

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2100





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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](http://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 54, 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

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKS

China Minsheng Bank, Guangzhou Branch  
Minsheng Building, No. 68 Lie De Avenue  
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  
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P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## INVESTOR RELATIONS

Christensen China Limited  
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Email: [Baioo@ChristensenIR.com](mailto:Baioo@ChristensenIR.com)

# Company Profile

Founded in 2009 and listed on the Hong Kong Stock Exchange in 2014, BAIOO Family Interactive Limited is a leading internet content and service provider in China. BAIOO principally engages in developing and publishing PC and mobile games, producing comics and has recently expanded its footprint into AI technology. BAIOO strives to become a leading company in China's fast-growing pan-entertainment industry.

Since its establishment, BAIOO has been primarily committed to the development and operation of online content for a variety of users. Some of the Company's key products have attracted nearly 300 million registered users. To achieve further business expansion in the mobile internet era, BAIOO has released a collection of popular mobile games that have been particularly well received within the mobile gaming industry.

At present, BAIOO primarily focuses on three major niche game genres in which it excels in, namely female-oriented games, pet raising and collection games, and comic-adapted “nijigen” (「二次元」) games. Its key products include web-based virtual world Aobi Island (「奧比島」), Aola Star (「奧拉星」) and Legend of Aoqi (「奧奇傳說」), as well as mobile games Zaowufaze (「造物法則」, also known as “Law of Creation”) and Helix Waltz (「螺旋圓舞曲」). BAIOO plans to launch three major mobile games in the second half of 2019, namely Shiwuyu (「食物語」), Zaowufaze II (「造物法則2」), and Aola Star Mobile (「奧拉星手遊」). To complement its gaming content, BAIOO also operates several online comic series such as Aola Star: Parallel Universe (「奧拉星 • 平行時空」) and Shiwuyu (「食物語」).

The Company's philosophy is to enhance user experience and expand its product line through original content creation, as well as facilitate the incubation of valuable IP. BAIOO will continue to pursue potential strategic cooperation with well-known comic IP, leverage a well-incubated IP portfolio and pursue the development of fun and engaging products to drive improvement across its business.

# Financial Summary

## INCOME STATEMENT HIGHLIGHT

	Unaudited		Period-over-period change
	six months ended 30 June		
	2019	2018	
	RMB'000	RMB'000	%
Revenue	<b>150,593</b>	144,862	4.0%
Gross profit	<b>107,811</b>	76,699	40.6%
Operating profit	<b>30,457</b>	100,690 <sup>(3)</sup>	(69.8%)
Non-International Financial Reporting Standards ("IFRSs") Measures			
— Adjusted Net Profit <sup>(1)</sup>	<b>20,450</b>	99,837	(79.5%)
— Adjusted EBITDA <sup>(2)</sup>	<b>26,261</b>	107,043	(75.5%)

### Notes:

- 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 IFRSs. 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.
- Adjusted EBITDA means adjusted net profit less finance income-net, plus income tax, depreciation of property and equipment and right-of-use assets and amortization of intangible assets.
- Operating profit for the six months ended 30 June 2018 included RMB115.0 million gain, which was mainly attributable to the gain on a disposal of a 7.0% equity interest in the Group's then subsidiary, Guangzhou Baiman and the re-measurement of the retained non-controlling investment. And the operating profit for the six months ended 30 June 2019 included RMB7.3 million gain, which was mainly attributable by the one-off gain on a partial disposal of certain equity interests in Guangzhou Baiman. For details, please refer to Note 12 of the interim condensed consolidated financial information.

## BALANCE SHEET HIGHLIGHT

	Unaudited As of 30 June 2019 RMB'000	Audited As of 31 December 2018 RMB'000
<b>Assets</b>		
Non-current assets	215,962	130,164
Current assets	1,557,046	1,529,229
<b>Total assets</b>	<b>1,773,008</b>	<b>1,659,393</b>
<b>Equity and liabilities</b>		
Total equity	1,496,544	1,530,801
Non-current liabilities	100,597	17,182
Current liabilities	175,867	111,410
Total liabilities	276,464	128,592
<b>Total equity and liabilities</b>	<b>1,773,008</b>	<b>1,659,393</b>



# Chairman Letter

Dear Shareholders,

In the first half of 2019, China surges ahead as the world's largest video-game market. To retain traction and gain first-hand advantage in the local gaming market, our strategy has always been to position BAIOO as a niche player and to drive innovation that will make our games stand out from the tough competition.

This strategy has proven to help BAIOO meet the demands of an increasingly diversified and loyal user base, as well as the flexibility to respond to the evolving gaming industry. Furthermore, we have put into action, a clear strategy to extend technical capabilities and enlarge the scope of our PC games onto more popular mobile platforms.

Staying on course with our values and strong proprietary content creation capabilities, we have been concentrating our efforts into the development of three major niche game genres, namely female-oriented games, pet raising and collection games, and comic-adapted “nijjigen” (「二次元」) games.

## LOCAL AND OVERSEAS BUSINESS PROGRESS

In the first half of 2019, we were undeterred in our plans to provide more diversified gaming content to our loyal users. What China has is scale, that's why we believe that driving innovation in niche genres will generate profits and capture new market opportunities.

For this year, we have already completed the development work of three major mobile games, namely Shiwuyu (「食物語」), Zaowufaze II (「造物法則2」), and Aola Star Mobile (「奧拉星手遊」). With respective game licenses in place as of late July, the first two games to be launched in September will be Shiwuyu (「食物語」) and Aola Star Mobile (「奧拉星手遊」).

Besides catering to local market trends, we have successfully ventured overseas beginning with the pre-launch marketing of Zaowufaze II (「造物法則2」). Combining our extensive knowledge and innovative capabilities, we were able to tap into new gaming markets abroad while working around the delay in license issuance in China. The strategy in the coming months is to officially launch Zaowufaze II (「造物法則2」) into new overseas markets as a sole publisher.

Recently, one of our exciting new ventures was to collaborate with Baidu and develop interactive games embedded into Baidu's AI speaker application. Through this unique cooperation, the teams were able to enhance user experience and expand our footprint into AI technology.

## Chairman Letter

### POSITIVE OUTLOOK

Looking ahead, we will continue to strengthen our PC and mobile games portfolio by reinforcing our internal R&D capabilities and exploring new partnership opportunities. In parallel, we will enhance user experience by optimizing product quality and operational excellence, as well as accelerating innovation through our various content creation platforms. For the overseas market, we are exploring the potential of simulation mobile games to capture new market opportunities and strengthen our overseas publishing capabilities.

### ACKNOWLEDGEMENTS

On behalf of our management team, I would like to express my gratitude to our dedicated staff, as well as to our numerous partners and investors for their long-term support of our Company. It is our mission to enrich the gaming community with more interesting and innovative games for their daily entertainment.

**DAI Jian**

*Chairman, Chief Executive Officer and Executive Director*

**BAIOO Family Interactive Limited**

28 August 2019

# 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
“AI”	artificial intelligence
“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
“BVI”	the British Virgin Islands
“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
“Company Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. DAI Jian and Stmoritz Investment Limited
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules

## Definitions and Glossaries

“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 2019, Guangzhou Baitian held 31.2% equity interests in Guangzhou Baiman and independent third parties held 68.8%
“Guangzhou Baitian” or “PRC Operating Entity”	Guangzhou Baitian Information Technology Ltd.* (廣州百田信息科技有限公司), a Company incorporated on 2 June 2009 and existing under the laws of the PRC. As of the date hereof, Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. CHEN Ziming and Mr. WANG Xiaodong hold 46.92%, 28.37%, 12.9%, 7.08% and 4.73% equity interests in Guangzhou Baitian, respectively
“Guangzhou WFOE”	Baiduo (Guangzhou) Information Technology Limited* (百多(廣州)信息科技有限公司), a company incorporated on 29 October 2013 under the laws of the PRC, an indirect wholly-owned subsidiary of the Company
“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

## Definitions and Glossaries

“NEEQ”	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as “The New Third Board” (新三板)
“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
“PC(s)”	personal computer(s)
“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
“R&D”	research and development
“Register of Members”	the register of members of the Company
“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

## Definitions and Glossaries

“Stock Exchange” or “Hong Kong 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

\* English names are for identification purpose only

### 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

# Management Discussion and Analysis

## BUSINESS OVERVIEW

In the first half of 2019 (“1H2019”), BAIOO continued to deliver steady operating metrics across the Company’s products for PC(s) and mobile devices. The Company has effectively deployed its IP and original content creation strategies to develop new creative products and expand its product pipeline. The Company will focus on new mobile games over PC games in future developments.

