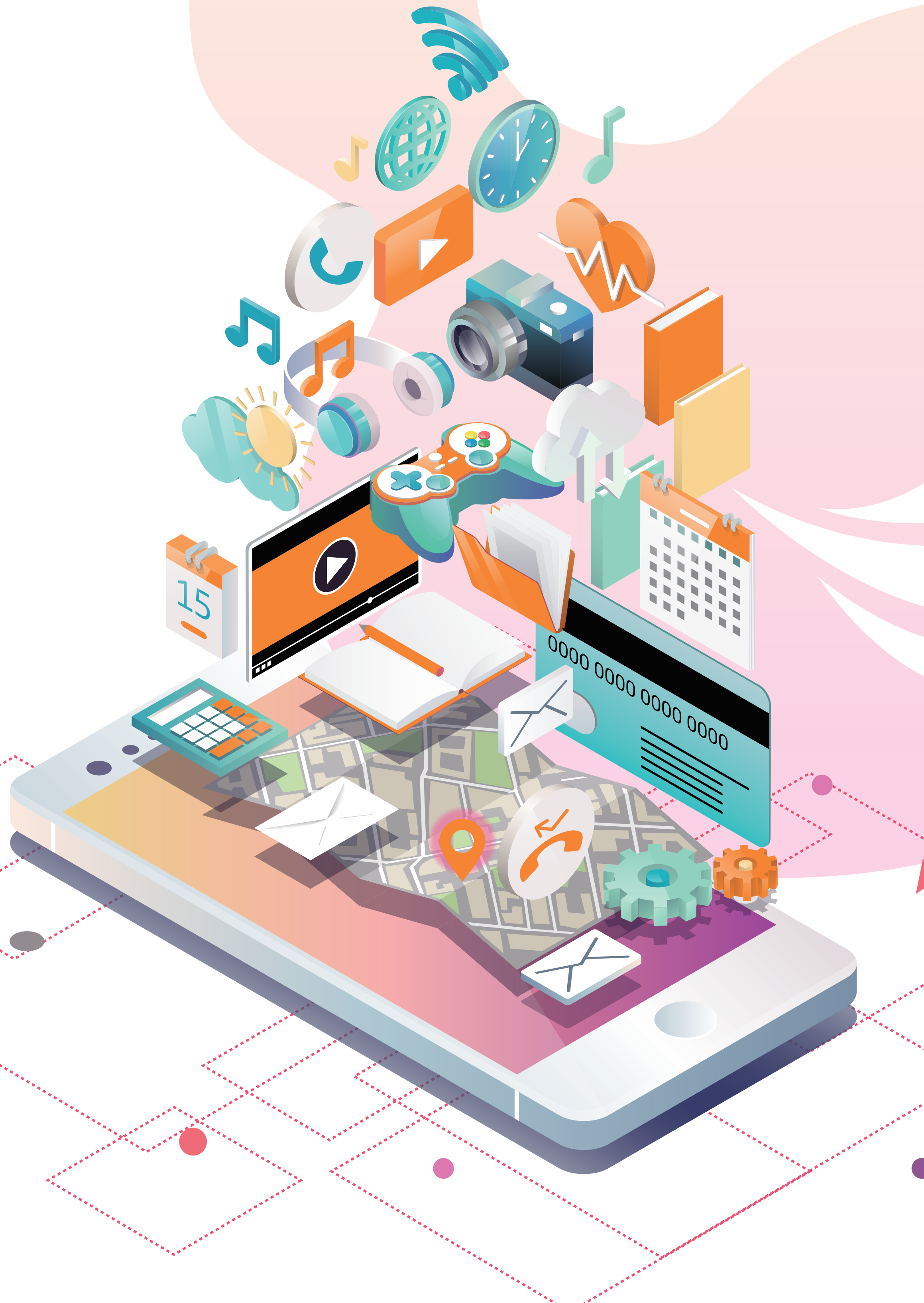
天鴿 tiange

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code：1980



2018
INTERIM REPORT

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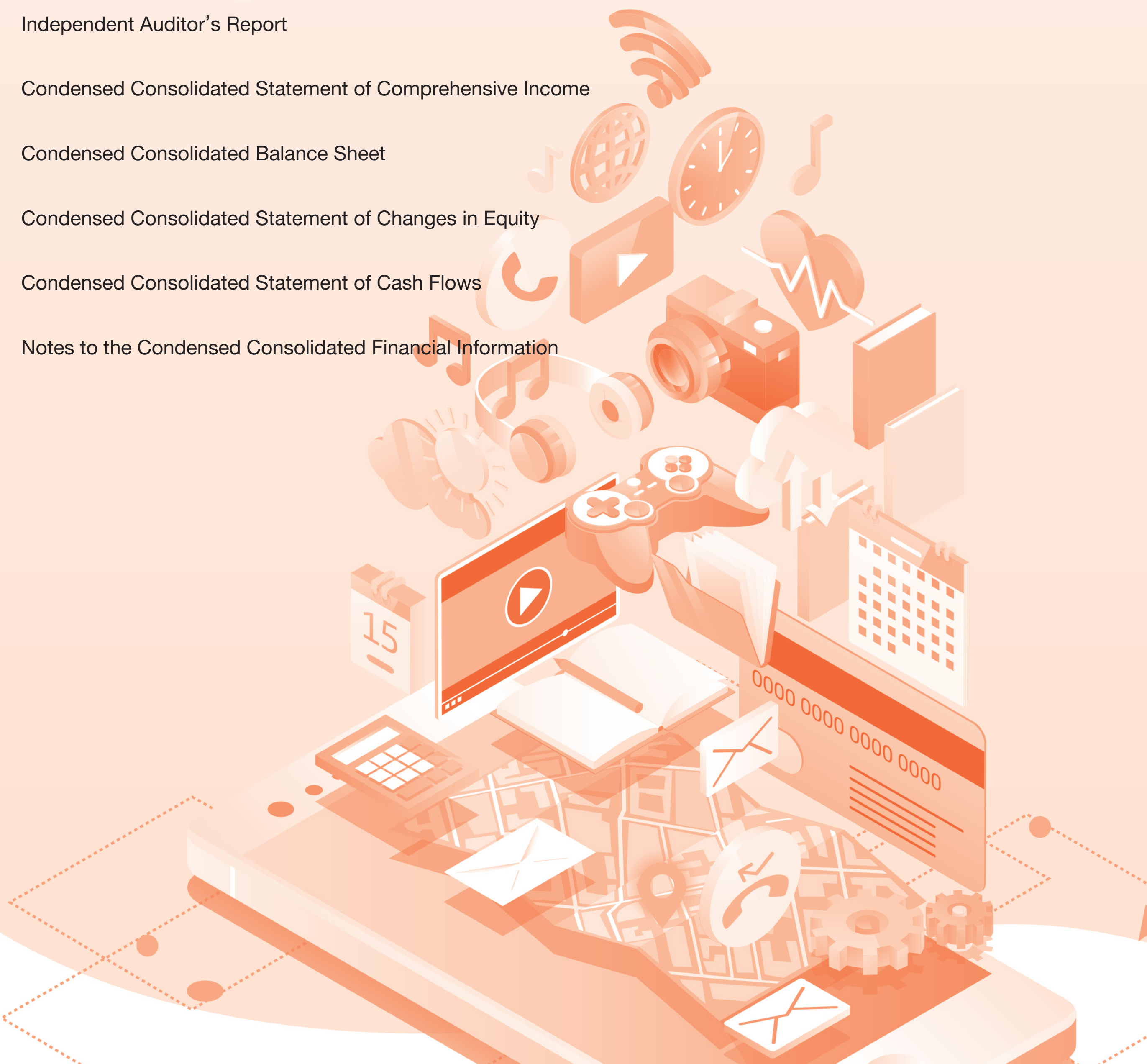

ABOUT TIAN GE

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

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

BOARD OF DIRECTORS

Executive Directors

Mr. Fu Zhengjun *(Chairman and Chief Executive Officer)*
Mr. Mai Shi'en *(Chief Operating Officer and Acting Chief Financial Officer)*

Non-executive Directors

Mr. Mao Chengyu
Mr. Cao Fei

Independent non-executive Directors

Ms. Yu Bin
Mr. Yang Wenbin
Mr. Chan Wing Yuen Hubert

JOINT COMPANY SECRETARIES

Mr. Chen Shi
Ms. Ng Sau Mei

AUTHORISED REPRESENTATIVES

Mr. Fu Zhengjun
Ms. Ng Sau Mei

AUDIT COMMITTEE

Ms. Yu Bin *(Chairman)*
Mr. Yang Wenbin
Mr. Chan Wing Yuen Hubert

REMUNERATION COMMITTEE

Mr. Yang Wenbin *(Chairman)*
Mr. Chan Wing Yuen Hubert
Mr. Mao Chengyu

NOMINATION COMMITTEE

Mr. Fu Zhengjun *(Chairman)*
Ms. Yu Bin
Mr. Yang Wenbin

REGISTERED OFFICE

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Certified Public Accountants
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STOCK CODE

1980

COMPANY'S WEBSITE

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PRINCIPAL BANKERS

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Central, Hong Kong

The board of directors (the "**Directors**") (the "**Board**") of the Company hereby announces the unaudited consolidated results of the Group for the six months ended June 30, 2018 (the "**Reporting Period**"). These interim results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended		
(in RMB'000)	**June 30, 2018**	June 30, 2017	Year-on-Year[1] Change
Revenue	**389,657**	443,151	-12.1%
– Online interactive entertainment service	**358,168**	423,065	-15.3%
– Others	**31,489**	20,086	56.8%
Gross Profit	**357,251**	378,276	-5.6%
Gross Profit Margin	**91.7%**	85.4%	
Net Profit	**272,573**	149,372	82.5%
Net Profit Margin	**70.0%**	33.7%	
EPS			
(expressed in RMB per share)			
– basic	**0.216**	0.113	91.2%
– diluted	**0.210**	0.110	90.9%
Adjusted Net Profit[2]	**170,011**	211,502	-19.6%
Adjusted Net Profit Margin[3]	**43.6%**	47.7%	
Adjusted EBITDA[4]	**217,948**	244,344	-10.8%
Adjusted EBITDA Margin	**55.9%**	55.1%	

FINANCIAL HIGHLIGHTS

(in RMB'000)	Unaudited Three months ended June 30, 2018	March 31, 2018	Quarter-on-Quarter Change	June 30, 2017	Year-on-Year[1] Change
Revenue	**196,476**	193,181	1.7%	224,549	-12.5%
– Online interactive entertainment service	**177,233**	180,935	-2.0%	212,535	-16.6%
– Others	**19,243**	12,246	57.1%	12,014	60.2%
Gross Profit	**179,215**	178,036	0.7%	193,236	-7.3%
Gross Profit Margin	**91.2%**	92.2%		86.1%	
Net Profit	**173,280**	99,293	74.5%	50,145	245.6%
Net Profit Margin	**88.2%**	51.4%		22.3%	
EPS					
(expressed in RMB per share)					
– basic	**0.137**	0.079	73.4%	0.038	260.5%
– diluted	**0.133**	0.076	75.0%	0.036	269.4%
Adjusted Net Profit[2]	**73,070**	96,941	-24.6%	106,264	-31.2%
Adjusted Net Profit Margin[3]	**37.2%**	50.2%		47.3%	
Adjusted EBITDA[4]	**103,798**	114,150	-9.1%	123,877	-16.2%
Adjusted EBITDA Margin	**52.8%**	59.1%		55.2%	

Notes:

(1) Year-on-Year change represents a comparison between the current reporting period and the corresponding period of last year.

(2) Adjusted net profit was derived from the unaudited net profit for the period excluding the effect of non-cash share-based compensation expenses, impairment loss arising from acquisitions/investments, gain from disposal of investment/prepayment on potential investment, gain from appreciation of investments and amortisation of intangible assets arising from acquisitions.

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

(4) Adjusted EBITDA represents operating profit, adjusted to exclude non-cash share-based compensation expenses, impairment loss arising from acquisitions/investments, gain from disposal of investment/prepayment on potential investment, gain from appreciation of investments, amortisation of intangible assets arising from acquisitions, and depreciation and amortization.

BUSINESS OVERVIEW AND OUTLOOK

Driven by the stringent supervision of the government, the live streaming industry has experienced further integration and shuffling and is now developing in an orderly and healthy way. As content, products, technology and business model become the core driving forces of the industry, market differentiation is obvious.

Following the acquisition of the "Wuta Camera" app in the first half of 2018, Tian Ge has increasingly diversified its product structure and successfully established an internet all-user platform of "Live Streaming + Camera", while the number of users has increased significantly from 26.6 million for the first quarter of 2017 to approxiamately 60.6 million for the six months ended June 30, 2018. The live streaming platform, which used to mainly target male users, has been developed into an all-internet user platform with a balanced male and female user composition. In respect of live streaming, the Group maintained smooth business development and sound financial performance by pursuing the core strategy of "Interaction + Companion" and developing popular products during the Reporting Period. Looking forward, the Group will strengthen the layout in its popular product portfolio is in strengthening layout in the popular product matrix such as short videos, strangers' social interaction, headlines and information, which will generate greater synergies and benefits in the future.

OVERALL FINANCIAL PERFORMANCE

In the first half of 2018, revenue decreased by 12.1% year-on-year to RMB389.7 million. Revenue from online interactive entertainment was RMB358.2 million, representing a decrease of 15.3% from the corresponding period in 2017. In the first half of 2018, based on the analysis on cash proceeds received from sales of our virtual currency and game coins, with respect to the revenue from online interactive entertainment service, 61.9% was generated from mobile devices (the first half of 2017: 59.6%).

In the first half of 2018, profit attributable to equity holders of the Company increased by 87.3% year-on-year to RMB274.9 million; net profit increased by 82.5% year-on-year to RMB272.6 million; adjusted net profit decreased by 19.6% year-on-year to RMB170.0 million, and adjusted EBITDA decreased by 10.8% year-on-year to RMB217.9 million.

BUSINESS HIGHLIGHTS

"Mobile + PC" Dual Live Streaming

At present, the business model of the live streaming industry has gradually matured, but the increase in live streaming users has further expanded the market. In the first half of 2018, in response to increasingly professional content of the live streaming platform, Tian Ge pursued the strategy of "Mobile + PC" Dual Live Streaming, and continued to promote the innovation of live streaming content, in order to synergize with cameras, short videos, headline and information products and strangers' social interaction. Furthermore, the Group has been actively developed H5 games (mobile web games) to optimize the interconnection between games and live streaming platforms to improve user experience. In the future, it is expected to exploit the higher user traffic of the platform and maximize the monetization of the traffic to promote the long-term development of the Group.

