百奧家庭互動有限公司
BAIOO Family Interactive Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code：2100

Interim Report 2018

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Dai Jian *(Chairman)*

Mr. Wu Lili

Mr. Li Chong

Mr. Wang Xiaodong

Independent Non-executive Directors

Ms. Liu Qianli

Dr. Wang Qing

Mr. Ma Xiaofeng

AUDIT COMMITTEE

Ms. Liu Qianli *(Chairperson)*

Dr. Wang Qing

Mr. Ma Xiaofeng

NOMINATION COMMITTEE

Mr. Dai Jian *(Chairperson)*

Mr. Ma Xiaofeng

Ms. Liu Qianli

REMUNERATION COMMITTEE

Dr. Wang Qing *(Chairperson)*

Mr. Ma Xiaofeng

Mr. Wu Lili

CHIEF EXECUTIVE OFFICER

Mr. Dai Jian

ACTING CHIEF FINANCIAL OFFICER

Ms. Chen Xiao Hong

COMPANY SECRETARY

Ms. Lau Yee Wa

AUTHORIZED REPRESENTATIVES

Mr. Wu Lili

Mr. Dai Jian

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22/F, Prince's Building

Central

Hong Kong

COMPANY'S WEBSITE

www.baioo.com.hk

STOCK CODE

2100

HEADQUARTERS IN THE PRC

34 Floor, Goldchi Building

120 Huangpu W Ave, Tianhe

Guangzhou, Guangdong

China 510623

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

China Minsheng Bank, Guangzhou Branch
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Tianhe District
Guangzhou
Guangdong 510620
PRC

China Merchants Bank Guangzhou, Ti Yu Dong Road Sub Branch
30/F, Goldlion Centre, No. 138 Ti Yu Dong Road
Tianhe District
Guangzhou
Guangdong 510620
PRC

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Central
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

DLA Piper Hong Kong
17/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

LEGAL ADVISORS AS TO CAYMAN ISLANDS LAW

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

INVESTOR RELATIONS

Christensen China Limited
Tel: (852) 2117 0861
Fax: (852) 2117 0869
Email: Baioo@ChristensenIR.com

Company Profile

We are one of the top online entertainment destinations designed for young teens in China. Supported by our strong content creation capabilities and a deep and growing collection of first-class intellectual property ("IP") portfolio, we aim to become a leading company in China's fast-growing pan-entertainment industry.

Our website, 100bt.com (「百田網 」), serves as an all-in-one platform for proprietary content that allows kids and young teens aged 6 through 16 to explore various educational and entertainment products and participate in a variety of other activities. Users of the platform can register a single account, represented by a unique "Duoduo" ID, or use their own QQ account to access all of our products and services.

Since we commenced operation, we have developed, launched and currently operate the following main popular products available on web-based platforms: Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Three Kingdoms and Aoyi Alliance.

For mobile game products, we have developed and currently operate a number of mobile game titles including Zaowufaze (「造物法則 」, also known as "Law of Creation"), an award-winning RPG game adapted from comic. We also have a strong pipeline of new games in three major genres that we have advantages in, namely female-oriented games, comic adapted "nijigen"(「二次元」) games and pet collection and cultivation type games. In July 2018, we launched new mobile game Battle Cell (「牌武者」), and plan to release several more mobile titles in China and overseas markets in the near future, including Helix Waltz (「螺旋圓舞曲」), Shiwuyu (「食物語」), Typoman (「字母人」) and Tianming Shaonv (「天命少女」).

To expand our IP portfolio for long-term growth, we currently operate several comic series, including Aola Star: Parallel Universe (「奧拉星 • 平行時空」) and Shiwuyu (「食物語」). These original comic contents have built a large and increasing fan base and we will continue to focus on exploring potential monetization opportunities in the pan-entertainment industry. We will also continue to pursue potential strategic cooperation with well-known comic IP while leveraging our well-incubated IP portfolio as we look to develop fun and engaging products and drive improvement across our business.

Financial Summary

INCOME STATEMENT HIGHLIGHT

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)[1]	Period-over-period change %
Continuing operations			
Revenue	**144,862**	150,269	(3.6%)
Gross profit	**76,699**	89,459	(14.3%)
Operating profit	**100,690**	6,326	1,491.7%
Non-International Financial Reporting Standards ("**IFRS**") Measures			
— Adjusted net profit[2]	**99,837**	11,929	736.9%
— Adjusted EBITDA[3]	**107,043**	12,732	740.7%

Notes:

1. Due to the discontinuance of our retail business as part of our strategy, our retail business has been classified as discontinued operation, and the related revenue, expenses and tax are presented as a single amount in the interim condensed consolidated income statement as "loss for the period from discontinued operations". Comparative figures have been reclassified to conform with the new presentation.

2. Adjusted net profit consists of profit for the period plus share-based compensation. Adjusted net profit eliminates the effect on non-cash share-based compensation expenses. The term of adjusted net profit is not defined under the IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the period.

3. Adjusted EBITDA means adjusted net profit less finance income-net, plus income tax, depreciation of property and equipment and amortization of intangible assets.

BALANCE SHEET HIGHLIGHT

	Unaudited As of 30 June 2018 RMB'000	Audited As of 31 December 2017 RMB'000
Assets		
Non-current assets	**135,794**	48,256
Current assets	**1,580,309**	1,582,352
Total assets	**1,716,103**	1,630,608
Equity and liabilities		
Total equity	**1,533,579**	1,488,774
Non-current liabilities	**15,099**	7,278
Current liabilities	**167,425**	134,556
Total liabilities	**182,524**	141,834
Total equity and liabilities	**1,716,103**	1,630,608

Chairman Letter

Dear Shareholders,

In the first half of 2018, the gaming industry in China maintained steady growth, mainly driven by the mobile game segment, while the animation and comic segments flourished amid rising interest among younger players. As the pan-entertainment market continues to evolve and expand, we saw greater potential to develop exciting products across many different formats using the same great IP. With our well-defined IP-centered strategy in place, along with our strong proprietary content creation capabilities, we are poised to capture many growth opportunities by concentrating on certain niche game genres that best match our DNA, namely female-oriented games, pet collection and cultivation games, and comic-adapted "nijigen" (「二次元」) games.

SCALABLE BUSINESS MODEL

In the first half of 2018, we were pleased to see the continued breakout of our flagship mobile title, Zaowufaze (「造物法則」, also known as Law of Creation). The strong performance once again demonstrated that our business model of IP incubation is both effective and viable. The original Zaowufaze product, a school fantasy comic of the same name, was developed by our in-house team and has accumulated 1.1 billion views on the Tencent Comics platform. Riding on the popularity of this game, we adapted it for mobile and launched it right away. Unlike most operators in the market that focus on quick monetization, we take a different approach to retaining users by periodically developing new content that features interesting stories and high-quality graphics. Since we wrote the original Comic, we have acquired deep insights on the interests and needs of users, and consequently have managed to attract many players over to our mobile game. At the request of the fans abroad, we also built an in-house overseas publishing team to operate the game in Japan, South Korea and Southeast Asia, which helped to grow our global player base.

Following the success of Zaowufaze (「造物法則」), we are more determined than ever to execute our IP-centered strategies. We plan to extend this effective model to more of our preparatory IP. It is a tactical and scalable solution for us to achieve long term growth along the pan-entertainment industry, from IP incubation to comic development and mobile game operation using the same IP.

OUTLOOK

We have a number of acclaimed mobile games in our pipeline that we expect to launch in the second half of 2018 and early 2019 including Helix Waltz (「螺旋圓舞曲」), Battle Cell (「牌武者」), Shiwuyu (「食物語」), Typoman (「字母人」) and Tianming Shaonv (「天命少女」). In July 2018, we released the strategy card game Battle Cell (「牌武者」) and recorded over 100,000 installations in the first two weeks.

With such a strong and diversified mobile game pipeline, we are confident that we will be able to capture more opportunities this year and next, and we look forward to creating more synergies with our existing virtual worlds and comic segments as we continue to grow our user base.

ACKNOWLEDGEMENTS

On behalf of our management team, I would like to express my gratitude to our staff for their unremitting efforts, as well as to our numerous partners and investors for their long-term support of our Company.

DAI Jian
Chairman, Chief Executive Officer and Executive Director
BAIOO Family Interactive Limited
28 August 2018

Definitions and Glossaries

DEFINITIONS

"AGM"	the annual general meeting of the Company to be convened and held in accordance with the Articles of Association
"Articles of Association"	the articles of association of the Company as amended, supplemented or revised from time to time
"associate"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of Directors
"Bumps to Babes" or "Bumps"	Bumps To Babes Limited, a company with limited liability incorporated on 24 October 2001 under the laws of Hong Kong and an indirect non-wholly owned subsidiary of the Group
"Chairman"	the chairman of the Board
"Company" or "us" or "Our Company"	BAIOO Family Interactive Limited (百奧家庭互動有限公司), (formerly known as Baitian Information Limited, Baitian Family Interactive Limited (百田家庭互動有限公司) and BYO Family Interactive Limited (百奧家庭互動有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2009, and, except where the context otherwise requires, all of its subsidiaries and Guangzhou Baitian or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries and Guangzhou Baitian was engaged in and which was subsequently assumed by it
"Contractual Arrangements"	a series of agreements entered into among Guangzhou WFOE, Guangzhou Baitian and the Registered Shareholders on 4 December 2013 and amended on 20 March 2014

Definitions and Glossaries

"Corporate Governance Code" or "CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"DAE Trust"	a discretionary trust set up by Mr. DAI Jian for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. DAI and his family members
"Director(s)" or "our Director(s)"	the director(s) of our Company or any one of them
"Group" or "our Group" or "BAIOO"	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements), or, where the context so requires, in respect of the period before our Company became the holding company of its current subsidiaries, our Company's current subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)
"Guangzhou Baiman"	Guangzhou Baiman Culture Communications Company Limited* (廣州百漫文化傳播有限公司), a company with limited liability incorporated on 5 January 2016 under the laws of the PRC. As of 30 June 2018, Guangzhou Baitian held 47.4% equity interests in Guangzhou Baiman and independent third parties held 52.6%
"independent third party"	any entity or party which is not connected (as defined in the Listing Rules) to our Directors, substantial shareholders or chief executives of our Company or its subsidiaries, or any of their respective associates
"IP"	intellectual property
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 10 April 2014
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

"Nomination Committee"	the nomination committee of the Company
"Option(s)"	an option or right to purchase Shares under the Pre-IPO Share Option Scheme
"Post-IPO RSU Scheme"	the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on 10 April 2014 and was amended on 19 June 2015
"PRC"	the People's Republic of China
"Pre-IPO RSU Scheme"	the restricted share unit plan approved and adopted by the Company on 30 September 2013
"Pre-IPO Share Option Scheme"	the share option plan approved and adopted by the Company on 18 June 2010
"Prospectus"	the prospectus of the Company dated 28 March 2014
"Registered Shareholders"	the registered shareholders of Guangzhou Baitian, namely Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. CHEN Ziming and Mr. WANG Xiaodong
"Remuneration Committee"	the remuneration committee of the Company
"RSU(s)"	restricted share unit(s), being a contingent right to receive Shares which is granted pursuant to the Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s) or "Ordinary Share(s)"	ordinary share(s) in the share capital of our Company with par value US$0.0000005 each (or of such other nominal amount as shall result from capitalization, subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time) with the rights ascribed in the Articles of Association
"Shareholder(s)"	holder(s) of our Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"The Zhen Family Trust"	a discretionary trust set up by Mr. LI Chong for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. LI and his family members
"WHZ Trust"	a discretionary trust set up by Mr. WU Lili for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. WU and his family members
"WSW Family Trust"	a discretionary trust set up by Mr. WANG Xiaodong for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. WANG and his family members

GLOSSARY

"ARQPA"	average revenue per QPA, which is revenue from our virtual worlds in a particular quarter divided by the number of quarterly paying accounts in that quarter
"average quarterly ARQPA"	average quarterly average revenue per QPA, which is revenue from our virtual worlds in a particular period divided by the total number of QPA in that period
"RPG"	role-playing game
"QAA"	quarterly active accounts, which is the number of active accounts for our virtual worlds in the relevant quarter. A quarterly active account is defined as a registered account that was accessed at least once during a quarter. An account that logged into two virtual worlds in the same quarter is counted as two QAA. Average QAA for a particular period is the average of the QAA in each quarter during that period
"QPA"	quarterly paying accounts, which is the number of paying accounts in the relevant quarter. An account that paid subscription fees or for virtual items in two virtual worlds in the same quarter is counted as two QPA. Average QPA for a particular period is the average of the QPA in each quarter during that period

* English names are for identification purpose only

Management Discussion and Analysis

BUSINESS OVERVIEW

In the first half of 2018 ("**1H2018**"), BAIOO continued to deliver steady operating metrics across the Company's products for personal computers ("**PC(s)**") and mobile devices. The Company also effectively deployed its IP and original content creation-centered strategies to develop new products and expand its ongoing product pipeline.