In an effort to strengthen the Company’s values and business direction, BAIOO remained focused on developing fun and engaging content, while finding new ways to diversify gaming content for the entertainment of loyal users and new gamers.

During the 1H2019, BAIOO had a number of popular games in its portfolio that continued to draw attention and reinforced the formation of loyal “nijigen” communities. Some of these high-performing games included the web-based virtual reality games, namely Aola Star (「奧拉星」) and Legend of Aoqi (「奧奇傳說」).

BAIOO adopts a clear strategy when it comes to innovating entertaining content to enhance user loyalty and extend its technical capabilities. In response to changing user behaviors, the Company has embarked on plans to migrate its PC games onto more popular mobile platforms for release. It has completed the development of three mobile games this year, namely Shiwuyu (「食物語」), Zaowufaze II (「造物法則2」), and Aola Star Mobile (「奧拉星手遊」).

Some of the Company’s ambitious plans for expansion outside of China have helped establish its brand overseas. BAIOO has successfully achieved a foothold abroad with its landmark success of Zaowufaze II (「造物法則2」), launched in July 2019 under a new franchise name, Astral Chronicles. The Company had solid results during the pre-launch marketing stage and continued its efforts to gain traction in the overseas gaming market. Astral Chronicles is recommended by Google Play and the number of registered players is growing continuously.



### INDUSTRY TRENDS

In 1H2019, the growth rate of China's gaming industry remained stable while it experienced steady progress in market size and user base. 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 domestic gaming sector in 1H2019 rose to RMB114.02 billion, year-over-year increase of 8.6%, compared to the year-over-year growth rate of 5.2% for the same period last year. In particular, the mobile game market continued to take up the lion's share of the industry, accounting for 67.6% of the total revenue, or the equivalent of RMB77.07 billion. Overall, user numbers continued to expand at a rate of 5.9% to 640 million players as compared with the same period last year.

The report noted that during this period, a growing number of gaming companies in China had invested heavily into their own self-developed R&D capabilities to enhance their online gaming operations. More companies have also diverged internal resources to build games that promote Chinese culture, and to market these games overseas as part of their global expansion plans.

As the mobile gaming market continues to expand, BAIIO remains committed to re-shaping the fervor of its popular niche games and sustain its unique online communities. Through the Company's integrated strategies, solid product pipeline, and long-term development of mobile games that emphasize on game personalization, it is well positioned to address growing user demands and capture new market opportunities.

### OUTLOOK FOR THE REST OF 2019

In the second half of 2019, the Company looks forward with great zest for creative opportunities in the domestic and overseas markets. Honoring its strong and diversified mobile game pipeline, BAIIO invests in its existing virtual worlds, comic segments, and designs new mobile games that fall within three major niche genres to enhance user experience.

Exciting plans to look forward to, BAIIO will launch two major mobile games by September 2019. Among these highly-anticipated games, Shiwuyu (「食物語」) is primarily designed for women and features traditional Chinese cuisine to promote local culture. The game will be distributed in collaboration with Tencent, and was well received during the pre-registration stage. The next game to be launched in September is Aola Star Mobile (「奧拉星手遊」), a mobile version of the widely acclaimed web-based game that features pet raising and combat activities. The original web-based Aola Star (「奧拉星」) has accumulated over 200 million registered users since its launch in 2010, so the Company expects a substantial number of web-based game players to convert onto the mobile platform.

The Company also expects the mobile game, Zaowufaze II (「造物法則2」) will soon be launched in China. This is the sequel to the original mobile game, Zaowufaze (「造物法則」), based on one of BAIIO's most successful proprietary comic IPs. Zaowufaze II (「造物法則2」) is currently available overseas and is operated by the same team responsible for the widely acclaimed success of the first mobile game, Zaowufaze (「造物法則」), and for the creative marketing and promotion of other popular "nijigen" games.

With the belief of the continuing trend of mobile games, BAIIO continues to develop new mobile games and leverage its proprietary IPs. The next batch of mobile games scheduled for release will be in 2020. To enrich the overseas gaming markets, BAIIO will continue to explore the niche mobile game markets to fulfil the increasing demand among enthusiastic players.

## Management Discussion and Analysis

The Company has to stay competitive in the midst of tough competition, changing regulations and the fast-evolving nature of online and mobile games. Throughout these challenges, BAIOO is confident to meet expectations, capture new market opportunities within niche communities and expand its huge loyal 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 (Notes):

	For the six months ended		
	30 June 2019 <sup>(1)</sup>	30 June 2018	Period- over-period change
	<i>(QAA &amp; QPA in millions, ARQPA in RMB)</i>		
average QAA <sup>(2)</sup>	<b>11.5</b>	16.8	(31.5%)
average QPA <sup>(3)</sup>	<b>1.1</b>	1.1	—
average quarterly ARQPA <sup>(4)</sup>	<b>70.9</b>	62.3	13.8%

Notes:

1. As of 30 June 2019, our online virtual worlds under commercial operation included Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Aoyi Alliance, Three Kingdoms, Zaowufaze and Helix Waltz.
2. The average QAA for online virtual worlds was approximately 11.5 million for the six months ended 30 June 2019, representing a decrease of approximately 31.5% compared with the same period last year. This primarily due to the users continue to shift time to mobile.
3. The average QPA for online virtual worlds was approximately 1.1 million for the six months ended 30 June 2019, flat compared with the same period last year.
4. The average quarterly ARQPA for online virtual worlds was approximately RMB70.9 for the six months ended 30 June 2019, representing an increase of approximately 13.8% compared with the same period last year as a result of the Company's mobile game products helped upgrade its user base to a higher age bracket with 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 2019 and 2018, respectively:

	(Unaudited)			
	30 June 2019 RMB'000	% of Revenue	30 June 2018 RMB'000	% of Revenue
<b>Revenue</b>	<b>150,593</b>	<b>100</b>	144,862	100
Online entertainment business	149,904	100	143,247	99
Other business	689	0	1,615	1
<b>Cost of revenue</b>	<b>(42,782)</b>	<b>(28)</b>	(68,163)	(47)
<b>Gross profit</b>	<b>107,811</b>	<b>72</b>	76,699	53
Selling and marketing expenses	(20,131)	(13)	(29,427)	(20)
Administrative expenses	(25,751)	(17)	(28,295)	(20)
Research and development expenses	(44,569)	(30)	(38,695)	(27)
Net impairment loss on financial assets	(4,214)	(3)	(974)	(1)
Other income	1,673	1	4,217	3
Other gains — net	8,364	6	2,150	1
Gain on partial disposal of a subsidiary	—	—	115,015	80
Gain on partial disposal of an associate	7,274	5	—	—
<b>Operating profit</b>	<b>30,457</b>	<b>20</b>	100,690	69
Finance income — net	5,804	4	17,360	12
Share of loss of an associate	(15,340)	(10)	(1,711)	(1)
<b>Profit before income tax</b>	<b>20,921</b>	<b>14</b>	116,339	80
Income tax expense	(708)	0	(19,315)	(13)
<b>Profit for the period from continuing operations</b>	<b>20,213</b>	<b>13</b>	97,024	67
<b>Loss for the period from discontinued operations</b>	<b>—</b>	<b>—</b>	(1,950)	(1)
<b>Profit for the period</b>	<b>20,213</b>	<b>13</b>	95,074	66

