BAIOO Family Interactive Limited
百 奧 家 庭 互 動 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2100)

2015 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of BAIOO Family Interactive Limited ("**BAIOO**" or the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2015.

Financial Summary

INCOME STATEMENT HIGHLIGHT

	Unaudited Six months ended 30 June		Period-over-period
	2015	2014	change
	RMB'000	*RMB'000*	%
Revenue	**183,930**	287,770	(36.1%)
Gross profit	**110,087**	208,390	(47.2%)
Operating profit	**38,368**	135,604	(71.7%)
Non-International Financial Reporting Standards ("**IFRSs**") Measures			
— Adjusted Net Profit(1)	**62,063**	140,594	(55.9%)
— Adjusted EBITDA(2)	**50,768**	160,508	(68.4%)

Note:

(1) We define adjusted net profit consists of profit/(loss) for the period plus share-based compensation and fair value loss of convertible redeemable preferred shares.

(2) We define adjusted EBITDA consists of adjusted net profit less finance income — net, and plus income tax, depreciation of fixed assets and amortization of intangible assets.

BALANCE SHEET HIGHLIGHT

	Unaudited As of 30 June 2015 *RMB'000*	Audited As of 31 December 2014 *RMB'000*
Assets		
Non-current assets	**365,463**	19,654
Current assets	**1,396,598**	1,664,139
Total assets	**1,762,061**	1,683,793
Equity and liabilities		
Total equity	**1,506,627**	1,509,674
Non-current liabilities	**14,806**	3,305
Current liabilities	**240,628**	170,814
Total liabilities	**255,434**	174,119
Total equity and liabilities	**1,762,061**	1,683,793

Management Discussion and Analysis

BUSINESS OVERVIEW

In the first half of 2015, BAIOO recorded a recovery in its virtual worlds through a strategic shift to focus on audience engagement. We moved away from a strategy of heavy monetization, and instead introduced new content geared towards being "fun" for children, as well as creating incentive programs to attract users back to our products. The Company's true user numbers, namely the average quarterly active accounts after account optimization, stood at 48.1 million during the first half. Product-wise, we officially launched Amazing Combat in June, a first-person-shooter browser based game for early-teens, which has been well received by the market. We also launched a revamped version of our 100BT.com web portal, with additional user features and a more streamlined navigation system, as well as an animated movie based on our popular virtual world Aola Star, which was released in July this year.

Strategically, we made a number of moves to diversify our business as well as create synergies. We invested in Bumps to Babes Limited ("**Bumps to Babes**"), a leading provider of maternity products in Hong Kong, through Bababaobei Trading Limited, whose 74.9% equity interest is held by Bababaobei Commerce Limited, a 92.5% owned subsidiary of the Group. Bumps to Babes is one of the largest providers of baby products through physical stores in Hong Kong, and will allow BAIOO to tap into the lucrative maternity market in China via E-commerce. We also cooperated with Beijing Xingmen Dongman Technology Limited Company (北京星門動漫科技有限公司) (also known as "**Xmen Entertainment**"), a developer of mobile games and computer generated graphics, through Guangzhou Baitian Information Technology Ltd. (廣州百田信息科技有限公司), the PRC operating entity in our Group. Beijing Xingmen Dongman Technology Limited Company is an experienced design company, which will help support our mobile product lines and graphical improvements in our virtual worlds. Both strategic initiatives are not expected to contribute notable revenue in the short term, however, we are confident that they will generate significant value for shareholders in the long run.

INDUSTRY REVIEW

In the first half of 2015, according to the 2015 Jan-Jun China Gaming Industry Report by the State Administration of Press, Publication, Radio, Film and Television of the PRC, China's gaming revenue recorded at RMB60.51 billion, up 21.9% on a year-over-year basis. Of this, the web-based game market was responsible for RMB10.28 billion, which experienced a significant slowdown with year-over-year growth rate dropping from 71.9% to 12.0%. This was mainly attributable to the dynamic shift towards mobile devices which has been brought about by the technological developments of mobile software and increased accessibility of portable devices.