In an effort to strengthen its gaming IP, the Company continued to generate 'fun' content and maintain its focus on increasing audience engagement for popular titles, particularly the award-winning mobile game Zaowufaze (「造物法則」). During 1H2018, the comic-adapted mobile game was well received in both China and overseas, with rising user stickiness among "nijigen" (「二次元」) communities. The strong performance once again demonstrated that the Company's business model of leveraging the same IP, from IP incubation to comic development and mobile game operation, in the pan-entertainment market is effective and viable.

The Company also expanded its addressable market to overseas regions in 1H2018 as the mobile game Zaowufaze (「造物法則」) achieved a solid performance in Korea, Japan, Southeast Asia, Europe and the United States. With a dedicated in-house overseas publishing team, the Company was not only able to identify and reach out to potential customers abroad, but would also strive to further develop the IP among the local communities in the respective markets, laying a strong foundation for releasing and operating more gaming products with similar characteristics in the future.

After experiencing the success of Zaowufaze (「造物法則」), in particular its massive scalability, BAIOO's management is more determined than ever to execute its IP-centered strategies, and plans to extend this effective model to more of the Company's proprietary IP. The Company recently released a number of exciting comic and animation products with the aim of acquiring new comic users and introducing the comic user base to the Company's mobile games that are based on the same IP. In July 2018, the first XiXingJi (「西行紀」)-adapted product, the XiXingJi (「西行紀」) 3D animated cartoon series co-developed with Tencent Interactive Entertainment, was exclusively premiered on Tencent Video and achieved over 180 million visits in the first month. The IP of Xixingji (「西行紀」) was held by Guangzhou Baiman, an investee of the Company. During the same month, the Company also launched two comic series based on proprietary IP on the Tencent Comics platform, namely Aola Star: Parallel Universe (「奧拉星 • 平行宇宙」) and Shiwuyu (「食物語」, also known as Tale of Food). The comic Aola Star: Parallel Universe (「奧拉星 • 平行宇宙」) was based on the classic virtual world Aola Star. In the first two weeks following its launch, it attracted over 50 million visits, and was rated 9.6 points out of 10 by Tencent Comics users. Shiwuyu (「食物語」) is the Company's emerging IP for female users, and the Company will unveil its mobile game version in the next step.

INDUSTRY TRENDS

Although China's gaming industry continued to grow, the growth rate has recently started to slow down. According to the latest China Gaming Industry Report released by the Game Publishers Association Publications Committee (GPC) of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委), the sales revenue generated from the gaming sector in China in 1H2018 rose to RMB105 billion, an increase of 5.2% year-over-year, which compares with a year-over-year growth rate of 26.7% for the same period last year. Of this, the mobile game market took up the lion's share, accounting for 60.4% of the total revenue, or RMB63.41 billion.

Confronted with a more competitive industry landscape, the Company believes that mobile game companies should develop a unique strategy to attract users and execute the right monetization strategy. BAIOO will continue to focus on IP incubation, comic and animation development, and mobile game operation. With particular strengths in content and graphics development, the Company will strive to attract and retain users, scale its business model, and achieve sustainable growth in the pan-entertainment industry over the long term.

OUTLOOK FOR THE SECOND HALF OF 2018

Following the success of Zaowufaze (「造物法則」), BAIOO has identified a scalable business model that is based on incubating and then developing the same IP across the entertainment industry, from comics to mobile games. To execute this strategy and create maximum value for Shareholders, BAIOO will target specific user groups and focus on developing certain game genres that best match the Company's DNA, including female-oriented games, comic-adapted "nijigen" (「二次元」) games and pet collection and cultivation games.

In the second half of 2018 ("**2H2018**"), BAIOO will continue to focus on executing its IP-centered strategies, developing original content, and releasing new products, including the highly anticipated Helix Waltz (「螺旋圓舞曲」). This medieval-themed female adventure game features a unique experience that allows players to change and update their clothing, and has scored a top 9.5 user rating out of 10 on TapTap, the online gaming community in China known for its credibility in mobile game ratings and reviews. The Company launched a public testing in August 2018 and plans to officially release it soon after obtaining all necessary licenses. Leveraging BAIOO's dedicated in-house overseas publishing team, the Company also plans to publish and operate the game beyond China to address unmet demand in various overseas markets.

In addition to Helix Waltz (「螺旋圓舞曲」), BAIOO also planned to launch four more mobile games in China and overseas in the following months, including Battle Cell (「牌武者」), a "nijigen"-themed strategy card game that was released in July 2018, Shiwuyu (「食物語」), a unique game that was primarily designed for female that features traditional Chinese cuisine, Typoman (「字母人」), a world-renowned 2D puzzle game on iOS and Android, and Tianming Shaonv (「天命少女」), a "nijigen" card game adopted from the Japanese comic "Ikki Tousen" (「一騎當千」). While targeting different user groups, all four games scored high ratings on TapTap based on their unique gameplay and gaming universe. The Company aims to publish all new mobile games in China and overseas markets.

With a strong and diversified mobile game pipeline, BAIOO is confident that it will be able to capture more opportunities over the 2H2018 and the year ahead, and the Company looks forward to creating more business synergies with its existing virtual worlds and comic segments with an even larger user base.

OPERATION INFORMATION

The following table sets out average QAA, average QPA and average quarterly ARQPA for our online virtual worlds for the periods indicated below (Note):

	For the six months ended		Period-
	30 June 2018[1]	30 June 2017	over-period change
	(QAA & QPA in millions, ARQPA in RMB)		
average QAA[2]	**16.8**	25.0	(32.8%)
average QPA[3]	**1.1**	1.6	(31.3%)
average quarterly ARQPA[4]	**62.3**	47.7	30.6%

Notes:

1. As of 30 June 2018, our online virtual worlds under commercial operation included Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Clashed of Aoqi, Magic Fighter, Super badilong, Aoyi Alliance, Three Kingdoms, Zaowufaze and Tuntianji.

2. The average QAA for online virtual worlds was approximately 16.8 million for the six months ended 30 June 2018, representing a decrease of approximately 32.8% compared with the same period of last year. This was primarily due to the trend of users migrating from PCs to mobile devices.

3. The average QPA for online virtual worlds was approximately 1.1 million for the six months ended 30 June 2018, representing a decrease of approximately 31.3% from the same period of last year as a result of the shift to mobile.

4. The average quarterly ARQPA for online virtual worlds was approximately RMB62.3 for the six months ended 30 June 2018, representing an increase of approximately 30.6% compared with the same period last year. The increase was primarily because the Company's mobile game products are shifting to an older user base that has greater paying power.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth our consolidated statements of comprehensive income for the six months ended 30 June 2018 and 2017, respectively:

	(Unaudited) For the six months ended			
	30 June 2018 RMB'000	**% of Revenue**	30 June 2017 RMB'000 (Restated)[1]	% of Revenue
Continuing operations				
Revenue	**144,862**	**100**	150,269	100
Online entertainment business	**143,247**	**99**	148,507	99
Other business	**1,615**	**1**	1,762	1
Cost of revenue	**(68,163)**	**(47)**	(60,810)	(40)
Gross profit	**76,699**	**53**	89,459	60
Selling and marketing costs	**(29,427)**	**(20)**	(33,943)	(23)
Administrative expenses	**(28,295)**	**(20)**	(26,836)	(18)
Research and development expenses	**(38,695)**	**(27)**	(30,748)	(20)
Net impairment loss on financial assets	**(974)**	**(1)**	—	—
Other income	**4,217**	**3**	5,428	3
Other gains — net	**2,150**	**1**	2,966	2
Gain on disposal of a subsidiary	**115,015**	**80**	—	—
Operating profit	**100,690**	**69**	6,326	4
Finance income — net	**17,360**	**12**	10,030	7
Share of loss of an associate	**(1,711)**	**(1)**	—	—
Profit before income tax	**116,339**	**80**	16,356	11
Income tax expense	**(19,315)**	**(13)**	(2,714)	(2)
Profit for the period from continuing operations	**97,024**	**67**	13,642	9
Discontinued operations				
Loss for the period from discontinued operations	**(1,950)**	**(1)**	(6,335)	(4)
Profit for the period	**95,074**	**66**	7,307	5

	(Unaudited) For the six months ended			
	30 June 2018 RMB'000	% of Revenue	30 June 2017 RMB'000 (Restated)[1]	% of Revenue
Other comprehensive income/(loss), net of tax	276	0	(552)	(0)
Total comprehensive income for the period	**95,350**	**66**	6,755	4
Other financial data				
Adjusted net profit[2] (unaudited)	**99,837**	**69**	11,929	8
Adjusted EBITDA[3] (unaudited)	**107,043**	**74**	12,732	8

Notes:

1. Due to the discontinuance of our retail business as part of our strategy, our retail business has been classified as discontinued operation, and the related revenue, expenses and tax are presented as a single amount in the interim condensed consolidated income statement as "loss for the period from discontinued operations". Comparative figures have been reclassified to conform with the new presentation.

2. Adjusted net profit consists of profit for the period plus share-based compensation. Adjusted net profit eliminates the effect on non-cash share-based compensation expenses. The term of adjusted net profit is not defined under the IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the period.

3. Adjusted EBITDA means adjusted net profit less finance income-net, plus income tax, depreciation of property and equipment and amortization of intangible assets.

Revenue

Revenue for the six months ended 30 June 2018 was RMB144.9 million, representing a 3.6% decrease from RMB150.3 million for the six months ended 30 June 2017.

Online Business: Online business revenue for the six months ended 30 June 2018 was RMB143.2 million, a 3.6% decrease from RMB148.5 million for the six months ended 30 June 2017. This was primarily due to the impact of users migrating from PC to mobile devices.

Other Businesses: Revenue from other businesses for the six months ended 30 June 2018 was RMB1.6 million, an 11.1% decrease from RMB1.8 million for the six months ended 30 June 2017. The decrease was primarily due to lower advertising revenue.

Cost of Revenue

Our cost of revenue for the six months ended 30 June 2018 was RMB68.2 million, a 12.2% increase from RMB60.8 million for the six months ended 30 June 2017.

Online Entertainment Business: Our online entertainment business cost for the six months ended 30 June 2018 was RMB67.4 million, a 12.9% increase from RMB59.7 million for the six months ended 30 June 2017. The increase was primarily driven by the rise in third party revenue sharing, and was partly offset by a decrease in employee benefit expenses.

Other Businesses: Cost of other businesses for the six months ended 30 June 2018 was RMB0.8 million, a 27.3% decrease from RMB1.1 million for the six months ended 30 June 2017. The decrease primarily reflected a decline in employee benefit expenses.

Gross Profit

As a result of the foregoing, gross profit for the six months ended 30 June 2018 was RMB76.7 million, compared with RMB89.5 million for the six months ended 30 June 2017. Gross profit margin was 52.9% for the six months ended 30 June 2018, compared with 59.5% for the six months ended 30 June 2017.

Selling and Marketing Expenses

Selling and marketing expenses for the six months ended 30 June 2018 were RMB29.4 million, a 13.3% decrease from RMB33.9 million for the six months ended 30 June 2017. This was primarily due to lower marketing spending on promotional programs and partly offset by increase in employee benefit expense.

Administrative Expenses

Administrative expenses for the six months ended 30 June 2018 were RMB28.3 million, a 5.6% increase from RMB26.8 million for the six months ended 30 June 2017. This was primarily due to an increase in employee benefit expenses.