Wuta Camera

Featuring as a beauty camera by "taking good photos without using photoshop" with unique details fine-tuning function, Wuta Camera app makes it easier for users to set up exclusively customized beauty effects and take selfies, short videos and GIFs in different occasions, which becomes one of the most popular beauty camera applications in China. For the three months ended June 30, 2018, Wuta Camera has monthly active users ("**MAUs**") reaching approximately 33.9 million, ranking Top 3 in the iOS free list of photography and video.

The introduction of Wuta Camera indicates that the Group has grown from a live streaming platform company mainly targeting male users to an all-internet user platform company with a balanced male and female user composition. In the future, by utilizing its videos, streaming live and beauty camera applications, the Group will provide users with diversified value-added services and improve monetization ability from growing user base. At present, Wuta Camera has been favored by a number of first-tier advertisers, demonstrating great potential to generate revenue and achieve smooth commercialization.

International Expansion

The Group has currently entered the overseas market by pursuing its leading business philosophy in the live streaming field. Based on the promotion of the national development strategy of the "Belt and Road", the Group constantly adjusts its products according to the culture and into habits of the users from different regions. The Group has successfully entered into Taiwan, Thailand and other regions by leveraging on the pan-entertainment industry such as live streaming, short videos and mobile games. In the future, the Group will continue to expand international reach by strategically expanding into Indonesia, the Philippines and other Southeast Asian regions, and increase its international market share.

Financial Technology

In recent years, internet finance in the PRC has developed rapidly. During the Reporting Period, the industry has been strictly supervised and regulated and the Company promoted the active operation of the financial technology-related companies in which we have already invested. Faced with increasing demand on financing and high-end wealth management service from the huge domestic user base, the financial technology market still has huge room for growth. Tian Ge is strategically deploying and adjusting the financial technology sector to grasp the investment opportunities in auto finance, microcredit, AI risk control and overseas financial markets, etc.

Prospect and Future Outlook

According to iiMedia Research, the number of live streaming users in 2017 grew by 28.4% to 398 million as compared to 310 million in 2016. It is expected that the number of live streaming users will reach 460 million and 507 million in 2018 and 2019, respectively, and the size of the live streaming market will be further expanded. On the other hand, the Research Report on the Photographing APP Market in Q1 of 2018 (2018年Q1拍照APP市場研究報告) published by SooToo.com reports that mobile device applications in China covered 670 million people in 2017 and, in terms of user analysis, the demand of users in first and second-tier cities for photographing applications accounted for about fifty-percent of total demand. The live broadcasting and photographing applications market still has huge room for development.

The Group is of the view that it is a wise strategic initiative for the Company to own Wuta Camera, which is a popular app. Through the transformation of the "live streaming" core strategy into the "live streaming+ camera" dual-core strategy, the Group will attract more users throughout the Internet, transform more high-quality users with higher spending power and provide more values for the monetization of our applications in more economically-developed regions. Focusing on "Beauty Economy" as its main development path, the Company will achieve strong alliances and complementary strengths to satisfy multi-scenario needs of users.

Going forward, Tian Ge is expected to fully integrate its live broadcasting with camera app, short videos, information, social interaction to multiply its core strengths in real-time social interactive entertainment, and continuously expand the international business, increase user traffic, improve its monetization capability and create higher profits and more values for shareholders.

1. OPERATING INFORMATION

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

	Three months ended				
	June 30, 2018	March 31, 2018	Quarter-on-quarter Change	June 30, 2017	Year-on-year Change
Total Monthly Active Users (in'000)	**60,609**	27,127	123.4%	26,577	128.1%
-Monthly Active Users of Beauty Camera and Video Business (in'000)	**33,898**	–		–	
Quarterly Paying Users (in'000)	**1,274**	1,109	14.9%	1,346	-5.3%
Quarterly Average Revenue Per User (RMB)	**139**	163	-14.7%	158	-12.0%
Number of Rooms	**73,490**	72,762	1.0%	69,278	6.1%
Number of Hosts	**132,678**	130,077	2.0%	116,002	14.4%

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

- The number of MAUs for Tian Ge's online interactive entertainment service was approximately 60.6 million for the three months ended June 30, 2018, increased significantly by approximately 123.4% from the three months ended March 31, 2018 and 128.1% from the three months ended June 30, 2017, respectively. The increase was primarily due to that the MAUs of Wuta Camera were incorporated into MAUs of online interactive entertainment service due to business combination, which expanded our user base. The synergy between our popular products and live streaming platform also contributed to the stable growth of our core business.

- Our mobile MAUs as at June 30, 2018 represent 85.2% of our total MAUs, while the percentage as at March 31, 2018 and June 30, 2017 were 64.6% and 62.3%, respectively.

- The number of quarterly paying users ("**QPUs**") for Tian Ge's online interactive entertainment service was approximately 1,274,000 for the three months ended June 30, 2018, representing an increase of approximately 14.9% from the three months ended March 31, 2018 and a decrease of approximately 5.3% from the three months ended June 30, 2017.

- Our mobile QPUs as at June 30, 2018 represent 81.5% of our total QPUs, while the percentages as at March 31, 2018 and June 30, 2017 were 74.0% and 69.8%, respectively.

- The quarterly average revenue per user ("**QARPU**") for Tian Ge's online interactive entertainment service was RMB139 for the three months ended June 30, 2018, representing a decrease of approximately 14.7% from the three months ended March 31, 2018 and a decrease of approximately 12.0% from the three months ended June 30, 2017.

- Number of virtual rooms for Tian Ge's online interactive entertainment service slightly increased by 1.0% as compared to the three months ended March 31, 2018 and increased by 6.1% from the three months ended June 30, 2017. Number of hosts for Tian Ge's online interactive entertainment service slightly increased by 2.0% as compared to the three months ended March 31, 2018 and increased by 14.4% from the three months ended June 30, 2017.

- The total number of registered users* of Tian Ge as at June 30, 2018 was 397.0 million, as compared to 351.8 million as at June 30, 2017.

  * Registered users here refer to accumulated registered users who have signed up accounts and duplicated accounts were not excluded.

2. FINANCIAL INFORMATION

Revenue

Revenue generated from online interactive entertainment service was RMB177.2 million for the three months ended June 30, 2018, mainly including revenue from live social video platforms and online games, which decreased by 2.0% quarter-on-quarter from RMB180.9 million for the three months ended March 31, 2018. Revenue generated from online interactive entertainment service decreased by 15.3% year-on-year to RMB358.2 million for the six months ended June 30, 2018 from RMB423.1 million for the corresponding period in 2017. The decrease was primarily due to the decrease of QARPU.

Revenue generated from “Others” mainly includes the revenue from provision of advertising and other services. Revenue generated from “Others” for the three months ended June 30, 2018 increased by 57.1% to RMB19.2 million from the three months ended March 31, 2018. The quarter-on-quarter increase was primarily due to the increase of revenue from advertising and other services.

Revenue generated from “Others” for the six months ended June 30, 2018 increased by 56.8% to RMB31.5 million from the corresponding period in 2017. The year-on-year increase was primarily due to the increase of revenue from advertising service, and partially offset by the decrease of revenue from other services.

Cost of Revenue and Gross Profit Margins

Cost of revenue experienced an increase of 14.0% for the three months ended June 30, 2018 from the three months ended March 31, 2018. The quarter-on-quarter increase was primarily due to the increased commission charged by game developers related to the operation of our mobile games.

Cost of revenue experienced a decrease of 50.0% for the six months ended June 30, 2018 as compared with the corresponding period in 2017. The year-on-year decrease was primarily due to the decreased commission charged by game developers related to the operation of our mobile games and the decreased cost related to other value-added services.

The gross profit margin for the three months ended June 30, 2018 was 91.2%, compared with 92.2% for the three months ended March 31, 2018. The gross margin for the six months ended June 30, 2018 was 91.7%, compared with 85.4% for the corresponding period in 2017.

Selling and Marketing Expenses

Selling and marketing expenses increased by 8.2% to RMB50.8 million for the three months ended June 30, 2018 from the three months ended March 31, 2018. The quarter-on-quarter increase was primarily due to the increase of promotion expense.

Selling and marketing expenses decreased by 15.9% to RMB97.7 million for the six months ended June 30, 2018 from the corresponding period in 2017. The year-on-year decrease was primarily due to the decrease of promotion expense and the employee costs.

Administrative Expenses

Administrative expenses increased by 131.3% to RMB46.8 million for the three months ended June 30, 2018 from the three months ended March 31, 2018. The quarter-on-quarter increase was primarily due to the impairment loss of intangible assets of subsidiary.

Administrative expenses increased by 6.4% to RMB67.0 million for the six months ended June 30, 2018 from the corresponding period in 2017. The year-on-year increase was primarily due to the increased impairment loss of intangible assets of subsidiary and offset by the decrease of employee costs.

Research and Development Expenses

Research and development expenses increased by 36.4% to RMB28.9 million for the three months ended June 30, 2018 from the three months ended March 31, 2018. The quarter-on-quarter increase was primarily due to the increase of employee costs and a one-time expense of the research cost related to a game which failed to be launched.

Research and development expenses decreased by 7.0% to RMB50.2 million for the six months ended June 30, 2018 from the corresponding period in 2017. The year-on-year decrease was primarily due to the decrease of employee costs.

Other gains, Net

Other gains, net increased by 620.7% to RMB244.3 million for the three months ended June 30, 2018 from the three months ended March 31, 2018 and increased by 861.8% to RMB278.1 million for the six months ended June 30, 2018 from the corresponding period in 2017. The significant increase was primarily attributable to the fair value gain of financial assets at fair value through profit or loss, which was mainly caused by the significant increase in the valuation of one of the unlisted equity securities held by the Company based on re-valuation result. The details are set out in note 9 to the condensed consolidated financial information.

Impairment of investment accounted for using the equity method

Impairment of investment accounted for using the equity method was RMB43.2 million for the three months ended June 30, 2018, which was attributable to our investment in an associate after re-assessing the recoverable amount of the fair value.

Profits attributable to shareholders of the Company

We recorded profits attributable to shareholders of the Company for the three months ended June 30, 2018 of RMB175.5 million compared to RMB99.4 million for the three months ended March 31, 2018. The quarter-on-quarter increase was primarily due to the increase of other gains, net which was primarily attributable to the fair value gain of financial assets at fair value through profit or loss mainly caused by the significant increase in the valuation of one of the unlisted equity securities held by the Company based on re-valuation result and offset by the increase of operating expenses, impairment loss and income tax expenses.

We recorded profits attributable to shareholders of the Company for the six months ended June 30, 2018 of RMB274.9 million compared to RMB146.8 million for the corresponding period in 2017. The year-on-year increase was primarily due to the increase of other gains, net which was primarily attributable to the fair value gain of financial assets at fair value through profit or loss mainly caused by the significant increase in the valuation of one of the unlisted equity securities held by the Company based on re-valuation result and saving of operation expenses, and offset by the decrease of gross profit and increase of impairment loss and income tax expense.

Non-IFRS Measures

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

Adjusted EBITDA

Adjusted EBITDA decreased by 9.1% quarter-on-quarter for the three months ended June 30, 2018 from the three months ended March 31, 2018 and decreased by 10.8% year-on-year for the six months ended June 30, 2018 from the corresponding period in 2017. Adjusted EBITDA margin was 52.8% for the three months ended June 30, 2018, compared to 59.1% for the three months ended March 31, 2018. Adjusted EBITDA margin was 55.9% for the six months ended June 30, 2018, compared to 55.1% for the corresponding period in 2017. Adjusted EBITDA represents operating profit adjusted to exclude non-cash share-based compensation expenses, impairment loss arising from acquisitions/investments, gain from disposal of investment/prepayment on potential investment, gain from appreciation of investments, amortisation of intangible assets arising from acquisitions, and depreciation and amortization.

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

	Unaudited Six months ended		Unaudited Three months ended		
	June 30, 2018	June 30, 2017	**June 30, 2018**	March 31, 2018	June 30, 2017
(in RMB'000)					
Operating Profit	**420,554**	174,058	**296,977**	123,577	63,386
Share-based compensation expense	**11,936**	46,880	**4,766**	7,170	43,642
Impairment loss arising from acquisitions/investments	**19,447**	9,704	**19,447**	–	9,704
Gain from disposal of investment/ prepayment on potential investment	**(20,407)**	–	**(19,087)**	(1,320)	–
Gain from appreciation of investments	**(226,665)**	–	**(205,500)**	(21,165)	–
Amortization of intangible assets arising from acquisitions	**3,489**	3,260	**2,306**	1,183	1,630
Depreciation and amortization expense	**9,594**	10,442	**4,889**	4,705	5,515
Adjusted EBITDA	**217,948**	244,344	**103,798**	114,150	123,877

Adjusted Net Profit

Adjusted net profit decreased by 24.6% quarter-on-quarter for the three months ended June 30, 2018 from the three months ended March 31, 2018. Adjusted net profit decreased by 19.6% year-on-year for the six months ended June 30, 2018 from the corresponding period in 2017.

Adjusted net profit is not defined under IFRS, and eliminates the effect of non-cash share-based compensation expenses, impairment loss arising from acquisitions/investments, gain from disposal of investment/prepayment on potential investment, gain from appreciation of investments and amortisation of intangible assets arising from acquisitions.

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

	Unaudited		Unaudited		
	Six months ended		Three months ended		
	June 30, 2018	June 30, 2017	**June 30, 2018**	March 31, 2018	June 30, 2017
(in RMB'000)					
Net Profit	**272,573**	149,372	**173,280**	99,293	50,145
Share-based compensation expense	**11,936**	46,880	**4,766**	7,170	43,642
Impairment loss arising from acquisitions/investments	**48,563**	9,704	**48,563**	–	9,704
Gain from disposal of investment/ prepayment on potential investment	**(15,306)**	–	**(14,316)**	(990)	–
Gain from appreciation of investments	**(151,244)**	–	**(141,529)**	(9,715)	–
Amortization of intangible assets arising from acquisitions	**3,489**	5,546	**2,306**	1,183	2,773
Adjusted Net Profit	**170,011**	211,502	**73,070**	96,941	106,264

3. LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalent, and Term Deposits

Cash and cash equivalents consist of cash at bank and cash on hand, and as at June 30, 2018 and December 31, 2017 amounted to RMB244.8 million and RMB273.7 million, respectively. All cash at bank balances as of these dates were demand deposits and term deposits with initial terms of less than three months. The Company had term deposits with initial terms of over three months of RMB191.4 million and RMB199.4 million as at June 30, 2018 and December 31, 2017, respectively.

Financial assets at fair value through profit and loss and available-for-sale financial assets

The Group's financial assets at fair value through profit and loss and available-for-sale financial assets ("**Financial Assets**") consist of five main categories, namely (arranged in descending order based on their respective fair value amount) (i) purchase of wealth management products, (ii) equity investments in private unlisted companies ("**Private Investments**"), (iii) investments in venture capital funds ("**Fund Investments**"), (iv) investments in structured notes, and (v) investments in redeemed preferred shares.

