2018 INTERIM REPORT

feiyu

Feiyu Technology International Company Ltd.

飛魚科技國際有限公司

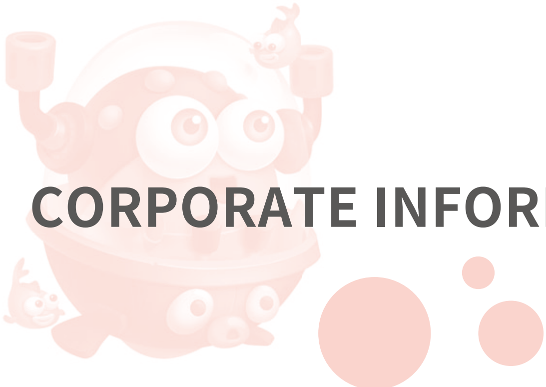
(Incorporated in the Cayman Islands with Limited Liability)

Stock Code： 1022

feiyu

To Better The Virtual World

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. YAO Jianjun *(Chairman and Chief Executive Director)*
Mr. CHEN Jianyu *(President)*
Mr. BI Lin *(Vice President)*
Mr. LIN Jiabin *(Vice President)*
Mr. LIN Zhibin *(Vice President)*

Independent Non-executive Directors
Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

AUDIT COMMITTEE

Ms. LIU Qianli *(Chairwoman)*
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

REMUNERATION COMMITTEE

Ms. LIU Qianli *(Chairwoman)*
Mr. BI Lin
Mr. LAI Xiaoling

NOMINATION COMMITTEE

Mr. YAO Jianjun *(Chairman)*
Ms. LIU Qianli
Mr. MA Suen Yee Andrew

AUTHORISED REPRESENTATIVES

Mr. BI Lin
Mr. CHEUNG Man Yu

COMPANY SECRETARY

Mr. CHEUNG Man Yu

LEGAL ADVISERS

As to Hong Kong law:
Dentons Hong Kong LLP
Suite 3201, Jardine House
1 Connaught Place
Central, Hong Kong

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

AUDITORS

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F, Winsan Tower
98 Thomson Road
Wanchai, Hong Kong
(with effect from 8 February 2018)

Rooms 801 & 803, 8/F
Beverley House
93–107 Lockhart Road
Wanchai, Hong Kong
(before 8 February 2018)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

The Industrial and Commercial Bank of China
Xiamen Branch, Chengjian sub-branch
No. 270 Lujiang Road
Xiamen, Fujian Province
PRC

China Merchants Bank, Beijing branch
Jianwaidajie sub-branch
No. 0668, Block 6, Jianwai SOHO
No. 39 Dongsanhuan Zhonglu
Chaoyang District
Beijing, PRC

INVESTOR RELATIONS

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

COMPANY'S WEBSITE

www.feiyuhk.com

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

1022

DATE OF LISTING

5 December 2014

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 30 June		
	2018	2017	Change %
	(RMB'000)	(RMB'000)	
Revenue (unaudited)	**45,778**	54,858	(16.6)
Gross profit (unaudited)	**18,371**	39,953	(54.0)
Loss before tax (unaudited)	**(40,816)**	(50,538)	(19.2)
Loss for the period attributable to owners of the parent (unaudited)	**(37,442)**	(50,183)	(25.4)
Non-IFRSs Measures			
– Adjusted net loss attributable to owners of the parent (unaudited) [(1)]	**(33,210)**	(17,788)	86.7
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic & Diluted	**RMB(0.02)**	RMB(0.03)	

Note:

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 30 June 2018 (RMB' 000) (Unaudited)	As of 31 December 2017 (RMB' 000) (Audited)	Change %
Assets			
Non-current assets	**589,076**	533,277	10.5
Current assets	**187,554**	228,972	(18.1)
Total assets	**776,630**	762,249	1.9
Equity and liabilities			
Total equity	**647,270**	635,688	1.8
Non-current liabilities	**3,176**	4,940	(35.7)
Current liabilities	**126,184**	121,621	3.8
Total liabilities	**129,360**	126,561	2.2
Total equity and liabilities	**776,630**	762,249	1.9

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2018, China's online game industry recorded total revenue of RMB105.0 billion, representing a year-over-year increase of 5.2%[1]. Revenue from mobile games was RMB63.4 billion, accounting for 60.4% of the total revenue and representing a year-over-year increase of 12.9%. However, the growth rates began to slow down from previous years, indicating that the online game industry has begun to mature as smart phone penetration has become more saturated. As a result, competition further intensified and consolidation accelerated in the industry in the first half of 2018, which posed unprecedented challenges for the Company's business.

Despite the headwinds, new opportunities emerged in the mobile game industry, primarily driven by the diversified needs of 458.5 million mobile gamers in China[1]. One of the important new opportunities is the rise of the female gaming market in China as a result of the growing number of female gamers and their increasing purchasing power. In general, female users tend to spend more time on social media than male users, and are often more eager to socialise and share gaming experience online, which facilitates the popularisation of games. Female users' willingness to make in-game purchases also reflects their increased income levels in recent years. In addition, female gamers are willing to buy derivative products related to games, including items such as garage kits, emojis, accessories and many others.

Another big opportunity lies in the HTML5 games, which are enabled by and made available through the major killer apps such as QQ and WeChat. According to the "Mini Games Development Report" jointly published by Minapp.com (知曉程序) and Egret Technology (白鷺時代), only 32% of the total number of HTML5 gamers overlapped with existing game users. Based on the size of the social networks and user characteristics, there is great potential for social and casual HTML5 games to become big hits in the near term. It is also a promising time for game developers to leverage their existing Intellectual Property (IP) to capture new users.

During the first half of 2018, the Group generated total revenue of approximately RMB45.8 million, representing a year-over-year decrease of 16.6%. Net loss attributable to owners of the parent was approximately RMB37.4 million, compared with approximately RMB50.2 million for the corresponding period of 2017, representing a year-over-year decrease of 25.4%. Adjusted net loss attributable to owners of the parent was approximately RMB33.2 million, compared with RMB17.8 million for the first half of 2017. The decrease in total revenue during the first half of 2018 was primarily due to: (i) a decrease in revenue from the Group's existing games as they reached the later stages of their respective lifecycles; (ii) the delayed launch of several new games as a result of the Company's strategic decision to further extend their development time to enhance quality; (iii) the diversification of game categories currently under development which requires additional time to recruit and establish research and development ("**R&D**") teams; (iv) the HTML5 games that the Company developed and launched were still in their early stage when the strategic focus was to increase user base more than generating revenue. The decrease in the net loss attributable to owners of the parent in the first half of 2018 was primarily due to an impairment loss of goodwill related to the Company's acquisition of Kailuo Tianxia in 2013 as disclosed in the Prospectus while no such impairment was made in the first half of 2018.

[1] According to a report jointly published by the Game Publishers Association Publications Committee (GPC) of the China Audio-Video and Digital Publishing Association (中國音數協游戲工委), Gamma Data (伽馬數據).

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of this year, the Company (through Xiamen Youli) entered into an exclusive licensing agreement (the "**Exclusive Licensing Agreement**") with Xiamen Meitu Networks, the PRC operating entity of Meitu in relation to, among others, the operation, development and management of the game businesses for Meitu Networks, including but not limited to, operation and management of their existing game distribution platforms and the newer version which is currently under development testing, on Meitu smartphones, and a version for personal computers which may also be made available (the "**Game Center**"). The Company will also be responsible for the development, operation and management of the game channel modules on various Internet products of Meitu Networks (including but not limited to the applications on smartphones and personal computers) (the "**Game Channel**"). By cooperating with Meitu and leveraging the Company's deep experience in the gaming industry and Meitu's extensive female user base, the Company will be uniquely positioned to capture the female gamers' market.

To capture the opportunities created by HTML5 games, the Group has established an R&D center for HTML5 games in the first half of this year which focuses on developing HTML5 games ranging from casual to mid-core games. Following the launch of Carrot Fantasy for WeChat (保衛蘿蔔迅玩版) in December 2017, the Group launched Carrot Defense on Facebook Messenger for international market in February 2018.

In March 2018, the Group launched Shou Hua San Guo (獸化三國) in Hong Kong, Macau and Taiwan. In terms of IP development activities, the main character in Carrot Fantasy (保衛蘿蔔), Abo (阿波), was part of the 2018 cartoon annual gala of BTV KAKU Children Channel, one of the most popular satellite television channels for children in Mainland China.

The Group also cooperated with ofo, the world's largest station-free bike sharing platform, to allow ofo to leverage Carrot Fantasy I&II's (保衛蘿蔔 1&2) large user base by providing coupons to players.

On 21 June 2018, the Company, through Xiamen Youli, entered into a capital injection agreement (the "**Capital Injection Agreement**") as one of the existing shareholders and one of the investors in Ewan, a company primarily engaged in developing and operating the popular mobile game distribution platform, TapTap. Under the terms of the Capital Injection Agreement, Xiamen Youli will further inject RMB4.54 million in cash into Ewan, following the previous investment of RMB50.0 million in May 2017. Immediately upon completion of the proposed transaction under the Capital Injection Agreement, Xiamen Youli's equity interests in Ewan decreased from 4.54% to 4.34%. As at 29 August 2018, the registration changing at the Administration for Industry and Commerce for the transaction contemplated under the Capital Injection Agreement has been completed.

The Company believes there are significant opportunities in the cryptocurrency and blockchain sector. As a result, the Company entered into an investment agreement during the first half of 2018 to make an investment of RMB20.0 million into Global OW Technology Co. Limited ("**Global OW**"), a private limited company incorporated in Hong Kong, which holds a 97.132% equity stake in Etranss Remittance International Corp. ("**Etranss**"). Etranss is one of the few cryptocurrency exchanges approved by Bangko Sentral ng Pilipinas (BSP), the Philippine central bank. With the closing of the investment, the Company will own a 20.0% equity stake in Global OW.

EVENT AFTER THE SIX MONTHS ENDED 30 JUNE 2018

On 13 July 2018, the Group was notified by the Chengjian sub-branch of the Industrial and Commercial Bank of China Xiamen Branch (the "**Lender**") that it has agreed to provide a loan facility (the "**Loan Facility**") up to RMB120 million to Xiamen Fei Xiang Yue Investment Management Co., Ltd. (the "**Borrower**"), an indirect wholly-owned subsidiary of the Company. The Loan Facility has repayment term of 10 years at a minimum interest rate to be determined with reference to the loan prime rate as at the drawdown date plus the rate of 0.737% per annum which is payable on a monthly basis. The principal of the loan shall be repaid through installments as agreed between the Lender and the Borrower after a maximum of a two-year grace period. The Group intends to apply the Loan Facility for the construction of the Company's R&D center on the land located in Huli District, Xiamen, the PRC as disclosed in the announcement of the Company dated 21 July 2016.

OUTLOOK FOR 2018

The Group launched the HTML5 version of One Two One (一步兩步) and Eat Fatty (你胖你先吃) through WeChat Mini Games on 30 July and 6 August, 2018 respectively. Both games enjoyed new game recommendation on WeChat's game channel. In addition, the Group launched the iOS version of Demon Tower (魔界塔) , an RPG mobile game, on 9 August, 2018 and the game was recommended by Apple on its China App Store's home page for games and ranked number 2 in the paid download game list of Apple's China App Store. Except for the 3 games launched, in the second half of 2018, the Company expects to launch additional 5 games, including 3 RPG mobile games, 1 PC game and 1 HTML5 game.

The Group will continue to leverage the popularity of its IPs to develop licensing and cooperation opportunities. During the FIFA World Cup Russia in July 2018, the Company cooperated with ofo to provide Carrot Fantasy I&II (保衛蘿蔔 1&2) players coupons in order to cross-promote brands. The Company issued a license to Happy Creative Advertisement Co., Ltd. (佛山市樂創廣告有限公司) allowing them to host Carrot Fantasy (保衛蘿蔔)-themed events in Perennial Jihua Mall in Foshan, PRC from 14 July to 30 September 2018 in order to increase traffic during the summer holiday season.

The Group expects to introduce high-quality games to Meitu's extensive user base through their Game Center and Game Channel during the second half of 2018.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

FINANCIAL REVIEW

Operating Information

Our Games
During the six months ended 30 June 2018, the Group continued to focus on developing high-quality mobile games despite intense game industry competition and strengthening its game distribution capabilities. The Group launched 1 RPG game, Shou Hua San Guo (獸化三國) and 1 HTML5 game, Carrot Defense, on Facebook Messenger during the six months ended 30 June 2018.