Research and Development Expenses

Research and development expenses for the six months ended 30 June 2018 were RMB38.7 million, a 26.1% increase from RMB30.7 million for the six months ended 30 June 2017. This was primarily driven by more new game developments.

Net Impairment Losses on Financial Assets

We recorded net impairment losses on financial assets of RMB1.0 million for the six months ended 30 June 2018, which was primarily due to an accrued accounts receivable impairment. This compares with nil for the six months ended 30 June 2017.

Other Income

We recognized RMB4.2 million in other income for the six months ended 30 June 2018, compared with RMB5.4 million for the six months ended 30 June 2017. The other income was generated as a result of our fulfillment of certain performance conditions attached to government grants.

Other Gains — net

We recognized RMB2.2 million mainly in fair value gains on financial assets at fair value through profit and loss for the six months ended 30 June 2018. This compares with a fair value gain of RMB3.0 million for the six months ended 30 June 2017.

Gain on Disposal of a Subsidiary

We had a gain on disposal of a subsidiary of RMB115.0 million for the six months ended 30 June 2018, compared with nil for the six months ended 30 June 2017. This was mainly attributable to the gain on a disposal of a 7% equity share in the Group's subsidiary, Guangzhou Baiman, and the re-measurement of the retained non-controlling investment. For details, please refer to Note 12 of the interim condensed consolidated financial information.

Operating Profit

As a result of the foregoing, our operating profit for the six months ended 30 June 2018 was RMB100.7 million, compared with operating profit of RMB6.3 million for the six months ended 30 June 2017.

Finance Income — net

We had net finance income of RMB17.4 million for the six months ended 30 June 2018, compared with net finance income of RMB10.0 million for the six months ended 30 June 2017. Finance income for the six months ended 30 June 2018 was primarily driven by greater interest income on short-term deposits and cash in bank balances.

Share of Loss of an Associate

We recorded a share of loss of an associate of RMB1.7 million for the six months ended 30 June 2018 due to a loss at the start-up period from an investee company.

Profit before Income Tax

As a result of the foregoing, we had a profit of RMB116.3 million for six months ended 30 June 2018, compared with a profit of RMB16.4 million for the six months ended 30 June 2017.

Income Tax Expense

Income tax expense for the six months ended 30 June 2018 was RMB19.3 million, compared with income tax expense of RMB2.7 million for the six months ended 30 June 2017. This was primarily due to the increase of assessable profit.

Profit for the Period from Continuing Operations

We had a profit of RMB97.0 million for the six months ended 30 June 2018, compared with a profit of RMB13.6 million for the six months ended 30 June 2017.

Loss for the Period from Discontinued Operations

We had a loss of RMB2.0 million for the six months ended 30 June 2018, compared with a loss of RMB6.3 million for the six months ended 30 June 2017.

Profit for the Period

As a result of the foregoing, we had a profit of RMB95.1 million for the six months ended 30 June 2018, compared with a profit of RMB7.3 million for the six months ended 30 June 2017.

Non-IFRS Measure — Adjusted Net Profit/EBITDA

Our adjusted net profit for the six months ended 30 June 2018 was RMB99.8 million, representing a 738.7% increase from RMB11.9 million for the six months ended 30 June 2017. Our adjusted EBITDA for the six months ended 30 June 2018 was RMB107.0 million, representing a 742.5% increase from RMB12.7 million for the six months ended 30 June 2017.

The following table reconciles our adjusted net profit and adjusted EBITDA for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net profit:

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit for the period	**95,074**	7,307
Add:		
Share-based compensation	**4,763**	4,622
Adjusted net profit	**99,837**	11,929
Add:		
Depreciation and amortization	**5,533**	5,916
Finance income — net	**(17,642)**	(7,367)
Income tax expenses	**19,315**	2,254
Adjusted EBITDA	**107,043**	12,732

LIQUIDITY AND CAPITAL RESOURCES

In the first half of 2018, we met our working capital and other capital requirements principally from cash flow generated from our operating activities.

The Group's gearing ratios as of the dates below were as follows:

	Unaudited As of 30 June 2018 RMB'000	Audited As of 31 December 2017 RMB'000
Total liabilities	**182,524**	141,834
Total assets	**1,716,103**	1,630,608
Gearing ratio[1]	**11%**	9%

Note:

1. Gearing ratio is calculated by dividing total liabilities by total assets.

Cash and Cash Equivalents, Restricted Cash, Short-Term Deposits, Long-Term Deposits and Structural Deposits Classified as "Financial Assets at Fair Value through Profit or Loss"

As of 30 June 2018, our cash and cash equivalents consisted of cash in bank and cash on hand, which totaled RMB841.7 million, compared with RMB907.2 million as of 31 December 2017. We had short-term deposits of RMB591.5 million as of 30 June 2018, compared with RMB634.0 million as of 31 December 2017, representing bank deposits which we intend to hold for over three months but less than one year. We had no long-term deposits as of 30 June 2018. We also had the principal of structural deposit with embedded derivative of RMB100 million which was classified as "financial assets at fair value through profit or loss" due to the application of IFRS9 since 1 January 2018.

As of 30 June 2018, the Group had no restricted cash.

The effective interest rate per annum for cash in bank balances and deposits as of 30 June 2018 was 1.9%, compared with 1.9% as of 31 December 2017. Our policy is to place our cash in interest-bearing principal-protected demand or deposits with reputable PRC or international banks.

Our cash and cash equivalents, restricted cash, short-term deposits, long-term deposits and structural deposits classified as "financial assets at fair value through profit or loss" are denominated in the following currencies:

Group	Unaudited As of 30 June 2018[(1)] RMB'000	Audited As of 31 December 2017 RMB'000
RMB	**1,433,298**	1,425,650
HK$	**77,229**	90,414
US$	**22,538**	25,091
Others	**97**	94
	1,533,162	1,541,249

Note:

1. The cash balance as of 30 June 2018 included the principal of structural deposit with embedded derivative of RMB100 million which was classified as "financial assets at fair value through profit or loss" due to the application of IFRS9 since 1 January 2018.

Bank Loans and Other Borrowings

The Group had no bank loans or other borrowings as of 30 June 2018.

Treasury Policies

As of 30 June 2018, the Group had conservative treasury policies in terms of cash and financial management. The Group does not use any financial instruments for hedging purposes.

Foreign Currency Risk

As of 30 June 2018, RMB99.9 million of our financial resources were held in deposits in non-RMB currencies. Since there are no cost-effective hedges against the fluctuations of the RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our cash balances.

Capital Expenditures and Investments

Our capital expenditures consist of the purchases of property and equipment such as servers and computers. In the six months ended 30 June 2018, our total capital expenditures were RMB8.2 million, compared with RMB1.4 million for the six months ended 30 June 2017. The following table sets out our expenditures for the periods indicated:

	Unaudited	
	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Capital Expenditures		
— Purchase of property and equipment	**8,155**	1,359

Contingent Liabilities

As of 30 June 2018, the Group did not have any material contingent liabilities, guarantees or litigation against it.

Charges on Assets

As of 30 June 2018, there were no charges on the Group's assets.

Material Acquisitions and Future Plans for Major Investment

The Group currently has no specific plans for other major investments or acquisitions for significant capital assets or other businesses. However, the Group will continue to look for new opportunities for business development.

Employees and Staff Costs

As of 30 June 2018, the Group had 554 full-time employees. The following table sets forth the number of full-time employees by function as of 30 June 2018:

	As of 30 June 2018	
	Number of Employees	% of Total
Operations	235	42.4
Development and research	219	39.5
Sales and marketing	43	7.8
General and administration	57	10.3
Total	**554**	**100**

In addition to salary, we also provide various incentives, including share-based awards, such as share options and RSUs granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees, covering pension, medical, unemployment, work injury and maternity leave. We are required by the PRC law to make contributions to these social insurance plans at specified percentages of the compensation of each employee, up to a maximum amount as may be specified by the local government from time to time. Such social insurance plans include defined contribution retirement benefit plans organized by the relevant governmental authorities. Forfeited contributions by the Group to these plans may not be used by the Group to reduce the existing level of contributions. The total amount of contributions we made for employee social insurance plans in the first half of 2018 were approximately RMB16.7 million, compared with RMB14.8 million in the first half of 2017. We incurred staff costs of approximately RMB88.9 million and RMB85.3 million, for the six months ended 30 June 2018 and 2017, representing 61.4% and 56.8% of our revenue for those periods respectively.

We also grant share options and RSUs to our employees to incentivize them to contribute to our growth. Pursuant to the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme, there were a total of 1,344,000 share options and no shares of RSUs outstanding as of 30 June 2018.

We will continue to grant RSUs to our employees to incentivize them pursuant to the Post-IPO RSU Scheme. The maximum aggregate number of the Shares underlying all the RSUs which we may grant pursuant to the Post-IPO RSU Scheme is 57,025,280 shares, representing approximately 2.0% of our share capital as of the date of the AGM (as defined below). Pursuant to the Post-IPO RSU Scheme, there were a total of 14,617,500 RSUs outstanding as of 30 June 2018.

Dividend

At the Company's AGM on 29 June 2018, the then Shareholders approved the Board-recommended final dividend of HK$0.021 (equivalent to approximately RMB0.018) per share for the year ended 31 December 2017. The final dividend was paid to shareholders on 31 July 2018.

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

CHANGES SINCE 31 DECEMBER 2017

There were no other significant changes in the Group's financial position or from the information disclosed under management discussion and analysis in the annual report for the year ended 31 December 2017.

SIGNIFICANT EVENTS

The Group did not have any significant events which have occurred after 30 June 2018 and up to the date of this report.

Report on Review of Interim Financial Information

羅兵咸永道

TO THE BOARD OF DIRECTORS OF BAIOO FAMILY INTERACTIVE LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 27 to 71, which comprises the interim condensed consolidated balance sheet of BAIOO Family Interactive Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period 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, 28 August 2018

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000 (Restated)
Continuing operations			
Revenue	6	**144,862**	150,269
Cost of revenue		**(68,163)**	(60,810)
Gross profit		**76,699**	89,459
Selling and marketing expenses		**(29,427)**	(33,943)
Administrative expenses		**(28,295)**	(26,836)
Research and development expenses		**(38,695)**	(30,748)
Net impairment losses on financial assets		**(974)**	—
Other income		**4,217**	5,428
Other gains — net		**2,150**	2,966
Gain on disposal of a subsidiary	12	**115,015**	—
Operating profit	7	**100,690**	6,326
Finance income		**17,427**	12,387
Finance costs		**(67)**	(2,357)
Finance income — net		**17,360**	10,030
Share of loss of an associate	13	**(1,711)**	—
Profit before income tax		**116,339**	16,356
Income tax expense	8	**(19,315)**	(2,714)
Profit for the period from continuing operations		**97,024**	13,642
Discontinued operations			
Loss for the period from discontinued operations	11	**(1,950)**	(6,335)
Profit for the period		**95,074**	7,307

Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000 (Restated)
Attributable to:			
— Shareholders of the Company			
Continuing operations		**100,955**	15,248
Discontinued operations		**(1,510)**	(5,349)
		99,445	9,899
— Non-controlling interests			
Continuing operations		**(3,931)**	(1,606)
Discontinued operations		**(440)**	(986)
		(4,371)	(2,592)
		95,074	7,307
Earnings per share for profit from continuing operations attributable to shareholders of the Company (expressed in RMB per share)	9		
Basic earnings per share		**0.0367**	0.0055
Diluted earnings per share		**0.0365**	0.0055
Earnings per share for profit attributable to shareholders of the Company (expressed in RMB per share)	9		
Basic earnings per share		**0.0361**	0.0036
Diluted earnings per share		**0.0359**	0.0035

The notes on pages 35 to 71 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
		(Restated)
Profit for the period	**95,074**	7,307
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences of discontinued operation	**276**	(552)
Total comprehensive income for the period	**95,350**	6,755
Attributable to:		
— Shareholders of the Company	**99,638**	9,517
— Non-controlling interests	**(4,288)**	(2,762)
	95,350	6,755
Total comprehensive income/(loss) attributable to Shareholders of the Company arising from:		
— Continuing operations	**100,955**	15,248
— Discontinued operations	**(1,317)**	(5,731)
	99,638	9,517