The Group's Financial Assets increased by 18.9% to RMB1,880.5 million as at June 30, 2018 compared to RMB1,582.0 million as at December 31, 2017. Such increase was mainly attributable to an increase of RMB234.8 million in Private Investments, an increase of RMB44.4 million in Fund Investments, an increase of RMB30.6 million in purchase of wealth management products, an increase of RMB8.4 million in structured notes and a decrease of RMB19.6 million in redeemed preferred shares. The following is a breakdown of the five main categories as at the periods specified:

		As at December 31, 2017 *(RMB'000)*	**As at June 30, 2018** ***(RMB'000)***	Percentage increase/ (decrease)
(i)	Purchase of wealth management products Note (a)	915,074	**945,655**	3.3%
(ii)	Private Investments Note (a)	332,862	**567,675**	70.5%
(iii)	Fund Investments Note (a)	298,958	**343,346**	14.8%
(iv)	Investments in structured notes	15,518	**23,870**	53.8%
(v)	Investments in redeemed preferred shares	19,590	**—**	—
Total:		**1,582,002**	**1,880,546**	**18.9%**

Note (a): The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted that the investments in wealth management products, investments in Private Investments and the investments in Fund Investments were reclassified from "available-for-sale financial assets" to "financial assets at fair value through profit and loss".

(i) Purchase of Wealth Management Products

The Group regularly utilizes its idle funds to subscribe for wealth management products through Internet banking from commercial banks in order to earn interest. The fair value of the wealth management products subscribed by the Group increased by 3.3% to RMB945.7 million as at June 30, 2018 compared to RMB915.1 million as at December 31, 2017.

The wealth management products represent RMB-denominated wealth management products with interest rates ranging from 2.6% to 5.1% per annum and maturity period within 1 year or revolving terms. These wealth management products are offered by large state-owned commercial banks in the PRC. The underlying investments under the wealth management products differ product-by-product, but generally consist of investments in financial assets and financial instruments with high credit ratings and good liquidity in interbank and exchange markets, including but not limited to bonds, asset-backed securities, capital borrowing, reverse repurchase, bank deposits, and investment trust schemes, asset management schemes and other financial assets.

A substantial portion of such wealth management products have been purchased through products offered by one of our principle banks, China Merchants Bank. For further details, please refer to the announcements issued by the Company on June 21, 2018, July 6, 2018, July 12, 2018, July 25, 2018 and August 21, 2018.

(ii) Private Investments

Below is a summary of financial performances of the Private Investments during the relevant periods:

Investment Category	Historical transaction amount *(RMB'000)*	Percentage of equity interest	Fair value of investments as of June 30, 2018 *(RMB'000)*	Fair value of investments as of December 31, 2017 *(RMB'000)*	Percentage increase/ (decrease)
(i) 4 other entertainment and social live streaming companies[3]	112,800	2.1739% - 20%	100,300	105,300	-4.7%
(ii) 4 online/mobile gaming companies, including:	69,011	3.7966% - 27%	381,094	126,080	202.3%
– Jinhua Yibo Network Technology Co., Ltd. and Yibo International (Macau) Co., Ltd (“**Yibo Group**”)[1]	63,188	27%	312,309	62,841	397.0%
(iii) 6 financial technology companies[2]	66,000	0.82% - 20%	35,227	69,727	-49.5%
(iv) 4 corporate/IT services companies	51,054	19% - 20%	51,054	31,755	60.8%

1 In May 2018, the Group entered into an agreement to dispose 4.5% out of 27% of its holding equity interest in Yibo Group. The transaction was completed in July 2018. As a result, a significant fair value gain was recognized arising from the aforementioned latest round of financing during the six months ended June 30, 2018.

2 Including investments in Shanghai Hongxing Asset Management Co., Ltd. and Hangzhou Shangfu Information Technology Co., Ltd. Please refer to the Company's announcement on May 9, 2016.

3 Including investment in Beijing Mijing Hefeng Technology Company Limited. Please refer to the Company's announcement on May 23, 2017.

The underlying Private Investments are independent from each other. Save for its investment in Yibo Group, there is no single Private Investment whose carrying amount is over 5% of the Group's total assets as of June 30, 2018.

(iii) Fund Investments

As of June 2018, the Group has investment interests in eight venture capital funds, of which its investments in Shanghai Yunqi Wangchuang Asset Management Center (Limited Partnership) (上海雲奇網創資產管理中心 (有限合夥)) and Yun Qi Partners I GP, Ltd. (“**Yunqi Investments**”) constitute connected transactions to the Company. The principal investment objectives of these two funds include generating capital returns primarily through equity and equity-related investments in companies that operate TMT-related businesses in the PRC, including but not limited to, internet financing, intelligent hardware, industrial internet and big data. For further details, please refer to the announcement issued by the Company on January 28, 2016.

The historical aggregate investment amount in these eight venture capital funds was RMB255.8 million as at June 30, 2018. The fair value of these Fund Investments increased by 14.8% to RMB343.3 million as at June 30, 2018 compared to RMB299.0 million as at December 31, 2017.

Save for the Yunqi Investments, the general partners of the underlying Fund Investments are independent from each other. There is no single Fund Investment whose carrying amount is over 5% of the Company's total assets as of June 30, 2018.

(iv) Structured Notes

The fair value of the structured notes invested by the Company increased by 53.8% to RMB23.9 million as at June 30, 2018 compared to RMB15.5 million as at December 31, 2017. The structured notes are issued by a commercial bank in Hong Kong, which provide a potential return linked to the price of certain listed equity security at the predetermined valuation day in future.

(v) Redeemed Preferred Shares

The fair value of the redeemed preferred shares invested by the Group as at June 30, 2018 and December 31, 2017 amounted to RMB0 and RMB19.6 million, respectively. In December 2017, the Group acquired 13.6% of the equity interest in Shanghai Benqu Internet Technology Company Limited ("**Shanghai Benqu**") at a consideration of RMB19.6 million which was accounted for as a financial asset at fair value through profit and loss. In April 2018, the Group further acquired 66.4% of the equity interests and obtained control of Shanghai Benqu. The details are set out in note 21 to the condensed consolidated financial information.

Bank Loans and Other Borrowings

As at June 30, 2018 and December 31, 2017, the Group had no bank loans and other borrowings outstanding.

Gearing Ratio

The gearing ratio as at June 30, 2018 and December 31, 2017 were 0%.

Capital Expenditures

For the six months ended June 30, 2018, the Group's capital expenditures were approximately RMB60.3 million, mainly including approximately RMB55.6 million related to purchase of land use right and approximately RMB2.9 million related to purchase of server and equipment.

Major Investments and Disposals

In April 2018, the Group completed its acquisition of 66.4% of the equity interest of Shanghai Benqu for a consideration of RMB136.1 million in cash and 13,237,995 public ordinary shares that were issued on April 20, 2018. After the completion, the Group holds 80% of the equity interest of Shanghai Benqu and recorded goodwill of RMB210.2 million which contributed a significant increase in intangible assets.

In May 2018, the Group entered into an agreement to dispose 4.5% out of 27% of its holding equity interest of an unlisted equity security, which was principally engaged in operation of web-based casual games. As at June 30, 2018, an amount of RMB40.5 million had been received and the transaction was completed in July 2018. During the six months ended 30 June 2018, the fair value gain of 4.5% and 22.5% equity interest of the unlisted company held by the Group, which amounted to RMB81.7 million and RMB168.4 million respectively, were recognized arising from the aforementioned latest round financing of the unlisted company. The details are set out in note 21 to the condensed consolidated financial information.

Charges on Assets

As at June 30, 2018, the Group did not have any asset charges.

Contingent Liabilities

As at June 30, 2018, the Group did not have any significant contingent liabilities.

Foreign Exchange Risk

Most of our subsidiaries' functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at June 30, 2018. We do not hedge against any fluctuation in foreign currency.

4. CORPORATE INFORMATION

Staff

The Company had 683 full time employees as at June 30, 2018. Tian Ge's success depends on its ability to attract, retain and motivate qualified personnel. The Company adopts high standards in recruitment with strict procedures to ensure the quality of new hiring and uses various methods for recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy the demand for different types of talents. Moreover, the Company provides a robust training program for new employees in order to effectively equip them with the skill sets and work ethics which are necessary to succeed at Tian Ge.

Relevant staff cost was RMB81.6 million for the six months ended June 30, 2018, while our staff cost was RMB113.8 million for the six months ended June 30, 2017. The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

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

Share Option Schemes

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

The share-based compensation expenses for the six months ended June 30, 2018 were RMB11.9 million, as compared to RMB46.9 million for the corresponding period in 2017.

As at June 30, 2018, options representing a total of 32,110,911 shares were outstanding. If all such options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our shareholders of approximately 2.43% as at June 30, 2018. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per share may be staggered over several years.

As of June 30, 2018, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 4.24% of the total ordinary shares of the Company.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. During the six months ended June 30, 2018, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for the code provision A.2.1 of the CG Code.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2018.

BOARD OF DIRECTORS AND BOARD COMMITTEES

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

Ms. Cao Fei has been appointed as a non-executive Director with effect from January 11, 2018.

Mr. Wu Chak Man resigned as an independent non-executive Director, a member of the Audit Committee, a member of the Nomination Committee and the chairman of the Remuneration Committee with effect from June 13, 2018.

Mr. Yang Wenbin has been appointed as an independent non-executive Director, a member of the Audit Committee, a member of the Nomination Committee and the chairman of the Remuneration Committee with effect from June 13, 2018.

Save as disclosed above, the compositions of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee remain the same as set out in the latest annual report of the Company published on April 25, 2018.

DIVIDEND

Pursuant to the resolution of the annual general meeting on June 7, 2018, the Company declared a final dividend of HK$0.07 per ordinary share out of the Company's share premium account, which was fully paid in June 2018.

The Board did not declare any interim dividend for the six months ended June 30, 2018.

AUDIT COMMITTEE

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

The Audit Committee has reviewed (i) the accounting principles and practices adopted by the Group, and (ii) the auditing, risk management, internal control and financial reporting matters, including the review of the interim results for the six months ended June 30, 2018.

CHANGES TO DIRECTORS' INFORMATION

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended June 30, 2018, the Company has repurchased a total of 6,086,000 shares on the Stock Exchange at an aggregate consideration of HK$36,392,840.05. The highest price paid per share is HK$6.84, and the lowest price paid per share is HK$5.55. As at the date of this report, all repurchased shares have been cancelled.

Except as disclosed above, during the six months ended June 30, 2018, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

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

As of June 30, 2018, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Interests in ordinary shares of the Company:

Name of director	Nature of interests	Number of shares held	Approximate percentage of shareholding as at June 30, 2018
Mr. Fu Zhengjun ("**Mr. Fu**")	Founder of a discretionary trust (Note 1)	306,000,000	23.71%
	Beneficiary of a trust (Note 2)	21,260,000	1.65%
	Beneficial owner	200,000	0.02%

Notes:

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

2. UBS Trustees (BVI) Limited is also the trustee of Mr. Fu Yanchang's Trust ("**Mr. Fu Yanchang's Trust**") and holds the entire issued share capital of Star Wonder Holding Ltd through its nominee, UBS Nominee Limited. Star Wonder Holding Ltd holds the entire issued share capital of Cloud Investment Holding Limited. Cloud Investment Holding Limited in turn holds 21,260,000 shares in our Company. Mr. Fu Yanchang's Trust is a discretionary trust established by Mr. Fu's father Mr. Fu Yanchang (as the settlor) and the discretionary beneficiaries of which are Mr. Fu Yanchang and his family members. Accordingly, each of Mr. Fu Yanchang, Mr. Fu, UBS Trustees (BVI) Limited, Star Wonder Holding Limited and Cloud Investment Holding Limited is deemed to be interested in the 21,260,000 shares held by Cloud Investment Holding Limited.

Interests in underlying shares of the Company:

Name of director	Position held within our Group	Nature	Number of shares represented by options or RSUs	Exercise price (US$)	Approximate percentage of shareholding as at June 30, 2018
Mr. Fu Zhengjun	Chairman, executive Director and chief executive officer	RSUs (Note 1)	10,000,000	Nil	0.77%
		Interest of spouse (Note 4)	20,000,000	Nil	1.55%
Mr. Mai Shi'en	Executive Director, chief opearting officer and acting chief financial officer	RSUs (Note 2)	4,050,000	Nil	0.31%
Mr. Mao Chengyu	Non-executive Director	Options (Note 3)	200,000	0.35	0.02%
Ms. Yu Bin	Independent non-executive Director	Options (Note 3)	200,000	0.35	0.02%
Mr. Chan Wing Yuen, Hubert	Independent non-executive Director	Options (Note 3)	200,000	0.35	0.02%

Notes:

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

2. Mr. Mai Shi'en is interested in 405,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 4,050,000 shares subject to vesting.

3. Mr. Mao Chengyu, Ms. Yu Bin and Mr. Chan Wing Yuen, Hubert are each interested in 20,000 Pre-IPO options granted to each of them on May 22, 2014 under the Pre-IPO share Option Scheme entitling each of them to receive 200,000 shares subject to vesting.

4. Ms. Hong Yan is Mr. Fu's spouse and she is interested in 2,000,000 Pre-IPO RSUs granted to her on May 22, 2014 under the Pre-IPO RSU Scheme entitling her to receive 20,000,000 shares subject to vesting. Accordingly, Mr. Fu is deemed to be interested in the 20,000,000 shares which are interested by Ms. Hong Yan under the SFO.

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

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

As at June 30, 2018, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Nature of interests	Number of Shares or securities held	Approximate percentage of interest as at June 30, 2018
UBS Trustees (BVI) Limited	Trustee (Note 1)	327,260,000	25.35%
Three-Body Holdings Ltd	Interest in Controlled Corporation (Note 1)	306,000,000	23.71%
Blueberry Worldwide Holdings Limited	Beneficial Owner (Note 1)	306,000,000	23.71%
Sina Hong Kong Limited	Beneficial Owner	300,000,000	23.24%
Ho Chi Sing	Interest in Controlled Corporation (Note 2)	110,000,000	8.52%
Zhou Quan	Interest in Controlled Corporation (Note 2)	110,000,000	8.52%
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest in Controlled Corporation (Note 2)	110,000,000	8.52%
IDG-Accel China Growth Fund II Associates L.P.	Interest in Controlled Corporation (Note 2)	102,146,200	7.91%
IDG-Accel China Growth Fund II L.P.	Beneficial Owner (Note 2)	102,146,200	7.91%

Notes:

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

(2) IDG-Accel China Growth Fund II L.P. is wholly owned by IDG-Accel China Growth Fund II Associates L.P., which is in turn wholly owned by IDG-Accel China Growth Fund GP II Associates Ltd. Accordingly, each of IDG-Accel China Growth Fund II L.P., IDG-Accel China Growth Fund II Associates L.P. and IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the 102,146,200 shares held by IDG-Accel China Growth Fund II L.P.. Separately, IDG-Accel China Investors II L.P. is wholly owned by IDG-Accel China Growth Fund GP II Associates Ltd., therefore IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the shares held by IDG-Accel Growth Investors II L.P.