The table below presents a breakdown of the Group's revenue from game operations in absolute amounts and as a percentage of the total revenue:

	For the six months ended 30 June			
	2018		2017	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
Game operations				
Web games	**7,776**	**17.0**	8,301	15.1
Mobile games				
RPGs	**27,040**	**59.1**	31,427	57.3
Casual	**3,637**	**7.9**	4,028	7.4
PC games	**199**	**0.4**	–	–
HTML5 games	**899**	**2.0**	–	–
Total	**39,551**	**86.4**	43,756	79.8

Revenue from game operations as a percentage of total revenue increased from approximately 79.8% during the six months ended 30 June 2017 to approximately 86.4% during the six months ended 30 June 2018. The increase was mainly due to the revenue contribution from PC and HTML5 games during the six months ended 30 June 2018 while there was no such revenue contribution for the six months ended 30 June 2017. The increase was also attributable to a decrease in revenue contribution from licensing income and advertising revenue as the Company's existing games reached the later stages of their lifecycles.

Our Players
We assess our operating performance using a set of key performance indicators, which include MAUs, MPUs and ARPPU. Fluctuations in our operating data are primarily a result of changes in the number of players who play, download (in the case of mobile games and PC games) and pay for virtual items and premium features in our games. These key performance indicators can help us track our ability in offering highly engaging online games, the continued popularity of our games, the monetisation of our player base and the competition of the online game industry so that we can adjust our business strategy accordingly.

As at 30 June 2018, (i) our RPG mobile and web games had approximately 219.9 million cumulative registered users, composed of approximately 170.7 million users for web games and approximately 49.2 million users for mobile games; (ii) our casual games had approximately 528.0 million cumulative activated downloads, and (iii) our PC games had approximately 178,000 cumulative activated downloads. For the month of June 2018, (i) our RPG mobile and web games had approximately 0.5 million MAUs in aggregate, composed of approximately 0.2 million MAUs for mobile games and approximately 0.3 million MAUs for web games, and (ii) our casual games had approximately 6.6 million MAUs.

The following table sets forth certain operating statistics relating to our businesses for the periods indicated:

	Six Months Ended 30 June		
	2018	2017	Change %
Average MPUs			
Web games (RPGs) (000's)	**11**	16	(31.3)
Mobile games (RPGs) (000's)	**34**	50	(32.0)
Casual (000's)	**131**	118	11.0
ARPPU			
Web games (RPGs) (RMB)	**118.4**	103.8	14.1
Mobile games (RPGs) (RMB)	**131.2**	126.4	3.8
Casual (RMB)	**5.8**	6.8	(14.7)

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

Average MPUs for mobile casual games increased from approximately 118,000 for the six months ended 30 June 2017 to approximately 131,000 for the six months ended 30 June 2018, primarily driven by the launch of Super Phantom Cat II (超級幻影貓2) in the second half of 2017. Average MPUs for mobile RPG games decreased to approximately 34,000 for the six months ended 30 June 2018 from approximately 50,000 for the six months ended 30 June 2017, which was mainly attributable to San Guo Zhi Ren (三國之刃), one of our hit titles, entering into later stages of its lifecycle since 2017. MPUs for web games were 11,000 for the six months ended 30 June 2018 compared with approximately 16,000 for the corresponding period of 2017. The decrease was due to the fact that our web games reached the later stages of their expected lifecycles, as well as our strategic focus shifted from web games to mobile games since 2013.

ARPPU for RPG mobile games increased to approximately RMB131.2 for the six months ended 30 June 2018 compared with approximately RMB126.4 for the corresponding period of 2017, which was primarily driven by the launch of Sprites Legend (靈妖記–神仙道外傳) in the second half of 2017. ARPPU for web games increased to approximately RMB118.4 for the six months ended 30 June 2018 from approximately RMB103.8 for the corresponding period of 2017, primarily due to an increase in ARPPU of the web version of Da Hua Shen Xian (大話神仙), a game that has entered the mature stages of its lifecycle when loyal players are willing to spend more. ARPPU for casual games decreased from approximately RMB6.8 for the six months ended 30 June 2017 to approximately RMB5.8 for the six months ended 30 June 2018 which was primarily due to a decrease in ARPPU of the Carrot Fantasy (保衛蘿蔔) games series.

As part of our business strategies, we continued to launch various in-game promotions and activities, release regular updates for our premium games, and offer high-quality customer service, in order to enhance the features of our games and to maintain users' interest. We believe this played a significant role in retaining our players and expanding our player base.

First Half of 2018 Compared to First Half of 2017

The following table sets forth the income statement for the six months ended 30 June 2018 as compared to that for the six months ended 30 June 2017.

	Six Months Ended 30 June		
	2018 (RMB'000)	2017 (RMB'000)	Change %
Revenue	**45,778**	54,858	(16.6)
Cost of sales	**(27,407)**	(14,905)	83.9
Gross profit	**18,371**	39,953	(54.0)
Other income and gains	**13,231**	11,779	12.3
Selling and distribution expenses	**(4,697)**	(7,738)	(39.3)
Administrative expenses	**(25,450)**	(26,240)	(3.0)
Research and development costs	**(40,443)**	(39,362)	2.7
Finance costs	**(746)**	(627)	19.0
Other expenses	**(364)**	(27,274)	(98.7)
Share of losses of associates	**(718)**	(1,029)	(30.2)
LOSS BEFORE TAX	**(40,816)**	(50,538)	(19.2)
Income tax expense	**(1,870)**	(3,762)	(50.3)
LOSS FOR THE PERIOD	**(42,686)**	(54,300)	(21.4)
Attributable to:			
Owners of the parent	**(37,442)**	(50,183)	(25.4)
Non-controlling interests	**(5,244)**	(4,117)	27.4

REVENUE

The following table sets forth a breakdown of our revenue for the six months ended 30 June 2018 and 2017:

	Six Months Ended 30 June			
	2018		2017	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
Game operations	**39,551**	**86.4**	43,756	79.8
Online game distribution	**530**	**1.2**	1,137	2.1
Licensing and IP-related income	**3,230**	**7.0**	5,908	10.8
Advertising revenue	**2,198**	**4.8**	3,877	7.0
Technical service income	**269**	**0.6**	180	0.3
Total	**45,778**	**100.0**	54,858	100.0

Total revenue decreased by approximately 16.6% to approximately RMB45.8 million for the six months ended 30 June 2018 from the corresponding period of 2017.

Revenue from game operations decreased by approximately 9.6% to approximately RMB39.6 million for the six months ended 30 June 2018 from the corresponding period of 2017. The decrease was primarily due to San Guo Zhi Ren (三國之刃) reaching the later stages of its expected lifecycle since 2017. A decrease in revenue from other existing games also lowered our total revenue as they reached the later stages of their respective lifecycles. In addition, the decrease was also due to the delayed launch of several new games as a result of our strategic decision to invest additional development time and resources to enhance their quality and the change in new product strategy, such as developing HTML5 games, to capture market opportunities. Revenue contribution from the 1 RPG and 1 HTML5 game launched, during the six months ended 30 June 2018 was immaterial.

Revenue from online game distribution decreased by 53.4% to approximately RMB0.5 million for the six months ended 30 June 2018 from the corresponding period of 2017, which was primarily due to the games launched by the Company's overseas game distribution and operation team entering the mature stage of their lifecycle.

Licensing and IP-related income decreased by approximately 45.3% to approximately RMB3.2 million for the six months ended 30 June 2018 from the corresponding period of 2017. The decrease was primarily attributable to the recognition of a one-off licensing fee for the Southeast Asian version of San Guo Zhi Ren (三國之刃) of approximately RMB1.1 million upon termination of its operation in the Southeast Asia Region during the six months ended 30 June 2017 while there was no such one-off licensing fees recognised during the six months ended 30 June 2018. The decrease was also due to a reduction in licensing fees for the web version of Shen Xian Dao (神仙道) under the renewed licensing agreement in May 2017, as a result of the game reaching the later stages of its lifecycle.

Advertising revenue decreased by approximately 43.3% to approximately RMB2.2 million for the six months ended 30 June 2018 from the corresponding period of 2017, primarily due to Carrot Fantasy I (保衛蘿蔔1) and Carrot Fantasy II (保衛蘿蔔2) reaching the later stages of their expected lifecycles coupled with a decline in number of active users, in despite of the fact that the lifecycle of both games significantly exceeded the industry average.

Technical service income was approximately RMB269,000 for the six months ended 30 June 2018, mainly generated from the provision of technical support services by our Chengdu subsidiary.

Cost of sales

Our cost of sales increased by approximately 83.9% from approximately RMB14.9 million for the six months ended 30 June 2017 to approximately RMB27.4 million for the six months ended 30 June 2018. The increase was primarily due to the recognition of costs associated with the operation of Meitu's game distribution platforms of approximately RMB7.9 million for the six month ended 30 June 2018 while there was no such cost recognised for the six months ended 30 June 2017. The Group entered into the Exclusive Licensing Agreement with Meitu Networks to operate, develop and manage Meitu Network's game businesses in late-March 2018. The Game Channel is still under development testing as at 30 June 2018, so there was no material revenue generated for the six months ended 30 June 2018. The increase in cost of sales was also attributable to an increase in employee costs from approximately RMB9.4 million for the six months ended 30 June 2017 to approximately RMB11.5 million for the six months ended 30 June 2018, associated with the establishment of our Shenzhen game distribution and operation team in the second half of 2017. In addition, the increase was also due to the recognition of costs of approximately RMB1.6 million for the six months ended 30 June 2018 associated with the share options granted in the second half of 2017 to a key management member who is responsible for the operations of our web and mobile games while there was no such cost for the six months ended 30 June 2017.

Gross profit and gross profit margin

Gross profit decreased by 54.0% from approximately RMB40.0 million for the six months ended 30 June 2017 to approximately RMB18.4 million for the six months ended 30 June 2018. Our gross profit margin for the six months ended 30 June 2018 was 40.1%, compared with 72.8% for the six months ended 30 June 2017.

Other income and gains

Our other income and gains increased by approximately 12.3% from approximately RMB11.8 million for the six months ended 30 June 2017 to approximately RMB13.2 million for the six months ended 30 June 2018, primarily due to an increase in government grants from approximately RMB4.0 million for the six months ended 30 June 2017 to approximately RMB7.0 million for the six months ended 30 June 2018. We believe this grant demonstrates the recognition of the Group received from the local government. The increase was partially offset by the decrease in bond interest income and bank interest income from approximately RMB4.6 million for the six months ended 30 June 2017 to approximately RMB3.0 million for the six months ended 30 June 2018. The decrease was mainly due to a decrease in the average balance of bond investment and time deposit which was attributable to the disposal of bonds and structured financial products in 2017 and 2018 to invest in the equity investments and to support the construction of our R&D center and headquarters.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 39.3% from approximately RMB7.7 million for the six months ended 30 June 2017 to approximately RMB4.7 million for the six months ended 30 June 2018. The decrease was mainly attributable to a decrease in advertisement fees from approximately RMB6.5 million for the six months ended 30 June 2017 to approximately RMB2.2 million for the six months ended 30 June 2018, primarily due to the maturity of the Company's self-distributed and operated games and associated promotional activities decreased in 2018 as a result. The decrease was partially offset by the increase in channel fees from approximately RMB0.5 million for the six months ended 30 June 2017 to approximately RMB1.5 million for the six months ended 30 June 2018 as a result of the launch of Sprites Legend (靈妖記－神仙道外傳) on Apple Inc.'s App Store in September 2017. The Company recognises revenue from Sprices Legend (靈妖記－神仙道外傳) on a gross basis and App Store channel fees in selling and distribution expenses.

Administrative expenses

Administrative expenses decreased by approximately 3.0% from approximately RMB26.2 million for the six months ended 30 June 2017 to approximately RMB25.5 million for the six months ended 30 June 2018. The decrease was primarily attributable to a decrease in depreciation expenses from approximately RMB1.3 million for the six months ended 30 June 2017 to approximately RMB0.6 million for the six months ended 30 June 2018 because some company vehicles had been fully depreciated before the end of the reporting period.