The notes on pages 35 to 71 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited As at 30 June 2018 RMB'000	Audited As at 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property and equipment	14	**30,635**	30,096
Intangible assets	14	**507**	3,825
Investment in an associate	13	**93,156**	—
Prepayments and other receivables		**4,673**	3,200
Deferred income tax assets	19	**201**	4,579
Financial assets at fair value through profit or loss		**6,622**	6,556
		135,794	48,256
Current assets			
Inventories		**2,236**	9,618
Contract costs		**1,110**	—
Trade receivables	15	**6,674**	10,546
Prepayments and other receivables		**17,955**	20,639
Amount due from a related party		**17,099**	—
Financial assets at fair value through profit or loss		**102,073**	300
Short-term deposits	16	**591,465**	634,000
Cash and cash equivalents	16	**841,697**	907,249
		1,580,309	1,582,352
Total assets		**1,716,103**	1,630,608
EQUITY			
Share capital	17	**9**	9
Share premium	17	**1,469,906**	1,525,596
Reserves	18	**14,042**	18,161
Retained earnings/(accumulated losses)		**42,602**	(56,843)
Capital and reserves attributable to Shareholders of the Company		**1,526,559**	1,486,923
Non-controlling interests		**7,020**	1,851
Total equity		**1,533,579**	1,488,774

	Note	Unaudited As at 30 June 2018 RMB'000	Audited As at 31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities		**5,517**	—
Deferred revenue		**—**	6,674
Deferred income tax liabilities	19	**9,582**	526
Advances from government grants		**—**	78
		15,099	7,278
Current liabilities			
Trade payables	20	**5,572**	8,491
Other payables and accruals	21	**89,911**	46,625
Advances from distributors		**19,171**	—
Advances from customers and distributors		**—**	36,026
Advance from government grant		**311**	600
Contract liabilities		**48,396**	—
Deferred revenue		**—**	38,979
Income tax liabilities		**4,026**	2,954
Bank overdrafts		**38**	881
		167,425	134,556
Total liabilities		**182,524**	141,834
Total equity and liabilities		**1,716,103**	1,630,608

DAI JIAN
Director

LI CHONG
Director

The notes on pages 35 to 71 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Attributable to shareholders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2017		9	1,567,040	30,857	(42,449)	1,555,457	17,657	1,573,114
Comprehensive income								
Profit/(loss) for the period		–	–	–	9,899	9,899	(2,592)	7,307
Other comprehensive income		–	–	(382)	–	(382)	(170)	(552)
Total comprehensive income		–	–	(382)	9,899	9,517	(2,762)	6,755
Transactions with owners, recognized directly in equity								
Share Option Scheme:								
– Value of options to vendor	18	–	–	106	–	106	–	106
RSU Scheme:								
– Value of employee services	18	–	–	4,292	–	4,292	–	4,292
– Vesting of RSUs	18	–	10,624	(10,624)	–	–	–	–
Value of employee services for restricted shares of a subsidiary	18	–	–	224	–	224	129	353
Final dividend of 2016	10	–	(43,087)	–	–	(43,087)	–	(43,087)
Buy-back and cancellation of shares	17	–	(13,938)	–	–	(13,938)	–	(13,938)
Total transactions with owners, recognized directly in equity		–	(46,401)	(6,002)	–	(52,403)	129	(52,274)
Balance as at 30 June 2017		9	1,520,639	24,473	(32,550)	1,512,571	15,024	1,527,595

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Attributable to shareholders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2018		9	1,525,596	18,161	(56,843)	1,486,923	1,851	1,488,774
Comprehensive income								
Profit/(loss) for the period		–	–	–	99,445	99,445	(4,371)	95,074
Other comprehensive income		–	–	193	–	193	83	276
Total comprehensive income		–	–	193	99,445	99,638	(4,288)	95,350
Transactions with owners, recognized directly in equity								
RSU Scheme:								
– Value of employee services	18	–	–	2,103	–	2,103	–	2,103
– Vesting of RSUs	18	–	6,119	(6,119)	–	–	–	–
Value of employee services for restricted shares of a subsidiary	18	–	–	1,445	–	1,445	1,215	2,660
Final dividend of 2017	10	–	(48,472)	–	–	(48,472)	–	(48,472)
Buy-back and cancellation of shares	17	–	(13,337)	–	–	(13,337)	–	(13,337)
Disposal of Guangzhou Baiman Culture Communications Company Limited ("Guangzhou Baiman")	12	–	–	–	–	–	6,252	6,252
Winding up of Bumps to Babes Limited ("Bumps")	11	–	–	(1,741)	–	(1,741)	1,990	249
Total transactions with owners, recognized directly in equity		–	(55,690)	(4,312)	–	(60,002)	9,457	(50,545)
Balance as at 30 June 2018		9	1,469,906	14,042	42,602	1,526,559	7,020	1,533,579

The notes on pages 35 to 71 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		**(14,006)**	5,155
Interest received		**8,928**	10,265
Income tax paid		**(4,345)**	(3,593)
Net cash (used in)/generated from operating activities		**(9,423)**	11,827
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		**(8,155)**	(1,359)
Proceeds from disposals of subsidiaries	11, 12	**12,958**	—
Proceeds from disposals of fixed assets		**157**	—
Investment in bank deposits		**(901,465)**	(290,774)
Repayment from bank deposits		**844,000**	1,241,427
Interest received from bank deposits		**10,079**	31,446
Decrease in restricted cash		**—**	279,556
Net cash (used in)/generated from investing activities		**(42,426)**	1,260,296
Cash flows from financing activities			
Repayment of short-term borrowing		**—**	(278,056)
Buy-back of shares		**(13,337)**	(13,938)
Interest paid		**(105)**	(672)
Net cash used in financing activities		**(13,442)**	(292,666)
Net (decrease)/increase in cash and cash equivalents		**(65,291)**	979,457
Cash and cash equivalents at beginning of the period		**906,368**	213,364
Currency translation gains/(losses) on cash and cash equivalents		**582**	(4,515)
Cash and cash equivalents at end of the period		**841,659**	1,188,306
Cash and cash equivalents comprises:			
Bank overdrafts		**(38)**	(822)
Cash and banks	16	**841,697**	1,189,128
Cash and cash equivalents		**841,659**	1,188,306

The notes on pages 35 to 71 form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

1 General information

BAIOO Family Interactive Limited (the "Company" or "Baioo") was incorporated in the Cayman Islands on 25 September 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Hutchins Drive, Cricket Square, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies.

The Company and its subsidiaries and the PRC operating entities (collectively the "Group") are principally engaged in the development and operation of online virtual world business for children in the People's Republic of China (the "PRC"), a chain of retail outlets for selling baby and maternity products in Hong Kong together with its associated e-commerce business, as well as some other off-line businesses.

Due to the discontinuance of retail business as part of the Company's strategy, the retail business has been classified as discontinued operation. The related revenue, expenses and tax are presented as a single amount in the interim condensed consolidated income statement as "loss for the period from discontinued operations". Comparative figures have been reclassified to conform with the new presentation. For details, please refer to Note 11.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 April 2014.

The interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Board on 28 August 2018.

The interim condensed consolidated financial information has not been audited.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim financial reporting'. The interim 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 International Financial Reporting Standards ("IFRSs").

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

3.1 The following new standards and amendments to existing standards and interpretation are mandatory for adoption for the financial year beginning 1 January 2018 for the Group:

IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IAS 28 (Amendment)	Investments in Associates and Joint Ventures

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this interim period and there was no material impact on the Group except for IFRS 9 and IFRS 15, which are disclosed in Note 3.3 below.

3.2 The following new standards and amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
IAS 19 (Amendments)	Employee Benefits	1 January 2019
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
IFRS 16	Leases	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle	Improvements to IFRS	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing this interim condensed consolidated

3 Accounting policies (continued)

3.2 The following new standards and amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted: (continued)

financial information. None of these is expected to have a significant effect on the interim condensed consolidated financial information of the Group, except for the following:

IFRS 16, Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB133,593,000. 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 period within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3 Accounting policies (continued)

3.3 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial information/statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior period.

(a) Impact on the financial assets

The Group applied the modified retrospective approach to adopt IFRS 9 and IFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognized in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognized 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 details by standard below.

	31 December 2017 RMB'000	IFRS 9 RMB'000	IFRS 15 RMB'000	**1 January 2018 (Restated) RMB'000**
Balance sheet (extract)				
Current assets				
Contract costs	—	—	2,908	**2,908**
Financial assets at fair value through profit or loss	300	100,000	—	**100,300**
Short-term deposits	634,000	(100,000)	—	**534,000**
Total assets	1,630,608	—	2,908	**1,633,516**
Non-current liabilities				
Contract liabilities	—	—	6,674	**6,674**
Deferred revenue	6,674	—	(6,674)	**—**
Current liabilities				
Contract liabilities	—	—	50,196	**50,196**
Advance from distributors	—	—	27,717	**27,717**
Advance from customers and distributors	36,026	—	(36,026)	**—**
Deferred revenue	38,979	—	(38,979)	**—**
Total liabilities	141,834	—	2,908	**144,742**
Net assets	1,488,774	—	—	**1,488,774**

3 Accounting policies (continued)

3.3 Changes in accounting policies (continued)

(b) IFRS 9 Financial Instruments

(i) Impact of 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 in the financial information/statements. The new accounting policies are set out in Note 3.3(b)(ii) below.

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 measurement categories.

The Group classified its investment in unlisted equity security and the structural deposit with embedded derivative as financial assets at fair value through profit or loss ("FVPL"). The investment and structural deposit do not meet the IFRS 9 criteria for classification at amortized cost and should be recognized at financial asset at FVPL, because their cash flows do not represent solely payments of principal and interest.

In addition, in accordance with IFRS 9, financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. The principal of the structural deposit was reclassified from short-term deposit to financial assets at FVPL.

Impairment of financial assets

The Group has three types of financial assets measured at amortized cost that are subject to IFRS 9's new expected credit loss ("ECL") model:

- Trade receivables
- Other receivables
- Amount due from a related party

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The Group's management consider that there is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

While cash and cash equivalents and short-term deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3 Accounting policies (continued)

3.3 Changes in accounting policies (continued)

(b) IFRS 9 Financial Instruments (continued)

(ii) Accounting policies applied from 1 January 2018

Investment 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 other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortized cost.

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

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, 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:

- Amortized 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 amortized 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 recognized 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 income statement.

- Fair value through other comprehensive income ("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 recognized in profit or loss.

3 Accounting policies (continued)

3.3 Changes in accounting policies (continued)

(b) IFRS 9 Financial Instruments (continued)

(ii) Accounting policies applied from 1 January 2018 (continued)

Debt instruments (continued)

When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized 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 income statement.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized 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 other comprehensive income, 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 recognized 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 recognized in other gains/(losses) in the income statement 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 of financial assets

The Group assesses on a forward looking basis the ECL associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

Impairment on other receivables and amounts due from related parties is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group applies the simplified approach permitted by IFRS 9, which uses expected lifetime losses to be recognized from initial recognition of the assets for trade receivables.

3 Accounting policies (continued)

3.3 Changes in accounting policies (continued)

(c) IFRS 15 Revenue from Contracts with Customers

(i) Impact of 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 recognized in the financial information/statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules modified retrospectively and the comparative figures have not been restated. Based on the Group's assessment, the accumulated losses as of 1 January 2018 were not adjusted upon the adoption of IFRS 15. In summary, the deferred distribution cost, which was recognized in deferred revenue in net amount in prior period, will be classified in contract costs in balance sheet from 1 January 2018. The advance from customers and deferred revenue will be classified as contract liabilities from 1 January 2018.

(ii) Accounting policies applied from 1 January 2018

Online entertainment business

The Group earns revenue primarily through development and operation of online virtual world business through its own web-based platform, third party web-based platforms and mobile platforms. Third party web-based platforms and mobile platforms are collectively referred to the "Third Party Platforms" thereafter. The Group is responsible for hosting the online virtual worlds, providing on-going updates of additional online virtual worlds, activity and storyline, sales of virtual items and services, technical support for the operations of the online virtual worlds, etc. Third Party Platforms are responsible for distribution, marketing, payer authentication and payment collections related to the online virtual worlds.