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

Save as disclosed above, as at June 30, 2018, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Incentive Schemes" in this report and in note 25 to the condensed consolidated financial information, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE INCENTIVE SCHEMES

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

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

Outstanding Share Options

Pre-IPO Share Option Scheme

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

As at June 30, 2018, options representing a total of 29,150,911 shares (taking into account the 28,336,610 options which have lapsed and options in respect of an aggregate of 56,192,479 shares which have been exercised in accordance with the terms of the Pre-IPO Share Option Scheme) were outstanding. If all the options under the Pre-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our Shareholders of approximately 2.21% as at June 30, 2018. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per Share may be staggered over several years.

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

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

Post-IPO Share Option Scheme

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

During the Reporting Period, 192,000 options were exercised and no option was granted, lapsed and cancelled under the Post-IPO Share Option Scheme. As a result, as at June 30, 2018, options representing a total of 2,960,000 shares were outstanding, representing approximately 0.23% of the issued shares of the Company.

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

Outstanding RSUs

Pre-IPO RSU Scheme

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

On July 9, 2014, upon the Company's IPO on the Main Board of the Stock Exchange, the Company's ordinary shareholders received nine bonus shares for every registered ordinary share that they already held. As a result, the 7,280,000 ordinary shares of the Company underlying the RSUs were adjusted to 72,800,000 ordinary shares on a one-to-ten basis. As at the date of this report, the total number of shares underlying the RSUs represents approximately 3.30% of the total number of shares of the Company.

The duration of the Pre-IPO RSU Scheme is ten years commencing on May 22, 2014 and the remaining life of this scheme is around 5 years and 9 months.

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

During the Reporting Period, RSUs in respect of an aggregate of 1,365,000 shares have been exercised by grantees under the Pre-IPO RSU Scheme and no RSUs have been granted, cancelled and lapsed. As a result, as at June 30, 2018, 42,555,000 shares have been issued and allotted to Tangguo Limited.

Post-IPO RSU Scheme

As at June 30, 2018, RSUs in respect of a total of 12,191,539 shares pursuant to the Company's Post-IPO RSU Scheme have been granted on April 20, 2015, September 15, 2015, April 1, 2016, April 5, 2017 and April 18, 2017.

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

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

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

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

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

The Company appointed The Core Trust Company Limited (匯聚信託有限公司) as the trustee and Xinshow Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Post-IPO RSU Scheme. During the Reporting Period, RSUs in respect of an aggregate of 2,140,437 shares have been exercised by grantees under the Post-IPO RSU Scheme and 18,700 RSUs have been lapsed and cancelled, as a result, as the date of this report, 12,191,539 shares have been allotted and issued to Xinshow Limited.

Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the Pre-IPO RSU Scheme

The following table shows the details of the options and/or the Pre-IPO RSUs granted and outstanding under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme to, on an individual basis, the Directors, senior management members and other connected person of the Group as at June 30, 2018.

Name of Grantee	Position Held within Our Group	Nature	Number of Shares Represented by Option or RSUs	Date of Grant	Outstanding as at January 1, 2018	Exercise Price (US$)	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2018
Director of our Company										
Mr. Fu Zhengjun	Chairman, executive Director and chief executive officer	RSUs	10,000,000	22 May 2014	10,000,000	Nil	0	0	0	10,000,000
Mr. Mai Shi'en	Executive Director, chief operating officer and acting chief financial officer	RSUs	4,050,000	22 May 2014	4,050,000	Nil	0	0	0	4,050,000
Mr. Mao Chengyu	Non-executive Director	Options	200,000	22 May 2014	200,000	0.35	0	0	0	200,000
Ms. Yu Bin	Independent non-executive Director	Options	200,000	22 May 2014	200,000	0.35	0	0	0	200,000
Mr. Chan Wing Yuen, Hubert	Independent non-executive Director	Options	200,000	22 May 2014	200,000	0.35	0	0	0	200,000
Mr. Herman Yu (Note 1)	Non-executive Director	Options	200,000	22 May 2014	200,000	0.35	20,000	0	0	180,000
Mr. Wu Chak Man (Note 2)	Independent non-executive Director	Options	200,000	22 May 2014	200,000	0.35	0	0	0	200,000
Other connected persons of our Group										
Ms. Hong Yan	Vice president of Tiange Technology (Hangzhou) Co., Ltd. (天格科技(杭州)有限公司)	RSUs	20,000,000	22 May 2014	20,000,000	Nil	0	0	0	20,000,000
Seven Directors and one connected person			Options		980,000					
			RSUs		34,050,000					
			Sub-total		35,030,000					

Note:

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

2. *Mr. Wu Chak Man resigned as independent non-executive Director with effect from June 13, 2018.*

The following is a summary table showing further details of the options and/or the Pre-IPO RSUs granted and outstanding under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme to individuals who are neither a Director, chief executive member nor a connected person of the Group as at June 30, 2018.

Rank/Position Held With Our Group	Nature	Number of Shares Represented by Option or RSUs	Date of Grant	Outstanding as at January 1, 2018	Exercise Price (US$/HK$)	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2018
155 other employees, 49 other consultants and 10 ex-employees	Options	8,551,000	January 14, 2009	8,693,000	US$0.01	142,000	0	0	8,551,000
		540,000	July 23, 2009	783,000	US$0.021	243,000	0	0	540,000
		2,196,540	July 23, 2009	3,445,540	US$0.03	1,249,000	0	0	2,196,540
		1,573,380	June 17, 2010	1,638,380	US$0.06	65,000	0	0	1,573,380
		101,000	September 6, 2010	190,000	US$0.06	89,000	0	0	101,000
		5,601,000	September 6, 2010	5,601,000	US$0.035	0	0	0	5,601,000
		2,399,050	December 20, 2010	2,582,050	US$0.06	183,000	0	0	2,399,050
		0	December 20, 2010	12,000	US$0.03	12,000	0	0	0
		1,350,000	December 26, 2011	1,540,000	US$0.06	190,000	0	0	1,350,000
		578,000	December 26, 2011	687,000	US$0.1	109,000	0	0	578,000
		578,110	December 26, 2011	753,110	US$0.12	175,000	0	0	578,110
		1,088,795	October 14, 2012	1,352,795	US$0.15	264,000	0	0	1,088,795
		430,000	September 14, 2013	610,000	US$0.2	180,000	0	0	430,000
		3,184,036	May 22, 2014	4,577,262	US$0.35	1,374,932	0	18,294	3,184,036
		2,960,000	September 22, 2015	3,152,000	HK$3.50	192,000	0	0	2,960,000
	Options total	31,130,911		35,617,137	–	4,467,932	0	18,294	31,130,911
	RSUs	8,505,000	May 22, 2014	9,870,000	Nil	1,365,000	0	0	8,505,000
		540,609	April 20, 2015	1,499,759	Nil	959,150	0	0	540,609
		109,226	September 15, 2015	224,838	Nil	115,612	0	0	109.226
		600,741	April 1, 2016	676,109	Nil	75,368	0	0	600,741
		8,659,367	April 5, 2017	9,356,734	Nil	697,367	0	0	8,659,367
		2,281,596	April 18, 2017	2,593,236	Nil	292,940	0	18,700	2,281,596
	RSUs total	20,696,539		24,220,676		3,505,437	0	18,700	20,696,539
	Sub-total	51,827,450							

Notes:

1. Consultants are third party agents who provided our Group with business consultancy services on financial management, research and development, human resources and sales. Pursuant to the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, a total of 8,979,500 options have been granted to 49 consultants.

2. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the Reporting Period was approximately HKD6.77.

3. The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised during the Reporting Period was approximately HKD7.38.

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

"Quarterly Average Revenue Per User" or "QARPU"	Average quarterly revenue in a particular period divided by the QPUs in that period.
"MAUs"	Number of active registered users that accessed our products or services in the relevant month. (A MAU is defined as a registered user that accessed our products or services at least once during the relevant month.)
"QPUs"	Number of paying users for our products and services in the relevant quarter. (A QPU for live social video platform is defined as a user that purchased virtual goods at least once during the relevant quarter.)
"Host"	User who generate content, have host accounts and are deemed by us to be hosts. Hosts may receive marketing fees from distributors.
"Registered users"	The accumulated number of users who have registered an account on our live social video platform or online games and duplicated accounts were not excluded.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF TIAN GE INTERACTIVE HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 33 to 88, which comprises the condensed consolidated balance sheet of Tian Ge Interactive Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2018 and the related condensed consolidated statements of comprehensive income for the three and six months then ended, the condensed consolidated statements of changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 'Interim Financial Reporting'. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Continuing operations					
Revenue	6	**196,476**	224,549	**389,657**	443,151
Cost of revenue	8	**(17,261)**	(31,313)	**(32,406)**	(64,875)
Gross profit		**179,215**	193,236	**357,251**	378,276
Selling and marketing expenses	8	**(50,754)**	(72,252)	**(97,652)**	(116,171)
Administrative expenses	8	**(46,804)**	(45,013)	**(67,039)**	(63,019)
Research and development expenses	8	**(28,937)**	(31,079)	**(50,155)**	(53,948)
Other gains, net	9	**244,257**	18,494	**278,149**	28,920
Operating profit		**296,977**	63,386	**420,554**	174,058
Finance income	10	**1,045**	1,134	**9,402**	1,429
Finance costs	10	**(2,669)**	—	**(5,712)**	—
Finance income/(loss), net		**(1,624)**	1,134	**3,690**	1,429
Share of profit/(loss) of investment accounted for using the equity method	18	**(1,220)**	1,254	**255**	4,506
Impairment of investment accounted for using the equity method	18	**(43,231)**	—	**(43,231)**	—
Profit before income tax		**250,902**	65,774	**381,268**	179,993
Income tax expense	11	**(77,622)**	(20,426)	**(108,695)**	(40,115)
Profit for the period from continuing operations		**173,280**	45,348	**272,573**	139,878
Discontinued operations					
Profit for the period from discontinued operations	7	**—**	4,797	**—**	9,494
Profit for the period		**173,280**	50,145	**272,573**	149,372
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss					
Changes in value of available-for-sale financial assets		**—**	22,983	**—**	26,619
Currency translation differences		**38,464**	(18,693)	**7,489**	(24,117)
Total comprehensive income for the period		**211,744**	54,435	**280,062**	151,874

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

	Note	Unaudited Three months ended 30 June 2018 RMB'000	Unaudited Three months ended 30 June 2017 RMB'000	Unaudited Six months ended 30 June 2018 RMB'000	Unaudited Six months ended 30 June 2017 RMB'000
Profit/(loss) attributable to:					
– Shareholders of the Company		**175,546**	48,735	**274,900**	146,806
– Non-controlling interests		**(2,266)**	1,410	**(2,327)**	2,566
		173,280	50,145	**272,573**	149,372
Profit attributable to Shareholders of the Company arising from:					
– Continuing operations		**175,546**	45,669	**274,900**	140,735
– Discontinued operations		**—**	3,066	**—**	6,071
		175,546	48,735	**274,900**	146,806
Total comprehensive income/ (loss) attributable to:					
– Shareholders of the Company		**213,995**	53,053	**282,350**	149,286
– Non-controlling interests		**(2,251)**	1,382	**(2,288)**	2,588
		211,744	54,435	**280,062**	151,874
Total comprehensive income attributable to shareholders of the Company arising from:					
– Continuing operations		**213,995**	49,987	**282,350**	143,215
– Discontinued operations		**—**	3,066	**—**	6,071
		213,995	53,053	**282,350**	149,286
Earnings per share from continuing anddiscontinued operations attributable to owners of the Company (expressed in RMB per share)					
Basic earnings per share					
– From continuing operations	12	**0.137**	0.036	**0.216**	0.108
– From discontinued operations	12	**—**	0.002	**—**	0.005
		0.137	0.038	**0.216**	0.113
Diluted earnings per share					
– From continuing operations	12	**0.133**	0.034	**0.210**	0.105
– From discontinued operations	12	**—**	0.002	**—**	0.005
		0.133	0.036	**0.210**	0.110

The notes on pages 40 to 88 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Assets			
Non-current assets			
Property and equipment	14	**191,107**	193,444
Investment properties	15	**45,890**	45,319
Intangible assets	16	**302,373**	97,200
Investments accounted for using the equity method	18	**163,641**	131,760
Financial assets at fair value through profit and loss	21	**918,670**	19,590
Available-for-sale financial assets	21	**—**	631,820
Prepayments and other receivables	20	**155,468**	203,948
Deferred income tax assets	28	**46,591**	35,968
		1,823,740	1,359,049
Current assets			
Trade receivables	19	**34,856**	28,862
Prepayments and other receivables	20	**161,991**	172,544
Available-for-sale financial assets	21	**—**	915,074
Financial assets at fair value through profit and loss	21	**961,876**	15,518
Term deposits with initial term over 3 months		**191,381**	199,448
Cash and cash equivalents	22	**244,812**	273,652
		1,594,916	1,605,098
Total assets		**3,418,656**	2,964,147
Equity			
Equity attribute to shareholders of the Company			
Share capital	23	**798**	787
Shares held for RSU Scheme	23	**(0)**	(6)
Treasury stock	23	**(29,015)**	—
Share premium	23	**1,951,629**	1,952,499
Other reserves	24	**464,454**	569,960
Retained earnings		**593,727**	193,935
		2,981,593	2,717,175
Non-controlling interests		**15,560**	11,582
Total equity		**2,997,153**	2,728,757

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	28	**111,907**	5,130
Other non-current liabilities		**1,240**	1,261
		113,147	6,391
Current liabilities			
Trade payables	26	**4,633**	11,054
Other payables and accruals	27	**167,145**	63,310
Income tax liabilities		**90,558**	107,305
Customer advance and deferred revenue		**41,300**	42,610
Provisions for other liabilities and charges	29	**4,720**	4,720
		308,356	228,999
Total liabilities		**421,503**	235,390
Total equity and liabilities		**3,418,656**	2,964,147

The notes on pages 40 to 88 form an integral part of these condensed consolidated financial information.

