百奧家庭互動有限公司
BAIOO Family Interactive Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2100)

2019 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, its subsidiaries and its controlled entity in the PRC (the "**Group**") for the six months ended 30 June 2019.

Financial Summary

INCOME STATEMENT HIGHLIGHT

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

Notes:

1. 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.

2. 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.

3. 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 7% equity interest in the Group's then subsidiary, Guangzhou Baiman Culture Communications Company Limited ("**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 13 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*
Assets		
Non-current assets	**215,962**	130,164
Current assets	**1,557,046**	1,529,229
Total assets	**1,773,008**	1,659,393
Equity and liabilities		
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
Total equity and liabilities	**1,773,008**	1,659,393

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 personal computers ("**PC(s)**") and mobile devices. The Company has effectively deployed its intellectual property ("**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 aboard 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 research and development ("**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, BAIOO 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, BAIOO 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, BAIOO 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 BAIOO'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, BAIOO 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, BAIOO will continue to explore the niche mobile game markets to fulfil the increasing demand among enthusiastic players.

The Company has to stay competitive in the midst of tough competitions, 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 quarterly active accounts ("**QAA**"), average quarterly paying accounts ("**QPA**") and average quarterly average revenue per quarterly paying accounts ("**ARQPA**") for our online virtual worlds for the periods indicated below (Notes):

	For the six months ended		Period-
	30 June	30 June	over-period
	2019(1)	2018	change
	(QAA & QPA in millions, ARQPA in RMB)		
average QAA(2)	**11.5**	16.8	(31.5%)
average QPA(3)	**1.1**	1.1	—
average quarterly ARQPA(4)	**70.9**	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) For the six months ended			
	30 June 2019 *RMB'000*	**% of Revenue**	30 June 2018 *RMB'000*	% of Revenue
Revenue	**150,593**	**100**	144,862	100
Online entertainment business	**149,904**	**100**	143,247	99
Other business	**689**	**0**	1,615	1
Cost of revenue	**(42,782)**	**(28)**	(68,163)	(47)
Gross profit	**107,811**	**72**	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**	—	—
Operating profit	**30,457**	**20**	100,690	69
Finance income-net	**5,804**	**4**	17,360	12
Share of loss of an associate	**(15,340)**	**(10)**	(1,711)	(1)
Profit before income tax	**20,921**	**14**	116,339	80
Income tax expense	**(708)**	**0**	(19,315)	(13)
Profit for the period from continuing operations	**20,213**	**13**	97,024	67
Loss for the period from discontinued operations	**—**	**—**	(1,950)	(1)
Profit for the period	**20,213**	**13**	95,074	66
Other comprehensive income, net of tax	**—**	**—**	276	0
Total comprehensive income for the period	**20,213**	**13**	95,350	66
Other financial data				
Adjusted net profit(1) (unaudited)	**20,450**	**—**	99,837	—
Adjusted EBITDA(2) (unaudited)	**26,261**	**—**	107,043	—

Notes:

1. 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.

2. 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.

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 13 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 an 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*
Profit for the period	**20,213**	95,074
Add:		
Share-based compensation	**237**	4,763
Adjusted net profit	**20,450**	99,837
Add:		
Depreciation and amortization	**10,907**	5,533
Finance income-net	**(5,804)**	(17,642)
Income tax	**708**	19,315
Adjusted EBITDA	**26,261**	107,043

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	Audited As of 31 December 2018
	RMB'000	*RMB'000*
Total liabilities	**276,464**	128,592
Total assets	**1,773,008**	1,659,393
Gearing ratio(1)	**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.

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

Group	**Unaudited As of 30 June 2019** *RMB'000*	Audited 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
	1,531,841[(2)]	1,468,151[(1)]

Note:

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.

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*
Capital Expenditures		
— Purchase of property and equipment	**3,457**	8,155
— Purchase of intangible assets	**290**	—
Total	**3,747**	8,155

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
Total	**639**	**100**

In addition to salary, we also provide various incentives, including share-based awards, such as share options and restricted shares units ("**RSUs**") granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by the People's Republic of China (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 (as defined below). 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 annual general meeting ("**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.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Continuing operations			
Revenue	*5*	**150,593**	144,862
Cost of revenue		**(42,782)**	(68,163)
Gross profit		**107,811**	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	*6*	**8,364**	2,150
Gain on partial disposal of a subsidiary		**—**	115,015
Gain on partial disposal of an associate	*13*	**7,274**	—
Operating profit	*7*	**30,457**	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		**(15,340)**	(1,711)
Profit before income tax		**20,921**	116,339
Income tax expense	*8*	**(708)**	(19,315)
Profit for the period from continuing operations		**20,213**	97,024
Discontinued operations			
Loss for the period from discontinued operations		**—**	(1,950)
Profit for the period		**20,213**	95,074

	Note	Unaudited Six months ended 30 June **2019** ***RMB'000***	 2018 *RMB'000*
Attributable to:			
— Shareholders of the Company			
Continuing operations		**20,334**	100,955
Discontinued operations		**—**	(1,510)
		20,334	99,445
— Non-controlling interests			
Continuing operations		**(121)**	(3,931)
Discontinued operations		**—**	(440)
		(121)	(4,371)
		20,213	95,074
Earnings per share for profit from continuing operations attributable to shareholders of the Company (expressed in RMB per share)	*9*		
Basic earnings per share		**0.0075**	0.0367
Diluted earnings per share		**0.0075**	0.0365
Earnings per share for profit attributable to shareholders of the Company (expressed in RMB per share)	*9*		
Basic earnings per share		**0.0075**	0.0361
Diluted earnings per share		**0.0075**	0.0359