R&D costs

R&D costs increased slightly by approximately 2.7% from approximately RMB39.4 million for the six months ended 30 June 2017 to approximately RMB40.4 million for the six months ended 30 June 2018. The increase was primarily attributable to a deemed share-based payment of RMB2.5 million recognised during the six months ended 30 June 2018 while no such expense for the six months ended 30 June 2017. The deemed share-based payment was related to the non-reciprocal capital contributions made by the Group to a non-wholly owned subsidiary of which the non-controlling shareholders are employees. The amount of contributions made by the parent company to the non-controlling shareholders was charged against the consolidated statement of profit or loss as employees' remuneration.

Finance costs

Finance costs are comprised of interest expenses from the time loan denominated in HKD borrowed by the Company as a financial lever for life insurance policies. The Company's finance costs increased by approximately 19.0% from approximately RMB627,000 for the six months ended 30 June 2017 to approximately RMB746,000 for the six months ended 30 June 2018 and the increase was mainly attributable to increased interest rates and the appreciation of the HKD against the RMB.

Other expenses

Other expenses decreased significantly by approximately 98.7% from approximately RMB27.3 million for the six months ended 30 June 2017 to approximately RMB0.4 million for the six months ended 30 June 2018. The decrease was primarily attributable to an impairment loss of approximately RMB20.4 million of goodwill pursuant to the Company's acquisition of Kailuo Tianxia in 2013 as disclosed in the Prospectus which was made in the first half of 2017 while there was no such impairment in the first half of 2018. The decrease was also attributable to an investment loss of approximately RMB5.8 million recognised during the six months ended 30 June 2017 related to the disposal of one of the Company's subsidiaries engaged in game development while no such loss was recognised for the six months ended 30 June 2018.

Income tax expense

Income tax expense decreased by approximately 50.3% from approximately RMB3.8 million for the six months ended 30 June 2017 to approximately RMB1.9 million for the six months ended 30 June 2018. The decrease was mainly attributable to the decrease in revenue and profits of subsidiaries not exempted from the income tax.

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

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

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

	Six Months Ended 30 June		
	2018 (RMB'000)	2017 (RMB'000)	Change %
Loss for the period attributable to owners of the parent	**(37,442)**	(50,183)	(25.4)
Add:			
Share-based compensation	**4,232**	10,235	(58.7)
Amortisation of intangible assets recognised for acquisitions	**–**	1,800	(100.0)
Impairment loss of goodwill recognised for Carrot Fantasy cash-generating unit	**–**	20,360	(100.0)
Total	**(33,210)**	(17,788)	86.7

FINANCIAL POSITION

As at 30 June 2018, total equity of the Group amounted to approximately RMB647.3 million, compared with approximately RMB635.7 million as at 31 December 2017. The increase was mainly due to the changes in fair value of the Group's unlisted investments of approximately RMB46.7 million and changes in fair value on disposal of two unlisted investments of approximately RMB4.6 million recognised in other comprehensive income. The increase was also due to the net equity impact of approximately RMB2.8 million regarding the exercise of share options. The increase was partially offset by the net loss recognised for the six months ended 30 June 2018.

The Group's net current assets amounted to approximately RMB61.4 million as at 30 June 2018, compared with approximately RMB107.4 million as at 31 December 2017. The decrease was mainly due to the payment of construction costs of approximately RMB16.1 million and the increase in the investments in associates of approximately RMB30.0 million in the first half of 2018.

LIQUIDITY AND FINANCIAL RESOURCES

	30 June 2018 (RMB'000)	31 December 2017 (RMB'000)	Change %
Cash at bank and on hand	**95,312**	155,397	(38.7)
Total	**95,312**	155,397	(38.7)

Total cash and cash equivalents amounted to approximately RMB95.3 million as at 30 June 2018, compared with approximately RMB155.4 million as at 31 December 2017. The decrease was primarily due to the investments in associates and the construction of our R&D center and headquarters.

As at 30 June 2018, approximately RMB37.6 million of our financial resources (31 December 2017: RMB32.8 million) was held in deposits denominated in non-RMB currencies. We currently do not hedge transactions undertaken in foreign currencies but manage our foreign exchange exposure by limiting and constantly monitoring our foreign currency exposure. The Group has adopted a prudent cash and financial management policy. In order to better control costs and minimise costs of funds, the Group's treasury activities are centralised and cash is generally deposited in banks and denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

As at 30 June 2018, we had time loans of approximately HK$64.7 million (31 December 2017: HK$64.0 million) with an interest rate of 3.44% which was secured by certain life insurance policies as detailed below which was borrowed by the Company as a financial lever for the life insurance policies.

Significant Financial assets at fair value through other comprehensive income ("FVOCI"), Financial assets at fair value through profit or loss ("FVPL") and Available-for-sale ("AFS") Investments Held

As at 30 June 2018, we had non-current FVOCI and FVPL of approximately RMB380.8 million (AFS as at 31 December 2017: RMB370.0 million) and current FVPLs of approximately RMB10.4 million (AFS as at 31 December 2017: Nil). The current FVPLs were composed of structured financial products of RMB10.4 million as at 30 June 2018 (31 December 2017: Nil) issued by banks and asset management companies with an expected interest rate ranging from 4.0% to 5.88% per annum and maturity periods less than 100 days which were invested by the PRC subsidiaries. The non-current FVOCI and FVPL represent the straight bonds, convertible bonds and convertible preferred shares issued by banks or reputable companies, with Standard & Poor ("**S&P**") ratings above BB – and coupon rates ranged from 4.25% to 6.5% per annum which were invested by the Company, the investment in life insurance policies by the Company and equity interests held by the Group in nine unlisted companies and one company listed on the China New Third Board (NEEQ). In August 2015, the Group entered into life insurance policies with an insurance company to insure certain members of the key management of the Group. The Company can terminate the policy at any time and receive the refund based on the surrender value of the contract(s) at the date of withdrawal, which is determined by the insurance premium of each insurance policy plus the accumulated interest earned and minus the insurance costs ("**Surrender Value**"). In addition, if the withdrawal is made between the first and tenth policy years, there is a special amount of surrender charge by the insurance company. The insurance company will declare a guaranteed interest of 3.9% per annum plus a premium determined by the insurance company on the outstanding Surrender Value of the contract for the first three years. Commencing from the fourth year, the guaranteed interest will be reduced to 2% per annum.

The principal of the FVOCI and FVPL as at 30 June 2018 are not protected. The fair value of the current FVPL investments approximately equals to their cost plus expected interest. The fair value of FVOCI and FVPL in straight bonds, convertible bonds and convertible preferred shares have been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market inputs. The fair value of the life insurance policies represented the surrender value of such insurance policies which is detailed in the above paragraph. The fair values of unlisted equity investments were assessed by independent valuers or employed other available methods.

Details of the Group's FVOCI, FVPL and AFS investments are set out in the section headed "Performance and Future Prospect of Significant FVOCI and FVPL Investments Held" below.

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

Performance and Future Prospect of Significant FVOCI and FVPL Investments Held
Details of the Group's FVOCI and FVPL investments as at 30 June 2018 are presented as follows:

(A) Significant Structured Financial Product

Name of the structured financial product	Notes	Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2018 (RMB'000)	Fair value as at 31 December 2017 (RMB'000)	Fair value as at 30 June 2018 (RMB'000)	Percentage of total FVOCI and FVPL Investments at 30 June 2018	Percentage of total assets of the Group as at 30 June 2018
Huatai Structured Financial Products	1	12	–	6,175	1.6%	0.8%
Others	2	5	–	4,206	1.1%	0.5%

Notes:

1. The Huatai structured financial products as at 30 June 2018 were issued by Huatai Securities Co., Ltd ("**Huatai Securities**") with floating interest rates and with a maturity period of less than 100 days. The principal of the Huatai structured financial products was unprotected. Based on the historical record and estimation of Huatai Securities, the expected interest rates of the Huatai structured financial products would range from 4.0% to 5.0% per annum.

   Pursuant to the instructions of Huatai structured financial products, the funds raised by Huatai structured financial products will be invested in the financial assets in the Chinese interbank market with higher credit rating and better liquidity. According to the historical records of the rate of return of Huatai Securities, the actual rates of return of the Huatai structured financial products almost achieved the expected rates of return throughout the six months ended 30 June 2018.

   The Group is optimistic about the domestic macroeconomic trends and financial market situation in the PRC and in view of the stability of the historical rates of return of Huatai structured financial products, the Group is also optimistic about the future performance of Huatai structured financial products.

2. Other structured financial products as at 30 June 2018 represented structured financial products issued by banks in the PRC with expected interest rates ranging from 4.5% to 5.88% per annum and maturity periods of 10 to 90 days.

(B) Straight Bonds

Name of the straight bonds	Notes	**Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2018 (RMB'000)**	**Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the six months end 30 June 2018 (RMB'000)**	**Fair value as at 30 June 2018 (RMB'000)**	**Percentage of total FVOCI and FVPL investments at 30 June 2018**	**Percentage of the total assets of the Group as at 30 June 2018**
Huarong Finance II Co., Ltd. ("**Huarong Finance II**")	1	436	304	23,812	6.1%	3.1%
Huarong Finance 2017 Co., Ltd. ("**Huarong Finance 2017**")	2	419	(390)	19,257	4.9%	2.5%
Bank of East Asia ("**BEA**")	3	580	418	26,574	6.8%	3.4%
Zhongrong International Bond 2015 Limited ("**ZIB 2015**")	4	261	–	–	–	–

Notes:

1. Please refer to note 17 to the financial statements for the details of the bond issued by Huarong Finance II.

   Huarong Finance II, the issuer of the bond, is a subsidiary of China Huarong Asset Management Co., Ltd. ("**China Huarong**"), of which its shares are listed on the Main Board of the Stock Exchange since 30 October 2015 (Stock Code: 2799). The bond issued by Huarong Finance II was unconditionally and irrevocably guaranteed by Huarong (HK) International Holdings Limited, a subsidiary of China Huarong, and with the benefit of a keepwell deed and a deed of equity interest purchase, investment and liquidity support undertaking by China Huarong. China Huarong (together with its subsidiaries, "**Huarong Group**") is a leading asset management company ("**AMC**") and one of the four largest state-owned AMCs in the PRC. The principal businesses of Huarong Group are distressed asset management, financial intermediary services, principal investments, banking, financial leasing, securities, trust and special asset management.

   Pursuant to the annual results announcement of Huarong Group for the year ended 31 December 2017, Huarong Group recorded the total income of approximately RMB128,071 million and profit for the year of approximately RMB26,588 million. In 2017, Huarong Group unswervingly enhanced the core business of distressed asset management, persisted in the synergic development of "innovation + prudence" and various sectors of "one body, two wings", achieved steady growth of operating results.

   The Group believes that Huarong Group will continue its business expansion and value creation and is therefore optimistic about the future prospect of Huarong Group.

2. Please refer to note 17 to the financial statements for the details of the bond issued by Huarong Finance 2017.

   Huarong Finance 2017, the issuer of the bond, is a wholly-owned subsidiary of China Huarong International Holdings Limited, which is in turn a wholly-owned subsidiary of China Huarong. For more details about China Huarong, please refer to note 1 as disclosed above in this section.

3. Please refer to note 17 to the financial statements for the details of the bond issued by BEA.

   BEA, the issuer of the bond, was incorporated in 1918 and was the largest independent local bank in Hong Kong in terms of assets. The shares of BEA have been listed on the Main Board of the Stock Exchange since the 1930s (Stock Code: 00023). BEA's shares have been a constituent stock of the Hang Seng Index since 1984. BEA provides commercial and retail banking, financial and insurance services through its corporate banking, personal banking, wealth management, insurance & retirement benefits, treasury markets, China and international divisions. BEA's core business products and services include syndicated loans, trade finance, deposit taking, foreign currency savings, remittances, mortgage loans, consumer loans, credit cards, cyberbanking retail investment, retail investment and wealth management services, foreign exchange margin trading, services related to the mandatory provident fund scheme, internet banking services and general and life insurance. In addition, BEA is one of the first foreign banks to receive approval to establish a locally-incorporated bank in Mainland China.

   Pursuant to the annual report of BEA for the year ended 31 December 2017, BEA recorded the total operating income of approximately HKD15,953 million and profit for the year of approximately HKD10,515 million. For 2018, BEA will further enhance asset quality, expand sources of fee income and carry out the third year of its cost-reduction program.