Fu Zhengjun
Director

Mai Shi'en
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Note	Unaudited								
		Equity attributable to shareholders of the company								
	Note	Share capital RMB'000	Shares held for RSU Scheme RMB'000	Treasury stock RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017 as originally presented		787	(6)	–	1,952,499	569,960	193,935	2,717,175	11,582	2,728,757
Change in accounting policy	3(b)	–	–	–	–	(124,892)	124,892	–	–	–
Restated total equity at 1 January 2018		787	(6)	–	1,952,499	445,068	318,827	2,717,175	11,582	2,728,757
Comprehensive income/(loss)										
Profit/(loss) for the six months ended 30 June 2018		–	–	–	–	–	274,900	274,900	(2,327)	272,573
Other comprehensive income/(loss)										
Currency translation differences	24	–	–	–	–	7,450	–	7,450	39	7,489
Total comprehensive income/(loss)		–	–	–	–	7,450	274,900	282,350	(2,288)	280,062
Transactions with shareholders of the Company, recognised directly in equity										
Employees share option scheme and restricted share units ('RSU') schemes:										
– vest and transfer of RSUs	23	–	6	–	(6)	–	–	–	–	–
– value of employee service	24	–	–	–	–	11,936	–	11,936	–	11,936
– proceeds from shares issued	23	3	–	–	4,071	–	–	4,074	–	4,074
Dividends relating to 2017 paid in June 2018	13	–	–	–	(74,537)	–	–	(74,537)	–	(74,537)
Appropriation of dividend to non-controlling interests		–	–	–	–	–	–	–	(886)	(886)
Repurchase of ordinary shares	23	–	–	(29,015)	(1,153)	–	–	(30,168)	–	(30,168)
Step-acquisition of a subsidiary	23	8	–	–	70,755	–	–	70,763	7,152	77,915
Total transactions with shareholders of the Company, recognised directly in equity		11	6	(29,015)	(870)	11,936	–	(17,932)	6,266	(11,666)
Balance at 30 June 2018		798	(0)	(29,015)	1,951,629	464,454	593,727	2,981,593	15,560	2,997,153

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2018

		Unaudited								
		Equity attributable to shareholders of the company								
	Note	Share capital RMB'000	Shares held for RSU Scheme RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings/ (Accumulated deficits) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		804	(7)	2,250,388	426,403	(89,257)	2,588,331	35,641	2,623,972
Comprehensive income									
Profit for the six months ended 30 June 2017		–	–	–	–	146,806	146,806	2,566	149,372
Other comprehensive income/(loss)									
Currency translation differences	24	–	–	–	(24,139)	–	(24,139)	22	(24,117)
Changes in value of available-for-sale financial assets	24	–	–	–	26,619	–	26,619	–	26,619
Total other comprehensive income, net of tax		–	–	–	2,480	–	2,480	22	2,502
Total comprehensive income		–	–	–	2,480	146,806	149,286	2,588	151,874
Transactions with shareholders of the Company, recognised directly in equity									
Employees share option scheme and RSU schemes:									
– vest and transfer of RSUs	23	–	6	(6)	–	–	–	–	–
– value of employee services	24	–	–	–	46,880	–	46,880	–	46,880
– proceeds from shares issued	23	5	–	4,856	–	–	4,861	–	4,861
Dividends relating to 2016 paid in June 2017	13	–	–	(79,591)	–	–	(79,591)	–	(79,591)
Repurchase of ordinary shares	23	–	–	(358)	–	–	(358)	–	(358)
Contribution from a non-controlling interest		–	–	–	405	–	405	101	506
Appropriation of dividend to non-controlling interests		–	–	–	–	–	–	(2,023)	(2,023)
Total transactions with shareholders of the Company, recognised directly in equity		5	6	(75,099)	47,285	–	(27,803)	(1,922)	(29,725)
Balance at 30 June 2017		809	(1)	2,175,289	476,168	57,549	2,709,814	36,307	2,746,121

The notes on pages 40 to 88 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations		174,949	230,006
Income tax paid		(52,577)	(38,102)
Net cash generated from operating activities		122,372	191,904
Cash flows from investing activities			
Step-acquisition of a subsidiary, net of cash acquired		(134,128)	—
Proceeds from disposal of subsidiaries, net of cash disposed		15,215	6,100
Refundable advance received from a potential investment in a subsidiary		63,500	—
Advance received from disposal of investment companies		45,949	1,864
Purchase of and prepayment for property and equipment, construction in progress, intangible assets and other non-current assets		(60,261)	(40,427)
Proceeds on disposal of property and equipment and intangible assets		25	167
Payment of term deposits with initial term of over 3 months		(101,039)	(68,830)
Proceeds from disposal of term deposits with initial term of over 3 months		115,213	264,917
Payment of financial assets at fair value through profit and loss and available-for-sales financial assets		(1,568,719)	(1,272,853)
Proceeds from disposal of financial assets at fair value through profit and loss and available-for-sales financial assets		1,519,507	1,032,897
Proceeds from investment income of financial assets at fair value through profit and loss and available-for-sales financial assets		23,649	484
Payment for acquisition of investment accounted for using the equity method		(1,272)	(4,800)
Proceeds from disposal of an investment accounted for using the equity method		30,000	—
Interest received		1,360	4,302
Dividend received		2,544	—
Proceeds from disposal of prepayment for investments		15,913	19,000
Cash paid for prepayments of investments		(10,494)	(137,860)
Loans granted to third parties and related parties		(43,135)	(219,584)
Repayment of loans granted to related parties and third parties		34,438	187,594
Cash paid for other investing activities		—	(591)
Net cash used in investing activities		(51,735)	(227,620)
Cash flows from financing activities			
Proceeds from exercise of share options		3,926	5,248
Payments for repurchase of ordinary shares	23	(30,168)	(358)
Dividends paid to the Company's shareholders	13	(74,537)	(79,591)
Dividends paid to non-controlling interests		(886)	—
Net cash used in financing activities		(101,665)	(74,701)
Net decrease in cash and cash equivalents		(31,028)	(110,417)
Cash and cash equivalents at beginning of period		273,652	290,306
Exchange gain/(loss) on cash and cash equivalents		2,188	(664)
Cash and cash equivalents at end of period		244,812	179,225

The notes on pages 40 to 88 form an integral part of these condensed consolidated financial information.

1 GENERAL INFORMATION

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

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

This condensed consolidated financial information is presented in Renminbi (the "**RMB**"), unless otherwise stated. This condensed consolidated financial information was approved by the board of directors of the Company for issue on 30 August 2018.

This condensed consolidated financial information has been reviewed, not audited.

Key events

(a) Pursuant to the resolution of the board meeting held in March 2018 and the approval of the annual general meeting held in June 2018, the Company declared a final dividend, for the year ended 31 December 2017, of Hong Kong Dollar ("**HK$**") 90,361 thousand (approximately RMB74,537 thousand) in total or HK$0.07 per ordinary share out of the Company's share premium account. The dividends were fully paid in June 2018 (Note 13).

(b) In April 2018, the Group further acquired 66.4% of the total equity interests of Shanghai Benqu Internet Technology Company Limited ("**Shanghai Benqu**"), a third party company principally engaged in developing and operating mobile applications of photo and video in the PRC and developing platforms for simultaneous video retouching features, after which the Group held in aggregate 80% equity interests in and gained the control of Shanghai Benqu (Note 17).

(c) In June 2018, the Company repurchased 6,086,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited. The total cash paid to repurchase these ordinary shares amounted to HK$36,393 thousand (approximately RMB30,168 thousand).

    200,000 out of 6,086,000 repurchased shares had been cancelled and deducted from the share capital and share premium within shareholders' equity. The remaining shares were recorded as treasury stock as at 30 June 2018 (Note 23).

2 BASIS OF PREPARATION

This condensed consolidated financial information for the three and six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 'Interim Financial Reporting'. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS as set out in the 2017 annual report of the Company dated 29 March 2018.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except as described below:

(a) The estimation of income tax using the tax rate that would be applicable to expected total annual earnings (Note 11).

(b) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

– IFRS 9 Financial Instruments, and

– IFRS 15 Revenue from Contracts with Customers.

(i) Impact on the financial statements

As a result of the changes in the entity's accounting policies and as explained below, IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not restated in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(i) Impact on the financial statements – *continued*

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	31 December 2017 As originally presented RMB'000	Adoption of IFRS 9 RMB'000	1 January 2018 Restated RMB'000
Assets			
Non-current assets			
Financial assets at fair value through profit and loss	19,590	631,820	651,410
Available-for-sale financial assets	631,820	(631,820)	–
Current assets			
Available-for-sale financial assets	915,074	(915,074)	–
Financial assets at fair value through profit and loss	15,518	915,074	930,592
Total assets	2,964,147	–	2,964,147
Equity			
Equity attribute to shareholders of the Company			
Other reserves	569,960	(124,892)	445,068
Retained earnings	193,935	124,892	318,827
Total equity	2,728,757	–	2,728,757
Liabilities			
Non-current liabilities	6,391	–	6,391
Current liabilities	228,999	–	228,999
Total liabilities	235,390	–	235,390
Total equity and liabilities	2,964,147	–	2,964,147

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(ii) IFRS 9 Financial instruments - Impact on adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the group's retained earnings as at 1 January 2018 is as follows:

	Balance
	RMB'000
Closing retained earnings 31 December 2017 – IAS39	193,935
Adjustments to retained earnings from adoption of IFRS 9 on 1 January 2018	124,892
Opening retained earnings 1 January 2018 – IFRS 9	318,827

(a) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	**FVPL**	**AFS**
	RMB'000	RMB'000
Closing balance 31 December 2017 – IAS 39	35,108	1,546,894
Reclassify investments from available-for-sale financial assets('AFS') to financial assets at fair value through profit and loss('FVPL')	1,546,894	(1,546,894)
Opening balance 1 January 2018 – IFRS 9	1,582,002	—

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(ii) IFRS 9 Financial instruments - Impact on adoption – *continued*

(a) Classification and measurement – *continued*

The impact of these changes on the group's equity is as follows:

	Effect on AFS reserve included in 'Other reserves' RMB'000	Effect on retained earnings RMB'000
Opening balance – IAS 39	124,892	193,935
Reclassify investments from available-for-sale financial assets to financial assets at fair value through profit and loss	(124,892)	124,892
Opening balance – IFRS 9	–	318,827

The investments in wealth management products, investments in venture capital funds and the investments in unlisted equity securities were reclassified from available-for-sale financial assets to financial assets at fair value through profit and loss (RMB1,546,894 thousand as at 1 January 2018). They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Related fair value gains of RMB124,892 thousand were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018. In the six months to 30 June 2018, net fair value gains of RMB214,272 thousand, to these investments were recognised in profit or loss, along with deferred tax expense of RMB65,786 thousand.

(b) Impairment of financial assets

The Group has below types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables
- other receivables
- term deposits with initial term over 3 months
- cash and cash equivalents

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The identified impairment loss of the above financial assets was immaterial.

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(ii) IFRS 9 Financial instruments - Impact on adoption – *continued*

(b) Impairment of financial assets – *continued*

Trade receivables

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In view of the history of cooperation with debtors and the sound collection history of receivable due from them, the outstanding receivable balances due from them are considered to be low credit risk.

Term deposits with initial term over 3 months and cash and cash equivalents

Term deposits with initial term over 3 months and cash and cash equivalents are mainly placed with national commercial banks in the PRC and reputable international financial institutions in Hong Kong. There has been no recent history of default in relation to these financial institutions. Therefore, the balances due from them are considered to be low credit risk.

Other financial assets at amortised cost

Other financial assets at amortised cost include loans to third parties and related parties and employees and other receivables. In view of the history of cooperation with debtors and the sound collection history of receivable due from them, the outstanding other receivable balances due from them are considered to be low credit risk.

(iii) IFRS 9 Financial instruments – Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(iii) IFRS 9 Financial instruments – Accounting policies applied from 1 January 2018 – *continued*

Classification – *continued*

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(iii) IFRS 9 Financial instruments – Accounting policies applied from 1 January 2018 – *continued*

Debt instruments – continued

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(iv) IFRS 15 Revenue from Contracts with Customers – Impact on adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the adoption of the new revenue standard had no impact on the Group's consolidated financial statements based on the Group's assessment.

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(v) IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018

Revenues are recognized when or as the control of the services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities were mainly resulted from live social video platforms and game operation, which is recorded in advance from customers and deferred revenue.

In accordance with the principal versus agent considerations prescribed by IFRS 15, the Group determines whether it acts as the principal or agent in each of its revenue streams. The principal is the entity that has promised to provide services to its customers. An agent arranges for services to be provided by the principal to its end customer. An agent normally receives a commission or fee for these activities.

The Group recognizes revenue when the specific criteria has been met for each of the Group's activities, as described below:

(a) Live social video platforms

The Group operates five major live social video platforms (the "**Video Platform**"), namely Sina Show, 9158, Crystal Live Broadcasting, Miao Broadcasting and Crazy Broadcasting, and several other video platforms. Each of these Video Platforms contains thousands of real time video rooms (the "**Room**") with user-created content provided by hosts and user on air, and broadcasted to the rooms' viewers. All the Video Platforms and Rooms are free to access.

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(v) IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018 – *continued*

(a) Live social video platforms – *continued*

The Group's PRC Operating Entities entered into the annual distribution agreements with independent third-party distributors. Pursuant to the distributor agreements, each distributor has the right to purchase virtual currency on a set discounted basis and is exclusively responsible for sales of virtual currency for one or several of the Group's Video Platforms through developing and engaging sale agents who directly sell the virtual currency to users. In addition, each distributor is responsible for recruiting hosts and identifying genres and room contents that could be commercially profitable. The Group is responsible for providing a technological infrastructure to allow the hosts, users on air and viewers to interact through video streams and providing the services which enable the virtual currency to be used on the Video Platforms. The Group does not determine the price of the virtual currency sold to sales agents or users. In addition, the Group does not take overall responsibility of the content of performances in the Group's Video Platforms. The Group concluded that the distributor is the principal to fulfill the obligations related to the sales of virtual currency and delivery of the contents to users and has latitude in establishing price to users. The Group performs its role to provide a platform for the distributors to organize the hosts to deliver the contents to users. Accordingly, related revenues are presented the net amount retained of proceeds received from the Group's distributors.

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

The virtual currency are recorded as customer advance and deferred revenue when the virtual currency are sold but not consumed by the users.

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

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

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(v) IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018 – *continued*

(a) Live social video platforms – *continued*

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

The Group also offers membership programs to its users. Users pay the membership fee based on the period they have the privilege on the Group's Video Platforms. The revenue generated from membership programs is recognised ratably over the membership period.

(b) Game operation

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

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

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(v) IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018 – *continued*

(b) Game operation – *continued*

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

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

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

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

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

The Group has evaluated the roles and responsibilities of the Group and platforms or third party payment vendors in the delivery of game experience to the paying players and concluded the Group acting as a principal in rendering services. Accordingly, the Group records revenue on a gross basis, and commission charges by game developers, platforms or third party payment vendors are recorded as cost of revenue.

3 ACCOUNTING POLICIES – *continued*

(b) New and amended standards adopted by the Group – *continued*

(v) IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018 – *continued*

(c) Advertising

The Group primarily derives its advertising revenue by delivering advertisements on its Video Platforms. The Group identifies the advertisers as the customer for online advertising services.

Some of the customers pay the Group for performance-based marketing, which means that a marketer pays the Group only when a user clicks on marketer's link on the Group's mobile applications. For these customers, the Group recognizes revenue each time a user clicks on the marketer's link.