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited As at 30 June 2019** *RMB'000*	Audited As at 31 December 2018 *RMB'000*
ASSETS			
Non-current assets			
Right-of-use assets	*2.3*	**91,782**	—
Property and equipment		**27,177**	28,230
Intangible assets		**3,306**	3,934
Investment in an associate	*13*	**63,715**	87,780
Prepayments and other receivables		**4,983**	3,266
Amounts due from an associate		**20,000**	—
Deferred income tax assets		**2**	—
Financial assets at fair value through profit or loss		**4,997**	6,954
		215,962	130,164
Current assets			
Inventories		**2,083**	2,265
Contract costs		**1,553**	1,135
Trade receivables	*11*	**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		**290,476**	100,490
Short-term deposits		**276,008**	222,465
Cash and bank balances		**965,833**	1,145,686
		1,557,046	1,529,229
Total assets		**1,773,008**	1,659,393
EQUITY			
Share capital		**8**	9
Share premium		**1,403,815**	1,457,324
Reserves		**9,390**	11,350
Retained earnings		**75,488**	55,154
Capital and reserves attributable to Shareholders of the Company		**1,488,701**	1,523,837
Non-controlling interests		**7,843**	6,964
Total equity		**1,496,544**	1,530,801

	Note	Unaudited As at 30 June 2019 *RMB'000*	Audited As at 31 December 2018 *RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities	*2.3*	**88,837**	—
Contract liabilities		**5,549**	7,954
Deferred income tax liabilities		**6,211**	9,228
		100,597	17,182
Current liabilities			
Trade payables	*12*	**8,896**	11,065
Other payables and accruals		**77,440**	38,874
Advances from customers and distributors		**19,383**	16,338
Grant advance from government		**—**	78
Lease liabilities	*2.3*	**18,501**	—
Contract liabilities		**48,258**	44,098
Income tax liabilities		**3,351**	918
Bank overdrafts		**38**	39
		175,867	111,410
Total liabilities		**276,464**	128,592
Total equity and liabilities		**1,773,008**	1,659,393

1 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.

2 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.

2.1 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 2.3 below.

2.2 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.

2.3 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**
Lease liability recognised as at 1 January 2019	**105,791**
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.

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.

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.

3 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.

4 Financial risk management and financial instruments

4.1 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.

4.2 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.

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

4.3 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)

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
Recurring fair value measurements:	
Assets:	
Financial assets at fair value through profit or loss	**295,473**

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
Recurring fair value measurements:	
Assets:	
Financial assets at fair value through profit or loss	107,444

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.

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
At 1 January 2019	**107,444**
Addition	**999,000**
Gains recognized in profit or loss	**9,097**
Settlement	**(820,068)**
At 30 June 2019	**295,473**
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)**

	Financial assets at fair value through profit or loss
	RMB'000
At 1 January 2018	6,856
Change in accounting policy	100,000
Gains recognized in profit or loss	1,839
At 30 June 2018	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).

5 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.

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 entertainment business *RMB'000*	**Other businesses** *RMB'000*	**Total** *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 entertainment business	Other businesses	Subtotal	Discontinued 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".

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*
Continuing operations		
— Mainland China	**144,175**	135,416
— Hong Kong	**6,418**	9,446
Revenue from continuing operations	**150,593**	144,862
Discontinued operations		
— Hong Kong	**—**	5,248
Revenue from discontinued operations	**—**	5,248
Total	**150,593**	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.

6 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 4.3)	**9,097**	1,839
Foreign exchange (losses)/gains	**(724)**	192
Others	**(9)**	119
	8,364	2,150

7 Operating profit

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

	Unaudited Six months ended 30 June	
	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

8 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.

(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.

9 Earnings per share

(a) Basic

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

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

	Six months ended 30 June	
	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

(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)	**20,334**	99,445
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**	0.0361

(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.

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

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

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

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

10 Dividend

	Unaudited Six months ended 30 June 2019 *RMB'000*	2018 *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)
	49,793	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, totaling 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).

11 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)
	7,929	16,977

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

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
	11,080	18,024

12 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	**369**	830
1–2 years	**605**	—
	8,896	11,065

13 Investment in an associate

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

(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.

Audit Committee and Review of Financial Statements

The audit committee of the Company (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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (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 Corporate Governance Code ("**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.

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 Highest *(HK$)*	Purchase price per Share Lowest *(HK$)*	Aggregate consideration (before expenses) *(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
Total	**14,276,000**			**6,614,890**

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)

Publication of 2019 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.hkexnews.hk). The 2019 interim report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

On behalf of the Board
BAIOO Family Interactive Limited
DAI Jian
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 August 2019

As at the date of this announcement, the executive Directors of the Company are Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong and Mr. WANG Xiaodong; the independent non-executive Directors of the Company are Ms. LIU Qianli, Dr. WANG Qing and Mr. MA Xiaofeng.