Revenue from operation of online virtual worlds

The Group's online virtual worlds are free-to-play and players can pay for virtual items for better in-game experience, through its own web-based platform and Third Party Platforms. Players purchase the Group's virtual currency (namely, Aocoin) and online virtual world tokens ("Paying Players") through various payment channels or Third Party Platform's own charging system, and use them to exchange virtual items. The Group hosts self-developed online virtual worlds which sell virtual items. Paying Players usually exchange their online virtual world tokens for the virtual items shortly after purchases. The monetary value of the virtual items sold is shared between the Group and Third Party Platforms for those online virtual worlds operated in Third Party Platforms, which is pre-determined in individual revenue sharing arrangements ("Revenue Sharing Arrangements"). Third Party Platforms collect the payments made by Paying Players and remit the cash to the Group according to the Revenue Sharing Arrangements.

3 Accounting policies (continued)

3.3 Changes in accounting policies (continued)

(c) IFRS 15 Revenue from Contracts with Customers (continued)

(ii) Accounting policies applied from 1 January 2018 (continued)

Revenue from operation of online virtual worlds (continued)

The Group provides such services to players via its own platforms and Third Party platforms pursuant to time-based revenue model and item-based revenue model.

For online services using the time-based model, Paying Players pay a membership subscription fee for a certain number of calendar days ("Subscription Period") and enjoy a certain range of privileges during the Subscription Period. Subscription fee income is recognized over the Subscription Period on a straight-line basis.

Revenue earned from the sale of virtual items is recognized by applying the item-based model, based on the different features of virtual items. Under the item-based model, revenue is recognized over the estimated lives of the virtual items purchased or consumed. Upon the sales of virtual items, the Group typically has an implied obligation to provide the service which enables the virtual items to be displayed and used in the respective online virtual worlds. As a result, the proceeds from the sales of virtual items are initially recorded in deferred revenue and are recognized as revenue subsequently only when the services have been rendered. For the purposes of determining when services have been rendered to the respective Paying Players, the Group has determined the following:

- Consumable virtual items represent items that will be extinguished shortly after consumption by a specific player action. Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognized upon consumption.

- Durable virtual items represent virtual items that are accessible to a player over an extended period of time. The life of a durable virtual item approximately equals the period during which Paying Players use it. For the revenue derived from durable items, the Group has adopted a policy of using the period of Paying Players' relationship with the Group on an individual virtual world basis ("Player Relationship Period") to approximate the period during which Paying Players use durable virtual items. Revenue from sales of durable virtual items of a specific online virtual world is recognized ratably over the Player Relationship Period of that online virtual worlds.

3 Accounting policies (continued)

3.3 Changes in accounting policies (continued)

(c) IFRS 15 Revenue from Contracts with Customers (continued)

(ii) Accounting policies applied from 1 January 2018 (continued)

Other key accounting policies in relation to revenue from online entertainment business

In determining the Player Relationship Period related to the recognition of revenue from sales of durable virtual items of the Group's self-developed online virtual worlds, the Group tracks the Paying Players' data, such as log-in data and purchase records. The Group re-assesses such periods semi-annually based on data gathered from paying users up to the date of reassessment and applies the most updated estimated user relationship period for each virtual world for revenue recognition prospectively.

When the Group launches a new virtual world on its platform, it estimates the Player Relationship Period based on other similar types of virtual worlds of the Group or third party developers, taking into account the virtual world profile, target audience and its appeal to Paying Players of different demographic groups, until the new virtual worlds establish their own history, which is normally up to 6 months after launch.

Prepaid cards expire on the expiration date pre-printed thereon, which is generally two years after the date of card production. The Group will estimate the expired rate of prepaid cards and recognizes the revenue from expired prepaid cards together with the sales of virtual items.

The cost of providing free virtual items as a result of promotional activities was insignificant.

The Group allows Paying Players to make payments either by way of purchasing prepaid cards sold through a number of distributors or through online payment channels for those virtual worlds operated on its own platforms. The Group has evaluated the roles and responsibilities for delivering game experience to the Paying Players and concluded that the Group takes the primary responsibilities in the sales of prepaid cards and collection of payments from Paying Players.

Other businesses

Revenues from the Group's other businesses mainly include advertising revenue and licensing income from licensing the Group's proprietary cartoon images to merchandisers and book publishers.

3 Accounting policies (continued)

3.3 Changes in accounting policies (continued)

(c) IFRS 15 Revenue from Contracts with Customers (continued)

(ii) Accounting policies applied from 1 January 2018 (continued)

Advertising revenue

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements inside the online virtual worlds hosted by the Group over a particular period of time. Advertisements inside the Group's online virtual worlds are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contracts are recognized ratably over the contract period of display.

The Group enters into advertising contracts with third party advertising agencies that represent advertisers. Contract terms generally range from 1 to 3 months. Third party advertising agencies are generally billed at the end of the display period and payments are due usually within 3 months.

Licensing fees

Revenues generated under merchandise licensing are calculated and recognized based on the volume of the merchandise products determined in the agreement (such as sales volume) and the agreed rate of licensing fees as set out in the licensing contracts. The sales of the licensed products are derived from the sales reports provided by the licensees, the evidence of which is readily available for verification by the Group. In case where the licensing fee is charged based on the period of usage by the licensees, the Group recognizes the revenue from licensing fee ratably over the usage period.

Contract costs and contract liabilities

Contract liabilities primarily consists of the unamortized revenue from sales of virtual items for online virtual worlds, where there is still an implied obligation to be provided by the Group over time.

Contract costs are mainly related to the distribution costs charged by Third Party Platforms.

3.4 Discontinued operation

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

4 Estimates

The preparation of interim financial information requires management to make judgements, 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 interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

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 (mainly representing currency risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

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

5.2 Liquidity risk

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

5 Financial risk management and financial instruments (continued)

5.2 Liquidity risk (continued)

The table below analyses the Group's financial liabilities into the relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 4 years RMB'000	Between 4 and 5 years RMB'000	Total RMB'000
As at 30 June 2018						
Trade payables	**5,572**	**—**	**—**	**—**	**—**	**5,572**
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	**70,659**	**—**	**—**	**—**	**—**	**70,659**
Bank overdrafts	**38**	**—**	**—**	**—**	**—**	**38**
As at 31 December 2017						
Trade payables	8,491	—	—	—	—	8,491
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	21,572	—	—	—	—	21,572
Bank overdrafts	881	—	—	—	—	881

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 included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements:				
Assets:				
Financial assets at fair value through profit or loss	**—**	**—**	**108,695**	**108,695**

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements:				
Assets:				
Financial assets at fair value through profit or loss	—	—	6,856	6,856

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

— Quoted market prices or dealer quotes for similar instruments

— Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate

— A combination of observable inputs and unobservable inputs, including discount rate, risk-free interest rate, expected volatility and market multiples

There were no changes in valuation techniques.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2018.

	Financial assets at fair value through profit or loss RMB'000
At 31 December 2017	**6,856**
Change in accounting policy (Note 3.3)	**100,000**
Restated at 1 January 2018	**106,856**
Gains recognized in profit or loss	**1,839**
At 30 June 2018	**108,695**
Changes in unrealised gains or losses relating to assets held at the end of the reporting period	**1,839**

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

	Financial assets at fair value through profit or loss RMB'000
At 1 January 2017	5,861
Gains recognized in profit or loss	2,980
Settlement	(6,147)
At 30 June 2017	2,694
Changes in unrealised gains or losses relating to assets held at the end of the reporting period	—

Level 3 instruments mainly included an unlisted equity investment and structural deposit with embedded derivatives. The fair value gain for the period ended 30 June 2018 comprised realised gain of nil (six months ended 30 June 2017: RMB2,980,000) and unrealised gain of RMB1,839,000 (six months ended 30 June 2017: nil).

6 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision maker ("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 Group determined that it has operating segments as follows:

— Online entertainment business

— Other businesses

The Group's other businesses mainly include advertising, licensing and other services.

6 Segment information (continued)

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profits of each operating segment. The selling and marketing expenses, administrative expenses, research and development expenses, other income, other gains — net, finance income — net and income tax expense and share of profit of an associate are not included in the measure of the segments' performance.

The retail segment was wound up from 22 March 2018. Information about this discontinued segment is provided in Note 11.

There were no material inter-segment sales during six months ended 30 June 2018 and 2017, respectively. The revenues from external customers reported to CODM are measured as segment revenue.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in the financial information. There was no separate segment assets and segment liabilities information provided to the CODM.

The segment revenue provided to the Group's CODM for the reportable segments for the six months ended 30 June 2018 and 2017, respectively, are as follows:

	Unaudited Six months ended 30 June 2018				
	Online entertainment business RMB'000	Other businesses RMB'000	Subtotal RMB'000	Discontinued operations* RMB'000	Total RMB'000
Segment revenue	143,247	1,615	144,862	5,248	150,110
Timing of revenue recognition					
At a point in time	72,635	—	72,635	5,248	77,883
Over time	70,612	1,615	72,227	—	72,227
Gross profit	75,881	818	76,699	2,504	79,203
Depreciation	4,897	121	5,018	127	5,145
Amortization	110	271	381	7	388
Share of loss of an associate	—	(1,711)	(1,711)	—	(1,711)

6 Segment information (continued)

	Online entertainment business RMB'000	Other businesses RMB'000	Subtotal RMB'000	Discontinued operations* RMB'000	Total RMB'000
	Unaudited Six months ended 30 June 2017				
Segment revenue	148,507	1,762	150,269	22,916	173,185
Gross profit	88,804	655	89,459	10,960	100,419
Depreciation	3,987	12	3,999	967	4,966
Amortization	99	250	349	601	950
Share of loss of an associate	—	—	—	—	—

* The retail business has been classified as discontinued operation, and the related revenue, expenses and tax are presented as a single amount in the interim condensed consolidated income statement as "loss for the period from discontinued operations".

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

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and Hong Kong. For six months ended 30 June 2018 and 2017, the geographical information on the total revenue is as follows:

	Unaudited Six months ended 30 June 2018 RMB'000	Unaudited Six months ended 30 June 2017 RMB'000 (Restated)
Continuing operations		
— Mainland China	**135,416**	150,269
— Hong Kong	**9,446**	—
Revenue from continuing operations	**144,862**	150,269
Discontinued operations		
— Hong Kong	**5,248**	22,916
Revenue from discontinued operations	**5,248**	22,916
Total	**150,110**	173,185

6 Segment information (continued)

There is no concentration risk in terms of customers (which include end users from online business and customers from retail business as well as other businesses) as no single external customer contributed more than 10% of the Group's total revenue for six months ended 30 June 2018 and 2017, respectively. However, revenue of the Group is mainly derived from self-developed online virtual world operations and the Group depends on the success of a limited number of online virtual worlds to generate revenue. As summarized in the table below, the online virtual worlds contributing more than 10% of the Group's total revenue account for 78.4% and 73.0% of the total revenue for six months ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018	2017
Legend of Aoqi	**31.1%**	33.3%
Aola Star	**27.4%**	26.8%
Zaowufaze	**19.9%**	12.9%

As at 30 June 2018, the total non-current assets, other than financial instruments and deferred tax assets, located in Mainland China and Hong Kong were RMB124,298,000 (31 December 2017: RMB33,522,000) and nil (31 December 2017: RMB399,000), respectively.

7 Operating profit

An analysis of the amounts presented as operating items in the financial information is given below.

	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000 (Restated)
Gain on disposal of a subsidiary	**115,015**	—
Employee benefit expenses	**86,645**	79,654
Distribution cost and payment handling fees	**21,511**	11,584
Promotion and advertising expenses	**20,950**	27,409
Operating lease rentals in respect of office premises	**9,899**	9,741
Depreciation of property and equipment and amortization of intangible assets	**5,399**	4,348
Bandwidth and server custody fees	**3,570**	5,198
Professional fees	**2,878**	3,754

8 Income tax expense

The income tax expense of the Group for the six months ended 30 June 2018 and 2017 is analysed as follows:

	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000 (Restated)
Current income tax	**5,417**	4,115
Deferred income tax	**13,898**	(1,401)
Income tax expense	**19,315**	2,714

8 Income tax expense (continued)

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2018 and 2017, respectively.