The Group also offers display-based advertising services in the form of banners, and textual or graphical advertiser's link. Advertisers pay the Group based on the period their advertisements are displayed on the Group's Video Platforms and mobile applications. Revenue of such advertising service is recognized on a pro-rata basis over the contractual service period, starting on the date when the advertisements is first displayed on the Group's Video Platforms.

(d) Other services and sales

Other services and sales comprise primarily of revenues generated from rental service of investment property and licensing of its mobile game platforms for an agreed period. The Group recognizes the revenue when the respective services are rendered over the period or when the control of the services are transferred to the customers.

(vi) The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

(i) IFRS 16 Leases

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

The accounting for lessors will not significantly change.

3 ACCOUNTING POLICIES – *continued*

(c) Impact of standards issued but not yet applied by the Group – *continued*

(i) IFRS 16 Leases – *continued*

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB2,601 thousand. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

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

4 ESTIMATES

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

In preparing this condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2017, with the exception of changes in estimates that are required in determining the provision for income taxes (Note 11) and the changes in estimates that are required in determining the impairment of financial assets (Note 3).

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

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

There have been no changes in the risk management department or in any risk management policies since the year ended 31 December 2017.

5.2 Liquidity risk

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

5.3 Fair value estimation

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

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2018.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at fair value through profit and loss				
– Wealth management products	–	–	945,655	945,655
– Venture capital funds	–	–	343,346	343,346
– Unlisted equity securities	–	–	567,675	567,675
– Structured notes	–	–	23,870	23,870
	–	–	1,880,546	1,880,546

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2017.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Available-for-sale financial assets				
– Wealth management products	–	–	915,074	915,074
– Venture capital funds	–	–	298,958	298,958
– Unlisted equity securities	–	–	332,862	332,862
Financial assets at fair value through profit and loss				
– Structured notes	–	–	15,518	15,518
– Redeemable preferred shares	–	–	19,590	19,590
	–	–	1,582,002	1,582,002

There were no transfers between Levels during the period. There were no other changes in valuation techniques during the period.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

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

The following table presents the changes in level 3 instruments as at 30 June 2018.

	Financial assets at fair value through profit and loss RMB'000
Opening balance at 1 January 2018	1,582,002
Additions	1,568,719
Step-acquisition of a subsidiary (Note 17)	15,082
Disposal	(1,519,507)
Derecognition of Shanghai Benqu from a financial asset through profit and loss (Note 17)	(31,870)
Proceeds from investment income of venture capital funds and unlisted equity securities	(25,708)
Fair value gain recognized in consolidated statements of comprehensive income	230,443
Investment income recognised in consolidated statement of comprehensive income under 'other gains, net'	40,679
Other change	18,228
Exchange and currency difference	2,478
Closing balance at 30 June 2018	1,880,546
Total unrealised gains for the period included in profit or loss for assets held at the end of the reporting period	230,443

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

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

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

	Available-for-sale financial assets RMB'000
Opening balance at 1 January 2017	915,432
Additions	1,269,853
Disposals of available-for-sale financial assets	(1,027,897)
Proceeds from investment income of venture capital funds	(484)
Fair value gain recognized in consolidated statements of comprehensive income under 'other comprehensive income'	26,619
Investment income recognised in consolidated statement of comprehensive income under 'other gains, net'	13,782
Exchange and currency translation difference	(4,277)
Closing balance at 30 June 2017	1,193,028
Total unrealised gains for the period included in profit or loss for assets held at the end of the reporting period	8,439

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

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

– Trade receivables
– Prepayments and other receivables
– Term deposits with initial terms over 3 months
– Cash and cash equivalents
– Trade payables
– Other payables and accruals

6 SEGMENT INFORMATION

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

6 SEGMENT INFORMATION – *continued*

The Group has following reportable segments of continuing operation for the three and six months ended 30 June 2018 and 2017:

– Online interactive entertainment service;

– Others.

Online interactive entertainment service of the Group mainly comprise of the provision of live social video platform and provision of online games. Other segments of the Group mainly comprise of the provision of advertising and other services.

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

There were no material inter-segment sales during the three and six months ended 30 June 2018 and 2017. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the condensed consolidated statement of comprehensive income.

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

6 SEGMENT INFORMATION – *continued*

The segment information provided to the CODM for the reportable segments for the three and six months ended 30 June 2018 and 2017 is as follows:

	Three months ended 30 June 2018			Three months ended 30 June 2017		
	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000
Revenue arising from continuing operations	177,233	19,243	196,476	212,535	12,014	224,549
Gross profit arising from continuing operations	160,622	18,593	179,215	186,908	6,328	193,236
– Depreciation, amortization and impairment charges included in segment cost	1,326	3	1,329	1,720	(594)	1,126
Operating profit			296,977			63,386
Finance income			1,045			1,134
Finance costs			(2,669)			–
Shares of profit/(losses) of investments accounted for using the equity method	533	(1,753)	(1,220)	(17)	1,271	1,254
Impairment of investments accounted for using the equity method	–	(43,231)	(43,231)	–	–	–
Profit before income tax			250,902			65,774

6 SEGMENT INFORMATION – *continued*

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000
Revenue arising from continuing operations	358,168	31,489	389,657	423,065	20,086	443,151
Gross profit arising from continuing operations	326,471	30,780	357,251	370,369	7,907	378,276
– Depreciation, amortization and impairment charges included in segment cost	2,626	6	2,632	3,416	(1,240)	2,176
Operating profit			420,554			174,058
Finance income			9,402			1,429
Finance costs			(5,712)			–
Shares of profit/(losses) of investments accounted for using the equity method	(931)	1,186	255	(572)	5,078	4,506
Impairment of investments accounted for using the equity method	–	(43,231)	(43,231)	–	–	–
Profit before income tax			381,268			179,993

7 DISCONTINUED OPERATIONS

In September 2017, the Group entered into agreements to dispose 44% of its holding equity interest of Pangu Group that provided game licensing for an aggregated cash consideration of RMB77,350 thousand. The transaction was completed as at 30 September 2017 and was reported in the condensed consolidated interim financial information for the nine-month ended 30 September 2017 as a discontinued operation.

Financial information relating to game licensing segment for the period to the date of disposal is set out below. For further information about the discontinued operation please refer to note 7 in the Group's annual financial statements for the year ended 31 December 2017.

7 DISCONTINUED OPERATIONS – *continued*

Statement of profit or loss information

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	–	30,218	–	55,646
Cost of revenue	–	(3,126)	–	(6,974)
Gross profit from discontinued operations	–	27,092	–	48,672
Selling and marketing expenses	–	(16,609)	–	(27,660)
Administrative expenses	–	(3,830)	–	(7,680)
Research and development expenses	–	(1,016)	–	(2,192)
Other gains, net	–	26	–	56
Operating profit from discontinued operations	–	5,663	–	11,196
Finance income	–	28	–	63
Finance costs	–	–	–	–
Finance income, net	–	28	–	63
Profit before income tax from discontinued operations	–	5,691	–	11,259
Income tax	–	(894)	–	(1,765)
Profit from discontinued operations	–	4,797	–	9,494
Profit from discontinued operations attributable to:				
– Owners of the Company	–	3,066	–	6,071
– Non-controlling interests	–	1,731	–	3,423
	–	4,797	–	9,494

Statement of cash flow information

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Operating cash flows	–	(9,164)
Investing cash flows	–	(618)
Financing cash flows	–	–
Total cash flows	–	(9,782)

8 EXPENSES BY NATURE

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Employee benefit expenses (including share-based compensation expenses)	**41,292**	76,808	**81,603**	113,766
Promotion and advertising expenses	**35,690**	40,470	**67,380**	70,028
Impairment of intangible assets (Note 16)	**19,447**	9,704	**19,447**	9,704
Bandwidth and server custody fees	**7,928**	7,330	**16,002**	14,545
Commission charged by platforms and game develop	**5,713**	13,444	**9,034**	28,248
Game development costs	**6,495**	3,255	**8,034**	5,711
Travelling and entertainment expenses	**3,506**	4,945	**7,321**	9,234
Depreciation of property and equipment (Note 14)	**3,498**	3,764	**6,788**	7,320
Amortization of intangible assets (Note 16)	**3,697**	3,381	**6,295**	6,382
Utilities and office expenses	**2,003**	2,086	**4,415**	4,793
Provision of prepayments and other receivables	**3,648**	453	**3,648**	453
Auditors' remuneration	**1,407**	1,522	**2,484**	2,902
Operating lease rentals	**1,077**	1,206	**2,172**	2,402
Payment handling costs	**578**	1,145	**1,376**	2,036
Cost of inventories sold	**—**	6,361	**—**	13,210
Reverse of write-down of inventories to net realizable value	**—**	(596)	**—**	(1,245)
Others	**7,777**	4,379	**11,253**	8,524
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**143,756**	179,657	**247,252**	298,013

9 OTHER GAINS, NET

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Investment income	**34,342**	10,473	**43,085**	20,274
Financial assets at fair value through profit or loss				
– Structured notes	**123**	–	**(422)**	–
– Unlisted equity securities	**191,917**	–	**199,439**	–
– Venture capital funds	**13,539**	–	**15,320**	–
– Wealth management products	**2,086**	–	**4,200**	–
– Redeemable preferred shares	**44**	–	**11,906**	–
Government grants				
– Technology award	**1,034**	5,132	**1,145**	5,343
– Tax subsidy	**–**	238	**–**	238
– Scientific project fund	**–**	400	**–**	400
Gain on disposal of investments	**401**	–	**1,721**	–
Interest income on loans to third partiesand loans to employees	**946**	3,223	**2,152**	4,267
Foreign exchange loss on non-financing activity	**(7)**	(1,017)	**(491)**	(1,451)
Others	**(168)**	45	**94**	(151)
	244,257	18,494	**278,149**	28,920

10 FINANCE INCOME/(LOSS), NET

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finance income:				
– Exchange gain on financing activities, net	**289**	796	**7,709**	654
– Interest income on cash and cash equivalents	**756**	338	**1,693**	775
	1,045	1,134	**9,402**	1,429
Finance costs:				
– Exchange loss on financing activities, net	**(2,669)**	–	**(5,712)**	–
Finance income/(loss), net	**(1,624)**	1,134	**3,690**	1,429

11 INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands. Hong Kong profits tax has been provided for at a rate of 16.5% (2017:16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax ('EIT') at a rate of 25% (2017: 25%), and certain Group's subsidiaries established in the PRC and PRC Operating Entities are entitled to preferential EIT rate of 15% (2017: 15% and 12.5%).

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current income tax				
– Enterprise income tax	**23,660**	25,693	**35,830**	43,947
Deferred income tax	**53,962**	(5,267)	**72,865**	(3,832)
	77,622	20,426	**108,695**	40,115

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ended 31 December 2018 is 17.96% and 16.5%, respectively (the average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ended 31 December 2017 was 17.87% and 16.5%, respectively).

12 EARNINGS PER SHARE

(a) Basic

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

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
Profit attributable to shareholders of the Company (RMB'000)	**175,546**	45,669	**274,900**	140,735
Profit from discontinued operations attributable to shareholders of the Company (RMB'000)	**—**	3,066	**—**	6,071
	175,546	48,735	**274,900**	146,806
Weighted average number of ordinary shares in issue (thousand shares)	**1,281,710**	1,298,465	**1,273,773**	1,294,215
Basic earnings per share (in RMB/share)				
From continuing operations	**0.137**	0.036	**0.216**	0.108
From discontinued operations	**—**	0.002	**—**	0.005
	0.137	0.038	**0.216**	0.113

12 EARNINGS PER SHARE – *continued*

(b) Diluted

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

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

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
Profit attributable to shareholders of the Company (RMB'000)	**175,546**	45,669	**274,900**	140,735
Profit from discontinued operations attributable to shareholders of the Company (RMB'000)	**–**	3,066	**–**	6,071
	175,546	48,735	**274,900**	146,806
Weighted average number of ordinary shares in issue (thousand shares)	**1,281,710**	1,298,465	**1,273,773**	1,294,215
Adjustments for share based compensation – share options (thousand shares)	**28,431**	35,434	**29,278**	35,230
Adjustments for share based compensation – RSUs (thousand shares)	**4,832**	7,807	**6,839**	7,928
Weighted average number of ordinary shares for thecalculation of diluted EPS (thousand shares)	**1,314,973**	1,341,706	**1,309,890**	1,337,373
Diluted earnings per share (in RMB/share)				
From continuing operations	**0.133**	0.034	**0.210**	0.105
From discontinued operations	**–**	0.002	**–**	0.005
	0.133	0.036	**0.210**	0.110

13 DIVIDENDS

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Dividends paid by the Company	**74,537**	79,591	**74,537**	79,591

Pursuant to the resolution of the board meeting held in March 2018 and approval of the annual general meeting held in June 2018, the Company declared a final dividend for the year ended 31 December 2017 of HK$90,361 thousand (approximately RMB74,537 thousand) in total or HK$0.07 per ordinary share out of the Company's share premium account, which were fully paid in June 2018.