Despite this, in terms of market size, according to the iResearch report, the children web-based game market is estimated to reach RMB1.7 billion in 2015. The market growth potential in the web-based game market will provide significant opportunities for BAIOO's primary line of business moving forward, as we continue to maintain the largest market share of the children web-based game market in China. We also have a number of mobile products in our pipeline that we aim to release before the end of the year, which will allow BAIOO to gain a foothold in the mobile market.

A separate report by iResearch noted that the market for maternity and baby products in China had a gross market value of RMB1.43 trillion in 2013, and is expected to surpass RMB2 trillion in 2015. In particular, the market value of e-commerce within this market was worth over RMB86 billion in 2013, with a compound annual growth rate ("**CAGR**") of 30% going into 2017. BAIOO's investment into Bumps to Babes in May 2015 will allow it to tap into this lucrative market, and its well-established e-commerce platform, which we plan to launch in China in the second half of 2015, will be well-positioned to cater to the needs of parents.

OUTLOOK FOR SECOND HALF OF 2015

In late March 2015, The Chinese government released the "Internet Plus" initiative, a policy aiming to integrate mobile internet, cloud computing and big data for traditional sectors and promote the development of e-commerce, industrial networks and internet banking. As the largest online destination for children in China, BAIOO has an unrivaled insight into the children's market, and this policy is expected to create significant business opportunities for the Company.

In the second half of 2015, BAIOO will continue to consolidate its position as the largest online destination for children in China, while also expanding into the mobile sphere and maternity market. One of our key goals in the second half of 2015 is to expand Bumps to Babes into China, mainly through launching a one-stop-shop e-commerce platform to satisfy the growing demand for quality baby and maternal products. Strategically, in line with our goal to diversify and increase our product variety outside of the role playing virtual world genre, we are looking to launch additional products in the second half of 2015, the majority of which will be mobile focused. We believe Amazing Combat will be an important part of this new portfolio going forward, and we intend to continue introducing new content and optimizations to build active account numbers.

In terms of our virtual world business, the Group will continue to strategically focus on making its products fun and engaging to children in order to increase the user base of its virtual worlds. At the end of the first half of 2015, this strategy has already shown signs of bearing fruit, as we saw some users coming back to our virtual worlds. Looking ahead, while our significant investments in the first half of 2015 are unlikely to have significant revenue contribution in the second half of 2015, we expect our ongoing focus on audience engagement to bring about continued increases in total user numbers, while our upcoming mobile offerings and launch of Bumps to Babes in China will give us access to a significantly larger group of potential customers. All of these efforts will materially improve BAIOO's long term growth story, and we are confident that they will establish a solid foundation for our future development.

OPERATION INFORMATION

The following table sets out average quarterly active accounts ("**QAAs**"), average quarterly paying accounts ("**QPAs**") and average quarterly average revenue per quarterly paying accounts ("**ARQPA**") for our online virtual worlds for periods indicated below (Note):

	Six months ended		
	30 June 2015	30 June 2014	Period-over-period change
	(QAA &QPA in millions, ARQPA in RMB)		
average QAA	**48.1**	56.2	(14.4%)
average QPA	**2.4**	3.3	(27.3%)
average quarterly ARQPA	**34.3**	41.9	(18.1%)

Note:

As of 30 June 2015, our online virtual worlds under commercial operation included Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Clashes of Aoqi, Magic Fighter, and Amazing Combat.

The average QAA for online virtual worlds was approximately 48.1 million for the six months ended 30 June 2015, representing a decrease of approximately 14.4% compared with the same period last year. This reflected shifting user trends from PCs to mobile devices and the lower proportion of multiple accounts due to ongoing user account optimization.

The average QPA for online virtual worlds was approximately 2.4 million for the six months ended 30 June 2015, representing a decrease of approximately 27.3% compared with the same period last year as a result of shifting user trends from PCs to mobile devices.