(c) PRC enterprise income tax ("EIT")

The Group's PRC subsidiaries and operating entities are subject to corporate income tax at the rate of 25% except Guangzhou Baitian Information Technology Limited ("Guangzhou Baitian"), which was qualified as "High and New Technology Enterprise" ("HNTE") in 2011 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the six months ended 30 June 2018 and 2017.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for its entities in ascertaining their assessable profits for the six months ended 30 June 2018 and 2017.

(d) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

For the six months ended 30 June 2018 and 2017, respectively, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings to the Company as the Company's share premium is distributable under the Cayman Islands Law. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each of the reporting periods.

9 Earnings per share

(a) Basic

(i) Basic earnings per share for profit from continuing operations attributable to shareholders of the Company

Basic earnings per share is calculated by dividing the profit from continuing operations attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue less shares held for RSU Schemes during the period.

	Six months ended 30 June	
	2018	2017 (Restated)
Profit from continuing operations attributable to shareholders of the Company (RMB'000)	**100,955**	15,248
Weighted average number of ordinary shares in issue less shares held for RSU Schemes	**2,752,389,068**	2,757,788,778
Basic earnings per share (in RMB/share)	**0.0367**	0.0055

(ii) Basic earnings per share for profit attributable to shareholders of the Company

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue less shares held for RSU Schemes during the period.

	Six months ended 30 June	
	2018	2017
Profit attributable to shareholders of the Company (RMB'000)	**99,445**	9,899
Weighted average number of ordinary shares in issue less shares held for RSU Schemes	**2,752,389,068**	2,757,788,778
Basic earnings per share (in RMB/share)	**0.0361**	0.0036

9 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.

For the six months ended 30 June 2018 and 2017, the Company had two categories of potential ordinary shares, the share options and the RSUs, which had to be considered for calculating diluted earnings per share. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average market price per share for the year) based on the total proceeds receivable upon exercising the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs. The difference is added to the denominator as the number of shares issued for no consideration.

(i) Diluted earnings per share for profit from continuing operations attributable to shareholders of the Company

	Six months ended 30 June	
	2018	2017 (Restated)
Earnings		
Profit from continuing operations attributable to shareholders of the Company and profit used to determine diluted earnings per share (RMB'000)	**100,955**	15,248
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue less shares held for RSU Scheme	**2,752,389,068**	2,757,788,778
Adjustments for:		
— Share options	**1,151,515**	1,352,998
— RSUs	**13,940,599**	35,550,763
Weighted average number of ordinary shares for diluted earnings per share	**2,767,481,182**	2,794,692,539
Diluted earnings per share (in RMB/share)	**0.0365**	0.0055

9 Earnings per share (continued)

(b) Diluted (continued)

(ii) Diluted earnings per share for profit attributable to shareholders of the Company

	Six months ended 30 June	
	2018	2017
Earnings		
Profit attributable to shareholders of the Company and profit used to determine diluted earnings per share (RMB'000)	**99,445**	9,899
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue less shares held for RSU Scheme	**2,752,389,068**	2,757,788,778
Adjustments for:		
— Share options	**1,151,515**	1,352,998
— RSUs	**13,940,599**	35,550,763
Weighted average number of ordinary shares for diluted earnings per share	**2,767,481,182**	2,794,692,539
Diluted earnings per share (in RMB/share)	**0.0359**	0.0035

10 Dividend

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Final dividend of HK$0.021(2017: HK$0.018) per ordinary share (Note a)	**50,385**	45,114
Less: Dividend for shares held for the RSU Schemes	**(1,913)**	(2,027)
	48,472	43,087

10 Dividend (continued)

(a) The 2017 final dividend of HK$0.021 (equivalent to approximately RMB0.018) per ordinary share, totalling HK$59,761,000 (equivalent to approximately RMB50,385,000), was approved in the Company's annual general meeting held on 29 June 2018 and was paid on 31 July 2018.

The 2016 final dividend of HK$0.018 (equivalent to approximately RMB0.016) per ordinary share, totalling HK$51,816,000 (equivalent to approximately RMB45,114,000), was approved in the Company's annual general meeting held on 29 June 2017 and was paid on 27 July 2017.

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

11 Discontinued operations

(a) Description

On 22 March 2018, the Group initiated the winding up of Bumps, an indirect non-wholly owned subsidiary. Due to the insolvency of Bumps, the voluntary winding up was converted to creditors' winding up. Therefore, the Group lost the control of Bumps.

In light of this, the Group also discontinued the whole retail business and associated e-commerce in its entirety.

Financial information relating to retail business for the six months ended 30 June 2018 is set out below (2017: six months ended 30 June 2017).

11 Discontinued operations (continued)

(b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the six months ended 30 June 2018 (2017: six months ended 30 June 2017).

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Revenue	6	5,248	22,916
Expenses		(15,898)	(27,043)
Other income		—	1
Other losses		(123)	(6)
Finance income/(costs) — net		282	(2,663)
Loss before income tax from discontinued operations		(10,491)	(6,795)
Income tax expense		—	460
Loss after income tax from discontinued operations		(10,491)	(6,335)
Gain on disposal of a subsidiary after income tax	(c)	8,541	—
Loss from discontinued operations		(1,950)	(6,335)
Currency translation differences of discontinued operations		276	(552)
Other comprehensive income/(loss) of discontinued operations		276	(552)
Total comprehensive loss of discontinued operations		(1,674)	(6,887)
Net cash outflow from operating activities		(991)	(409)
Net cash outflow from investing activities		(27)	(33)
Net cash outflow from financing activities		(38)	(20)
Net decrease in cash generated by the subsidiaries		(1,056)	(462)
		RMB	RMB
Basic losses per share from discontinued operations attributable to shareholders of the Company		(0.0005)	(0.0019)
Diluted losses per share from discontinued operations attributable to shareholders of the Company		(0.0005)	(0.0019)

11 Discontinued operations (continued)

(c) Details of the disposal of the subsidiary

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Consideration received or receivable	—	—
Carrying amount of net liabilities disposed	6,800	—
Reclassification of foreign currency translation reserve (Note 18)	1,741	—
Gain on disposal after income tax	**8,541**	—

Outflow of cash arising from disposal of a subsidiary:

	Six months ended 30 June 2018 RMB'000
Cash and cash equivalents disposed	(47)
Net cash outflow from disposal of a subsidiary	**(47)**

12 Disposal of a subsidiary

On 4 May 2018, the Group disposed 7% equity interests of Guangzhou Baiman to Xiamen Geecap Equity Investment Co., Ltd., a third party company for a consideration of RMB14,000,000. After the disposal, the Group retained 47.4% equity interest of Guangzhou Baiman. As a result, Guangzhou Baiman ceased to be a subsidiary and became an associate of the Group, which was recognized at fair value.

Details of the net liabilities disposed and the gain on disposal are as follows:

	Six months ended 30 June 2018 RMB'000
Assets and liabilities disposed of	
Total assets	8,895
Total liabilities	(21,295)
Less: non-controlling interest	6,252
Net liabilities disposed of	**(6,148)**
Consideration received	14,000
Recognition of investment in an associate at fair value	94,867
Net liabilities disposed of	6,148
Gain on disposal of a subsidiary	**115,015**
Inflow of cash arising from disposal of a subsidiary:	
Cash received	14,000
Cash and cash equivalents disposed	(995)
Net cash inflow from disposal of a subsidiary	**13,005**

13 Investment in an associate

	Unaudited Six months ended 30 June 2018 RMB'000
As at 1 January 2018	**—**
Addition (Note 12)	**94,867**
Share of loss for the period	**(1,711)**
As at 30 June 2018	**93,156**

14 Property and equipment and intangible assets

		Unaudited	
	Property and equipment RMB'000	Other intangible assets RMB'000	Goodwill RMB'000
Six months ended 30 June 2018			
Opening net book amount	**30,096**	**3,825**	**—**
Additions	**7,201**	**—**	**—**
Depreciation and amortization charge	**(5,145)**	**(388)**	**—**
Disposal of subsidiaries	**(1,327)**	**(2,930)**	**—**
Disposals	**(158)**	**—**	**—**
Exchange difference	**(32)**	**—**	**—**
Closing net book amount	**30,635**	**507**	**—**
Six months ended 30 June 2017			
Opening net book amount	38,873	20,543	33,306
Additions	416	—	—
Depreciation and amortization charge	(4,972)	(1,114)	—
Disposals	(2)	—	—
Exchange difference	(65)	(469)	—
Closing net book amount	34,250	18,960	33,306

15 Trade receivables

	Unaudited As at 30 June 2018 RMB'000	Audited As at 31 December 2017 RMB'000
Receivables from third parties	**7,647**	10,546
Less: Allowance for impairment	**(973)**	—
	6,674	10,546

Trade receivables mainly arose from online payment agencies and Third Party Platforms.

As at 30 June 2018, the ageing analysis of trade receivables is as follows:

	Unaudited As at 30 June 2018 RMB'000	Audited As at 31 December 2017 RMB'000
0–30 days	**3,102**	4,406
31–60 days	**1,089**	1,454
61–90 days	**613**	992
91–180 days	**1,094**	1,533
Over 180 days	**1,749**	2,161
	7,647	10,546

16 Cash and cash equivalents and short-term deposits

	Unaudited **As at 30 June** **2018** RMB'000	Audited As at 31 December 2017 RMB'000
Short-term deposits (Note a)	**591,465**	634,000
Cash and cash equivalents		
— Cash at bank and on hand (Note b)	**841,697**	907,249
	1,433,162	1,541,249
Maximum exposure to credit risk (Note d)	**1,432,989**	1,540,985

(a) Short-term deposits represent the Group's deposit placed in banks with an expected maturity of over three months but less than one year.

(b) Cash at bank balances as at 30 June 2018 and 31 December 2017 were demand deposits in nature.

(c) The effective interest rate per annum for all bank balances and term deposits as at 30 June 2018 was approximately 1.9% (31 December 2017: 1.9%).

(d) To manage the credit risk, bank deposits are mainly placed with state-owned or reputable listed financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

17 Share capital and share premium

As at 30 June 2018, the total number of issued ordinary shares of the Company was 2,845,764,000 shares (31 December 2017: 2,874,958,000 shares) which included 108,042,350 shares (31 December 2017: 119,860,600 shares) held under the RSU Scheme.

	Unaudited					
	Number of shares	Nominal value of shares	Share capital	Shares held under RSU Scheme	Share premium	Total
		US$'000	RMB'000	RMB'000	RMB'000	RMB'000
Issued and fully paid:						
As at 1 January 2018	**2,874,958,000**	**2**	**9**	**—**	**1,525,596**	**1,525,605**
RSU Scheme:						
— Vesting of RSUs	**—**	**—**	**—**	**—**	**6,119**	**6,119**
Buy-back and cancellation of shares (Note a)	**(29,194,000)**	**—**	**—**	**—**	**(13,337)**	**(13,337)**
Final dividend of 2017	**—**	**—**	**—**	**—**	**(48,472)**	**(48,472)**
As at 30 June 2018	**2,845,764,000**	**2**	**9**	**—**	**1,469,906**	**1,469,915**
As at 1 January 2017	2,900,676,000	2	9	—	1,567,040	1,567,049
RSU Scheme:						
— Vesting of RSUs	—	—	—	—	10,624	10,624
Buy-back and cancellation of shares (Note a)	(22,000,000)	—	—	—	(13,938)	(13,938)
Final dividend of 2016	—	—	—	—	(43,087)	(43,087)
As at 30 June 2017	2,878,676,000	2	9	—	1,520,639	1,520,648

(a) The Company acquired 29,194,000 of its own shares through purchases on the Hong Kong Stock Exchange during the six months ended 30 June 2018 for cash totalling HKD16,248,000 (equivalent to RMB13,337,000) and deducted from shareholders' equity.