   The Group believes that with growing opportunities resulting from outbound investments by businesses in Mainland China, Hong Kong, and other markets, BEA will proactively explore and capture emerging business opportunities and achieve new heights and the Group is therefore optimistic about the future prospect of BEA.

4. In September 2016, the Group invested in a bond issued by ZIB 2015 with a nominal amount of US$3,000,000 at a consideration of US$3,062,000 (equivalent to approximately RMB20.4 million). The bond has a coupon interest rate of 6% per annum with a maturity period of 3 years. On the maturity date i.e. 15 June 2018, the bond was fully redeemed. Please refer to note 17 to the financial statements and the annual report of the Company for the year ended 31 December 2017 for details of the bond.

(C) Convertible Bond

Name of the convertible bond	Note	Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2018 (RMB'000)	Gain on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2018 (RMB'000)	Fair value as at 30 June 2018 (RMB'000)	Percentage of total FVOCI and FVPL investments at 30 June 2018	Percentage of the total assets of the Group as at 30 June 2018
Standard Chartered PLC	1	662	76	13,375	3.4%	1.7%

Note:

1. Please refer to note 17 to the financial statements for the details of the convertible bond issued by Standard Chartered PLC.

   On 6 April 2015, the Group invested in a perpetual convertible bond issued by Standard Chartered PLC with a nominal amount of US$8,000,000 and a coupon interest rate of 6.5% per annum at a consideration of US$8,101,000 (equivalent to approximately RMB49.7 million). In July and August 2016, the Group sold part of the above perpetual convertible bond with a nominal amount of US$5,000,000 for a consideration of US$4,788,000 (equivalent to approximately RMB31.9 million). In January 2018, the Group sold part of the above perpetual convertible bond with a nominal amount of US$1,000,000 for a consideration of US$1,056,000 (equivalent to approximately RMB6.7 million).

   Standard Chartered PLC, the issuer of the convertible bond, is listed on the Main Board of the Stock Exchange (Stock Code: 02888) and London, Mumbai stock exchanges. Standard Chartered PLC (together with its subsidiaries, "**Standard Chartered Group**") is a leading international banking group.

   Pursuant to the interim results announcement of Standard Chartered Group for the six months ended 30 June 2018, Standard Chartered Group recorded the operating income of approximately US$7,627 million and profit for the period of approximately US$1,593 million. Standard Chartered Group is investing more into exciting new initiatives and the strengthened risk discipline is paying off. Organic capital generation and improved credit quality is increasing its resilience to shocks.

   The Group believes that Standard Chartered Group will perform steadily with encouraging progress on several fronts and is therefore optimistic about the future prospect of Standard Chartered Group.

(D) Convertible Preferred Shares

Name of the convertible preferred Shares	Notes	Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2018 (RMB'000)	Gain/(loss) on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2018 (RMB'000)	Fair value as at 30 June 2018 (RMB'000)	Percentage of total FVOCI and FVPL investments at 30 June 2018	Percentage of the total assets of the Group as at 30 June 2018
Industrial and Commercial Bank of China Limited ("**ICBC**")	1	–	731	34,980	8.9%	4.5%
China Cinda Asset Management Co., Ltd. ("**Cinda**")	2	–	(513)	9,099	2.3%	1.2%

Notes:

1. Pease refer to note 17 to the financial statements for the details of the convertible preferred shares issued by ICBC.

   ICBC, the issuer of the convertible preferred shares, is listed on the Main Board of the Stock Exchange since 27 October 2006 (Stock Code: 1398) and Shanghai Stock Exchange. ICBC (together with its subsidiaries, "**ICBC Group**") has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness and providing comprehensive financial products and services to corporate customers and personal customers.

   Pursuant to ICBC Group's first quarterly report for the three months ended 31 March 2018, ICBC Group recorded operating income of approximately RMB197,198 million and net profit of approximately RMB79,069 million. ICBC Group will take enhancing the ability to create value as the overarching principle, adopt as its focus the five major strategic projects, namely, serving the real economy, serving the broadest customer base, transforming and upgrading, leading in innovation and risk control enhancement, aiming to build a world-class and modern financial enterprise with global competitiveness by adhering to the principles of "delivering excellence, adhering to our founding mission, customers' favorite, leading in innovation, security and prudence, and people-oriented".

   The Group is optimistic about the international financial market and the performance of ICBC Group in the future.

2. Please refer to note 17 to the financial statements for the details of the convertible preferred shares issued by Cinda.

   Cinda, the issuer of the convertible preferred shares, is listed on the Main Board of the Stock Exchange of Hong Kong Limited since 12 December 2013 (Stock Code: 1359). Cinda (together with its subsidiaries, "**Cinda Group**") is the leading AMC in China. Cinda Group's principal business segments include (i) distressed asset management, (ii) financial investment and asset management and (iii) financial services.

   Pursuant to Cinda Group's annual report for the year ended 31 December 2017, Cinda Group recorded total income of approximately RMB120,035 million and profit of approximately RMB18,758 million. Cinda Group will capture its market position, so as to uphold and explore opportunities in the distressed asset management business as main task through optimization of business structure and enhancement of resource allocation efficiency, and to enhance the scale, quality and efficiency steadily.

   The Group is optimistic about the performance of Cinda Group in the future.

(E) Investment in Life Insurance Policies

	Note	Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2018 (RMB'000)	Gain on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2018 (RMB'000)	Fair value as at 30 June 2018 (RMB'000)	Percentage of total FVOCI and FVPL investments at 30 June 2018	Percentage of the total assets of the Group as at 30 June 2018
Investment in life insurance policies	1	–	2,331	90,194	23.1%	11.6%

Note:

1. Please refer to note 17 to the financial statements for the details of the investments in life insurance policies.

   Pursuant to the annual performance review of the life insurance policies in 2017, the actual interest rate of each insurance policy for the first two years is 3.9% per annum. Considering the insurance nature of the life insurance policies, the historical performance of the life insurance policies and the clause regarding the guaranteed interest, the Group believes that the performance of the life insurance policies will be stable.

   There will be no interest income recognised in the consolidated profit or loss of the Group before the Group terminate the life insurance policies and the accumulated interests earned were reflected in changes in cash value of the life insurance policies. The fair value changes were recognised in the consolidated statement of profits or loss.

(F) Unlisted Equity Investments

Company Name	Notes	**Percentage of shareholdings at 30 June 2018**	**Fair value as at 30 June 2018 (RMB'000)**	**Percentage of total FVOCI and FVPL investments at 30 June 2018**	**Percentage of the total assets of the Group as at 30 June 2018**
APOLLO CAPITAL L.P. ("**APOLLO**")	1	8.2%	16,607	4.2%	2.1%
Xiamen eName Technology Co., Ltd.	2	2.0%	20,352	5.2%	2.6%
Ewan	3	4.54%	90,920	23.2%	11.7%
Others	4	–	35,678	9.2%	4.6%

Notes:

1. APOLLO is an unlisted limited partnership principally engaged in investment in companies which are primarily in the sectors of auto parts, new materials, electronic information, new energy, energy conservation, emission reduction and environmental protection to achieve earnings in the form of medium to long term capital appreciation.

   In June 2018, the Group sold part of the above investment with a cost value of US$3,024,000 for a consideration of US$3,786,000 (equivalent to approximately RMB25.0 million).

   Pursuant to APOLLO's financial statements for the year ended 31 December 2017, APOLLO recorded revenue of approximately US$244,106 and net profit after tax of approximately US$134,429. APOLLO held its investments as at 31 December 2017 and did not dispose of any of its investments for the year ended 31 December 2017 as it was expected to realise its investments at a later stage in order to enjoy a higher capital appreciation. There was no impairment made for any of its investments for the six months ended 30 June 2018.

   The Group believes that APOLLO has sufficient capital and managed by experienced management team and the sectors it invest in have positive future and its future business prospect is positive and growing.

2. Xiamen eName Technology Co., Ltd. (together with its subsidiaries, "**eName**") is a company listed on China New Third Board (Stock Code: 838413) which principally engaged in domain related businesses and providing domain registration, transfer and transaction services for the Internet customers. It is a well-known domain service provider in China.

   Pursuant to the eName's interim report for the six months ended 30 June 2018, eName recorded revenue of approximately RMB73 million and net profit after tax of approximately RMB8 million. eName will continue to develop and expand its domain related businesses and it is also committed to building comprehensive platform to provide registration and transaction services of domain, brand and IP.

   The Group is optimistic about the domain service and brand service market in China and the performance of eName in the future.

3. Ewan, one of the non-wholly owned subsidiaries of XD, an online game publishing and developing company with its shares listed on the China New Third Board (Stock Code: 833897), is primarily engaged in developing and operating an emerging mobile game distribution platform, TapTap, which generates revenue from advertisement.

   The Group entered into an investment agreement to inject RMB50.0 million in cash into Ewan, as a result of which the Group had held 4.54% of the equity interests in Ewan since 1 June 2017. On 21 June 2018 the Group entered into the Capital Injection Agreement to further inject RMB4.54 million in cash into Ewan. Immediately following the completion of the proposed transaction under the Capital Injection Agreement, the Group holds 4.34% of the equity interests in Ewan. For details, please refer to the announcement of the Company dated 21 June 2018.

   Pursuant to XD's annual report for the year ended 31 December 2017, Ewan recorded revenue of approximately RMB96.1 million and net loss after tax of approximately RMB36.1 million for the year ended 31 December 2017. As disclosed on Tap Tap's official website, it has accumulated over 60.0 million users by the end of January 2018 and recorded over 2.0 million daily active users. Pursuant to XD's interim report for the six months ended 30 June 2018, Ewan recorded revenue of approximately RMB125.7 million. With its rapidly growing user base, TapTap is expected to gain greater market share in mobile game distribution going forward.

   The Group believes that Ewan is a superior mobile game platform with a great number of high quality games and developers as well as a remarkable number of valuable gamers and it has become one of the major mobile game platforms in China has sufficient capital and managed by experienced management team and the sectors it invest in have positive future and its future business prospect is positive and growing. The Group is therefore optimistic about the future prospects of Ewan.

4. Others comprised seven unlisted limited liability companies and none of these investments accounted for more than 1.6% of the total assets of the Group as at 30 June 2018.

There was no impairment made for any investments in debt instruments for the six months ended 30 June 2018. Investments in equity instruments do not involve any separate impairment accounting under IFRS 9 Financial Instruments.

Gearing ratio

On the basis of total liabilities divided by total assets, the Group's gearing ratio was 16.7% as at 30 June 2018 and 16.6% as at 31 December 2017.

Capital expenditures

The following table sets forth our capital expenditures for the six months ended 30 June 2018 and 2017:

	Six Months Ended 30 June		
	2018 (RMB'000)	2017 (RMB'000)	**Change %**
Property, plant and equipment	**1,807**	4,089	(55.8)
Construction in progress	**16,064**	812	1,878.3
Total	**17,871**	4,901	264.6

Capital expenditures are comprised of property, plant and equipment and construction in progress, of which the former include but are not limited to company vehicles for employees' use and leasehold improvements. Total capital expenditures for the six months ended 30 June 2018 were approximately RMB17.9 million compared with RMB4.9 million for the six months ended 30 June 2017, an increase of approximately RMB13.0 million which was primarily due to the increase in construction costs for our R&D center and headquarters in Xiamen, PRC from approximately RMB0.8 million for the six months ended 30 June 2017 to approximately RMB16.1 million for the six months ended 30 June 2018. The increase was partially offset by the decrease in the purchase of company vehicles for employees' use from approximately RMB1.8 million during the six months ended 30 June 2017 to nil for the six months ended 30 June 2018.

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

On 2 May 2018, the Company entered into an investment agreement to make an investment of RMB20.0 million in Global OW, a private limited company incorporated in Hong Kong, which holds a 97.132% equity stake in Etranss, one of the cryptocurrency exchanges approved by Bangko Sentral ng Pilipinas (BSP), the Philippine central bank. With the closing of this investment, the Company will own a 20% equity stake in Global OW. As at 30 June 2018, approximately RMB3.0 million has been paid.