The average quarterly ARQPA for online virtual worlds was approximately RMB34.3 for the six months ended 30 June 2015, representing a decrease of approximately 18.1% compared with the same period last year due to the decreased monetization rate of our virtual worlds.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth our consolidated statements of comprehensive income for the six months ended 30 June 2015 and 2014:

	Unaudited For the six months ended			
	30 June 2015 *RMB'000*	**% of Revenue**	30 June 2014 *RMB'000*	% of Revenue
Revenue	**183,930**	**100.0**	287,770	100.0
Online business	**172,308**	**93.7**	286,078	99.4
Other businesses	**11,622**	**6.3**	1,692	0.6
Cost of revenue	**(73,843)**	**(40.1)**	(79,380)	(27.6)
Gross profit	**110,087**	**59.9**	208,390	72.4
Selling and marketing expenses	**(26,483)**	**(14.5)**	(31,362)	(10.9)
Administrative expenses	**(33,165)**	**(18.0)**	(31,976)	(11.1)
Research and development expenses	**(15,533)**	**(8.4)**	(12,725)	(4.4)
Other income	**3,460**	**1.9**	—	—
Other gains — net	**2**	**0.0**	3,277	1.1
Operating profit	**38,368**	**20.9**	135,604	47.1
Finance income — net	**23,836**	**12.9**	8,467	2.9
Fair value loss of convertible redeemable preferred shares	**—**	**—**	(327,749)	(113.8)
Profit/(loss) before income tax	**62,204**	**33.8**	(183,678)	(63.8)
Income tax expense	**(8,749)**	**(4.7)**	(24,583)	(8.5)
Profit/(loss) for the period	**53,455**	**29.1**	(208,261)	(72.3)
Total comprehensive income/(loss) for the period	**53,455**	**29.1**	(208,261)	(72.3)
Other financial data				
Adjusted net profit[1] (unaudited)	**62,063**	**33.7**	140,594	48.9
Adjusted EBITDA[2] (unaudited)	**50,768**	**27.6**	160,508	55.8

Notes:

1. Adjusted net profit consists of profit/(loss) for the period plus share-based compensation and fair value loss of convertible redeemable preferred shares.

2. Adjusted EBITDA consists of adjusted net profit less finance income-net, plus income tax, depreciation of fixed assets and amortization of intangible assets.

Revenue

Our revenue for the six months ended 30 June 2015 was RMB183.9 million, representing a 36.1% decrease from RMB287.8 million for the six months ended 30 June 2014.

Online Business: Our online business revenue for the six months ended 30 June 2015 was RMB172.3 million, a 39.8% decrease from RMB286.1 million for the six months ended 30 June 2014. This was primarily due to the decrease of QPA and ARQPA as a result of shifting user trends from PCs to mobile devices.

Other Business: Revenue from other businesses for the six months ended 30 June 2015 was RMB11.6 million, a 582.4% increase from RMB1.7 million for the six months ended 30 June 2014, primarily due to additional revenue generated from the sales of baby and maternity products by Bumps to Babes, which we acquired on 8 May 2015.

Cost of Revenue

Our cost of revenue for the six months ended 30 June 2015 was RMB73.8 million, a 7.1% decrease from RMB79.4 million for the six months ended 30 June 2014. This was primarily driven by (i) an RMB8.1 million decrease in employee benefit expenses as a result of reducing operating headcount from 427 as of 30 June 2014 to 407 as of 30 June 2015; (ii) a RMB1.4 million decrease in prepaid card production fee and (iii) a RMB6.2 million increase in cost of goods sold as a result of baby and maternity product sales following the Bumps to Babes acquisition.

Gross Profit

As a result of the foregoing, our gross profit for the six months ended 30 June 2015 was RMB110.1 million, compared with RMB208.4 million for the six months ended 30 June 2014. Gross profit margin was 59.9% for the six months ended 30 June 2015, which compares with 72.4% for the six months ended 30 June 2014. The lower gross profit margin was mainly due to the shift in user trends from PCs to mobile devices and was also affected by the lower gross profit margins of baby and maternity products that were sold by Bumps to Babes.

Selling and Marketing Expenses

Our selling and marketing expenses for the six months ended 30 June 2015 were RMB26.5 million, a 15.6% decrease from RMB31.4 million for the six months ended 30 June 2014. This primarily reflected lower marketing spending on promotional programs.