## Management Discussion and Analysis

	(Unaudited)			
	30 June 2019 RMB'000		For the six months ended % of Revenue	
			30 June 2018 RMB'000	% of Revenue
Other comprehensive income, net of tax	—	—	276	0
<b>Total comprehensive income for the period</b>	<b>20,213</b>	<b>13</b>	95,350	66
<b>Other financial data</b>				
Adjusted net profit <sup>(1)</sup> (unaudited)	<b>20,450</b>	—	99,837	—
Adjusted EBITDA <sup>(2)</sup> (unaudited)	<b>26,261</b>	—	107,043	—

Notes:

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

\*Note:

Due to the disposal of retail business in 2018, we separate it from the "retail business" to "Loss for the period from discontinued operations" in our financial statement for the six months ended 30 June 2018. Meanwhile, we also separate all expenses incurred, such as selling and marketing expenses, administrative expenses, research and development expenses and etc., from continued operation in our financial statement.

### Revenue

Our revenue for the six months ended 30 June 2019 was RMB150.6 million, representing a 4.0% increase from RMB144.9 million for the six months ended 30 June 2018.

*Online Entertainment Business:* Our online entertainment business revenue for the six months ended 30 June 2019 was RMB149.9 million, representing a 4.7% increase from RMB143.2 million for the six months ended 30 June 2018. This was primarily due to remarkable performance of our PC game title of Aola Star and Legend of Aoqi.

*Other Business:* Revenue from other businesses for the six months ended 30 June 2019 was RMB0.7 million, representing a 56.3% decrease from RMB1.6 million for the six months ended 30 June 2018, primarily due to the decrease in advertising revenue.

## Cost of Revenue

Our cost of revenue for the six months ended 30 June 2019 was RMB42.8 million, representing a 37.2% decrease from RMB68.2 million for the six months ended 30 June 2018. The decrease was primarily driven by the decrease in payment of distribution cost and handling fee and the decrease in staff costs.

## Gross Profit

As a result of the foregoing, our gross profit for the six months ended 30 June 2019 was RMB107.8 million, compared with RMB76.7 million for the six months ended 30 June 2018. Gross profit margin was 71.6% for the six months ended 30 June 2019, compared with 52.9% for the six months ended 30 June 2018. The increase mainly due to the decrease of distribution cost resulting from the decrease in revenue from third party platforms as well as decrease in staff costs.

## Selling and Marketing Expenses

Our selling and marketing expenses for the six months ended 30 June 2019 were RMB20.1 million, representing a 31.6% decrease from RMB29.4 million for the six months ended 30 June 2018. The decrease was mainly driven by lower promoting expenses to reduce less effective marketing campaigns.

## Administrative Expenses

Our administrative expenses for the six months ended 30 June 2019 were RMB25.8 million, representing an 8.8% decrease from RMB28.3 million for the six months ended 30 June 2018. The decrease was mainly driven by the decrease in staff costs.

## Research and Development Expenses

Our research and development expenses for the six months ended 30 June 2019 were RMB44.6 million, representing a 15.2% increase from RMB38.7 million for the six months ended 30 June 2018. This was primarily driven by increase in staff costs for more new game development.

## Net Impairment Loss on Financial Assets

We recorded net impairment loss on financial assets of RMB4.2 million for the six months ended 30 June 2019, which was primarily due to an accrued impairment of accounts receivable and other receivable. This compares with RMB1.0 million for the six months ended 30 June 2018.

## Other Income

The Company recognized RMB1.7 million in other income for the six months ended 30 June 2019, primarily compared with RMB4.2 million for the six months ended 30 June 2018. The other income was generated as a result of our fulfillment of certain performance conditions attached to government grants.

## Other Gains — net

Net other gains for the six months ended 30 June 2019 mainly consisted of fair value gains on financial assets at fair value through profit and loss of RMB9.1 million on structural deposits and certain investee company, compared with fair value gains of RMB1.0 million for the six months ended 30 June 2018.

# Management Discussion and Analysis

## Gain on partial disposal of a subsidiary

We did not have gain on partial disposal of a subsidiary for the six months ended 30 June 2019, compared with a gain on partial disposal of a subsidiary of RMB115.0 million for the six months ended 30 June 2018. This was mainly attributable to the gain on disposal of 7% equity interest in the Group's then subsidiary, Guangzhou Baiman, and the re-measurement of the retained non-controlling investment. Guangzhou Baiman ceased to be our subsidiary after the disposal.

## Gain on partial disposal of an associate

We had gain on partial disposal of an associate of RMB7.3 million for the six months ended 30 June 2019, compared with nil for the six months ended 30 June 2018. This was mainly attributable by one-off gain on partial disposal of certain equity interests in the Group's associate, Guangzhou Baiman in 2019. 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 2019 was RMB30.5 million, compared with operating profit of RMB100.7 million for the six months ended 30 June 2018. This decrease was greatly affected by one-off non-cash re-measurement to disposal of 7% equity interest of Guangzhou Baiman in 2018.

## Finance Income – net

We had net finance income of RMB5.8 million for the six months ended 30 June 2019, compared with net finance income of RMB17.4 million for the six months ended 30 June 2018. Net finance income for six months ended 30 June 2019 primarily consisted of interest income on short-term deposit and cash and bank balance and interest expense on lease liabilities due to the adoption of IFRS 16.

## Share of loss of an associate

We recorded share of loss of an associate of RMB15.3 million for the six months ended 30 June 2019 due to our investee company registered loss compared to share of loss of an associate of RMB1.7 million for the six months ended 30 June 2018.

## Profit before Income Tax

As a result of the foregoing, we had a profit of RMB20.9 million for the six months ended 30 June 2019, compared with a profit of RMB116.3 million for the six months ended 30 June 2018.

## Income Tax Expense

Our income tax expense for the six months ended 30 June 2019 was RMB0.7 million, compared with income tax expense of RMB19.3 million for the six months ended 30 June 2018. This was primarily due to the decrease of assessable profit and the reverse of deferred tax liability.

## Profit for the Period from Continuing Operations

We had a profit of RMB20.2 million for the six months ended 30 June 2019, compared with a profit of RMB97.0 million for the six months ended 30 June 2018.

## Loss for the Period from Discontinued Operations

We did not incur any loss from discontinued operations for the six months ended 30 June 2019, compared with a loss of RMB2.0 million for the six months ended 30 June 2018.

## Profit for the Period

As a result of the foregoing, we had a profit of RMB20.2 million for the six months ended 30 June 2019, compared with a profit of RMB95.1 million for the six months ended 30 June 2018. This decrease was greatly affected by one-off non-cash re-measurement to disposal of 7% equity interest of Guangzhou Baiman in 2018.

## Non-IFRS Measure – Adjusted Net Profit/EBITDA

Our adjusted net profit for the six months ended 30 June 2019 was RMB20.5 million, representing a 79.5% decrease from RMB99.8 million for the six months ended 30 June 2018. Our adjusted EBITDA for the six months ended 30 June 2019 was RMB26.3 million, representing a 75.5% decrease from RMB107.0 million for the six months ended 30 June 2018. The adjusted net profit and EBITDA both decrease mainly due to the one-off gain to a disposal of 7% equity interest in the Group's then subsidiary, Guangzhou Baiman, and the non-cash re-measurement of the retained non-controlling investment in first half of 2018.