On 21 June 2018, the Company, through Xiamen Youli, entered into a Capital Injection Agreement as one of the existing shareholders and one of the investors of Ewan, pursuant to which Xiamen Youli will further inject RMB4.54 million in cash into Ewan. As at 21 June 2018 and immediately prior to completion of the Capital Injection, Xiamen Youli owned a 4.54% equity stake in Ewan. Immediately following completion of the proposed transaction under the Capital Injection Agreement, Xiamen Youli's equity interests in Ewan decreased from 4.54% to 4.34%. As at 29 August 2018, the registration changing at the administration for Industry and Commerce for the transaction contemplated under the Capital Injection Agreement has been completed. XD remains Ewans's controlling shareholder following Capital Injection Agreement. Hangzhou Bobo Technology Co., Ltd. (杭州播播科技有限公司), a subsidiary under contractual arrangement of NetEase, Inc. (an entity listed on NASDAQ in the United States of America), is Ewan's new investor. The investment is not only in line with our strategic business plan to strengthen our distribution network, but will also maintain Xiamen Youli's shareholding interest in Ewan and offer a valuable opportunity for greater investment return in the future.

Save as disclosed in this interim report, the Group currently has no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018. Apart from those disclosed in this interim report, there was no specific plan authorised by the Board for other significant investment or acquisition of major capital assets or other businesses in the second half of 2018. However, the Group will continue to identify new opportunities for business development.

Pledge of Assets

As at 30 June 2018, the bank loan of the Group amounted to HK$64.7 million which was used as a lever of our investment in life insurance policies was secured by the life insurance policies with a fair value amounted to US$13.6 million.

Contingent liabilities and guarantees

As at 30 June 2018, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation with claims made against us.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, we had 450 full-time employees, the majority of whom are based in Xiamen, PRC. The following table sets forth the number of our employees segregated by their functions as at 30 June 2018:

	Number of Employees	% of Total
Development	277	61.6
Operations	91	20.2
Administration	77	17.1
Sales and marketing	5	1.1
Total	450	100.0

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

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

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

Use of Net Proceeds from Listing

The net proceeds from the Global Offering were approximately HK$585.0 million (equivalent to approximately RMB463.2 million) after deducting the underwriting fees and commission, and related total expenses paid and payable by us in connection with the Listing.

The following table sets forth the use of net proceeds from the Global Offering:

	Net Proceeds from Global Offering			
	Available to utilise		**Utilised (up to 30 June 2018)**	**Unused balance**
	RMB'000	Percentage	RMB'000	RMB'000
Expanding and enhancing game portfolio	185,281	40%	185,281	–
Expanding marketing and promotion activities	92,641	20%	59,109	33,532
Establishing and expanding international operations in selected overseas markets	69,480	15%	25,658	43,822
Potential acquisitions of technologies and complimentary online games or business, partnerships and licensing opportunities	69,480	15%	69,480	–
Supplementing working capital and for other general corporate purposes	46,320	10%	46,320	–
	463,202	100%	385,848	77,354

Note: The figures in the table are approximate figures.

The unused balance of the net proceeds of approximately RMB77.4 million are currently placed with reputable banks as the Group's cash and cash equivalents.

As at 30 June 2018, the Group had utilised the net proceeds from the Global Offering of RMB385.8 million as detailed above in accordance with the intended use of net proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The unused balance of approximately RMB77.4 million, consisted of (i) approximately RMB33.5 million allocated for use in expanding our marketing and promotional activities, and in particular, for promoting one of our new games, Peace in Chang An (天下長安), a TV-series-IP-related RPG game, as well as developing and promoting the game operation and management business in regards to the exclusive cooperation with Meitu Network in the second half of 2018; and (ii) approximately RMB43.8 million allocated for use in establishing and expanding international operations in select overseas markets, and in particular, for promoting a new RPG game in the Middle East, which is expected to be launched in the second half of 2018 and the budgeted amount is expected to cover the selling & marketing expenses till the end of 2019.

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

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in Shares

Name of Director/ chief executive	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding[7] %
YAO Jianjun	Founder of a Discretionary Trust Interest of Controlled Corporation and Beneficial owner [1 and 2]	489,884,500	31.81
CHEN Jianyu	Founder of a Discretionary Trust Interest of Controlled Corporation [1 and 3]	256,739,000	16.67
BI Lin	Founder of a Discretionary Trust Interest of Controlled Corporation [1 and 4]	127,470,000	8.28
LIN Jiabin	Founder of a Discretionary Trust Interest of Controlled Corporation [1 and 5]	44,890,500	2.92
LIN Zhibin	Founder of a Discretionary Trust Interest of Controlled Corporation [1 and 6]	44,890,500	2.92

Notes:

1. TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Lin Family Trust and The Zhi Family Trust.

2. These interests represented:

   (a) 8,485,500 Shares held directly by Mr. YAO; and

   (b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 256,739,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.

4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 127,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.

5 The entire share capital of LINT Holdings Limited is wholly owned by Supreme Top Global Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Lin Family Trust, which was established by Mr. LIN Jiabin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Jiabin and his family members. Mr. LIN Jiabin (as founder of The Lin Family Trust) and Supreme Top Global Limited are taken to be interested in 44,890,500 Shares held by LINT Holdings Limited pursuant to Part XV of the SFO.

6 The entire share capital of LINCHEN Holdings Limited is wholly owned by Sheen Field Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Zhi Family Trust, which was established by Mr. LIN Zhibin on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Zhibin and his family members. Mr. LIN Zhibin (as founder of The Zhi Family Trust) and Sheen Field Limited are taken to be interested in 44,890,500 Shares held by LINCHEN Holdings Limited pursuant to Part XV of the SFO.

7 The percentage is calculated on the basis of 1,539,943,455 Shares in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PRE-IPO SHARE OPTION SCHEME

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

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted options to subscribe for an aggregate of 105,570,000 Shares, which represented approximately 6.86% of the Shares in issue as at 30 June 2018, to senior management of the Group and other grantees. As at 30 June 2018, 13,157,500 Shares granted pursuant to the Pre-IPO Share Option Scheme, which represented approximately 0.85% of the Shares in issue as at 30 June 2018 and 0.85% of the Shares in issue as at the date of this interim report, remained unvested. As at 31 December 2017, 17,190,000 Shares granted pursuant to the Pre-IPO Share Option Scheme, which represented approximately 1.12% of the Shares in issue as at the date of the Company's 2017 annual report, remained unvested.

The table below sets out details of the outstanding options granted to senior management and other grantees under the Pre-IPO Share Option Scheme and movements during the six months ended 30 June 2018:

					Number of Shares				
Name	**Date of Grant**	**Vesting schedule**	**Option period**	**Exercise price**	**Granted on the date of grant**	**Outstanding as at 1/1/2018**	**Exercised during the six months ended 30/06/2018**	**Cancelled/ Lapsed during the six months ended 30/06/2018**	**Outstanding as at 30/06/2018**
Senior management									
Ms. ZHOU Yandan	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	4,510,000	–	–	–	–
Mr. CHEUNG Man Yu	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	6,430,000	4,822,500	–	–	4,822,500
Mr. DONG Ting	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	7,510,000	–	–	–	–
Ms. XU Yiqing	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	2,250,000	2,250,000	–	–	2,250,000
Mr. LIU Tao	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	1,130,000	–	–	–	–
Other Grantees									
Aggregate of 117 other grantees	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	83,740,000	42,440,500	(6,066,000)	(4,032,500)[1]	32,342,000
Total					**105,570,000**				**39,414,500**

Notes:

(1) 4,032,500 share options granted to other grantees lapsed immediately upon their resignation from the Company during the six months ended 30 June 2018.

(2) The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK$0.87.

POST-IPO SHARE OPTION SCHEME

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

Pursuant to the Post-IPO Share Option Scheme, the Company has granted options to subscribe for (i) 3,000,000 Shares to a senior management on 10 June 2015; (ii) 1,000,000 Shares to an eligible participant on 5 July 2016; (iii) 10,160,000 Shares to two senior management and other 10 eligible participants on 27 March 2017; (iv) 5,000,000 Shares to a senior management and an eligible participant on 15 May 2017; and (v) 15,000,000 Shares to a senior management on 13 November 2017. As at 30 June 2018, the total number of options granted under the Post-IPO Share Option Scheme was 34,160,000, which represented approximately 2.22% of the Shares in issue as at 30 June 2018. As at 30 June 2018, 7,950,000 options granted under the Post-IPO Share Option Scheme, which represented approximately 0.52% and 0.52% of the Shares in issue as at 30 June 2018 and the date of this interim report respectively, were vested to the named grantees.

The table below sets out details of the outstanding options granted to the grantee under the Post-IPO Share Option Scheme and movements during the six months ended 30 June 2018:

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Shares				
						Granted on the date of grant	Outstanding as at 1/1/2018	Exercised during the six months ended 30/06/2018	Cancelled/ Lapsed during the six months ended 30/06/2018	Outstanding as at 30/06/2018
Senior management										
Mr. YANG Guangwen	10/6/2015	25% of options on 10 June 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK$3.934	HK$3.62	3,000,000(1)	3,000,000	–	–	3,000,000
Mr. YANG Guangwen	27/3/2017	50% of options on 30 June 2017 and 25% of options on 30 June 2018 and 2019 respectively	10 years from the date of grant	HK$1.256	HK$1.24	3,000,000(3)	3,000,000	–	–	3,000,000
Ms. XU Yiqing	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.256	HK$1.24	3,000,000(3)	3,000,000	–	–	3,000,000
Mr. CHEUNG Man Yu	15/5/2017	25% of options on 15 May 2018, 2019, 2020 and 2021 respectively	10 years from the date of grant	HK$1.10	HK$1.11	3,000,000(4)	3,000,000	–	–	3,000,000
Ms. TU Qin	13/11/2017	1/3 of options on 13 November 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.026	HK$1.00	15,000,000(5)	15,000,000	–	–	15,000,000

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Shares				
						Granted on the date of grant	Outstanding as at 1/1/2018	Exercised during the six months ended 30/06/2018	Cancelled/ Lapsed during the six months ended 30/06/2018	Outstanding as at 30/06/2018
Other Grantee										
1 other grantee	5/7/2016	25% of options on 31 December 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK$1.634	HK1.57	1,000,000(2)	1,000,000	–	–	1,000,000
10 other grantees	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.256	HK$1.24	4,160,000(3)	3,800,000	–	–	3,800,000
1 other grantee	15/5/2017	25% of options on 15 May 2018,2019,2020 and 2021 respectively	10 years from the date of grant	HK$1.10	HK$1.11	2,000,000(4)	2,000,000	–	–	2,000,000
Total						**34,160,000**				**33,800,000**

Notes:

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

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

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

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

(5) On 13 November 2017, 15,000,000 share options were granted to a senior management with exercise price of HK$1.026 per Share, which represents the highest of: (i) the closing price of HK$0.99 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 13 November 2017; (ii) the average of the closing price of HK$1.026 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US$0.0000001.

SUMMARY OF THE SHARE OPTION SCHEMES

	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1. Purpose	To provide an incentive for participants and to reward their performance with rights which allow a participant who has been granted options to subscribe for Shares and to own the Company in proportion with their contribution to the Company or any of its subsidiaries.	To provide an incentive or reward for the participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.
2. Eligible Participants	Full-time employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries who, in the absolute discretion of the Board, have contributed or will contribute to the Group.	Full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries, and suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, has contributed or will contribute to the Group and whom the Board may in its absolute discretion select and think fit.
3. Maximum number of shares	The total number of Shares subject to the Pre-IPO Share Option Scheme shall not exceed 105,570,000, i.e. 8.80% and 6.86% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.	The total number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme is 150,000,000 Shares which is equivalent to 12.50% and 9.74% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.
	No further option could be granted under the Pre-IPO Share Option Scheme.	The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and any other schemes must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

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

PRE-IPO RESTRICTED SHARE UNIT PLAN

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

Pursuant to the Pre-IPO RSU Plan, the maximum number of Shares underlying all grants of RSUs shall not exceed 13,850,000 Shares, equivalent to approximately 0.90% of the Shares in issue as at 30 June 2018, to the senior management of the Group and other grantees. 13,850,000 RSUs were vested in full to the named grantees on 1 April 2015. As at 30 June 2018, the Company no longer has any RSUs outstanding under the Pre-IPO RSU Plan.

POST-IPO RESTRICTED SHARE UNIT PLAN

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

On 27 March 2017, the Company has conditionally granted an aggregate of 14,000,000 RSUs to certain eligible participants to obtain an aggregate of 14,000,000 new Shares pursuant to the Post-IPO RSU Plan. As at 30 June 2018, there were 7,000,000 outstanding RSUs granted under the Post-IPO RSU Plan, representing approximately 0.45% and 0.45% of the Shares in issue as at 30 June 2018 and the date of this interim report respectively.