Administrative Expenses

Our administrative expenses for the six months ended 30 June 2015 were RMB33.2 million, a 3.8% increase from RMB32.0 million for the six months ended 30 June 2014. This was primarily a result of higher employee benefit expenses due to an increase in administrative headcount from 43 as of 30 June 2014 to 54 as of 30 June 2015.

Research and Development Expenses

Our research and development expenses for the six months ended 30 June 2015 were RMB15.5 million, a 22.0% increase from RMB12.7 million for the six months ended 30 June 2014. This was primarily driven by increases in research and development projects and staff cost expenses due to the research and development headcount increased from 101 as of 30 June 2014 to 185 as of 30 June 2015.

Other Gains — net

The Company recognized only RMB2,000 in foreign exchange gains in the first half of 2015, which compares with RMB3.3 million for the six months ended 30 June 2014.

Operating Profit

As a result of the foregoing, our operating profit for the six months ended 30 June 2015 was RMB38.4 million, representing a 71.7% decrease from RMB135.6 million for the six months ended 30 June 2014. Our operating profit margin for the six months ended 30 June 2015 was 20.9% compared with 47.1% for the six months ended 30 June 2014.

Finance Income — net

We had net finance income of RMB23.8 million for the six months ended 30 June 2015, compared with net finance income of RMB8.5 million for the six month ended 30 June 2014. Net finance income for the six months ended 30 June 2015 was primarily due to RMB27.2 million in interest income on cash in bank balances and deposits. Finance income for the six months ended 30 June 2015 was primarily attributable to (i) RMB26.6 million in interest income on deposits and (ii) RMB0.6 million in interest income on cash in bank balances.

Fair Value Loss of Convertible Redeemable Preferred Shares

We had no fair value loss on convertible redeemable preferred shares for the six months ended 30 June 2015, which compares with a fair value loss of RMB327.7 million for the six months ended 30 June 2014, which was due to the convertible redeemable preferred shares that were converted into ordinary shares upon completion of the Company's IPO.

Profit/(Loss) before Income Tax

As a result of the foregoing, we had a profit of RMB62.2 million for the six months ended 30 June 2015, compared with a loss of RMB183.7 million for the six months ended 30 June 2014.

Income Tax Expense

Our income tax expense for the six months ended 30 June 2015 was RMB8.7 million, a 64.6% decrease from RMB24.6 million for the six months ended 30 June 2014.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB53.5 million for the six months ended 30 June 2015, compared with a loss of RMB208.3 million for the six months ended 30 June 2014 due to the impact of fair value loss of convertible redeemable preferred shares.

Non-IFRS Measure — Adjusted Net Profit/EBITDA

Our adjusted net profit for the six months ended 30 June 2015 was RMB62.1 million, representing a 55.8% decrease from RMB140.6 million for the six months ended 30 June 2014. Our adjusted EBITDA for the six months ended 30 June 2015 was RMB50.8 million, representing a 68.3% decrease from RMB160.5 million for the six months ended 30 June 2014.

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:

Group	**Unaudited Six months ended 30 June**	
	2015	2014
	RMB'000	*RMB'000*
Profit/(loss) for the period	**53,455**	(208,261)
Add:		
Share-based compensation	**8,608**	21,106
Fair value loss of convertible redeemable preferred shares	**—**	327,749
Adjusted net profit	**62,063**	140,594
Add:		
Depreciation and amortization	**3,792**	3,798
Finance income-net	**(23,836)**	(8,467)
Income tax	**8,749**	24,583
Adjusted EBITDA	**50,768**	160,508

LIQUIDITY AND CAPITAL RESOURCES

In the first half of 2015, 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 2015 *RMB'000*	Audited As of 31 December 2014 *RMB'000*
Total liabilities	**255,434**	174,119
Total assets	**1,762,061**	1,683,793
Gearing ratio[3]	**14%**	10%

Notes:

(3) Gearing ratio is calculated by dividing total liabilities by total assets.