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 IFRSs, which is net profit:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Profit for the period</b>	<b>20,213</b>	95,074
Add:		
Share-based compensation	237	4,763
<b>Adjusted net profit</b>	<b>20,450</b>	99,837
Add:		
Depreciation and amortization	10,907	5,533
Finance income – net	(5,804)	(17,642)
Income tax	708	19,315
<b>Adjusted EBITDA</b>	<b>26,261</b>	107,043

# Management Discussion and Analysis

## LIQUIDITY AND CAPITAL RESOURCES

In the first half of 2019, 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 2019 RMB'000	Audited As of 31 December 2018 RMB'000
Total liabilities	276,464	128,592
Total assets	1,773,008	1,659,393
Gearing ratio <sup>(1)</sup>	15.6%	7.7%

Note:

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

### Cash and Bank Balances, 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 2019, our cash and bank balances consisted of cash in bank and cash on hand, which amounted to RMB965.8 million, compared with RMB1,145.7 million as of 31 December 2018. We had short-term deposits of RMB276.0 million as of 30 June 2019, compared with RMB222.5 million as of 31 December 2018, representing bank deposits which we intend to hold for over three months but less than one year. We also had structural deposit with embedded derivative of RMB290.0 million which was classified as “financial assets at fair value through profit or loss”, compared with RMB100.0 million as of 31 December 2018.

As of 30 June 2019, the Group had no restricted cash or long-term deposits.

The effective interest rate per annum for cash in bank balances and deposits as of 30 June 2019 was 2.0%, compared with 1.8% as of 31 December 2018. Our policy is to place our cash in interest-bearing principal-protected demand or deposits with reputable domestic or international banks.



# Management Discussion and Analysis

Our cash and bank balances, restricted cash, short-term deposits and long-term deposits are denominated in the following currencies:

Group	Unaudited	Audited
	As of 30 June 2019 RMB'000	As of 31 December 2018 RMB'000
RMB	1,426,412	1,404,412
HK\$	73,251	39,423
US\$	32,074	24,216
Others	104	100
	<b>1,531,841<sup>(2)</sup></b>	<b>1,468,151<sup>(1)</sup></b>

Notes:

1. The cash balance as of 31 December 2018 included the structural deposit with embedded derivative of RMB100.0 million which was classified as "financial assets at fair value through profit or loss" due to the application of IFRS 9 since 1 January 2018.
2. The cash balance as of 30 June 2019 included the structural deposit with embedded derivative of RMB290.0 million which was classified as "financial assets at fair value through profit or loss" due to the application of IFRS 9 since 1 January 2018.

## Bank Loans and Other Borrowings

The Group had no bank loans and other borrowing as of 30 June 2019.

## Treasury Policies

As of 30 June 2019, 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 2019, RMB105.4 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 in bank balances.

# Management Discussion and Analysis

## Capital Expenditures and Investments

Our capital expenditures consist of purchases of property and equipment such as servers and computers and intangible assets such as computer software. For the six months ended 30 June 2019, our total capital expenditures were RMB3.7 million, compared with RMB8.2 million for the six months ended 30 June 2018. The following table sets out our expenditures for the periods indicated:

	Unaudited	
	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Capital Expenditures</b>		
— Purchase of property and equipment	3,457	8,155
— Purchase of intangible assets	290	—
<b>Total</b>	<b>3,747</b>	<b>8,155</b>

## Contingent Liabilities

As of 30 June 2019, the Group did not have any material contingent liabilities, guarantees or litigation against it.

## Charges on Assets

As of 30 June 2019, 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 2019, the Group had 639 full-time employees. The following table sets forth the number of full-time employees by function as of 30 June 2019:

	As of 30 June 2019	
	Number of Employees	% of Total
Operations	240	37.56
Development and research	278	43.51
Sales and Marketing	59	9.23
General and administration	62	9.70
<b>Total</b>	<b>639</b>	<b>100</b>

## Management Discussion and Analysis

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 2019 was approximately RMB17.6 million, compared with RMB16.7 million in the first half of 2018. We incurred staff costs of approximately RMB79.8 million and RMB88.9 million, for the six months ended 30 June 2019 and 2018, representing 53.0% and 61.4% 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 1,316,000 share options and no shares of RSUs outstanding as of 30 June 2019.

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 55,858,000 shares, representing approximately 2.0% of our share capital as of the date of the AGM. Pursuant to the Post-IPO RSU Scheme, there were a total of 2,048,250 RSUs outstanding as of 30 June 2019.

### Dividend

At the Company's AGM on 28 June 2019, the then shareholders of the Company approved the Board-recommended final dividend of HK\$0.021 (equivalent to approximately RMB0.018) per share for the year ended 31 December 2018. The final dividend was paid to Shareholders on 31 July 2019.

The Board did not propose any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

## CHANGES SINCE 31 DECEMBER 2018

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 2018.

## SIGNIFICANT EVENTS

The Group did not have any significant events which have occurred after 30 June 2019.

# Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF BAI00 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 63, which comprises the interim condensed consolidated balance sheet of BAI00 Family Interactive Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2019 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of 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 of the Group 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 2019

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# Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
<b>Continuing operations</b>			
Revenue	6	150,593	144,862
Cost of revenue		(42,782)	(68,163)
<b>Gross profit</b>		<b>107,811</b>	76,699
Selling and marketing expenses		(20,131)	(29,427)
Administrative expenses		(25,751)	(28,295)
Research and development expenses		(44,569)	(38,695)
Net impairment losses on financial assets		(4,214)	(974)
Other income		1,673	4,217
Other gains — net	7	8,364	2,150
Gain on partial disposal of a subsidiary		—	115,015
Gain on partial disposal of an associate	12	7,274	—
<b>Operating profit</b>	8	<b>30,457</b>	100,690
Finance income		8,873	17,427
Finance costs		(3,069)	(67)
Finance income — net		5,804	17,360
Share of loss of an associate	12	(15,340)	(1,711)
<b>Profit before income tax</b>		<b>20,921</b>	116,339
Income tax expense	9	(708)	(19,315)
<b>Profit for the period from continuing operations</b>		<b>20,213</b>	97,024
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		—	(1,950)
<b>Profit for the period</b>		<b>20,213</b>	95,074

## Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
<b>Attributable to:</b>			
— Shareholders of the Company			
Continuing operations		20,334	100,955
Discontinued operations		—	(1,510)
		<b>20,334</b>	<b>99,445</b>
— Non-controlling interests			
Continuing operations		(121)	(3,931)
Discontinued operations		—	(440)
		<b>(121)</b>	<b>(4,371)</b>
		<b>20,213</b>	<b>95,074</b>
<b>Earnings per share for profit from continuing operations attributable to shareholders of the Company</b> (expressed in RMB per share)			
	10		
Basic earnings per share		0.0075	0.0367
Diluted earnings per share		0.0075	0.0365
<b>Earnings per share for profit attributable to shareholders of the Company</b> (expressed in RMB per share)			
	10		
Basic earnings per share		0.0075	0.0361
Diluted earnings per share		0.0075	0.0359

The notes on pages 35 to 63 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Profit for the period</b>	<b>20,213</b>	95,074
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences of discontinued operation	—	276
<b>Total comprehensive income for the period</b>	<b>20,213</b>	95,350
<b>Attributable to:</b>		
— Shareholders of the Company	<b>20,334</b>	99,638
— Non-controlling interests	<b>(121)</b>	(4,288)
	<b>20,213</b>	95,350
<b>Total comprehensive income/(loss) attributable to Shareholders of the Company arising from:</b>		
— Continuing operations	<b>20,334</b>	100,955
— Discontinued operations	—	(1,317)
	<b>20,334</b>	99,638

The notes on pages 35 to 63 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Balance Sheet

		Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	13	91,782	—
Property and equipment	13	27,177	28,230
Intangible assets	13	3,306	3,934
Investment in an associate	12	63,715	87,780
Prepayments and other receivables		4,983	3,266
Amounts due from an associate	21	20,000	—
Deferred income tax assets		2	—
Financial assets at fair value through profit or loss	15	4,997	6,954
		<b>215,962</b>	<b>130,164</b>
<b>Current assets</b>			
Inventories		2,083	2,265
Contract costs		1,553	1,135
Trade receivables	14	7,929	16,977
Prepayments and other receivables		13,164	18,043
Amounts due from an associate		—	22,168
Financial assets at fair value through profit or loss	15	290,476	100,490
Short-term deposits	16	276,008	222,465
Cash and bank balances	16	965,833	1,145,686
		<b>1,557,046</b>	<b>1,529,229</b>
<b>Total assets</b>		<b>1,773,008</b>	<b>1,659,393</b>
<b>EQUITY</b>			
Share capital	17	8	9
Share premium	17	1,403,815	1,457,324
Reserves	18	9,390	11,350
Retained earnings		75,488	55,154
<b>Capital and reserves attributable to Shareholders of the Company</b>		<b>1,488,701</b>	<b>1,523,837</b>
Non-controlling interests		7,843	6,964
<b>Total equity</b>		<b>1,496,544</b>	<b>1,530,801</b>



## Interim Condensed Consolidated Balance Sheet

		Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		88,837	—
Contract liabilities		5,549	7,954
Deferred income tax liabilities		6,211	9,228
		<b>100,597</b>	<b>17,182</b>
<b>Current liabilities</b>			
Trade payables	19	8,896	11,065
Other payables and accruals	20	77,440	38,874
Advances from customers and distributors		19,383	16,338
Grant advance from government		—	78
Lease liabilities	3.3	18,501	—
Contract liabilities		48,258	44,098
Income tax liabilities		3,351	918
Bank overdrafts		38	39
		<b>175,867</b>	<b>111,410</b>
<b>Total liabilities</b>		<b>276,464</b>	<b>128,592</b>
<b>Total equity and liabilities</b>		<b>1,773,008</b>	<b>1,659,393</b>

**DAI JIAN**  
*Director*

**LI CHONG**  
*Director*

The notes on pages 35 to 63 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to shareholders of the Company (Accumulated losses)/ retained earnings				Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000				
<b>Balance as at 1 January 2018</b>		9	1,525,596	18,161	(56,843)	1,486,923	1,851	1,488,774
<b>Comprehensive income</b>								
Profit/(loss) for the period		—	—	—	99,445	99,445	(4,371)	95,074
Other comprehensive income		—	—	193	—	193	83	276
<b>Total comprehensive income</b>		—	—	193	99,445	99,638	(4,288)	95,350
<b>Transactions with owners, recognized directly in equity</b>								
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	11	—	(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")		—	—	—	—	—	6,252	6,252
Winding up of Bumps to Babes Limited ("Bumps")		—	—	(1,741)	—	(1,741)	1,990	249
<b>Total transactions with owners, recognized directly in equity</b>		—	(55,690)	(4,312)	—	(60,002)	9,457	(50,545)
<b>Balance as at 30 June 2018</b>		9	1,469,906	14,042	42,602	1,526,559	7,020	1,533,579

## Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to shareholders of the Company						Non- controlling interests RMB'000	Total equity RMB'000
		Share capital	Share	Reserves	Retained	Total			
		RMB'000	premium RMB'000	RMB'000	earnings RMB'000	RMB'000	RMB'000		
Balance as at 1 January 2019		9	1,457,324	11,350	55,154	1,523,837	6,964	1,530,801	
<b>Comprehensive income</b>									
Profit/(loss) for the period		–	–	–	20,334	20,334	(121)	20,213	
<b>Total comprehensive income</b>		–	–	–	20,334	20,334	(121)	20,213	
<b>Transactions with owners, recognized directly in equity</b>									
Share Option Scheme:									
– Exercise of share options		–	3	(1)	–	2	–	2	
RSU Scheme:									
– Value of employee services	18	–	–	237	–	237	–	237	
– Vesting of RSUs	18	–	2,196	(2,196)	–	–	–	–	
Final dividend of 2018	11	–	(49,793)	–	–	(49,793)	–	(49,793)	
Buy-back and cancellation of shares	17	(1)	(5,915)	–	–	(5,916)	–	(5,916)	
Capital injection in a subsidiary from a non-controlling interest shareholder		–	–	–	–	–	1,000	1,000	
<b>Total transactions with owners, recognized directly in equity</b>		(1)	(53,509)	(1,960)	–	(55,470)	1,000	(54,470)	
<b>Balance as at 30 June 2019</b>		8	1,403,815	9,390	75,488	1,488,701	7,843	1,496,544	

The notes on pages 35 to 63 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	
		2019 RMB'000	2018 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations		41,554	(14,006)
Interest received		5,482	8,928
Income tax paid		(1,294)	(4,345)
<b>Net cash generated from/(used in) operating activities</b>		<b>45,742</b>	<b>(9,423)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment and intangible assets		(3,747)	(8,155)
Proceeds from disposals of subsidiaries		—	12,958
Proceeds from disposals of an associates	12	16,000	—
Proceeds from disposals of property and equipment		—	157
Purchase of short-term deposits and structural deposits		(1,564,008)	(901,465)
Settlement of short-term deposits and structural deposits		1,320,465	844,000
Interest received from bank deposits		18,303	10,079
<b>Net cash used in investing activities</b>		<b>(212,978)</b>	<b>(42,426)</b>
<b>Cash flows from financing activities</b>			
Exercise of share options		2	—
Buy-back of shares		(5,916)	(13,337)
Principal elements of lease payments		(4,623)	—
Interest paid		(3,070)	(105)
Proceeds from capital contribution		1,000	—
<b>Net cash used in financing activities</b>		<b>(12,607)</b>	<b>(13,442)</b>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		1,145,647	906,368
Currency translation gains on cash and cash equivalents		—	582
<b>Cash and cash equivalents at end of the period</b>		<b>965,795</b>	<b>841,659</b>
Cash and cash equivalents comprises:			
Bank overdrafts		(38)	(38)
Cash and bank balances	16	965,833	841,697
<b>Cash and cash equivalents</b>		<b>965,795</b>	<b>841,659</b>

The notes on pages 35 to 63 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”) and some other off-line businesses.

Due to the discontinuance of retail business as part of the Company’s strategy in 2018, 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”.

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 2019.

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 2019 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 2018, which have been prepared in accordance with IFRSs.

# Notes to the Interim Condensed Consolidated Financial Information

## 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 2019 for the Group:

IAS 19 (Amendments)	Employee Benefits	1 January 2019
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
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 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 16, 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 2019 and have not been early adopted:

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
IFRS 3 (Amendment)	Definition of a Business	1 January 2020
IAS 1 and IAS 8 (Amendment)	Definition of Material	1 January 2020
IFRS 17	Insurance contract	1 January 2021
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing this interim condensed consolidated financial information. None of these is expected to have a significant effect on the interim condensed consolidated financial information of the Group.

# Notes to the Interim Condensed Consolidated Financial Information

## 3 Accounting policies (continued)

### 3.3 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets are measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

#### (a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were 5.6% for leases below 5 years (inclusive) and 5.8% for leases over 5 years.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	126,793
Discounted using the lessee's incremental borrowing rate at the date of initial application	105,791
<b>Lease liability recognised as at 1 January 2019</b>	<b>105,791</b>
Of which are:	
Current lease liabilities	16,220
Non-current lease liabilities	89,571

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

## 3 Accounting policies (continued)

### 3.3 Changes in accounting policies (continued)

#### (a) Adjustments recognised on adoption of IFRS 16 (continued)

The recognised right-of-use assets mainly relate to properties.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB92,817,340
- lease liabilities — increase by RMB105,791,218
- other payables and accruals — decrease by RMB12,973,878

There was no significant impact on the Group's net profit after tax for the six months ended 30 June 2019 as a result of adoption of IFRS 16.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

#### (b) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.



## 3 Accounting policies (continued)

### 3.3 Changes in accounting policies (continued)

#### (b) The Group's leasing activities and how these are accounted for (continued)

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

# Notes to the Interim Condensed Consolidated Financial Information

## 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 2018.

## 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 2018.

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.