As approved by the Shareholders at the annual general meeting held on 28 May 2018, the maximum number of new Shares that may underlie awards of RSUs granted or to be granted by the Directors under the annual mandate of the Post-IPO RSU Plan (including but not limited to the 7,000,000 outstanding RSUs granted) (excluding the RSUs that have lapsed or been cancelled in accordance with the Post-IPO RSU Plan) is 38,000,000 Shares, which represented approximately 2.47% and 2.47% of the Shares in issue as at 30 June 2018 and the date of this interim report respectively.

The table below sets out details of the outstanding RSUs granted to the grantee under the Post-IPO RSU Plan and movements during the six months ended 30 June 2018:

					Number of RSUs		
Name	**Date of Grant**	**Vesting schedule**	**Number of RSUs granted**	**Outstanding as at 1/1/2018**	**Vested during the six months ended 30/06/2018**	**Cancelled/ Lapsed during the six months ended 30/06/2018**	**Outstanding as at 30/06/2018**
Other Grantees							
Aggregate of 6 other grantees	27/3/2017	50% on 31 December 2017and 50% on 31 December 2018	14,000,000	7,000,000	–	–	7,000,000

RESTRICTED SHARE UNIT PLAN II

The Company has approved and adopted the RSU Plan II by a resolution of the Board on 26 March 2018 and the passing of an ordinary resolution of the Shareholders at the annual general meeting of the Company held on 28 May 2018. The RSU Plan II is in parallel with the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and such other share option schemes which may be adopted by the Company pursuant to Chapter 17 of the Listing Rules from time to time, as well as the Pre-IPO RSU Plan and the Post-IPO RSU Plan. The RSU Plan II does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company.

As approved by the Shareholders at the annual general meeting held on 28 May 2018, the maximum number of Shares underlying all grants of RSUs under the annual mandate of the RSU Plan II given to the Directors shall not exceed 45,000,000 Shares, which represented approximately 2.92% and 2.92% of the Shares in issue as at 30 June 2018 and the date of this interim report respectively. No RSU was granted under the RSU Plan II from the date of its adoption up to the date of this interim report.

SUMMARY OF THE RESTRICTED SHARE UNIT PLANS

	Pre-IPO RSU Plan	Post-IPO RSU Plan	RSU Plan II
1. Purpose	To reward the participants for their contribution to the success of the Group and to provide incentives to them to further contribute to the Group, and to attract suitable personnel for further development to the Group.	Same as the Pre-IPO RSU Plan	Same as the Pre-IPO RSU Plan
2. Eligible Participants	(i) Full-time employees or officers (including executive, non-executive and independent non-executive Directors) of the Company; (ii) Full-time employees of any subsidiaries and the PRC Operating Entities; (iii) Suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, have contributed or will contribute to the Group; and (iv) Any other person who, in the absolute discretion of the Board, has contributed or will contribute to the Group.	Same as the Pre-IPO RSU Plan	Same as the Pre-IPO RSU Plan
3. Maximum number of shares	The total number of Shares subject to the Pre-IPO RSU Plan shall not exceed 13,850,000 Shares, i.e. 1.15% and 0.90% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.	The total number of Shares subject to the Post-IPO RSU Plan shall not exceed 45,000,000 Shares, i.e. 3.75% and 2.92% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.	No Award shall be granted pursuant to the RSU Plan II if as a result of such grant the aggregate number of Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the RSU Plan II (excluding Awards that have lapsed or been cancelled in accordance with the rules of the RSU Plan II) will exceed 3% of the total issued Shares at the relevant date of Shareholders' approval (i.e. 28 May 2018).

		Pre-IPO RSU Plan	Post-IPO RSU Plan	RSU Plan II
		No further award of RSUs could be granted under the Pre-IPO RSU Plan.	If the limit of the Post-IPO RSU Plan is refreshed with prior approval of the Shareholders, the total number of Shares underlying the awards shall not exceed 3% of the number of issued Shares as at the date of approval of the refreshed limit.	If the limit of the RSU Plan II is refreshed with prior approval of the Shareholders, the total number of Shares underlying the awards shall not exceed 3% of the number of issued Shares as at the date of approval of the refreshed limit.
4.	**Term of the RSU Plan**	Valid and effective for a period of 5 years from 17 November 2014.	Same as the Pre-IPO RSU Plan	Valid and effective for a period of 10 years commencing from 28 May 2018.
5.	**Grant of Award**	The Board may grant an award of RSUs any time during the term of the respective RSU Plan on terms and conditions specified by it.	Same as the Pre-IPO RSU Plan	Same as the Pre-IPO RSU Plan
6.	**Rights attached**	An award of RSUs does not carry any right to vote at general meetings of the Company. No grantee shall enjoy any right of a shareholder by virtue of the grant of award unless and until the Shares underlying the award are allotted and issued or transferred (as the case may be) to the grantee. Notwithstanding the foregoing, the Board may specify in its sole discretion that a grantee may enjoy rights to cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the award.	Same as the Pre-IPO RSU Plan	Same as the Pre-IPO RSU Plan

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

As at 30 June 2018, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares.

Name of Shareholder	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of shareholding[6] %
TMF (Cayman) Ltd. [1]	Trustee of the family trusts	1,025,407,955	66.59
YAO Holdings Limited [2]	Beneficial owner	481,399,000	31.26
Jolly Spring International Limited [2]	Interest in a controlled corporation	481,399,000	31.26
Mr. YAO Jianjun [3]	Founder of a discretionary trust Interest in a controlled corporation and Beneficial owner	489,884,500	31.81
Fishchen Holdings Limited [4]	Beneficial owner	256,739,000	16.67
Honour Gate Limited [4]	Interest in a controlled corporation	256,739,000	16.67
Mr. CHEN Jianyu [4]	Founder of a discretionary trust Interest in a controlled corporation	256,739,000	16.67
BILIN Holdings Limited [5]	Beneficial owner	127,470,000	8.28
Rayoon Limited [5]	Interest in a controlled corporation	127,470,000	8.28
Mr. BI Lin [5]	Founder of a discretionary trust Interest in a controlled corporation	127,470,000	8.28

Notes:

1 TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Sun Family Trust, The Lin Family Trust, The Zhi Family Trust and The Dong Family Trust, seven trusts in total.

2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

3 These interests represented:

(a) 8,485,500 Shares held directly by Mr. YAO; and

(b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

4 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 256,739,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.

5 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 127,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.

6 The percentage is calculated on the basis of 1,539,943,455 Shares in issue as at 30 June 2018.

Other than as disclosed above, as at 30 June 2018, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2018, the Company repurchased a total of 9,642,000 Shares on the Stock Exchange at an aggregate price paid of HK$8,893,529.58 before expenses pursuant to the share repurchase mandate approved by the Shareholders at the annual general meeting of the Company held on 26 May 2017.

Details of the share repurchase are as follows:

Month of repurchase	Number of shares repurchased	Price paid per Share Highest HK$	Lowest HK$	Aggregate price paid HK$
January 2018	9,642,000	0.95	0.88	8,893,529.58
Total	9,642,000			8,893,529.58

All the 9,642,000 repurchased Shares have been cancelled prior to 6 February 2018 and the issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the Shareholders as a whole by enhancing the earnings per share of the Company.

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2018.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this interim report, the Company has always maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2018 and up to the date of this interim report.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. Save as disclosed herein below, the Company has complied with all applicable code provisions under the CG Code during six months ended 30 June 2018.

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

According to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the Shareholders. Ms. Liu Qianli, Mr. MA Suen Yee Andrew and Mr. Lai Xiaoling, being the Independent Non-executive Directors, were unable to attend the annual general meeting of the Company held on 28 May 2018 due to other business commitments.

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

The Board

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

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

Model Code for Securities Transactions

The Company has adopted the Model Code for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2018.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2018.

Review of Interim Results

The Audit Committee, comprising three Independent Non-executive Directors, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2018 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

The unaudited interim results of the Group for the six months ended 30 June 2018 have been reviewed by Ernst & Young, the external auditors of the Company.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' biographical details of the Company since the date of the 2017 annual report of the Company and up to the date of this interim report are as follows:

Mr. LIN Jiabin (林加斌), an Executive Director, has been acting as director of Hainan Feiyi Internet Technology Company Limited (海南飛翼網路科技有限公司) which is the newly founded subsidiary of the Company since 8 June 2018.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2017 annual report of the Company and up to the date of this interim report.

INDEPENDENT REVIEW REPORT

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To the board of directors of Feiyu Technology International Company Ltd.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 42 to 72, which comprises the interim condensed consolidated statement of financial position of Feiyu Technology International Company Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by International Accounting Standards Board.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

29 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	Notes	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
REVENUE	4	**45,778**	54,858
Cost of sales		**(27,407)**	(14,905)
Gross profit		**18,371**	39,953
Other income and gains	4	**13,231**	11,779
Selling and distribution expenses		**(4,697)**	(7,738)
Administrative expenses		**(25,450)**	(26,240)
Research and development costs		**(40,443)**	(39,362)
Finance costs		**(746)**	(627)
Other expenses	5	**(364)**	(27,274)
Share of losses of associates	14	**(718)**	(1,029)
LOSS BEFORE TAX	6	**(40,816)**	(50,538)
Income tax expense	7	**(1,870)**	(3,762)
LOSS FOR THE PERIOD		**(42,686)**	(54,300)
Attributable to:			
Owners of the parent		**(37,442)**	(50,183)
Non-controlling interests		**(5,244)**	(4,117)
		(42,686)	(54,300)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic & Diluted		**RMB(0.02)**	RMB(0.03)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
LOSS FOR THE PERIOD	**(42,686)**	(54,300)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in the fair value of financial assets at the fair value through other comprehensive income	**(470)**	7,280
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**(337)**	(2,406)
Exchange differences on translation of foreign operations	**3,368**	(6,927)
Other comprehensive income will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in the fair value of financial assets at the fair value through other comprehensive income	**32,285**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**34,846**	(2,053)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(7,840)**	(56,353)
Attributable to:		
Owners of the parent	**(2,570)**	(52,288)
Non-controlling interests	**(5,270)**	(4,065)
	(7,840)	(56,353)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	30,742	14,097
Prepaid land lease payments	11	102,174	103,552
Goodwill	12	24,047	24,047
Other intangible assets	13	1,686	1,801
Investment in associates	14	38,306	9,229
Prepayments, deposits and other receivables	16	10,115	9,236
Financial assets at fair value through other comprehensive income	17	233,200	–
Financial assets at fair value through profit or loss	17	147,648	–
Available-for-sale investments	17	–	370,031
Deferred tax assets		1,158	1,284
Total non-current assets		589,076	533,277
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	15	25,715	25,501
Prepayments, deposits and other receivables	16	53,790	45,642
Financial assets at fair value through profit or loss	17	10,381	–
Cash and cash equivalents	18	95,312	155,397
Other current assets		2,356	2,432
Total current assets		187,554	228,972
CURRENT LIABILITIES			
Other payables and accruals	19	61,231	55,454
Interest-bearing bank borrowing	20	54,509	53,504
Tax payable		1,974	1,825
Deferred revenue	21	8,470	10,838
Total current liabilities		126,184	121,621
NET CURRENT ASSETS		61,370	107,351
TOTAL ASSETS LESS CURRENT LIABILITIES		650,446	640,628

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**650,446**	640,628
NON-CURRENT LIABILITIES			
Deferred revenue	21	**3,176**	4,940
Total non-current liabilities		**3,176**	4,940
Net assets		**647,270**	635,688
EQUITY			
Equity attributable to owners of the parent			
Share capital	22	**1**	1
Share premium	22	**490,727**	490,934
Treasury shares		**–**	(2,906)
Reserves		**161,726**	150,023
		652,454	638,052
Non-controlling interests		**(5,184)**	(2,364)
Total equity		**647,270**	635,688