Cash and Cash Equivalents, Short-Term Deposits and Long-Term Deposits

As of 30 June 2015, our cash and cash equivalents consisted of cash in bank and cash on hand, which amounted to RMB347.8 million, compared with RMB259.4 million as of 31 December 2014. We had short-term deposits of RMB986.0 million as of 30 June 2015, representing bank deposits which we intend to hold for over three months but less than one year. We also had long-term deposits of RMB300.0 million as of 30 June 2015, representing bank deposits with an expected maturity of over one year but less than two years. The effective interest rate per annum for cash in bank balances and deposits as of 30 June 2015 was 3.0%, compared with 2.9% as of 31 December 2014. Our policy is to place our cash in interest-bearing principal-protected demand or deposits with reputable PRC or international banks.

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

Group	**Unaudited As of 30 June 2015** *RMB'000*	Audited As of 31 December 2014 *RMB'000*
RMB	**1,401,054**	1,544,733
US$	**165**	164
HK$	**232,575**	78,670
	1,633,794	1,623,567

Bank Loans and Other Borrowings

The Group had overdrafts of RMB250,000 as of 30 June 2015, which are shown in current liabilities.

The Group had banking facility of RMB946,320 as of 30 June 2015.

Treasury Policies

As of 30 June 2015, 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 2015, RMB232.7 million of our financial resources were held in deposits in non-RMB currencies. Since there are no cost-effective hedges against the fluctuation 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.

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. In the first half of 2015, our total capital expenditures were RMB2.3 million, compared with RMB5.0 million in the first half of 2014. The following table sets out our expenditures for the periods indicated:

	Unaudited For six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Capital Expenditures		
— Purchase of property and equipment	**2,152**	4,777
— Purchase of intangible assets	**109**	263
Total	**2,261**	5,040

Contingent Liabilities

As of 30 June 2015, the Group did not have any material contingent liabilities, guarantees or litigation against it.

Charges on Assets

As of 30 June 2015, there were no charges on the Group's assets.

Material Acquisitions and Future Plans for Major Investment

In 2015, the Group: i) acquired a 74.9% equity stake in Bumps to Babes for a consideration of RMB48,256,000; and ii) subscribed to invest RMB4,000,000 in Beijing Xingmen Dongman Technology Limited Company for a 20% equity interest.

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 2015, the Group had 714 full-time employees, 94.7% of whom are based in Guangzhou. The following table sets forth the number of full-time employees by function as of 30 June 2015:

	As of 30 June 2015	
	Number of Employees	**% of Total**
Operations	**407**	**57.0**
Development and research	**185**	**25.9**
Sales and marketing	**68**	**9.5**
General and administration	**54**	**7.6**
Total	**714**	**100.0**

In addition to salary, we also provide various incentives, including share-based awards, such as share options and restricted shares units ("**RSU**") 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 2015 were approximately RMB12.7 million, compared with RMB11.9 million in the first half of 2014. We incurred staff costs of approximately RMB85.3 million and RMB89.1 million, for the six months ended 30 June 2015 and 2014, representing 46.4% and 31.0% 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 2,560,000 share options and 78,567,200 RSUs outstanding as of 30 June 2015.

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 112,426,480 shares, representing approximately 4.0% of our share capital as of the date of this announcement. As of the date of this announcement, 95,780,000 RSUs have been granted to a total of 111 senior management members and employees of the Group pursuant to the Post-IPO RSU Scheme.

Dividend

At the Company's annual general meeting ("**AGM**") on 19 June 2015, shareholders approved the Board-recommended final dividend of HK$0.035 (equivalent to approximately RMB0.028) per share for the year ended 31 December 2014. The final dividend was paid to shareholders on 17 July 2015.

The Board did not propose any interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

CHANGES SINCE 31 DECEMBER 2014

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 2014.