# Notes to the Interim Condensed Consolidated Financial Information

## 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
<b>As at 30 June 2019</b>	
Trade payables	8,896
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	59,114
Bank overdrafts	38
<b>As at 31 December 2018</b>	
Trade payables	11,065
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	21,330
Bank overdrafts	39

### 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)

# Notes to the Interim Condensed Consolidated Financial Information

## 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 2019.

	Level 3 RMB'000
<b>Recurring fair value measurements:</b>	
Assets:	
Financial assets at fair value through profit or loss	<b>295,473</b>

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2018.

	Level 3 RMB'000
<b>Recurring fair value measurements:</b>	
Assets:	
Financial assets at fair value through profit or loss	<b>107,444</b>

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.

# Notes to the Interim Condensed Consolidated Financial Information

## 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 2019.

	Financial assets at fair value through profit or loss RMB'000
<b>At 1 January 2019</b>	<b>107,444</b>
Addition	999,000
Gains recognized in profit or loss	9,097
Settlement	(820,068)
<b>At 30 June 2019</b>	<b>295,473</b>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under "Other gains — net"	10,578
Changes in net unrealised losses relating to assets held at the end of the reporting period	(1,481)

# Notes to the Interim Condensed Consolidated Financial Information

## 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
<b>At 1 January 2018</b>	6,856
Change in accounting policy	100,000
Gains recognized in profit or loss	1,839
<b>At 30 June 2018</b>	108,695
Changes in net unrealised gains relating to assets held at the end of the reporting period	1,839

Level 3 instruments mainly included an unlisted equity investment and structural deposits with embedded derivatives. The fair value gain for the period ended 30 June 2019 comprised realised gain of RMB10,578,000 (six months ended 30 June 2018: Nil) and unrealised loss of RMB1,481,000 (six months ended 30 June 2018: gain of RMB1,839,000).

# Notes to the Interim Condensed Consolidated Financial Information

## 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.

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

There were no material inter-segment sales during six months ended 30 June 2019 and 2018, 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.

# Notes to the Interim Condensed Consolidated Financial Information

## 6 Segment information (continued)

The segment revenue provided to the Group's CODM for the reportable segments for the six months ended 30 June 2019 and 2018, respectively, are as follows:

	Unaudited		
	Six months ended 30 June 2019		
	Online	Other	Total
	entertainment	businesses	
business	businesses	Total	
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition			
– At a point in time	95,375	–	95,375
– Over time	54,529	689	55,218

	Unaudited				
	Six months ended 30 June 2018				
	Online	Other	Subtotal	Discontinued	Total
	entertainment	businesses		operations*	
business	businesses	Subtotal	operations*	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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

\* 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".



# Notes to the Interim Condensed Consolidated Financial Information

## 6 Segment information (continued)

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 2019 and 2018, the geographical information on the total revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Continuing operations</b>		
– Mainland China	144,175	135,416
– Hong Kong	6,418	9,446
<b>Revenue from continuing operations</b>	<b>150,593</b>	144,862
<b>Discontinued operations</b>		
– Hong Kong	–	5,248
<b>Revenue from discontinued operations</b>	–	5,248
<b>Total</b>	<b>150,593</b>	150,110

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 2019 and 2018, 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 74.8% and 78.4% of the total revenue for six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
Legend of Aoqi	40.2%	31.1%
Aola Star	34.6%	27.4%
Zaowufaze	*	19.9%

\*Less than 10%.

As at 30 June 2019, the total non-current assets, other than financial instruments and deferred tax assets, located in Mainland China and Hong Kong were RMB187,081,000 (31 December 2018: RMB119,914,000) and RMB24,000 (31 December 2018: RMB30,000), respectively.

## Notes to the Interim Condensed Consolidated Financial Information

### 7 Other gains – net

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Financial assets at fair value through profit or loss:		
– Fair value gains (Note 5.3)	9,097	1,839
Foreign exchange (losses)/gains	(724)	192
Others	(9)	119
	<b>8,364</b>	<b>2,150</b>

### 8 Operating profit

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Employee benefit expenses	83,595	86,645
Promotion and advertising expenses	12,332	20,950
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	10,907	5,399
Gain on partial disposal of an associate	7,274	–
Distribution cost and payment handling fees	6,272	21,511
Net impairment losses on financial assets	4,214	974
Gain on partial disposal of a subsidiary	–	115,015

# Notes to the Interim Condensed Consolidated Financial Information

## 9 Income tax expense

The income tax expense of the Group for the six months ended 30 June 2019 and 2018 is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax expense	3,727	5,417
Deferred income tax (credit)/expense	(3,019)	13,898
	708	19,315

### (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 2019 and 2018, 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 2019 and 2018.

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 175% 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 2019 and 2018.

# Notes to the Interim Condensed Consolidated Financial Information

## 9 Income tax expense (continued)

### (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 2019 and 2018, 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.

## 10 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	
	2019	2018
Profit from continuing operations attributable to shareholders of the Company (RMB'000)	20,334	100,955
Weighted average number of ordinary shares in issue less shares held for RSU Schemes	2,703,416,810	2,752,389,068
Basic earnings per share (in RMB/share)	0.0075	0.0367

# Notes to the Interim Condensed Consolidated Financial Information

## 10 Earnings per share (continued)

### (a) Basic (continued)

#### (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.

	Unaudited Six months ended 30 June	
	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	<b>20,334</b>	99,445
Weighted average number of ordinary shares in issue less shares held for RSU Schemes	<b>2,703,416,810</b>	2,752,389,068
Basic earnings per share (in RMB/share)	<b>0.0075</b>	0.0361

### (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 2019 and 2018, 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.

# Notes to the Interim Condensed Consolidated Financial Information

## 10 Earnings per share (continued)

### (b) Diluted (continued)

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
<b>Earnings</b>		
Profit from continuing operations attributable to shareholders of the Company and profit used to determine diluted earnings per share (RMB'000)	<b>20,334</b>	100,955
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares in issue less shares held for RSU Scheme	<b>2,703,416,810</b>	2,752,389,068
<b>Adjustments for:</b>		
— Share options	<b>1,115,331</b>	1,151,515
— RSUs	<b>1,773,109</b>	13,940,599
Weighted average number of ordinary shares for diluted earnings per share	<b>2,706,305,250</b>	2,767,481,182
Diluted earnings per share (in RMB/share)	<b>0.0075</b>	0.0365

# Notes to the Interim Condensed Consolidated Financial Information

## 10 Earnings per share (continued)

### (b) Diluted (continued)

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
<b>Earnings</b>		
Profit attributable to shareholders of the Company and profit used to determine diluted earnings per share (RMB'000)	<b>20,334</b>	99,445
<b>Weighted average number of ordinary shares</b>	<b>2,703,416,810</b>	2,752,389,068
Weighted average number of ordinary shares in issue less shares held for RSU Scheme		
<b>Adjustments for:</b>		
— Share options	<b>1,115,331</b>	1,151,515
— RSUs	<b>1,773,109</b>	13,940,599
Weighted average number of ordinary shares for diluted earnings per share	<b>2,706,305,250</b>	2,767,481,182
Diluted earnings per share (in RMB/share)	<b>0.0075</b>	0.0359

# Notes to the Interim Condensed Consolidated Financial Information

## 11 Dividend

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Final dividend of HK\$0.021 (2018: HK\$0.021) per ordinary share (Note a)	51,595	50,385
Less: Dividend for shares held for the RSU Schemes	(1,802)	(1,913)
	<b>49,793</b>	48,472

- (a) The 2018 final dividend of HK\$0.021 (equivalent to approximately RMB0.018) per ordinary share, totalling HK\$58,651,000 (equivalent to approximately RMB51,595,000), was approved in the Company's annual general meeting held on 29 June 2019 and was paid on 31 July 2019.