14 PROPERTY AND EQUIPMENT

	Building RMB'000	Decorations RMB'000	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Six months ended 30 June 2018								
Net book value								
Opening amount as at 1 January 2018	160,542	3,548	2,055	8,402	3,468	–	15,429	193,444
Additions	–	275	347	2,865	–	–	–	3,487
Step acquisition of a subsidiary	–	–	190	–	–	–	–	190
Transferred from/(to) construction in progress	14,113	1,316	–	–	–	–	(15,429)	–
Disposals	–	–	–	(18)	–	–	–	(18)
Depreciation charge	(2,500)	(1,485)	(460)	(1,811)	(532)	–	–	(6,788)
Exchange and currency translation difference	722	53	3	–	14	–	–	792
Closing amount as at 30 June 2018	172,877	3,707	2,135	9,438	2,950	–	–	191,107
At 30 June 2018								
Cost	190,660	14,616	6,627	45,414	6,317	7,957	–	271,591
Accumulated depreciation and impairment	(17,783)	(10,909)	(4,492)	(35,976)	(3,367)	(7,957)	–	(80,484)
Net book amount	172,877	3,707	2,135	9,438	2,950	–	–	191,107
Six months ended 30 June 2017								
Net book value								
Opening amount as at 1 January 2017	162,173	6,054	2,711	7,086	2,080	62	205	180,371
Additions	3,036	144	269	3,792	326	–	14,928	22,495
Transferred from/(to) construction in progress	–	205	–	–	–	–	(205)	–
Disposals	–	–	–	(92)	(21)	–	–	(113)
Depreciation charge	(2,310)	(1,719)	(514)	(2,297)	(422)	(58)	–	(7,320)
Closing amount as at 30 June 2017	162,899	4,684	2,466	8,489	1,963	4	14,928	195,433
At 30 June 2017								
Cost	175,812	12,795	5,929	43,113	5,779	7,957	14,928	266,313
Accumulated depreciation and impairment	(12,913)	(8,111)	(3,463)	(34,624)	(3,816)	(7,953)	–	(70,880)
Net book amount	162,899	4,684	2,466	8,489	1,963	4	14,928	195,433

15 INVESTMENT PROPERTIES

	Six months ended	
	30 June 2018 RMB'000	30 June 2017 RMB'000
At fair value		
Opening amount as at 1 January 2018	45,319	27,748
Additions	—	16,350
Currency translation differences	571	(975)
Closing amount as at 30 June 2018	45,890	43,123

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Computer and mobile software RMB'000	Domain name and Technology RMB'000	Platform, game and license RMB'000	Customer resource RMB'000	Total RMB'000
Six months ended 30 June 2018						
Net book value						
Opening amount as at 1 January 2018	29,563	15,712	1,309	50,616	—	97,200
Additions	—	472	33	—	—	505
Step-acquisition of a subsidiary (Note 17)	210,166	3,001	—	—	17,221	230,388
Amortization charge	—	(2,072)	(389)	(2,877)	(957)	(6,295)
Impairment loss (i)	(6,218)	—	—	(13,229)	—	(19,447)
Exchange and currency translation difference	25	—	(3)	—	—	22
Closing amount as at 30 June 2018	233,536	17,113	950	34,510	16,264	302,373
At 30 June 2018						
Cost	255,520	32,188	9,880	70,411	17,221	385,220
Accumulated amortization and impairment	(21,984)	(15,075)	(8,930)	(35,901)	(957)	(82,847)
Net book amount	233,536	17,113	950	34,510	16,264	302,373

16 INTANGIBLE ASSETS – *continued*

	Goodwill	Computer and mobile software	Domain name and Technology	Brand name	Platform, game and license	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2017						
Net book value						
Opening amount as at 1 January 2017	63,542	19,144	1,663	7,610	56,369	148,328
Additions	–	5,216	299	–	–	5,515
Amortization charge	–	(2,271)	(339)	(895)	(2,877)	(6,382)
Impairment loss	(9,704)	–	–	–	–	(9,704)
Exchange and currency translation difference	(50)	–	(38)	–	–	(88)
Closing amount as at 30 June 2017	53,788	22,089	1,585	6,715	53,492	137,669
At 30 June 2017						
Cost	70,489	33,534	9,647	10,744	65,694	190,108
Accumulated amortization and impairment	(16,701)	(11,445)	(8,062)	(4,029)	(12,202)	(52,439)
Net book amount	53,788	22,089	1,585	6,715	53,492	137,669

(i) During the six months ended 30 June 2018, management reviewed the business performance of Chengdu Happy Alliance Technology Co., Ltd. ("**Happy Alliance**"), and in the view that there has been a significant decline in Happy Alliance's revenue, therefore, the game license and goodwill had been impaired to the extent of RMB 13,229 thousand and RMB 6,218 thousand, respectively.

The recoverable amount of a cash-generating unit ("**CGU**") is determined based on value-in-use calculations. The key assumptions used for the value-in-use calculations and the recoverable amount are as follows:

	Happy Alliance
WACC (Weighted average cost of capital)	18%
Long-term growth rate	3%
Sales growth rate	-2%-3%
Gross profit margin	98%-99%
Recoverable amount of CGU (RMB'000)	215

17 BUSINESS COMBINATION

(a) Shanghai Benqu Internet Technology Company Limited

In December 2017, the Group acquired 13.6% of the equity interest in of Shanghai Benqu Internet Technology Company Limited, a third party company principally engaged in developing and operating mobile applications of photo and video in the PRC and developing platforms for simultaneous video retouching features, which was accounted for as a financial assets at fair value through profit and loss as the the equity interests can be redeemed if an initial public offering of Shanghai Benqu can't be achieved within five years since the investment date, at a cash consideration of RMB19,590 thousand. In April 2018, the Group further acquired 66.4% of the equity interests and obtained control of Shanghai Benqu, at a consideration of RMB136,142 thousand in cash and 13,237,995 ordinary shares that was issued on 20 April 2018. In addition, the redeemable equity interest was converted into ordinary shares due to the Group obtained the control of Shanghai Benqu.

As a result, the Group held 80% of the equity interest in aggregate in Shanghai Benqu. The goodwill of RMB210,166 thousand arose from a number of factors including expected synergies through combining mobile application of photo and video, growth potential, unrecognised assets such as workforce in research and development, daily active users, etc. The goodwill recognised is not expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Shanghai Benqu, and the amounts of the assets and liabilities acquired at the acquisition date.

	20 April 2018 RMB'000
Consideration	
– Total cash consideration	136,142
– Ordinary shares issued	70,763
Total consideration transferred	206,905
Fair value of equity interest in Shanghai Benqu held before the business combination	31,870
Total consideration	**238,775**

17 BUSINESS COMBINATION – *continued*

(a) Shanghai Benqu Internet Technology Company Limited – *continued*

Recognised amounts of identifiable assets acquired and liabilities assumed

Provisional fair value

	20 April 2018 RMB'000
Cash and cash equivalents	2,014
Trade receivables	2,543
Prepayment and other receivable	1,328
Financial assets at fair value through profit and loss	15,082
Property and equipment	190
Intangible assets (a)	
– Computer and mobile software	3,001
– Customer resource	17,221
Trade payables	(213)
Other payables and accruals	(349)
Deferred income tax liabilities (a)	(5,056)
Total identifiable net assets	35,761
Non-controlling interests (c)	(7,152)
Goodwill	210,166
Total purchase consideration	238,775
Acquisition-related costs (included in administrative expenses in the condensed consolidated statement of comprehensive income for the period ended 30 June 2018)	58

	20 April 2018 RMB'000
Outflow of cash to acquire business, net of cash acquired	
– Cash consideration	136,142
– Cash and cash equivalents in subsidiary acquired	(2,014)
Cash outflow on acquisition	134,128
Payables for acquisition of subsidiary	—
Cash outflow for the six months ended 30 June 2018	134,128

17 BUSINESS COMBINATION – *continued*

(a) Shanghai Benqu Internet Technology Company Limited – *continued*

(a) Fair value of acquired identifiable intangible assets

The fair value of the acquired self-developed mobile photo and video application and daily active users, amounting to RMB20,222 thousand is recognised upon the acquisition based on valuations for the asset. Deferred income tax liabilities of RMB5,056 thousand has been provided in relation to these fair value adjustments.

(b) Acquisition date fair value of the previously held equity interest

The Group recognised a gain of RMB11,906 thousand as a result of measuring at fair value its 13.6% equity interest in Shanghai Benqu held before the business combination. The gain is included in “Other gains, net” in the Group’s condensed consolidated statement of comprehensive income for the six months ended 30 June 2018.

(c) Non-controlling interests

The Group has chosen to recognise the non-controlling interests or proportionate share of net assets for this acquisition.

(d) Revenue and profit contribution

The acquired business contributed revenues of RMB4,263 thousand and net profit of RMB1,316 thousand to the Group for the period from the acquisition date to 30 June 2018.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 30 June 2018 RMB’000	As at 31 December 2017 RMB’000
Associates	38,419	118,948
Joint venture	125,222	12,812
	163,641	131,760

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – *continued*

(a) Investment in associates

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	RMB'000
Beginning of the period	**118,948**	39,993
Additions (i)	**1,272**	46,800
Share of profit/(loss) of investment accounted for using the equity method	**(6,620)**	5,407
Dividend paid	**(484)**	—
Impairment (iii)	**(43,231)**	—
Disposal (ii)	**(31,499)**	—
Exchange and currency translation difference	**33**	79
End of the period	**38,419**	92,279

(i) The Group acquired certain associates with an aggregate amount of RMB1,272 thousand during the six month ended 30 June 2018. These associates are principally engaged in the operation of internet finance service and small loan lending overseas.

(ii) During the six months ended 30 June 2018, the Group disposed several associates, which engaged in the operation of small loan lending in the PRC. The disposals resulted in an aggregate gain of approximately RMB 401 thousand.

(iii) During the six months ended 30 June 2018, the Group made an impairment provision of RMB43,231 thousand against the carrying amount of certain associates which were principally engaged in the operation of a car peer-to-peer ("**P2P**") investment and financing platform. The impairment loss mainly resulted from revision of long-term financial outlook.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – *continued*

(b) Investment in joint venture

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	RMB'000
Beginning of the period	**12,812**	15,504
Additions (i)	**105,384**	—
Share of profit/(loss) of investment accounted for using the equity method	**6,875**	(901)
Exchange and currency translation difference	**151**	70
End of the period	**125,222**	14,673

(i) In January 2018, the Group completed the acquisition of a 37.28% equity interests of a joint venture which is primarily engaged in the operation of debt collection, P2P investment and financing platform, and provision of technical services at a cash consideration of RMB105,384 thousand.

(c) Transactions with associates and joint venture

(i) Transactions related to online interactive entertainment service

During the six months ended 30 June 2018, the Group had undertaken transactions under technology service with one associate. The revenues recorded by the Group during the six months ended 30 June 2018 were RMB274 thousand (six months ended 30 June 2017: Nil).

(ii) Transactions related to other services

During the six months ended 30 June 2018, the loan of USD523 thousand (approximately RMB3,462 thousand) was lent by the Group to an associate with a term within 1 year and an interest rate at zero.

19 TRADE RECEIVABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Third parties	**36,805**	30,697
Amount due from related parties (Note 30(c))	**4**	118
	36,809	30,815
Less: provision for impairment	**(1,953)**	(1,953)
	34,856	28,862

19 TRADE RECEIVABLES – *continued*

At 30 June 2018 and 31 December 2017, the ageing analysis of the trade receivables (including amounts due from related parties of trading in nature) based on the issuance of billing were as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
0-90 days	32,182	26,302
91-180 days	1,687	2,156
181-365 days	829	326
Over 1 year	2,111	2,031
	36,809	30,815

20 PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Included in non-current assets		
Prepayments for purchase of investments (a)	80,494	181,984
Prepayments for purchase of land use right	55,620	—
Loans to employees	8,266	11,328
Capital surplus attributable to non-controlling interests of newly established subsidiaries	8,522	8,644
Deposit of purchase of land use right	5,562	—
Long-term prepayment for game licenses, net	1,839	6,827
	160,303	208,783
Less: provision for impairment (d)	(4,835)	(4,835)
	155,468	203,948

20 PREPAYMENTS AND OTHER RECEIVABLES – *continued*

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Included in current assets		
Loans to third parties (b)	53,381	48,345
Receivable from disposal of a subsidiary	31,517	46,733
Refundable prepayment for potential investments (a)	17,840	17,817
Loan to related parties (c) (Note 30 (c))	13,462	10,000
Loans to employees	8,890	2,563
Deferred commission charges	7,102	11,353
Receivable from disposal of prepayment on potential investment	7,000	14,993
Prepaid promotion expenses	5,707	5,960
Advance to suppliers	5,208	4,798
Receivable from issuance of ordinary shares	2,769	2,622
Receivable from disposal of an associate	1,900	—
Deposit	933	6,483
Others	28,284	19,189
	183,993	190,856
Less: provision for impairment (d)	(22,002)	(18,312)
	161,991	172,544
	317,459	376,492

(a) In 2018 and 2017, the Group entered into a series of prospective investments agreements with refundable terms if investments agreements failed to be reached. If the investment agreements are more likely to be reached than not based on management's intention and estimates at period end, the prepayments will be reclassified to non-current assets.

(b) The balance represents the loans lent by the Group to third-party companies with terms within 1 year, of which the interest rates were ranging from 3% to 15% per annum.

(c) The balance represents the loans lent by the Group to related parties with a term within 1 year and an interest rate from zero to 8% per annum.

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Included in non-current assets		
Financial assets at FVPL		
Investments in venture capital funds (a)	343,346	—
Unlisted equity investments (c)	567,675	—
Structured notes (d)	7,649	—
Redeemed preferred shares (e)	—	19,590
	918,670	19,590
AFS financial assets		
Investments in venture capital funds (a)	—	298,958
Unlisted equity investments (c)	—	332,862
	—	631,820
Included in current assets		
Financial assets at FVPL		
Investment in wealth management products (b)	945,655	—
Structured notes (d)	16,221	15,518
	961,876	15,518
AFS financial assets		
Investment in wealth management products (b)	—	915,074
	1,880,546	1,582,002

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS AND AVAILABLE-FOR-SALE FINANCIAL ASSETS – *continued*

(a) This represents the Group's investments in certain venture funds as a limited partner. Set out below are the movements of the Group's investments in such venture capital funds as at 30 June 2018 and 2017:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Investments in venture capital funds		
Opening balance as at 1 January	**298,958**	224,009
Additions	**26,869**	48,399
Proceeds from investment income	**(7,022)**	(484)
Fair value gain recognised in consolidated statement of comprehensive income	**15,320**	26,619
Investment income recognised in consolidated statement of comprehensive income under 'other gains, net'	**7,022**	—
Exchange and currency translation difference	**2,199**	(2,993)
Closing balance as at 30 June	**343,346**	295,550

(b) This represents RMB-denominated wealth management products with interest rates ranging from 2.6% to 5.1% per annum and maturity period within 1 year or revolving terms. These wealth management products are offered by large state-owned commercial banks in the PRC.

(c) This represents the Group's investments in unlisted equity interests. Set out below are the movements of the Group's unlisted equity investments as at 30 June 2018 and 2017:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Unlisted equity investments		
Opening balance as at 1 January	**332,862**	80,469
Additions (i)	**19,000**	15,054
Disposals	**(1,518)**	—
Proceeds from investment income	**(18,686)**	—
Fair value gain recognised in consolidated statement of comprehensive income (ii)	**199,439**	—
Investment income recognised in consolidated statement of comprehensive income under 'other gains, net'	**18,686**	
Other change	**18,228**	—
Exchange and currency translation difference	**(336)**	(1,284)
Closing balance as at 30 June	**567,675**	94,239

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS AND AVAILABLE-FOR-SALE FINANCIAL ASSETS – *continued*

(c) *continued*

(i) The Group acquired certain unlisted equity interests for an aggregate consideration of RMB19,000 thousand during the six months ended 30 June 2018. The entity is principally engaged in operation of providing technical services to P2P companies.

(ii) The fair value gain during the six months ended 30 June 2018 mainly comprised the following:

– In May 2018, the Group entered into an agreement with a third party to dispose 4.5% out of 27% of its holding equity interest of an unlisted company, which was principally engaged in operation of mobile casual games, at a cash consideration of RMB 40,500 thousand and an additional consideration of up to RMB 253,575 thousand may be received in cash from 2019 to 2021 in the event that certain pre-determined net profit of 2018, 2019 and 2020 is achieved by the unlisted company. The potential undiscounted amount of all future cash collection that the Group could receive under this arrangement is between RMB 0 and RMB 253,575 thousand. The fair value of the contingent consideration arrangement of RMB 44,920 thousand has been estimated by calculating the present value of the future expected cash flows based on a discount rate of 8.8% and the probability of exercising the put option by the third party. As at 30 June 2018, an amount of RMB40,500 thousand had been received and the transaction was completed in July 2018. During the six months ended 30 June 2018, the fair value gain of 4.5% and 22.5% equity interest of the unlisted company held by the Group, which amounted to RMB 81,670 thousand and RMB 168,433 thousand respectively, were recognized arising from the aforementioned latest round financing of the unlisted company.