INTERIM CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June **2015** ***RMB'000***	 2014 *RMB'000*
Revenue	*3*	**183,930**	287,770
Cost of revenue		**(73,843)**	(79,380)
Gross profit		**110,087**	208,390
Selling and marketing expenses		**(26,483)**	(31,362)
Administrative expenses		**(33,165)**	(31,976)
Research and development expenses		**(15,533)**	(12,725)
Other income		**3,460**	—
Other gains — net		**2**	3,277
Operating profit	*4*	**38,368**	135,604
Finance income		**27,207**	8,604
Finance costs	*5*	**(3,371)**	(137)
Fair value loss of convertible redeemable preferred shares		**—**	(327,749)
Profit/(Loss) before income tax		**62,204**	(183,678)
Income tax expense	*6*	**(8,749)**	(24,583)
Profit/(Loss) for the period		**53,455**	(208,261)
Attributable to:			
— Shareholders of the Company		**53,382**	(208,261)
— Non-controlling interests		**73**	—
		53,455	(208,261)
Earnings/(Losses) per share			
(expressed in RMB per share)	*7*		
— Basic		**0.0198**	(0.1003)
— Diluted		**0.0195**	(0.1003)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Profit/(Loss) for the period	**53,455**	(208,261)
Other comprehensive income	**—**	—
Total comprehensive income/(loss) for the period	**53,455**	(208,261)
Attributable to:		
— Shareholders of the Company	**53,382**	(208,261)
— Non-controlling interests	**73**	—
	53,455	(208,261)

INTERIM CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 30 June 2015** *RMB'000*	Audited As at 31 December 2014 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**10,516**	10,943
Goodwill		**33,306**	—
Other intangible assets		**16,198**	383
Prepayments and other receivables		**2,482**	733
Deferred income tax assets		**2,961**	7,595
Long-term deposits		**300,000**	—
		365,463	19,654
Current assets			
Inventories		**11,702**	—
Trade receivables	*9*	**915**	6,425
Prepayments and other receivables		**47,668**	33,339
Short-term deposits		**985,991**	1,364,200
Cash and cash equivalents		**347,803**	259,367
Prepaid tax		**2,519**	808
		1,396,598	1,664,139
Total assets		**1,762,061**	1,683,793
EQUITY			
Share capital		**8**	8
Share premium		**1,568,824**	1,636,621
Reserves		**44,032**	49,916
Accumulated losses		**(123,489)**	(176,871)
		1,489,375	1,509,674
Non-controlling interests		**17,252**	—
Total equity		**1,506,627**	1,509,674

	Note	Unaudited As at 30 June 2015 *RMB'000*	Audited As at 31 December 2014 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred revenue		**3,462**	3,305
Deferred income tax liabilities		**2,601**	—
Long-term payable		**8,743**	—
		14,806	3,305
Current liabilities			
Trade payables	*10*	**8,158**	1,945
Other payables and accruals		**101,574**	36,778
Advances from customers and distributors		**69,462**	73,664
Advance from government grant		**1,810**	1,810
Deferred revenue		**59,253**	56,617
Income tax liabilities		**121**	—
Bank overdrafts		**250**	—
		240,628	170,814
Total liabilities		**255,434**	174,119
Total equity and liabilities		**1,762,061**	1,683,793
Net current assets		**1,155,970**	1,493,325
Total assets less current liabilities		**1,521,433**	1,512,979

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2015 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 2014, which have been prepared in accordance with IFRSs.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

(i) Amendments to standards adopted by the Group as at 1 January 2015.

The following amendments to standards are mandatory for the Group's financial year beginning 1 January 2015. The adoption of these amendments to standards does not have any material impact on the Group.

IAS 19 (Amendment)	'Defined Benefit Plans'
IFRSs (Amendment)	Annual Improvements 2010–2012 Cycle
IFRSs (Amendment)	Annual Improvements 2011–2013 Cycle

There are no other amended standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(ii) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(iii) Goodwill

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

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

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

(iv) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognized at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 15 years.

(v) Revenue: sales of goods — retail

The Group operates a chain of retail outlets for selling maternity clothes, children product and related items. Sales of goods are recognized when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

(vi) Inventories

Inventories comprise merchandise held for direct sales and low value consumables are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3 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. As a result of this evaluation, the Group determined that it has operating segments as follows:

— Online business

— Other businesses

Revenues from the Group's other businesses mainly include revenue from sales of maternity clothes, children product and related items, advertising revenue and licensing income from licensing the Group's proprietary cartoon images to merchandisers and book publishers.