YAO Jianjun
Director

CHEN Jianyu
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Financial assets revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Treasury shares RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	1	490,934	13,940*	150,155*	352,760*	(6,779)*	20,559*	(380,612)*	(2,906)	638,052	(2,364)	635,688
Adoption of IFRS 9	–	–	–	–	–	24,480	–	(7,493)	–	16,987	–	16,987
At 1 January 2018	1	490,934	13,940	150,155	352,760	17,701	20,559	(388,105)	(2,906)	655,039	(2,364)	652,675
Loss for the period	–	–	–	–	–	–	–	(37,442)	–	(37,442)	(5,244)	(42,686)
Other comprehensive loss for the period:												
Changes in fair value of financial assets at fair value through other comprehensive income with gains or losses may be recycled	–	–	–	–	–	(807)	–	–	–	(807)	–	(807)
Changes in value of financial assets at fair value through other comprehensive income with gains or losses will not be recycled	–	–	–	–	–	32,285	–	–	–	32,285	–	32,285
Exchange differences on translation of foreign operations	–	–	–	–	–	–	3,394	–	–	3,394	(26)	3,368
Total comprehensive loss for the period	–	–	–	–	–	31,478	3,394	(37,442)	–	(2,570)	(5,270)	(7,840)
Distribution to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	2,450	2,450
Repurchase of shares	–	–	–	–	–	–	–	–	(7,060)	(7,060)	–	(7,060)
Cancellation of shares	–	(9,966)	–	–	–	–	–	–	9,966	–	–	–
Equity-settled share-based payments expenses	–	–	–	4,232	–	–	–	–	–	4,232	–	4,232
Exercise of share option	–	9,759	–	(6,946)	–	–	–	–	–	2,813	–	2,813
At 30 June 2018 (unaudited)	1	490,727	13,940*	147,441*	352,760*	49,179*	23,953*	(425,547)*	–	652,454	(5,184)	647,270

* These reserve accounts comprise the consolidated reserves of RMB161,726,000 (For the year ended 31 December 2017: RMB150,023,000) in the consolidated statement of financial position.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months end 30 June

	Notes	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before tax		(40,816)	(50,538)
Adjustments for:			
Finance costs		746	627
Interest income	4	(3,039)	(4,604)
Dividend income from financial assets at fair value through other comprehensive income	4	(605)	–
Dividend income from available-for-sale investments	4	–	(608)
Other compensation expenses	6	2,450	–
Depreciation of property, plant and equipment	10	2,584	3,150
Amortisation of prepaid land lease payments		–	1,378
Amortisation of other intangible assets	13	115	1,915
Loss on disposal of items of property, plant and equipment		14	219
Equity-settled share-based payment expenses		4,232	10,235
Fair value gains, net:			
Financial assets	4	(2,541)	–
Fair value gains, net:			
Available-for-sale investments (transfer from equity on disposal)	4	–	(2,406)
Loss on fair value change of contingent consideration		–	495
Loss on disposal of a subsidiary	5	–	5,808
Share of losses of associates	14	718	1,029
Impairment of goodwill	12	–	20,360
		(36,142)	(12,940)
(Increase)/decrease in accounts receivable and receivables due from third-party game distribution platforms and payment channels		(214)	24,466
Increase in prepayments, deposits and other receivables		(6,070)	(3,845)
Decrease in other payables and accruals		(11,991)	(43,785)
Increase in restricted cash		–	(1)
Decrease/(increase) in other current assets		76	(1,568)
Decrease in deferred revenue		(4,132)	(4,997)
Cash used in operations		(58,473)	(42,670)
Income tax paid		(1,595)	(5,272)
Net cash flows used in operating activities		(60,068)	(47,942)

For the six months end 30 June

	Notes	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		2,901	5,429
Dividends received from financial assets at fair value through other comprehensive income	4	605	–
Dividends received from available-for-sale investments	4	–	608
Purchases of items of property, plant and equipment	10	(17,871)	(4,901)
Proceeds from disposal of items of property, plant and equipment		6	1,245
Purchase of financial assets		(83,409)	(323,364)
Proceeds from disposal of financial assets		113,217	298,774
Investment in associates		(12,967)	–
Dividends received from an associate		200	–
Deposit transferred to an account in a domestic securities company		(6)	(601)
Disposal of a subsidiary		–	(18)
Net cash flows from/(used in) investing activities		2,676	(22,828)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of share options		–	5,153
Addition of bank loans		1,864,519	347,160
Repayment of bank loans		(1,863,995)	(346,532)
Repurchase of shares		(7,060)	(29,112)
Interest paid		(11)	(10)
Net cash flows used in financing activities		(6,547)	(23,341)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(63,939)	(94,111)
Cash and cash equivalents at beginning of period		155,397	237,028
Effect of foreign exchange rate changes, net		3,854	(1,758)
Cash and cash equivalents at end of period		95,312	141,159
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	18	95,312	141,159

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2.1 Basis of preparation

The interim financial information for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018.

The Group has adopted the following new and revised IFRSs for the first time in the Interim condensed financial statements:

Amendments to IFRS 2	*Classification and measurement of share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

The Group applies, for the first time, IFRS 9 *Financial instruments* and IFRS 15 *Revenue from Contracts with Customers*. As requested by IAS 34, the nature and effect of these changes are disclosed below.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (Continued)

IFRS 9 Financial instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bring together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt assets are, as follows:

– Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's accounts receivable and receivables due from third-party game distribution platforms and payment channels and other receivables.

– Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the Group's quoted debt instruments were classified as available-for-sale (AFS) financial assets.

Other financial assets are classified and subsequently measured, as follows:

– Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified at AFS financial assets.

– Financial assets at FVPL comprise structured financial products, convertible bonds, convertible preferred shares and investment in life insurance policies whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (Continued)

IFRS 9 Financial instruments (Continued)

(a) Classification and measurement (Continued)

The assessment of the Group's business models was made as of the date of the initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of IFRS 9 resulting in an increase in *Other components of equity* amounting to RMB24,480,000 and decrease in *Retained earnings* amounting to RMB7,493,000 in the opening balances.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model. The Company applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its accounts and notes receivables. The Group applies the general approach of financial assets included in prepayments, deposits and other receivables and due from a related company.

As at 30 June 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the cost directly related to fulfilling a contract.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

The Group adopted IFRS 15 using the modified retrospective method of adoption. The effect of IFRS 15 is as follows:

- The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 11, IAS 18 and related Interpretations and;

- As required for the interim condensed consolidated financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 4 for the disclosure on disaggregated revenue. Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of IAS 11, IAS 18 and related Interpretations. As result, the disclosure of disaggregated revenue in note 4 would not include comparative information under IFRS 15.

All the other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

3. OPERATING SEGMENT INFORMATION

Information about geographical areas

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

Information about major customers

Revenue from continuing operations of approximately RMB4,610,000 was derived from a single customer for game operation which is 10% or more of the Group's revenue for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB6,943,000).

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
Revenue	**2018 RMB'000 (Unaudited)**	2017 RMB'000 (Unaudited)
Online web and mobile games	**37,644**	42,710
Single-player games	**1,907**	1,046
Game operations	**39,551**	43,756
– Gross basis	**5,071**	1,818
– Net basis	**34,480**	41,938
Online game distribution	**530**	1,137
Licensing income	**3,225**	5,741
Advertising revenue	**2,198**	3,877
Sale of goods	**5**	167
Technical service income	**269**	180
	45,778	54,858
Other income		
Interest income	**3,039**	4,604
Government grants	**6,966**	4,002
	10,005	8,606
Gains		
Fair value gains, net:		
Financial assets	**2,541**	–
Available-for-sale investments (transfer from equity on disposal)	**–**	2,406
Dividend income from financial assets at fair value through other comprehensive income	**605**	–
Dividend income from available-for-sale investments	**–**	608
Gain on disposal of items of property, plant and equipment	**–**	4
Other gains	**80**	155
	13,231	11,779

5. OTHER EXPENSES

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment of goodwill	**–**	20,360
Loss on disposal of items of property, plant and equipment	**14**	223
Loss on disposal of a subsidiary	**–**	5,808
Loss on fair value change of contingent considerations	**–**	495
Foreign exchange loss	**75**	377
Others	**275**	11
	364	27,274

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Channel costs	**1,488**	467
Rental fee (including servers)	**5,472**	5,981
Depreciation	**2,584**	3,150
Amortisation of other intangible assets	**115**	1,915
Amortisation of land lease payments	**–**	1,378
Advertising expenses	**2,162**	6,481
Impairment of goodwill	**–**	20,360
Loss on disposal of a subsidiary	**–**	5,808
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	**44,824**	32,880
Pension scheme contributions	**6,484**	6,157
Share-based payment expenses	**4,232**	10,235
Other compensation expenses	**2,450**	–
	57,990	49,272
Dividend income from financial assets at fair value through other comprehensive income	**(605)**	–
Dividend income from available-for-sale investments	**–**	(608)
Interest income	**(3,039)**	(4,604)
Government grants	**(6,966)**	(4,002)

7. INCOME TAX EXPENSE

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

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou"), Xiamen Guangyu Investment Management Co., Ltd. ("Xiamen Guangyu") and Xiamen Feixin Internet Technology Co., Ltd. ("Xiamen Feixin") which were certified as Software Enterprises and are exempted from income tax for two years starting from the first year in which they generate taxable profit, followed by a 50% reduction for the next three years. 2014, 2015 and 2016 are the first profitable years for Xiamen Yidou, Xiamen Guangyu and Xiamen Feixin, respectively. Xiamen Youli Information Technology Co., Ltd. ("Xiamen Youli"), Beijing Kailuo Tianxia Technology Co., Ltd. ("Kailuo Tianxia") apply to 15% preferential tax rate for High and New Technology Enterprises.

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	**1,744**	3,184
Deferred tax	**126**	578
Total tax charge for the period	**1,870**	3,762

8. DIVIDEND

The Board does not recommend the payment of an interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,541,329,245 (for the six months ended 30 June 2017: 1,554,245,021) in issue during the period, as adjusted to reflect the share issuance, repurchase and treasury shares on hand during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2018 and 2017 in respect of a dilution as the impact of the share option outstanding had an anti-dilution effect in the basic loss per share amounts presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of RMB19,249,000 (for the six months ended 30 June 2017: RMB4,901,000), among which RMB1,378,000 was capitalized (for the six months ended 30 June 2017: Nil). Depreciation for items of property, plant and equipment was RMB2,584,000 during the period (for the six months ended 30 June 2017: RMB3,150,000).

Assets with a net book value of RMB20,000 were disposed of by the Group during the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB1,464,000), resulting in a net loss on disposal of RMB14,000 (for the six months ended 30 June 2017: RMB219,000).

11. PREPAID LAND LEASE PAYMENTS

	2018 **RMB'000**
Carrying amount at 1 January	**106,307**
Recognised during the period	**(1,378)**
Carrying amount at 30 June (unaudited)	**104,929**
Current portion included in prepayments, deposits and other receivables	**(2,755)**
Non-current portion	**102,174**

12. GOODWILL

	RMB'000
At 1 January 2018:	
Cost	432,278
Accumulated impairment	(408,231)
Net carrying amount	24,047
Net carrying amount at 1 January 2018 and 30 June 2018	24,047
At 30 June 2018:	
Cost	432,278
Accumulated impairment	(408,231)
Net carrying amount	24,047

13. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2018, the Group did not acquire any intangible asset (for the six months ended 30 June 2017: Nil). Amortisation for intangible assets were RMB115,000 during the period (for the six months ended 30 June 2017: RMB1,915,000).

No intangible asset was disposed of for the six months ended 30 June 2018 and 2017.