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.

- (b) The Company did not declare an interim dividend for the six months ended 30 June 2019 (2018: nil).

## 12 Investment in an associate

	Unaudited
	Six months
	ended 30 June
	2019
<b>As at 1 January 2019</b>	<b>87,780</b>
Disposal (Note a)	(8,725)
Share of loss of the associate	(15,340)
<b>As at 30 June 2019</b>	<b>63,715</b>

- (a) In 2019, the Group disposed of 8% equity interest of investment in Guangzhou Baiman to Shenzhen Litong Industrial Investment Fund Company Limited ("Shenzhen Litong"), a third party, for a consideration of RMB16,000,000. In addition, Shenzhen Litong also injected RMB33,330,000 into Guangzhou Baiman. Upon completion of the transaction, the disposal gain was around RMB7,274,000.



## Notes to the Interim Condensed Consolidated Financial Information

### 13 Property and equipment, intangible assets and right-of-use assets

	Property and equipment RMB'000	Unaudited Intangible assets RMB'000	Right-of-use assets RMB'000
<b>Six months ended 30 June 2019</b>			
Opening net book amount	28,230	3,934	—
Adoption of IFRS 16	—	—	92,817
Additions	1,732	290	6,169
Depreciation and amortization charge	(2,785)	(918)	(7,204)
<b>Closing net book amount</b>	<b>27,177</b>	<b>3,306</b>	<b>91,782</b>
<b>Six months ended 30 June 2018</b>			
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)	—	—
<b>Closing net book amount</b>	<b>30,635</b>	<b>507</b>	<b>—</b>

### 14 Trade receivables

	Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
Receivables from third parties	11,080	18,024
Less: Allowance for impairment	(3,151)	(1,047)
	<b>7,929</b>	<b>16,977</b>

Trade receivables mainly arose from online payment agencies and third party web-based platforms and mobile platforms.

# Notes to the Interim Condensed Consolidated Financial Information

## 14 Trade receivables (continued)

The credit terms of trade receivables are usually 30 to 120 days. Ageing analysis of trade receivables is as follows:

	Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
0–30 days	1,481	9,087
31–60 days	1,628	1,640
61–90 days	2,279	2,765
91–180 days	1,363	850
Over 180 days	4,329	3,682
	<b>11,080</b>	<b>18,024</b>

## 15 Financial assets at fair value through profit and loss

	Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
<b>Included in non-current assets</b>		
Unlisted equity security	4,997	6,954
<b>Included in current assets</b>		
Structural deposits	290,476	100,490
	<b>295,473</b>	<b>107,444</b>

Changes in fair values of financial assets at fair value through profit or loss are recorded in “other gains — net” in the consolidated income statement (Note 7).

# Notes to the Interim Condensed Consolidated Financial Information

## 16 Cash and cash equivalents and short-term deposits

	Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
Short-term deposits (Note a)	276,008	222,465
Cash and bank balances		
— Cash at bank and on hand (Note b)	965,833	1,145,686
	<b>1,241,841</b>	1,368,151
Maximum exposure to credit risk (Note d)	<b>1,241,725</b>	1,367,986

- (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 2019 and 31 December 2018 were demand deposits in nature.
- (c) The effective interest rate per annum for all bank balances and term deposits as at 30 June 2019 was approximately 2.0% (31 December 2018: 1.8%).
- (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.

# Notes to the Interim Condensed Consolidated Financial Information

## 17 Share capital and share premium

As at 30 June 2019, the total number of issued ordinary shares of the Company was 2,792,904,000 shares (31 December 2018: 2,807,152,000 shares) which included 97,553,350 shares (31 December 2018: 101,709,350 shares) held under the RSU Scheme.

	Number of shares	Nominal value of shares US\$'000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:					
<b>As at 1 January 2019</b>	<b>2,807,152,000</b>	<b>2</b>	<b>9</b>	<b>1,457,324</b>	<b>1,457,333</b>
Share Option Scheme:					
— Proceeds from shares issued upon exercise of share options	28,000	—	—	3	3
RSU Scheme:					
— Vesting of RSUs	—	—	—	2,196	2,196
2018 final dividend payable to equity holders of the Company (Note 11)	—	—	—	(49,793)	(49,793)
Buy-back and cancellation of shares (Note a)	(14,276,000)	—	(1)	(5,915)	(5,916)
<b>As at 30 June 2019</b>	<b>2,792,904,000</b>	<b>2</b>	<b>8</b>	<b>1,403,815</b>	<b>1,403,823</b>
<b>As at 1 January 2018</b>	<b>2,874,958,000</b>	<b>2</b>	<b>9</b>	<b>1,525,596</b>	<b>1,525,605</b>
RSU Scheme:					
— Vesting of RSUs	—	—	—	6,119	6,119
Buy-back and cancellation of shares	(29,194,000)	—	—	(13,337)	(13,337)
Final dividend of 2017	—	—	—	(48,472)	(48,472)
<b>As at 30 June 2018</b>	<b>2,845,764,000</b>	<b>2</b>	<b>9</b>	<b>1,469,906</b>	<b>1,469,915</b>

- (a) The Company repurchased 14,276,000 of its own shares from the stock market during the six months ended 30 June 2019 for cash totalling HKD6,614,890 (equivalent to RMB5,916,000) which was deducted from shareholders' equity.

# Notes to the Interim Condensed Consolidated Financial Information

## 18 Reserves

	Other reserves RMB'000	Statutory reserves RMB'000 (Note a)	Unaudited Share-based compensation reserve RMB'000	Translation RMB'000	Total RMB'000
<b>As at 1 January 2019</b>	<b>2,069</b>	<b>5,083</b>	<b>4,198</b>	—	<b>11,350</b>
Share Option Scheme:					
— Exercise of share options	—	—	(1)	—	(1)
RSU Scheme:					
— Value of employee services	—	—	237	—	237
— Vesting of RSUs	—	—	(2,196)	—	(2,196)
<b>As at 30 June 2019</b>	<b>2,069</b>	<b>5,083</b>	<b>2,238</b>	—	<b>9,390</b>
<b>As at 1 January 2018</b>	2,069	5,005	9,539	1,548	18,161
RSU Scheme					
— Value of employee services	—	—	2,103	—	2,103
— Vesting of RSUs	—	—	(6,119)	—	(6,119)
Value of employee services for restricted shares of a subsidiary	—	—	1,445	—	1,445
Currency translation difference	—	—	—	193	193
Winding up of Bumps	—	—	—	(1,741)	(1,741)
<b>As at 30 June 2018</b>	<b>2,069</b>	<b>5,005</b>	<b>6,968</b>	—	<b>14,042</b>

# Notes to the Interim Condensed Consolidated Financial Information

## 18 Reserves (continued)

- (a) 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.
- (b) 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 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 2019 RMB'000	Audited As at 31 December 2018 RMB'000
0–30 days	5,759	5,499
31–60 days	959	3,762
61–180 days	1,204	974
181–365 days	974	830
	<b>8,896</b>	11,065

# Notes to the Interim Condensed Consolidated Financial Information

## 20 Other payables and accruals

	Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
Dividend payable (Note 11)	49,793	—
Staff costs and welfare accruals	16,764	16,433
Professional service fees payable	7,555	5,566
Other tax liabilities	1,562	1,111
Catering service fees payable	743	—
Commission payable to distributors	219	354
Accruals for rental expenses	—	12,974
Payables on leasehold improvements	—	1,725
Others	804	711
	<b>77,440</b>	<b>38,874</b>

## 21 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 2019 and 2018:

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.

