cancellable operating lease

The Group leases servers and office buildings under non-cancellable operating lease agreements. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Within 1 year	229	10,457
Later than 1 year and no later than 5 years	183	636
Later than 5 years	—	—
	412	11,093

37 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Carrying amount of non-controlling interests acquired	—	1,717
Consideration paid to non-controlling interests	—	—
Excess of consideration paid recognised within equity	—	1,717

There were no transactions with non-controlling interests in 2017.

38 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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

Company	Relationship	Period of Related Party Relationship
SINA Hong Kong Limited	Non-Controlling Shareholder	Since 15 July 2010
Beijing Sina Internet Information Service Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since 15 July 2010
Shanghai Sina Advertising Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since 15 July 2010
Beijing Sina Advertising Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since 15 July 2010
Weibo Internet Technology (China) Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since 15 July 2010
Beijing Star World Technology Co., Ltd.	Non-controlling Shareholder of Subsidiary	Since 19 August 2013
Zhejiang Haile Technology Co., Ltd.	Joint venture of subsidiary	Since 1 October 2015
Winnine Interactive Co., Ltd.	Associate	Since 9 August 2016
Wuhan Jiuxin Puhui Financial Information Services Co., Ltd	Associate	Since 1 January 2017

38 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(b) Significant transactions with related parties

Related party transactions	Year Ended 31 December 2017 RMB'000	2016 RMB'000
(i) Other revenue generated from related parties:		
Winnine Interactive Co., Ltd.	**218**	—
Zhejiang Haile Technology Co., Ltd.	**77**	—
Beijing Sina Internet Information Service Co., Ltd.	—	78
	295	78
(ii) Commission charges paid to related parties:		
Beijing Star World Technology Co., Ltd.	**168**	1,647
Weibo Internet Technology (China) Co., Ltd.	**5**	30
	173	1,677
(iii) Other expense paid to related parties:		
Weibo Internet Technology (China) Co., Ltd.	**222**	115
Beijing Sina Internet Information Service Co., Ltd.	—	2
	222	117
(iv) Advertising/Marketing expense paid to related parties:		
Zhejiang Haile Technology Co., Ltd.	**9,194**	—

38 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables		
Shanghai Sina Advertising Co., Ltd.	**—**	340
Beijing Star World Technology Co., Ltd.	**38**	95
Weibo Internet Technology (China) Co., Ltd.	**1**	14
Others	**117**	—
	156	449

Trade receivables were mainly resulted from advertisement and games revenue.

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Prepayments and other receivables		
Wuhan Jiuxin Puhui Financial Information Services Co., Ltd	**10,000**	—

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables		
Beijing Sina Internet Information Service Co., Ltd.	**—**	2,000

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Other payables		
Wuhan Jiuxin Puhui Financial Information Services Co., Ltd	**2,600**	—

38 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(d) Key management personnel compensations

The compensations paid or payable to key management personnel for employee services are shown below:

	Year Ended 31 December	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,840**	1,615
Pension costs – defined contribution plans	**196**	191
Other social security costs, housing benefits and other employee benefits	**1,061**	118
Share-based compensation expenses	**3,873**	7,516
	6,970	9,440

39 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 31 December 2017.

40 EVENTS AFTER THE BALANCE SHEET DATE

(a) In January 2018, the Group entered into an agreement to conditionally purchase 66.4% of the equity interest of Shanghai Benqu for an aggregate consideration of RMB200,905 thousand, consisting of cash consideration of RMB137,846 thousand paid to the selling shareholders and capital injection of RMB63,059 thousand by way of issuance of additional 13,237,995 shares.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
		2017	2016
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Intangible assets		**2,691**	3,330
Investment in subsidiaries		**237,701**	173,573
Available-for-sale financial assets		**107,814**	91,915
		348,206	268,818
Current assets			
Amounts due from subsidiaries		**700,528**	1,259,226
Prepayments and other receivables		**543**	1,970
Financial assets at fair value through profit or loss		**15,518**	—
Term deposits with initial term over 3 months		**134,046**	9,137
Cash and cash equivalents		**31,120**	17,112
		881,755	1,287,445
Total assets		**1,229,961**	1,556,263

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY – *continued*

		As at 31 December	
		2017	2016
	Note	RMB'000	RMB'000
Equity and liabilities			
Equity attributable to Shareholders of the Company and non-controlling interests			
Share capital		787	804
Share premium		1,952,499	2,250,388
Shares held for RSU Scheme		(6)	(7)
Other reserves	*(a)*	338,184	348,950
Accumulated deficits	*(a)*	(1,065,103)	(1,047,587)
Total equity		1,226,361	1,552,548
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		385	408
		385	408
Current liabilities			
Trade payables		11	14
Amounts due to subsidiaries		2,812	2,812
Other payables and accruals		392	481
		3,215	3,307
Total liabilities		3,600	3,715
Total equity and liabilities		1,229,961	1,556,263

The balance sheet of the Company was approved for issue by the Board of Directors on 29 March 2018 and was signed on its behalf.

Fu Zhengjun	Mai Shi'en
Director	Director

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY – *continued*

Note (a) Reserve movement of the Company

	Accumulated deficits RMB'000	Other reserves RMB'000
At 1 January 2016	(1,038,151)	228,455
Loss for the year	(9,436)	—
Share-based payments reserve	—	31,790
Currency translation difference	—	88,705
At 31 December 2016	(1,047,587)	348,950
At 1 January 2017	**(1,047,587)**	**348,950**
Loss for the year	**(17,516)**	—
Share-based payments reserve	—	**64,128**
Currency translation difference	—	**(74,894)**
At 31 December 2017	**(1,065,103)**	**338,184**

42 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2017:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
Name	Salary RMB'000	Discretionary bonuses RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Share-based compensation expenses RMB'000	Others RMB'000	Total RMB'000
Executive Directors							
Mr. Fu Zhengjun	733	120	3	22	—	176	1054
Mr. Mai Shi'en	544	90	23	62	—	216	935
Non-executive Directors							
Mr. Mao Chengyu	155	—	7	—	2	—	164
Mr. Herman Yu	—	—	—	—	2	—	2
Independent Non-executive Directors							
Ms. Yu Bin	173	—	—	—	2	—	175
Mr. Wu, Chak Man	173	—	—	—	2	—	175
Mr. Chan, Wing Yuen Hubert	173	—	—	—	2	—	175

42 BENEFITS AND INTERESTS OF DIRECTORS – *continued*

(a) Directors' and chief executive's emoluments – *continued*

For the year ended 31 December 2016:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
Name	Salary	Discretionary bonuses	Other social security costs, housing benefits and other employee benefits	Employer's contribution to a retirement benefit scheme	Share-based compensation expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Mr. Fu Zhengjun	720	44	14	3	—	173	954
Mr. Mai Shi'en	544	90	66	24	119	213	1,056
Non-executive Directors							
Mr. Mao Chengyu	—	—	—	—	66	—	66
Mr. Herman Yu	—	—	—	—	66	—	66
Independent Non-executive Directors							
Ms. Yu Bin	171	—	—	—	66	—	237
Mr. Wu, Chak Man	171	—	—	—	66	—	237
Mr. Chan, Wing Yuen Hubert	171	—	—	—	66	—	237