– An aggregate fair value loss of RMB39,500 thousand were recognized on the carrying amount of certain unlisted equity interests, which were principally engaged in car P2P investments and financing platforms, O2O beauty service, with reference to the assessment that the decline in fair value of the equity interests were significant and unlikely to recover.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS AND AVAILABLE-FOR-SALE FINANCIAL ASSETS – *continued*

(d) This represented the Group's investments in structured notes. The product provides a potential return linked to the price of certain listed equity security at the predetermined valuation day in future. Set out below are the movements of the Group's investments in structured notes as at 30 June 2018 and 2017:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Investments in structured notes		
Opening balance as at 1 January	15,518	—
Additions	12,076	—
Disposals	(3,751)	—
Investment loss	(166)	—
Fair value loss recognised in consolidated statement of comprehensive income	(422)	—
Exchange and currency translation difference	615	—
Closing balance as at 30 June	23,870	—

(e) This represented the Group's investments in Shanghai Benqu in 2017 and 2018. The Group acquired a 13.6% equity interests at a consideration of RMB19,590 thousand. The equity interests can be redeemed if an initial public offering of Shanghai Benqu can't be achieved within five years since the investment date. In April 2018, the Group further acquired 66.4% of the equity interests and obtained control of Shanghai Benqu and the redeemable equity interests were converted into ordinary shares. Set out below are the movements of the Group's investments in redeemable preferred shares as at 30 June 2018 and 2017:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Investments in redeemable preferred shares		
Opening balance as at 1 January	19,590	—
Addition	374	—
Fair value gain recognisd in consolidated statement of comprehensive income	11,906	—
Derecognition of Shanghai Benqu from a financial asset through profit and loss (Note 17)	(31,870)	—
Closing balance as at 30 June	—	—

22 CASH AND CASH EQUIVALENTS

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Cash at bank and on hand	204,294	124,762
Short-term bank deposits	39,850	144,945
Cash at other financial institutions	668	3,945
	244,812	273,652
Total cash and cash equivalents	244,812	273,652
Maximum exposure to credit risk	244,812	273,652

23 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME

	Number of Shares	Share capital		Share premium	Shares held for RSU Scheme	Treasury stock
		US$'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	1,273,268,035	127.31	787	1,952,499	(6)	–
Employees share option scheme and RSU schemes:						
– proceeds from shares issued (a) (Note 25 (a))	4,487,932	0.45	3	4,071	–	–
– vest and transfer of RSUs (Note 25 (b))	–	–	–	(6)	6	–
Dividends relating to 2017 paid in June 2018 (Note 13)	–	–	–	(74,537)	–	–
Issuance of shares from step-acquisition of a subsidiary (c)	13,237,995	1.32	8	70,755	–	–
Repurchase and cancellation of ordinary shares (b)	(200,000)	(0.02)	(0)	(1,153)	–	–
Repurchase of ordinary shares (b)	–	–	–	–	–	(29,015)
At 30 June 2018	1,290,793,962	129.06	798	1,951,629	(0)	(29,015)

23 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME – *continued*

	Number of Shares	Share capital		Share premium	Shares held for RSU Scheme
		US$'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	1,299,361,417	129.93	804	2,250,388	(7)
Employees share option scheme and RSU schemes:					
– proceeds from shares issued (a) (Note 25 (a))	7,883,818	0.78	5	4,856	–
– vest and transfer of RSUs (Note 25(b))	–	–	–	(6)	6
Dividends relating to 2016 paid in June 2017 (Note 13)	–	–	–	(79,591)	–
Repurchase and cancellation of ordinary shares (b)	(100,000)	(0.01)	(0)	(358)	–
At 30 June 2017	1,307,145,235	130.70	809	2,175,289	(1)

(a) Employees share options scheme: options exercised during the six months ended 30 June 2018 resulted in 4,487,932 ordinary shares being issued (30 June 2017: 7,883,818), with exercise proceeds of approximately RMB4,074 thousand (30 June 2017: RMB4,861 thousand). The related weighted average price at the time of exercise was HK$6.8652 per share (equivalent to approximately RMB5.5804 per share).

(b) In June 2018, the Company repurchased 6,086,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited. The total amount paid to repurchase these ordinary shares was HK$36,393 thousand (approximately RMB30,168 thousand).

200,000 out of 6,086,000 repurchased ordinary shares had been cancelled and deducted from the share capital and share premium within shareholders' equity. The remaining shares were recorded as treasury stock as at 30 June 2018.

(c) In April 2018, the Company issued 13,237,995 ordinary shares as the consideration of acquisition of Shanghai Benqu (Note 17).

24 RESERVES

	Statutory Reserves RMB'000	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Step Acquisition RMB'000	Change in the value of available-for-sale financial assets RMB'000	Changes in ownership interests in subsidiaries without change of control RMB'000	Contribution from a non-controlling interest RMB'000	Total RMB'000
Opening balance at 31 December 2017	127,297	229,637	85,916	1,813	124,892	–	405	569,960
Change in accounting policy	–	–	–	–	(124,892)	–	–	(124,892)
Opening balance at 1 January 2018	127,297	229,637	85,916	1,813	–	–	405	445,068
Employees share option scheme and RSU schemes:								
– value of employee services	–	11,936	–	–	–	–	–	11,936
Currency translation differences	–	–	7,450	–	–	–	–	7,450
At 30 June 2018	127,297	241,573	93,366	1,813	–	–	405	464,454
Opening balance at 1 January 2017	86,390	165,509	144,297	1,813	26,677	1,717	–	426,403
Employees share option scheme and RSU schemes:								
– value of employee services	–	46,880	–	–	–	–	–	46,880
Contribution from non-controlling interests	–	–	–	–	–	–	405	405
Change in the value of available-for-sale financial assets	–	–	–	–	26,619	–	–	26,619
Currency translation differences	–	–	(24,139)	–	–	–	–	(24,139)
At 30 June 2017	86,390	212,389	120,158	1,813	53,296	1,717	405	476,168

25 SHARE-BASED PAYMENTS

(a) Share Options

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

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

	Average Exercise Price in US$ per Share Option	Number of Pre-IPO Share Options	Average Exercise Price in HK$ per Share Option	Number of Post-IPO Share Options	Total Number of Share Options
At 1 January 2018		**33,465,137**		**3,152,000**	**36,617,137**
Exercised (Note 23)	**US$0.1564**	**(4,295,932)**	**HK$3.5000**	**(192,000)**	**(4,487,932)**
Lapsed	**US$0.3500**	**(2,206)**		**–**	**(2,206)**
Forfeited	**US$0.1619**	**(16,088)**		**–**	**(16,088)**
At 30 June 2018		**29,150,911**		**2,960,000**	**32,110,911**
At 1 January 2017		44,238,886		3,358,000	47,596,886
Exercised (Note 23)	US$0.0911	(7,825,818)	HK$3.5000	(58,000)	(7,883,818)
Forfeited	US$0.3500	(155,280)		–	(155,280)
At 30 June 2017		36,257,788		3,300,000	39,557,788

As at 30 June 2018, 29,084,282 share options were outstanding and exercisable (30 June 2017: 36,447,970).

During the six months ended 30 June 2018 and 2017, no share options were granted to any directors of the Company.

As a result of options exercised during the six months ended 30 June 2018, 4,487,932 ordinary shares (six months ended 30 June 2017: 7,883,818 ordinary shares) were issued by the Company (Note 23). The weighted average price of the shares at the time these options were exercised was HK$6.8652 per share (equivalent to approximately RMB 5.5804 per share) (30 June 2017: HK$6.0085 per share (equivalent to approximately RMB5.2767 per share)).

25 SHARE-BASED PAYMENTS – *continued*

(b) Restricted share units

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

Movements in the number of outstanding RSUs are as follows:

	Number of Pre-IPO RSUs	Number of Post-IPO RSUs	Total
At 1 January 2018	**3,305,205**	**6,781,294**	**10,086,499**
Vested and transferred	**(3,305,205)**	**(6,349,700)**	**(9,654,905)**
Forfeited	**—**	**(18,700)**	**(18,700)**
At 30 June 2018	**—**	**412,894**	**412,894**
Shares vested but not transferred to the grantees as at 30 June 2018			**—**

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

During the six months ended 30 June 2018, totally 3,505,437 of the above granted RSUs were exercised (six months ended 30 June 2017: 3,940,136).

(c) Fair value of share options and RSUs

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

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

25 SHARE-BASED PAYMENTS – *continued*

(c) Fair value of share options and RSUs – *continued*

Fair value of share options

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

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

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

Fair value of RSUs

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

(d) Shares held for RSU Scheme

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

26 TRADE PAYABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Third parties	4,633	11,054

As at 30 June 2018, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on billing date were as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
0-90 days	3,246	7,810
91-180 days	338	1,842
181-365 days	1,014	1,280
Over 1 year	35	122
	4,633	11,054

27 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Marketing and administrative expense accruals	**11,320**	11,882
Staff costs and welfare accruals	**10,284**	12,772
Consultancy fee	**841**	4,287
Refundable advance received from a potential disposal of a subsidiary(a) (Note 30(c))	**63,500**	—
Advance received from disposal of a financial asset at fair value through profit and loss (Note 21(c(ii)))	**40,500**	—
Advance received from disposal of an investment accounted for using the equity method	**5,449**	—
Amount due to related parties (Note 30(c))	**2,600**	2,600
Audit expenses payable	**2,400**	8,473
Human resource outsourcing service fee payable	**2,671**	2,613
Value added tax and other tax liabilities	**2,690**	4,619
Others	**24,890**	16,064
	167,145	63,310

(a) In June 2018, the Group entered into a non-binding term sheet with Beijing Weimeng Innovation Venture Capital Management Co., Ltd. that has the intention to invest in a subsidiary of the Group. As at 30 June 2018, a refundable advance of RMB 63,500 thousand had been received by the Group and the investment agreements was yet to be reached.

28 DEFERRED INCOME TAX

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Opening balance as at 1 January	**30,838**	28,304
Recognized in the consolidated statements of comprehensive income	**(72,865)**	3,832
Step acquisition of a subsidiary	**(5,056)**	—
Other change	**(18,228)**	—
Currency translation difference	**(5)**	10
Closing balance as at 30 June	**(65,316)**	32,146

As at 30 June 2018, the Group recognised the relevant deferred income tax liabilities of RMB 5,300 thousand (30 June 2017: Nil) on earnings anticipated to be remitted by certain the Group's PRC subsidiaries in the foreseeable future. No withholding tax had been provided for the retained earnings of approximately RMB1,737,721 thousand expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future.

29 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Legal claims RMB'000 RMB'000
At 31 December 2017	4,720
Utilised during period	—
At 30 June 2018	4,720

Analysis of total provisions:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Current	4,720	4,720

Copyright infringement

In 2015 the Group made a provision of RMB6,000 thousand for possible legal proceedings related to copyright infringement. In May 2016 and March 2017, a provision of RMB1,000 thousand and RMB280 thousand was utilized. During the six months ended 30 June 2018, no provision was utilized (six months ended 30 June 2017: RMB280 thousand), as a result of settlement with the copyright holders.

30 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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

Company	Relationship	Period of Related Party Relationship
Weibo Internet Technology (China) Co., Ltd.	Subsidiary of the non-controlling shareholder who has significant influence of the Group	Since 15 July 2010
Beijing Weimeng Innovation Venture Capital Management Co., Ltd	Subsidiary of the non-controlling shareholder who has significant influence of the Group	Since 9 April 2014
Zhejiang Haile Technology Co., Ltd.	Joint venture of subsidiary	Since 1 October 2015
Winnine Interactive Co., Ltd.	Associate of subsidiary	Since 9 August 2016
Wuhan Jiuxin Puhui Financial Information Services Co., Ltd.	Associate of subsidiary	Since 1 January 2017
Emicro Capital (M) Sdn Bhd	Associate of subsidiary	Since 20 March 2018

30 RELATED PARTY TRANSACTIONS

(b) Significant transactions with related parties

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

		Three months ended 30 June		Six months ended 30 June	
	Related party transactions	**2018**	2017	**2018**	2017
		RMB'000	RMB'000	**RMB'000**	RMB'000
(i)	Other revenue generated from related parties:				
	Zhejiang Haile Technology Co., Ltd.	**—**	52	**—**	71
	Winnine Interactive Co., Ltd.	**274**	—	**274**	—
		274	52	**274**	71
(ii)	Commission charges paid to related parties:				
	Weibo Internet Technology (China) Co., Ltd.	**0**	1	**3**	4
(iii)	Other expenses paid to related parties:				
	Weibo Internet Technology (China) Co., Ltd.	**—**	4	**—**	222
(iv)	Loans granted to related parties:				
	Emicro Capital (M) Sdn Bhd	**3,462**	—	**3,462**	—
(v)	Advertising/Marketing expense paid to related parties:				
	Zhejiang Haile Technology Co., Ltd.	**—**	3,079	**—**	3,804

30 RELATED PARTY TRANSACTIONS

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

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
(i) Receivables from related parties		
Trade receivables		
Weibo Internet Technology (China) Co., Ltd.	4	1
Zhejiang Haile Technology Co., Ltd.	—	117
	4	118
Other receivables		
Wuhan Jiuxin Puhui Financial Information Services Co., Ltd	10,000	10,000
Emicro Capital (M) Sdn Bhd	3,462	—
	13,462	10,000
(ii) Payables to related parties		
Other payables		
Wuhan Jiuxin Puhui Financial Information Services Co., Ltd	2,600	2,600
Beijing Weimeng Innovation Venture Capital Management Co., Ltd	63,500	—
	66,100	2,600

31 CONTINGENCIES

The Group did not have any material contingent liabilities as at 30 June 2018 and 31 December 2017.

32 COMMITMENT

As at 30 June 2018 and 31 December 2017, the capital expenditure contracted but not provided for amounted to zero and RMB508 thousand, respectively. As at 30 June 2018 and 31 December 2017, the operating expenditure contracted but not provided for amounted to RMB 2,601 thousand and RMB412 thousand, respectively.

33 EVENTS AFTER THE BALANCE SHEET DATE

(a) In July 2018, the Group entered into an agreement to dispose 51% of its holding equity interests of a joint venture at a cash consideration of RMB10,408 thousand. The disposal resulted in a gain of approximately RMB 3,408 thousand.