The CODM assesses the performance of the operating segments mainly based on segment revenue of each operating segment. The cost of revenue, selling and marketing expenses, administrative expenses, research and development expenses, other income, other gains — net, finance income — net, fair value loss of convertible redeemable preferred shares and income tax expense are not included in the measure of the segments' performance.

The revenues from external customers reported to CODM are measured as segment revenue.

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

The segment revenues provided to the Group's CODM for the reportable segments for the six months ended 30 June 2015 and 2014 are as follows:

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Online business		
— Online virtual worlds	**172,156**	285,633
— Other online games	**152**	445
Sub-total	**172,308**	286,078
Other businesses	**11,622**	1,692
Total	**183,930**	287,770

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC. As a great majority of the Group's revenue is derived from business operated in the PRC, no geographical segment information is presented to the CODM's review.

There is no concentration risk in terms of customers (which include end users from online business and customers from other businesses) as no single external customer contributed more than 10% of the Group's total revenue for the six months ended 30 June 2015 and 2014. However, revenue of the Group is mainly derived from self-developed online virtual worlds 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 online business revenue account for 86.3% and 94.6% of the online business revenue for the six months ended 30 June 2015 and 2014, respectively. The percentage of revenue contributed by the following online virtual worlds is not presented for the periods when such amount is less than 10% of the Group's total revenue in a particular period.

	Unaudited	
	Six months ended 30 June	
	2015	2014
Legend of Aoqi	**43.4%**	34.8%
Aola Star	**28.9%**	34.3%
Aobi Island	**14.0%**	10.9%
Dragon Knights	**N/A**	14.6%

CODM reviews the performance of and allocates resources to operating segments based on the revenue of each segment. The reconciliation of revenue to profit/(loss) before income tax for the six months ended 30 June 2015 and 2014 is shown in the interim consolidated income statement.

4 Operating profit

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Operating items		
Employee benefit expenses	**85,262**	89,142
Promotion and advertising expenses	**22,725**	25,486
Bandwidth and server custody fees	**9,504**	9,860
Operating lease rentals in respect of office premises	**6,864**	4,071
Cost of inventories sold	**6,212**	—
Professional fees	**3,901**	7,207
Depreciation of property and equipment and amortization of intangible assets	**3,792**	3,798
Prepaid card production fee	**2,090**	3,448

5 Interest on borrowings

The interest on borrowings, which is shown within finance cost, is analyzed as follows:

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interest on borrowings	**2**	137

6 Income tax expense

The income tax expense of the Group for the six months ended 30 June 2015 and 2014 is analyzed as follows:

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax	**4,055**	23,177
— Hong Kong profits tax	**89**	—
Deferred income tax	**4,605**	1,406
Income tax expense	**8,749**	24,583

(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 2015 and 2014.

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

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except Guangzhou Baitian Information Technology Ltd., which was qualified as "High and New Technology Enterprise" 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 2015 and 2014.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed for its entities in ascertaining their assessable profits for the six months ended 30 June 2015 and 2014.

(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 2015 and 2014, 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.

7 Earnings/(losses) per share

(a) Basic

Basic earnings/(losses) per share is calculated by dividing the earnings/(losses) attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2015	2014
Earnings/(losses) attributable to shareholders of the Company *(RMB'000)*	**53,382**	(208,261)
Weighted average number of ordinary shares in issue	**2,693,563,914**	2,077,108,796
Basic earnings/(losses) per share *(in RMB/share)*	**0.0198**	(0.1003)

(b) Diluted

Diluted earnings/(losses) 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 2015, 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 period) 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.

For the six months ended 30 June 2014, the Company had three categories of potential ordinary shares, the share options, convertible redeemable preferred shares and the RSUs, which had to be considered for calculating diluted losses per share. No adjustment has been made to basic losses per share to derive the diluted losses per share for the period ended 30 June 2014 as each of the types of potential ordinary shares is anti-dilutive.