14. INVESTMENT IN ASSOCIATES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Shares of net assets	**3,062**	2,204
Goodwill on acquisition	**35,244**	7,025
	38,306	9,229

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

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Share of the associates' loss for the period	**(718)**	(1,029)
Aggregate carrying amount of the Group's investments in the associates	**38,306**	16,639

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

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

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 3 months	25,715	25,501

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Neither past due nor impaired	25,715	25,501

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

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current		
Prepayments	1,919	999
Prepaid land lease payments related deposits	6,420	6,420
Other receivables	1,776	1,817
	10,115	9,236
Current		
Prepayments	9,438	8,436
Deposits	11,718	11,171
Other receivables	32,634	26,035
	53,790	45,642

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI"), FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVPL") AND AVAILABLE-FOR-SALE FINANCIAL ASSETS ("AFS")

		FVOCI 30 June 2018 RMB'000 (Unaudited)	AFS 31 December 2017 RMB'000 (Audited)
Straight bonds	(1)	69,643	89,418
Unlisted equity investments	(2)	163,557	128,941
		233,200	218,359

		FVPL 30 June 2018 RMB'000 (Unaudited)	AFS 31 December 2017 RMB'000 (Audited)
Current			
Structured financial products	(3)	10,381	–
Non-current			
Convertible bonds	(4)	13,375	19,948
Convertible preferred shares	(5)	44,079	43,861
Investment in life insurance policies	(6)	90,194	87,863
		147,648	151,672
		158,029	151,672
			370,031

The financial assets were reclassified from AFS to FVOCI or FVPL following the adoption of IFRS 9 on 1 January 2018. Please refer to Note 2.2 IFRS 9 *Financial instruments* (a) for the change in accounting policy.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI"), FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVPL") AND AVAILABLE-FOR-SALE FINANCIAL ASSETS ("AFS") (Continued)

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

On 9 September 2016, the Group invested in a bond issued by Zhongrong Internatonal Trust Co., Ltd. with a nominal amount of US$3,000,000 at a consideration of US$3,062,000 (equivalent to approximately RMB20.4 million). The bond has a coupon interest rate of 6% per annum with a maturity period of 3 years. On 15 June 2018, the Group sold the above straight bond with a nominal amount of US$3,000,000 at a consideration of US$3,077,000 (equivalent to approximately RMB20.4 million).

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

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

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

(2) The investments represent the equity interests held by the Group in several unlisted companies at a total investment cost of RMB117,248,000 (2017: RMB128,941,000).

The Group elected to present changes in the fair value of its equity investment (previously classified as available-for-sale financial asset ("AFS")) in other comprehensive income as it is a long-term and strategic investment that is not expected to be sold in the short to medium term. The directors have engaged independent valuers or employed other available methods, to assist the Group in assessing the fair values of Group's unlisted equity investments.

(3) The structured financial products issued by a bank and an asset management company with fixed interest rates ranging from 4.0% to 5.88% per annum and maturity periods of 10 to 100 days in the PRC.

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

(4) On 6 April 2015, the Group invested in a perpetual convertible bond issued by Standard Chartered PLC with a nominal amount of US$8,000,000 and a coupon interest rate of 6.5% per annum at a consideration of US$8,101,000 (equivalent to approximately RMB49.7 million). In July and August 2016, the Group sold part of the above perpetual convertible bond with a nominal amount of US$5,000,000 for a consideration of US$4,788,000 (equivalent to approximately RMB31.9 million). On 31 January 2018, the Group sold another part of the above perpetual convertible bond with a nominal amount of US$1,000,000 for a consideration of US$1,056,000 (equivalent to approximately RMB6.7 million).

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

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

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI"), FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVPL") AND AVAILABLE-FOR-SALE FINANCIAL ASSETS ("AFS") (Continued)

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

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

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

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

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

As at 30 June 2018, the insurance premium was pledged to a bank to secure a short term advance facility granted to the Group (note 20).

During the period, the net loss in respect of the Group's debt instruments at FVOCI recognised in other comprehensive income amounted to RMB470,000 (AFS for six months ended 30 June 2017: net gain RMB7,280,000), which may be reclassified to profit or loss in subsequent periods. In the meantime, profit of RMB337,000 was reclassified from other comprehensive income to the statement of profit or loss for the period along with the fair value gain for FVOCI (AFS for six months ended 30 June 2017: RMB2,406,000). The changes in fair value of the Group's unlisted equity investments recognised in other comprehensive income amounted to RMB32,285,000 (six months ended 30 June 2017: Nil), which will not be reclassified to profit or loss in subsequent periods.

18. CASH AND CASH EQUIVALENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash and cash equivalents	**95,312**	155,397
Denominated in HK$	**3,790**	12,067
Denominated in RMB	**57,700**	122,608
Denominated in US$	**33,822**	20,722
Cash and cash equivalents	**95,312**	155,397

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

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

19. OTHER PAYABLES AND ACCRUALS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Salaries and welfare payables	**29,480**	43,659
Other payables and accruals	**30,332**	10,166
Other tax payables	**1,219**	1,517
Advance from customers	**200**	112
	61,231	55,454

20. INTEREST-BEARING BANK BORROWING

	As at 30 June 2018			As at 31 December 2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Short term loan – secured	**3.440**	**Weekly renewable**	**54,509**	2.436	Monthly renewable	53,504

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Analysed into:		
Bank loan repayable:		
Within one year or on demand	**54,509**	53,504

Notes:

(a) The Group's short term loan facility amounted to US$40,000,000 (2017: US$40,000,000), of which US$8,238,000 (equivalent to approximately RMB55.0 million) (2017: US$8,114,000) had been drawn as at the end of the reporting period, and is secured by the Group's investment in the insurance policies (note 17). The period of the loan is seven days and renewable on a weekly basis starting from 1 January 2018. (2017: the period of the loan thirty days and renewable on a monthly basis).

(b) The borrowing is in Hong Kong dollars.

21. DEFERRED REVENUE

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

22. SHARE CAPITAL

Shares

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Issued and fully paid or credited as fully paid:		
Ordinary shares of US$0.0000001 each	1,539,943,455	1,546,901,955
Equivalent to RMB'000	1	1

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

	Number of issued and fully paid ordinary shares	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Total RMB'000
At 1 January 2018	1,546,901,955	1	490,934	490,935
Share options exercised	6,066,000	–	9,759	9,759
Cancellation of repurchased shares	(13,024,500)	–	(9,966)	(9,966)
At 30 June 2018 (unaudited)	1,539,943,455	1	490,727	490,728
At 30 June 2017 (unaudited)	1,555,515,455	1	496,082	496,083

23. OPERATING LEASE ARRANGEMENT

Operating lease commitments

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

As lessee

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	7,355	8,011
In the second to third years, inclusive	1,567	4,539
In the fourth to fifth years	62	124
	8,984	12,674

24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Construction in progress	98,301	88,140
Capital contributions payable to unlisted equity investments	7,782	4,574
Game operation	1,200	1,135
	107,283	93,849

25. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Xiamen Chenxing Interactive Information Technology Co., Ltd. ("Xiamen Chenxing")	Associate
Shenzhen Zhangxin Interactive Technology Co., Ltd. ("Shenzhen Zhangxin")	Subsidiary*
Guangzhou Popcorn Animation Technology Co., Ltd. ("Guangzhou Popcorn")	Associate
Chen Jianyu	Shareholder of the Company
Yang Guangwen	Senior management

* On 22 November 2017, Shenzhen Zhangxin changed from associate to subsidiary.

(b) Transactions with related parties

The following transactions were carried out with related parties:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Loan to (note (i))		
Xiamen Chenxing	**3,100**	–
Shenzhen Zhangxin	**–**	1,000
	3,100	1,000
Interest from (note (i))		
Shenzhen Zhangxin	**–**	13
Service outsourcing from (note (ii))		
Guangzhou Popcorn	**14**	520
Purchases of property, plant and equipment (note (iii))		
Chen Jianyu	**–**	891

25. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Notes:

(i) The Group offered a non-interest bearing loan amounted to RMB3,100,000 to Xiamen Chenxing with a term of 12 months during the first half of 2018.

The Group offered a loan amounted to RMB1,000,000 at 5% per annum to Shenzhen Zhangxin with a term of 3 months during the first half of 2017, which were repaid in August 2017.

(ii) The purchase of video production services from Guangzhou Popcorn was mutually agreed after taking into account the prevailing market prices.

(iii) The purchase of a vehicle from Mr. Chen Jianyu in June 2017 was mutually agreed after taking into account the prevailing market prices.

(c) Balances with related parties:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Mr. Yang Guangwen	500	–
Xiamen Chenxing	8,501	5,422
	9,001	5,422

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

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	2,132	1,482
Equity-settled share-based payment expenses	3,360	2,029
Pension scheme contributions	80	53
	5,572	3,564

26. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	As at 30 June 2018 (unaudited)			
	FVOCI RMB'000	FVPL RMB'000	Debt instruments at amortised cost RMB'000	Total RMB'000
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	–	25,715	25,715
Financial assets included in prepayments, deposits and other receivables	–	–	52,548	52,548
Financial assets at fair value through other comprehensive income	233,200	–	–	233,200
Financial assets at fair value through profit or loss	–	158,029	–	158,029
Cash and cash equivalents	–	–	95,312	95,312
	233,200	158,029	173,575	564,804

	As at 31 December 2017 (audited)		
	Available-for-sale investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	25,501	25,501
Financial assets included in prepayments, deposits and other receivables	–	45,443	45,443
Available-for-sale investments	370,031	–	370,031
Cash and cash equivalents	–	155,397	155,397
	370,031	226,341	596,372

26. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Financial liabilities included in other payables and accruals	28,576	7,166
Interest-bearing bank borrowing	54,509	53,504
	83,085	60,670

27. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

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

27. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

As at 30 June 2018 (unaudited)

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for: FVOCI and FVPL	–	391,229	–	391,229

As at 31 December 2017 (audited)

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for: Available-for-sale investment	–	241,090	–	241,090

During the six months ended 30 June 2018 and the year of 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the board of the directors on 29 August 2018.

GLOSSARY

"ARPPU"	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Cayman Islands"	the Cayman Islands
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company", "we", "us" or "our"	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
"Director(s)"	director(s) of the Company
"Executive Director(s)"	the executive Director(s)
"Ewan"	Ewan (Shanghai) Network Technology Co., Ltd. (易玩（上海）網絡科技有限公司), a limited liability company established under the laws of the PRC, primarily engaged in developing and operating an emerging mobile game distribution platform, TapTap, and is one of the non-wholly owned subsidiaries of XD
"Global Offering"	the offer of 30,000,000 Shares for subscription by the public in Hong Kong pursuant to the Hong Kong Public Offering and the offer of 270,000,000 Shares for subscription by institutional, professional, corporate and other investors pursuant to the International Offering (as respectively defined in the Prospectus)
"Group" or "the Group"	our Company, its subsidiaries and the PRC Operating Entities
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IAS(s)"	International Accounting Standards

GLOSSARY

"IASB"	International Accounting Standard Board
"IFRS(s)"	International Financial Reporting Standards, amendments and interpretations issued by the IASB
"Independent Non-executive Director(s)"	the independent non-executive Director(s)
"Kailuo Tianxia"	Beijing Kailuo Tianxia Technology Co., Ltd (北京凱羅天下科技有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	The date which dealings in Shares first commenced on the Stock Exchange, i.e. 5 December 2014
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"MAU"	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period
"Meitu"	Meitu, Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands, share of which are listed on the Main Board of Stock Exchange (Stock Code: 1357)
"Meitu Networks"	Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有限公司), a limited liability company established under the laws of the PRC, is one of the important consolidated variable interest entities controlled through a series of contractual arrangement by Meitu
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPUs for a particular period is the average of the MPUs in each month during that period
"Nomination Committee"	the nomination committee of the Board

"Post-IPO RSU Plan"	the post-IPO restricted share unit plan adopted by the Shareholders on 17 November 2014
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Shareholders on 17 November 2014
"PRC Operating Entities"	Xiamen Guanghuan and its subsidiaries and "PRC Operating Entity" means any one of them
"Pre-IPO RSU Plan"	the pre-IPO restricted share unit plan adopted by the Shareholders on 17 November 2014
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Shareholders on 17 November 2014
"Prospectus"	the prospectus dated 25 November 2014 issued by the Company
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"RPG"	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more "characters" who develop specific skill sets (such as melee combat or casting magic spells) and control the character's actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
"RSU(s)"	restricted share unit(s)
"RSU Plan II"	the restricted share unit plan II adopted by the Shareholders on 28 May 2018
"Shareholders"	holder(s) of Shares
"Shares"	ordinary share(s) in the share capital of our Company with nominal value of US$0.0000001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
"United States Dollars" or "USD"	United States dollars, the lawful currency of the United States of America

GLOSSARY

"XD"	X.D. Network Inc. (心動網絡股份有限公司), an online game publishing and developing company with its shares listed on China New Third Board (Stock Code: 833897)
"Xiamen Guanghuan"	Xiamen Guanghuan Information Technology Co., Ltd. (廈門光環信息科技有限公司), a limited company incorporated under the laws of the PRC on 12 January 2009.
"Xiamen Youli"	Xiamen Youli Information Technology Co., Ltd. (廈門游力信息科技有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company

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