18 Reserves

	Other reserves RMB'000 (Note a)	Statutory reserves RMB'000 (Note b)	Unaudited Share-based compensation reserve RMB'000	Translation RMB'000	Total RMB'000
As at 1 January 2018	**2,069**	**5,005**	**9,539**	**1,548**	**18,161**
Share Option Scheme					
— Value of options to vendor	**—**	**—**	**—**	**—**	**—**
RSU Scheme					
— Value of employee services	**—**	**—**	**2,103**	**—**	**2,103**
— Vesting of RSUs	**—**	**—**	**(6,119)**	**—**	**(6,119)**
Value of employee services for restricted shares	**—**	**—**	**1,445**	**—**	**1,445**
Currency translation difference	**—**	**—**	**—**	**193**	**193**
Winding up of Bumps	**—**	**—**	**—**	**(1,741)**	**(1,741)**
As at 30 June 2018	**2,069**	**5,005**	**6,968**	**—**	**14,042**
As at 1 January 2017	2,069	5,005	21,975	1,808	30,857
Share Option Scheme					
— Value of options to vendor	—	—	106	—	106
RSU Scheme					
— Value of employee services	—	—	4,292	—	4,292
— Vesting of RSUs	—	—	(10,624)	—	(10,624)
Value of employee services for restricted shares	—	—	224	—	224
Currency translation difference	—	—	—	(382)	(382)
As at 30 June 2017	2,069	5,005	15,973	1,426	24,473

18 Reserves (continued)

(a) The reserves represent capital contribution injected by Guangzhou Baitian's shareholders into Guangzhou Baitian upon its establishment and a financial liability in respect of the put option granted to the non-controlling interest with a right to require the Group to acquire the remaining equity interest in the non-wholly owned subsidiary.

(b) In accordance with the relevant laws and regulations in the PRC and the Articles of Association of the companies incorporated in the PRC now comprising the Group, the companies are required to appropriate 10% of the annual net profits, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve reaches 50% of the registered capital of the companies, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to offset prior years' losses, if any, and may be capitalized as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

(c) In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not be made.

19 Deferred income tax

	Unaudited	
	Deferred income tax assets RMB'000	Deferred income tax liabilities RMB'000
As at 1 January 2018	4,579	526
Charged to profit or loss	128	14,026
Disposal of a subsidiary	—	(464)
Set-off of deferred tax assets	(4,506)	(4,506)
As at 30 June 2018	201	9,582

19 Deferred income tax (continued)

	Unaudited Deferred income tax assets RMB'000	Deferred income tax liabilities RMB'000
As at 1 January 2017	6,375	3,296
Charged to profit or loss	1,763	(98)
Currency translation differences	(63)	(77)
As at 30 June 2017	8,075	3,121

20 Trade payables

Trade payables primarily relate to services for server custody and the revenue sharing collected by the Group's own platforms which is payable to cooperating game developers according to the respective cooperation agreements.

The ageing analysis of trade payables based on recognition date is as follows:

	Unaudited As at 30 June 2018 RMB'000	Audited As at 31 December 2017 RMB'000
0–30 days	**1,898**	1,830
31–60 days	**1,288**	2,189
61–180 days	**1,684**	3,351
181–365 days	**702**	1,121
	5,572	8,491

21 Other payables and accruals

	Unaudited As at 30 June 2018 RMB'000	Audited As at 31 December 2017 RMB'000
Dividend payable (Note 10)	**48,472**	—
Staff costs and welfare accruals	**19,229**	24,673
Accruals for rental expenses	**12,351**	14,468
Professional service fees payable	**5,585**	4,277
Payables on leasehold improvements	**2,451**	1,497
Commission payable to distributors	**771**	857
Catering service fees payable	**565**	393
Others	**487**	460
	89,911	46,625

22 Significant related party transactions

The ultimate parent of the Group is TMF (Cayman) Ltd. (incorporated in the Cayman Islands).

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

(a) Name and relationship with related parties

The following entity is the related party of the Group that had balances and/or transactions with the Group for the period ended 30 June 2018 and 2017:

Name	Relationship
Guangzhou Baiman*	An associate of the Group

* Guangzhou Baiman was a subsidiary of the Group and became an associate of the Group since 4 May 2018.

22 Significant related party transactions (continued)

(b) Balances with related parties

(i) Amounts due from a related party

	Unaudited As at 30 June 2018 RMB'000	Audited As at 31 December 2017 RMB'000
Guangzhou Baiman	**17,099**	—

(c) Transactions with a related party

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Interest income of a loan to Guangzhou Baiman	**191**	—

(d) Key management personnel compensations

Key management compensation amounted to RMB4,184,000 for the six month ended 30 June 2018 (2017: RMB5,780,000).

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Wages, salaries and bonuses	**3,675**	4,064
Pension costs — defined contribution plans	**117**	117
Other social security costs, housing benefits and other employee benefits	**154**	209
Share-based compensation expenses	**238**	1,390
	4,184	5,780

23 Contingencies

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

Other Information

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the Group's unaudited Interim Condensed Consolidated Financial Information for the six months ended 30 June 2018 and this interim report. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial statements were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The Company's Auditor has reviewed the Interim Condensed Consolidated Financial Information in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own securities dealing code to regulate all dealings by directors of securities in the Company and other matters covered by the Model Code. The Company has made specific enquiry with all Directors and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the period under review.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with applicable laws and regulations. The Company has adopted the CG Code as its own code of corporate governance.

Save as the deviation from code provision A.2.1 of the CG Code, the Company has applied the principles and complied with all applicable code provisions of the CG Code during the six months ended 30 June 2018.

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and chief executive officer ("**CEO**") should be segregated and should not be performed by the same individual. Mr. DAI Jian currently acts as the CEO and the Chairman. Mr. DAI, as one of the founders of the Group, is instrumental to the Group's growth and business expansion since 2009. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

BOARD OF DIRECTORS AND BOARD COMMITTEES

The compositions of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee remain the same as set out in the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**").

CHANGES IN A DIRECTOR'S BIOGRAPHICAL DETAILS

Changes in a Director's biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Ms. LIU Qianli (劉千里), an independent non-executive Director, has been appointed as an independent director of North Oakridge Capital, an investment management firm that manages North Oakridge Investment Fund, a long-biased equity long-short fund focusing China TMT and consumer sectors on 25 June 2017.

Saved as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2018.

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

During the six months ended 30 June 2018, the Company repurchased a total of 29,194,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$16,247,710. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases during the six months ended 30 June 2018 are as follows:

Month	Number of Shares repurchased	Purchase price per Share Highest (HK$)	Lowest (HK$)	Aggregate consideration (before expenses) (HK$)
January	7,000,000	0.53	0.50	3,644,240
March	1,756,000	0.47	0.455	820,930
May	7,368,000	0.60	0.52	4,224,860
June	13,070,000	0.59	0.55	7,557,680
Total	29,194,000	—	—	16,247,710

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

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

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Position	Relevant company (including associated corporation)	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholding[9]
DAI Jian[1]	Chairman, Executive Director and Chief Executive Officer	The Company	Founder of a discretionary trust Interest of controlled corporation	769,460,000(L)[8]	26.99%(L)
		The Company	Beneficial owner	10,000,000(L)	0.35%(L)
WU Lili[2]	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	447,112,000(L)	15.68%(L)
LI Chong[3]	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	203,304,000(L)	7.13%(L)
WANG Xiaodong[4]	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	74,544,000(L)	2.61%(L)
LIU Qianli[5]	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.007%(L)
WANG Qing[6]	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.007%(L)
MA Xiaofeng[7]	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.007%(L)

Notes:

(1) Mr. DAI established DAE Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of DAE Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of DAE Holding Investments Limited, a trust holding company owns 100% of equity interest in Stmoritz Investment Limited. In addition, 10,000,000 RSUs were granted to Mr. DAI under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares and subject to vesting. As at 30 June 2018, all the RSUs granted to Mr. DAI were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.

(2) Mr. WU established WHZ Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of WHZ Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of WHEZ Holding Ltd., a trust holding company owns 100% of equity interest in Bright Stream Holding Limited.

(3) Mr. LI established The Zhen Family Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of The Zhen Family Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of Golden Water Management Limited, a trust holding company owns 100% of equity interest in LNZ Holding Limited.

(4) Mr. WANG established WSW Family Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of WSW Family Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of Charlotte Holding Limited, a trust holding company owns 100% of equity interest in Angel Wang Holding Limited.

(5) Ms. LIU was interested in 200,000 RSUs granted to her under the Pre-IPO RSU Scheme entitling her to receive 200,000 Shares subject to vesting. As at 30 June 2018, all the RSUs granted to Ms. LIU were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.

(6) Dr. WANG was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at 30 June 2018, all the RSUs granted to Dr. WANG were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.

(7) Mr. MA was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at 30 June 2018, all the RSUs granted to Mr. MA were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.

(8) The Letter “L” denotes the person’s Long position in such Shares.

(9) These percentages are calculated on the basis of 2,851,264,000 Shares in issue as at 30 June 2018, since the 1,000,000 shares repurchased on 25 June 2018 and the 4,500,000 shares repurchased on 27 June 2018 were not cancelled until 3 July 2018.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company and their respective associates had registered an interest 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) that are required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

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

As at 30 June 2018, the following persons had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital of the Company[8]
TMF (Cayman) Ltd.[1]	Trustee of trusts	1,519,888,000(L)[7]	53.31%(L)
DAE Holding Investments Limited[2]	Trust holding company	769,460,000(L)	26.99%(L)
Stmoritz Investment Limited[2]	Registered owner	769,460,000(L)	26.99%(L)
DAI Jian (戴堅)[2][5]	Founder of a discretionary trust Interest of a controlled corporation	769,460,000(L)	26.99%(L)
	Beneficial owner	10,000,000(L)	0.35%(L)
Bright Stream Holding Limited[3]	Registered owner	447,112,000(L)	15.68%(L)
WHEZ Holding Ltd.[3]	Trust holding company	447,112,000(L)	15.68%(L)
WU Lili (吳立立)[3]	Founder of a discretionary trust	447,112,000(L)	15.68%(L)
LNZ Holding Limited[4]	Registered owner	203,304,000(L)	7.13%(L)
Golden Water Management Limited[4]	Trust holding company	203,304,000(L)	7.13%(L)
LI Chong (李沖)[4]	Founder of a discretionary trust	203,304,000(L)	7.13%(L)
The Core Trust Company Limited[6]	Trustee of a trust	192,020,000(L)	6.73%(L)

Notes:

(1) TMF (Cayman) Ltd. is the trustee of DAE Trust, WHZ Trust, The Zhen Family Trust and WSW Family Trust.

(2) The entire share capital of Stmoritz Investment Limited is wholly-owned by DAE Holding Investments Limited and ultimately owned by TMF (Cayman) Ltd. as the trustee of the DAE Trust, which is a discretionary trust set up by Mr. DAI Jian ("Mr. DAI") on 27 December 2013 for the benefit of himself and his family members, and Mr. DAI is a settlor and protector. Mr. DAI (as founder of the DAE Trust), DAE Holding Investments Limited and TMF (Cayman) Ltd. are taken to be interested in 769,460,000 Shares held by Stmoritz Investment Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.

(3) The entire share capital of Bright Stream Holding Limited is wholly-owned by WHEZ Holding Ltd. and ultimately owned by TMF (Cayman) Ltd. as the trustee of the WHZ Trust, which is a discretionary trust set up by Mr. WU Lili ("Mr. WU") on 27 December 2013 for the benefit of himself and his family members, and Mr. WU is a settlor and protector. Mr. WU (as founder of the WHZ Trust), WHEZ Holding Ltd. and TMF (Cayman) Ltd. are taken to be interested in 447,112,000 Shares held by Bright Stream Holding Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.

(4) The entire share capital of LNZ Holding Limited is owned by Golden Water Management Limited, which is wholly owned by TMF (Cayman) Ltd. as the trustee of The Zhen Family Trust, which is a discretionary trust set up by Mr. LI Chong ("Mr. LI") on 27 December 2013 for the benefit of himself and his family members, and Mr. LI is a settlor and protector. Mr. LI (as founder of The Zhen Family Trust), Golden Water Management Limited and TMF (Cayman) Ltd. are taken to be interested in 203,304,000 Shares held by LNZ Holding Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme) pursuant to Part XV of the SFO.