	Unaudited Six months ended 30 June 2015
Earnings	
Earnings attributable to shareholders of the Company *(RMB'000)*	**53,382**
Interest expense on convertible debt (net of tax)	**—**
Earnings used to determine diluted earnings per share *(RMB'000)*	**53,382**
Weighted average number of ordinary shares	
Weighted average number of ordinary shares in issue	**2,693,563,914**
Adjustments for:	
— Share options	**3,412,650**
— RSUs	**46,142,340**
Weighted average number of ordinary shares for diluted earnings per share	**2,743,118,904**
Diluted earnings per share (in RMB/share)	**0.0195**

8 Dividend

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Final dividend of HK$0.035 (2014: nil) per ordinary share *(Note a)*	**77,577**	—
Less: Dividend for shares held for the RSU Scheme	**(3,162)**	—
	74,415	—
Special dividend paid to pre-IPO shareholders *(Note b)*	**—**	154,127
	74,415	154,127

(a) A 2014 final dividend of HK$0.035 (equivalent to approximately RMB0.028) per ordinary share, totalling HK$98,373,000 (equivalent to approximately RMB77,577,000), was approved in the Company's AGM on 19 June 2015 and was paid on 17 July 2015.

(b) On 18 March 2014, the shareholders of the Company resolved to declare a special dividend of US$25,000,000 (equivalent to approximately RMB154,127,000) payable after the IPO to the Pre-IPO shareholders, contingent on the Company's having available share premium and/or distributable reserves subsequent to the IPO. On 29 April 2014, such special dividend was paid to the Pre-IPO shareholders out of the share premium account.

(c) The Company did not declare an interim dividend for the six months ended 30 June 2015 (2014: nil).

9 Trade receivables

	Unaudited As at 30 June 2015	Audited As at 31 December 2014
	RMB'000	*RMB'000*
Receivables from third parties	**915**	6,425
Less: Allowance for impairment	**—**	—
	915	6,425

Trade receivables mainly arose from several online payment collection channels and advertising agencies. Advertising revenues of the Group are mainly generated on sales with credit terms determined on an individual basis with normal credit periods of 90 to 120 days from the respective invoice dates. As at 30 June 2015, the ageing analysis of trade receivables is as follows:

	Unaudited As at 30 June 2015 *RMB'000*	Audited As at 31 December 2014 *RMB'000*
0–30 days	**405**	1,776
31–60 days	**47**	98
61–90 days	**148**	64
91–180 days	**210**	4,487
Over 1 year	**105**	—
	915	6,425

10 Trade payables

Trade payables primarily relate to the purchase of inventory for the retail of maternity clothes, children product and related items, services for server custody, outsourcing game development 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 2015 *RMB'000*	Audited As at 31 December 2014 *RMB'000*
0–30 days	**5,954**	1,693
31–60 days	**1,410**	1
61–180 days	**783**	2
181–365 days	**5**	249
1–2 years	**6**	—
	8,158	1,945

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 2015. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2015.

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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Model Code**") as its own securities dealing code to regulate all dealings by directors of securities in the Company and other matters covered by the Model Code. The directors of the Company (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 applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the period from 1 January 2015 to 30 June 2015.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company, its subsidiaries and the PRC Operating Entity did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2015.

Interim Dividend

The Directors do not recommend the payment of dividend for the six months ended 30 June 2015 (2014: nil).

Publication of 2015 Interim Results and Interim Report

The interim results announcement is published on the Company's website (http://www.baioo.com.hk) and the website of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk). The interim report of the Company for the six months ended 30 June 2015 will be dispatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
BAIOO Family Interactive Limited
DAI JIAN
Chairman

Hong Kong, 28 August 2015

As of the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr. DAI Jian *(Chairman)*
Mr. WU Lili
Mr. LI Chong
Mr. WANG Xiaodong

Non-executive Director:
Mr. JI Yue

Independent Non-executive Directors:
Ms. LIU Qianli
Mr. WANG Qing
Mr. MA Xiaofeng