# Notes to the Interim Condensed Consolidated Financial Information

## 21 Significant related party transactions (continued)

### (b) Balances with related parties

#### (i) Amounts due from an associate

	Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
Guangzhou Baiman (Note a)	20,000	22,168

(a) As at 30 June 2019, the amounts due from an associate are 3 unsecured loans of RMB15,000,000, RMB3,000,000 and RMB2,000,000 with an interest rate of 5.4% per annum. The due dates were 5 March 2021, 19 July 2021 and 14 September 2021, respectively.

As at 31 December 2018, the amounts due from an associate are unsecured, interest-free and repayable on demand.

### (c) Transactions with an associate

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest income from Guangzhou Baiman	581	191
Office rental income from Guangzhou Baiman	419	—
	<b>1,000</b>	191



# Notes to the Interim Condensed Consolidated Financial Information

## 21 Significant related party transactions (continued)

### (d) Key management personnel compensations

Key management compensation amounted to RMB4,154,000 for the six month ended 30 June 2019 (2018: RMB4,184,000).

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	3,780	3,675
Pension costs — defined contribution plans	140	117
Other social security costs, housing benefits and other employee benefits	151	154
Share-based compensation expenses	83	238
	4,154	4,184

## 22 Contingencies

The Group did not have any material contingent liabilities as at 30 June 2019 and 31 December 2018.

# 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 2019. 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 set out in Appendix 10 to the Listing Rules 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 enquiries 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 set out in Appendix 14 to the Listing Rules 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 2019.

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 2018 (the “2018 Annual Report”).

## CHANGES IN DIRECTORS’ BIOGRAPHICAL DETAILS

The Company is not aware of any changes in the Directors’ information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules for the six months ended 30 June 2019.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During 1H2019, the Company repurchased a total of 14,276,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$6,614,890. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases during the six months ended 30 June 2019 are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	2,500,000	0.4500	0.4300	1,096,600
April	1,278,000	0.5200	0.4950	652,800
May	6,248,000	0.5000	0.4600	3,021,750
June	4,250,000	0.4500	0.4050	1,843,740
<b>Total</b>	<b>14,276,000</b>			<b>6,614,890</b>

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 2019.

## INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2019. (six months ended 30 June 2018: nil).

## Other Information

### 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 2019, 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 <sup>(9)</sup>
DAI Jian (戴堅) <sup>(1)</sup>	Chairman, Executive Director and Chief Executive Officer	The Company	Founder of a discretionary trust Interest of controlled corporation	769,460,000(L) <sup>(8)</sup>	27.55%(L)
		The Company	Beneficial owner	10,000,000(L)	0.36%(L)
WU Lili (吳立立) <sup>(2)</sup>	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	447,112,000(L)	16.01%(L)
LI Chong (李冲) <sup>(3)</sup>	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	203,304,000(L)	7.28%(L)
WANG Xiaodong (王曉東) <sup>(4)</sup>	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	74,544,000(L)	2.67%(L)
LIU Qianli (劉千里) <sup>(5)</sup>	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.01%(L)
WANG Qing (王慶) <sup>(6)</sup>	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.01%(L)
MA Xiaofeng (馬肖風) <sup>(7)</sup>	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.01%(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 2019, 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 2019, 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 2019, 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 2019, 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 2,792,904,000 Shares in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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.

## Other Information

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

As at 30 June 2019, 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 <sup>(8)</sup>
TMF (Cayman) Ltd. <sup>(1)</sup>	Trustee of trusts	1,519,888,000(L) <sup>(7)</sup>	54.42%(L)
DAE Holding Investments Limited <sup>(2)</sup>	Trust holding company	769,460,000(L)	27.55%(L)
Stmoritz Investment Limited <sup>(2)</sup>	Registered owner	769,460,000(L)	27.55%(L)
DAI Jian (戴堅) <sup>(2)(5)</sup>	Founder of a discretionary trust Interest of a controlled corporation	769,460,000(L)	27.55%(L)
	Beneficial owner	10,000,000(L)	0.36%(L)
Bright Stream Holding Limited <sup>(3)</sup>	Registered owner	447,112,000(L)	16.01%(L)
WHEZ Holding Ltd. <sup>(3)</sup>	Trust holding company	447,112,000(L)	16.01%(L)
WU Lili (吳立立) <sup>(3)</sup>	Founder of a discretionary trust	447,112,000(L)	16.01%(L)
LNZ Holding Limited <sup>(4)</sup>	Registered owner	203,304,000(L)	7.28%(L)
Golden Water Management Limited <sup>(4)</sup>	Trust holding company	203,304,000(L)	7.28%(L)
LI Chong (李冲) <sup>(4)</sup>	Founder of a discretionary trust	203,304,000(L)	7.28%(L)
The Core Trust Company Limited <sup>(6)</sup>	Trustee of a trust	185,356,000(L)	6.64%(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 2019, 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 2,792,904,000 Shares in issue as of 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 2019, no Options has been lapsed and no Option has been cancelled. As at 30 June 2019, there were a total of 1,316,000 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 2019. 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 2019, Duoduo Holding Limited holds 44,000 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 2019

Name of Grantees	Nature	Number of Shares represented by Options at 1 January 2019	Date of grant	Exercise price (US\$)	Exercised during the period	Lapsed during the period	Number of Shares represented by Options at 30 June 2019	Vesting Period	Exercise period	Approximate percentage of issued Shares of the Company <sup>(3)</sup>
<b>Other employees of the Group</b>										
11 employees	Options	922,000	20 June 2010	0.0090	28,000	—	894,000	Note 1	Note 2	0.03%
2 employees	Options	422,000	15 January 2011	0.0090	—	—	422,000	Note 1	Note 2	0.02%
<b>Sub-total</b>		1,344,000		—	28,000	—	1,316,000			0.05%
<b>Total</b>		1,344,000		—	28,000	—	1,316,000			0.05%

## Notes:

- (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 2019.

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.

## Other Information

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 2019, 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 2019, the Pre-IPO RSU Nominee holds 91,780,000 Shares and the New RSU Nominee hold 24,098,000 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 2019, there were a total of 2,048,250 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 0.07% as at 30 June 2019.

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 2019, Baiduo Investment Holding Limited holds 93,532,000 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 months ended 30 June 2019

Name of Grantees	Nature	Number of Shares underlying the RSUs as at 31 December 2018	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 2019	Vesting Schedule	Approximate percentage of issued Shares of the Company <sup>(3)</sup>
<b>(1) Post-IPO RSU Scheme</b>										
<b>(a) Senior management member(s) of the Company</b>										
CHEN Xiao Hong (陳小紅)	RSUs	450,000	—	10 July 2015	—	300,000	—	150,000	Note 1	0.01%
<b>Sub-total</b>		450,000	—		—	300,000	—	150,000		0.01%
<b>(b) Other grantees (other than the grantees disclosed in paragraphs 1a above)</b>										
60 employees	RSUs	5,761,500	—	10 July 2015	—	3,816,000	167,250	1,778,250	Note 1	0.06%
1 employee	RSUs	160,000	—	10 November 2017	—	40,000	—	120,000	Note 2	0.00%
<b>Sub-total</b>		5,921,500	—		—	3,856,000	167,250	1,898,250		0.06%
<b>Total</b>		6,371,500	—		—	4,156,000	167,250	2,048,250		0.07%

## Notes:

- (1) 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.
- (2) 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.
- (3) 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 2019.

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.

## Other Information

### 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 31 December 2018, unutilised proceeds from the abovementioned issuances amounted to RMB411.8 million. During the reporting period, a total of RMB1.2 million had been utilised in accordance with the intended use as disclosed in the Prospectus, in particular, approximately RMB1.2 million had been utilised to fund our further expansion into the online education and e-learning market on both PC and mobile. Unutilised proceeds from the aforementioned issuances as of 30 June 2019, being RMB410.6 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 2019, the Company has no further update to disclose in relation to the Qualification Requirement.

### MATERIAL LITIGATION

As at 30 June 2019, 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.