(5) 10,000,000 RSUs were granted to Mr. DAI under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares and subject to vesting. As at 30 June 2018, all the RSUs granted to Mr. DAI were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.

(6) The Core Trust Company Limited is the trustee to administer the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme.

(7) The Letter "L" denotes the person's Long position in such Shares.

(8) These percentages are calculated on the basis of 2,851,264,000 Shares in issue as of 30 June 2018, since the 1,000,000 shares repurchased on 25 June 2018 and the 4,500,000 shares repurchased on 27 June 2018 were not cancelled until 3 July 2018.

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

EQUITY-LINKED AGREEMENTS/SHARE INCENTIVE SCHEMES

In order to incentivize the Directors, senior management and other employees of the Group for their contribution to the Group and to attract and retain suitable personnel of our Group, the Company adopted the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme, respectively.

Summaries of the terms of the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme have been disclosed in the sections headed "Statutory and General Information — Pre-IPO Share Option Scheme", "Statutory and General Information — Pre-IPO RSU Scheme" and "Statutory and General Information — Post-IPO RSU Scheme" in Appendix IV to the Prospectus, the previous annual reports of the Company, the circular of the Company dated 24 April 2015 and the supplementary circular of the Company dated 14 May 2015.

Outstanding Share Options

During the six months ended 30 June 2018, 40,000 Options has been lapsed and no Option has been cancelled. As at 30 June 2018, there were a total of 1,344,000 Options outstanding. If all the outstanding Options are exercised, there would be a dilution effect on the issued share capital of the Company of approximately 0.05% as at 30 June 2018. Save as set out above, no further Options have been or would be granted by the Company after the Listing pursuant to the Pre-IPO Share Option Scheme.

The Company appointed The Core Trust Company Limited as the trustee and Duoduo Holding Limited, a company incorporated in the BVI and an independent third party, as the nominee to administer the Pre-IPO Share Option Scheme pursuant to its scheme rules. As at 30 June 2018, Duoduo Holding Limited holds 16,000 Shares underlying the Options granted under the Pre-IPO Share Option Scheme for the benefit of eligible participants pursuant to the Pre-IPO Share Option Scheme.

Movements of the Options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2018

Name of Grantees	Nature	Number of Shares represented by Options at 1 January 2018	Date of grant	Exercise price (US$)	Exercised during the period	Lapsed during the period	Number of Shares represented by Options at 30 June 2018	Vesting Period	Exercise period	Approximate percentage of issued Shares of the Company[(3)]
Directors	—	—	—	—	—	—	—	—	—	—
Senior management member of the Company	—	—	—	—	—	—	—	—	—	—
Other employees of the Group										
15 employees	Options	962,000	20 June 2010	0.0090	—	40,000	922,000	Note 1	Note 2	0.03%
2 employees	Options	422,000	15 January 2011	0.0090	—	—	422,000	Note 1	Note 2	0.02%
	Sub-total	1,384,000		—	—	40,000	1,344,000			0.05%
	Total	1,384,000		—	—	40,000	1,344,000			0.05%

Note:

(1) The vesting period of the Options under the Pre-IPO Share Option Scheme is 36 months from the date of grant of such Options.

(2) The exercise period of the Options under the Pre-IPO Share Option Scheme is 10 years after the date of grant of such Options.

(3) Approximate percentage of issued Shares of the Company is calculated by dividing the Options held by the relevant grantees by the issued and outstanding Shares of the Company (as enlarged by the exercise in full of all the Options granted under the Pre-IPO Share Option Scheme) as at 30 June 2018.

As disclosed in the section headed "Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in relation to the Pre-IPO Share Option Scheme" in the Prospectus, the Company had applied for, and had been granted, an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous) Ordinance, and a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules in connection with the particulars of the grantees under the Pre-IPO Share Option Scheme.

Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus and the previous annual reports of the Company.

Outstanding RSUs

(1) Pre-IPO RSU Scheme

As at 30 June 2018, there were no outstanding RSU under the Pre-IPO RSU Scheme.

Prior to the Listing on 10 April 2014, the Company appointed The Core Trust Company Limited as the trustee (the "**Pre-IPO RSU Trustee**") and Peto Holding Limited, a company incorporated in the BVI and an independent third party, as its nominee (the "**Pre-IPO RSU Nominee**") to administer the Pre-IPO RSU Scheme. To increase the public float, the Company further engaged The Core Services Limited, as the new trustee (the "**New RSU Trustee**"), and ZEA Holding Limited, a company incorporated in the BVI and an independent third party, as the new nominee (the "**New RSU Nominee**"), to administer certain RSUs granted to the Directors and the senior management under our Pre-IPO RSU Scheme on 10 June 2014. As at 30 June 2018, the Pre-IPO RSU Nominee holds 92,524,000 Shares and the New RSU Nominee hold 24,120,000 Shares respectively, underlying the RSUs granted under the Pre-IPO RSU Scheme for the benefit of eligible participants pursuant to the Pre-IPO RSU Scheme.

(2) Post-IPO RSU Scheme

As at 30 June 2018, there were a total of 14,617,500 RSUs outstanding under the Post-IPO RSU Scheme. If all the outstanding RSUs under the Post-IPO RSU Scheme are vested according to the relevant vesting schedules, there would be a dilution effect on the issued share capital of the Company of approximately 0.52% as at 30 June 2018.

The Company appointed The Core Trust Company Limited as the trustee and Baiduo Investment Holding Limited, a company incorporated in the BVI and an independent third party, as the nominee to administer the Post-IPO RSU Scheme pursuant to its scheme rules. As at 30 June 2018, Baiduo Investment Holding Limited holds 99,480,000 Shares underlying the RSUs granted under the Post-IPO RSU Scheme for the benefit of eligible participants pursuant to the Post-IPO RSU Scheme.

Movements of the RSUs under the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme during the six month ended 30 June 2018

Name of Grantees	Nature	Number of Shares underlying the RSUs as at 31 December 2017	Granted during the period	Date of grant	Consideration (US$)	Vested during the period	Lapsed during the period	Number of Shares underlying the RSUs as at 30 June 2018	Vesting Schedule	Approximate percentage of issued Shares of the Company[6]
(1) Pre-IPO RSU scheme										
(a) Directors										
DAI Jian (戴堅)	RSUs	750,000	–	18 February 2014	–	750,000	–	–	Note 1	–
	Sub-total	750,000	–		–	750,000	–	–		–
(b) Senior Management										
CHEN Xiao Hong (陳小紅)	RSUs	60,000	–	18 February 2014	–	60,000	–	–	Note 1	–
	Sub-total	60,000	–		–	60,000	–	–		–
(c) Other grantees (other than the grantees disclosed in paragraphs 1a and 1b above)										
4 employees	RSUs	78,000	–	18 February 2014	–	78,000	–	–	Note 1	–
	Sub-total	78,000	–		–	78,000	–	–		–
	Total	888,000	–		–	888,000	–	–		–
(2) Post-IPO RSU Scheme										
(a) Senior management member(s) of the Company										
DENG Ling Hua (鄧淩華)	RSUs	3,000,000	–	10 July 2015	–	1,500,000	–	1,500,000	Note 3	0.05%
CHEN Xiao Hong (陳小紅)	RSUs	1,050,000	–	10 July 2015	–	300,000	–	750,000	Note 4	0.03%
	Sub-total	4,050,000	–		–	1,800,000	–	2,250,000		0.08%
(b) Other grantees (other than the grantees disclosed in paragraphs 2a above)										
61 employees	RSUs	16,044,000	–	10 July 2015	–	5,030,250	806,250	10,207,500	Note 4	0.36%
6 employees	RSUs	6,100,000	–	10 November 2017	–	3,940,000	–	2,160,000	Note 5	0.08%
	Sub-total	22,144,000	–		–	8,970,250	806,250	12,367,500		0.44%
	Total	26,194,000	–		–	10,770,250	806,250	14,617,500		0.52%

Note:

(1) The RSUs granted to the subjected RSU grantees under the Pre-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:

- 20% of the RSUs at 12 months after the date of grant;
- 20% of the RSUs at 24 months after the date of grant;
- 30% of the RSUs at 36 months after the date of grant; and
- 30% of the RSUs at 48 months after the date of grant.

(2) The RSUs granted to the subjected RSU grantees under the Pre-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:

- 30% of the RSUs at 12 months after the date of grant;
- 30% of the RSUs at 24 months after the date of grant; and
- 40% of the RSUs at 36 months after the date of grant.

(3) The RSUs granted to the subjected RSU grantee under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:

- 20% of the RSUs on 21 November 2015;
- 20% of the RSUs on 21 November 2016; and
- 7.50% of the RSUs shall vest over 8 three consecutive months periods starting at the end of 3 month period after 21 November 2016 until 100% is vested.

(4) For details of the vesting schedules for the RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme, please refer to the announcement of the Company dated 10 July 2015.

(5) For details of the vesting schedules for the RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme, please refer to the announcement of the Company dated 10 November 2017.

(6) Approximate percentage of issued Shares of the Company is calculated by dividing the RSUs held by the relevant grantees by the issued and outstanding Shares of the Company (as enlarged by the vest in full of all the RSUs granted under the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme) as at 30 June 2018.

Further details of the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme are set out in the Prospectus and the previous annual reports of the Company.

EQUITY-LINKED AGREEMENTS

On 20 April 2016, the Company entered into a consultancy agreement (the "**Consultancy Agreement**") with Hong Kong Zhixin Financial News Agency Limited (香港智信財經通訊社有限公司) (the "**Consultant**"), pursuant to which, the Company engaged the Consultant to provide the investor relations services. As a consideration for such services, the Company has agreed to (i) pay a monthly fee of HK$30,000 (equivalent to a total amount of HK$1,080,000) during the term of the Consultancy Agreement to the Consultant and (ii) grant options (the "**Consultant Options**") to the Consultant to subscribe for an aggregate of 10,000,000 Shares at the exercise price of HK$0.70 per Share during the three years ending on 19 April 2019 (the "**Consultant Option Period**").

The Consultant will be entitled to exercise the Consultant Options (or part thereof) by serving an option exercise notice to the Company together with the exercise price payable in respect of the number of Shares to be issued upon exercise of such Consultant Options (or such part thereof), upon the following conditions are met:

(a) up to 30% of the Consultant Options become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company exceeds HK$2.6 billion;

(b) up to 60% of the Consultant Options become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company exceeds HK$3.1 billion; and

(c) up to 100% of the Consultant Options become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company exceeds HK$3.7 billion.

As at 31 December 2017, none of the above conditions has been met and no Consultant Option was exercised. In accordance with the terms of the Consultancy Agreement, the Consultancy Agreement has been terminated with effect from 20 January 2018 and all the Consultant Options have lapsed on 20 April 2018.

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the six months ended 30 June 2018.

PUBLIC FLOAT

As of the date of this report, based on information that is publically available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares of the Company were listed on the main board of the Stock Exchange on 10 April 2014 with net proceeds from the initial public offering of approximately RMB1,121.2 million, after deducting underwriting fees and commissions and other expenses paid by the Company in connection with the initial public offering.

As of December 31, 2017, unutilised proceeds from the abovementioned issuances amounted to RMB428.1 million. During the reporting period, a total of RMB13.9 million had been utilised in accordance with the intended use as disclosed in the Prospectus. Unutilised proceeds from the aforementioned issuances as of June 30, 2018, being RMB414.2 million, are intended to be applied in the manner consistent with the intended use as disclosed in the Prospectus in the coming financial year.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT

As set out in the section headed "Contractual Arrangements — Legality of the Contractual Arrangements" in the Prospectus, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirement**"). Despite the lack of clear guidance or interpretation on the Qualification Requirement, we have been gradually building up our track record of overseas business operations to comply with the Qualification Requirement. We have continued to engage a local distributor in Hong Kong through whom our overseas users can purchase our physical prepaid cards. In addition, we have launched a Hong Kong website offering investor relations and other corporate information. Save as above, as at 30 June 2018, the Company has no further update to disclose in relation to the Qualification Requirement.

MATERIAL LITIGATION

As at 30 June 2018, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.