FingerTango Inc.
指尖悅動控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6860)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "**Board**") of FingerTango Inc. (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the six-month period ended 30 June 2018 (the "**Reporting Period**"), which was prepared in accordance with International Accounting Standard 34 "**Interim Financial Reporting**" and have been reviewed by the independent auditor of the Company, PricewaterhouseCoopers (the "**Independent Auditor**"), in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and reviewed by the Company's audit committee.

FINANCIAL SUMMARY

	(Unaudited) Six months ended 30 June		
	2018	2017	Change
	RMB Million		*%*
Revenue	**537.5**	601.8	(10.7)
Gross profit	**313.0**	372.8	(16.0)
Profit for the period	**87.1**	104.3	(16.5)
Non-IFRS Measures			
— Adjusted Profit[(1)]	**143.1**	104.3	37.2

Note:

(1) Adjusted profit for the period excludes the impact from expenses in relation to listing of RMB17.2 million and share-based compensation to key employees of RMB38.8 million;

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

According to the China Gaming Industry Report 2018 1H jointly 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) and Gamma Data (伽馬數據), the online game industry in China generated a total revenue of approximately RMB105 billion in the Reporting Period, representing an increase of 5.2% as compared to the corresponding period last year; and the total number of game users reached 530 million. The mobile game market has maintained its leading position in the Reporting Period amidst mobile technology development, with its revenue reaching RMB63.41 billion, and its market share in terms of total revenue rising to 60.4%; the number of mobile game users for China market further increased to 460 million in the Reporting Period. Mobile game has already become the main driver for the overall growth in the game market, and is expected to further fuel sustainable growth in the mobile game publishing industry in future.

Meanwhile, hardcore games have emerged as a mainstream genre in the mobile game industry. The segment of SLG games, which we dedicate in, has shown rapid growth in recent years; due to factors such as long lifecycle and better compatibility with mobile devices, the demand for SLG games has grown significantly in mobile game market, making SLG one of the fastest-growing segments among the major game genres in China.

Business Review

We are a leading mobile game publisher and a pioneer in the SLG game publishing industry in China. Our outstanding ability in lengthening the lifecycle of games and enhancing the overall conversion rate differentiates us from other players in the industry.

Our revenue in the Reporting Period was approximately RMB537.5 million, decreased by approximately 10.7% as compared to the corresponding period last year, primarily due to strategic adjustment in game launching plan, as we are conducting comprehensive tests for the new titles to be launched in 2018 to ensure their sound performance after official launch. Thus, we believe that the decrease of the revenue for the first half was temporary and could not reflect the trend of the revenue for the full year of 2018 appropriately. Growth momentum driven by the new titles is expected to be seen in the second half of the year and 2019.

The profit in the Reporting Period was approximately RMB87.1 million, as compared to RMB104.3 million in the corresponding period last year, while excluding the impact of (i) one-off expenses in relation to listing of RMB17.2 million, and (ii) share-based compensation to key employees of RMB38.8 million, the adjusted profit in the Reporting Period recorded RMB143.1 million, significantly increased by 37.2% as compared with the corresponding period last year.

We have observed satisfactory business indicators throughout the Reporting Period. Four titles have generated an average monthly gross billings of RMB15 million or above in the Reporting Period. *Tank Frontline* (坦克前線), our signature title, is still popular after more than 40 months' operation, and has achieved an average monthly gross billings of RMB36 million or above. The level of game monetization has continued to grow, with the average revenue per month per paying user ("**ARPPU**") recording a significant growth of 39.7% to RMB243 and the total number of accumulative registered users reaching 138.6 million; the enormous user base will benefit us in launching new titles in the future.

Since 2018, we have been investing significant resources and utilizing our accumulated SLG publishing experience and user data to continue expanding our game portfolio, as well as to build a diversified collection of products.

During the Reporting Period, we have officially launched an SLG game – *Enthroned* (任我為王) in March. Throughout the Reporting Period, the new titles expected to be launched by the end of the year have already been developed or are being developed. *Windy World* (風色世界) and *The Light of King* (王者之光), developed by renowned developers, are among the most anticipated new games to be launched later in Q3. The two new titles are currently under test operation. With a robust game pipeline, we have been proactively optimizing our launch strategy, and it is expected to bring new driving force for business growth.

Outlook for 2018

For the second half of 2018, we will continue to expand the existing game portfolio, and diversify game genres so as to develop more prime game products. Meanwhile, we will continue to enhance players' experience based on our understanding in users' preferences and tastes, continuously optimize the existing game contents, so as to enhance players' experience and increase the level of game monetarization. Besides, we plan to further enhance our team by introducing top talents in the industry especially in technology and marketing, and invest resources to support the expansion of product portfolio and our business development. While closely cooperating with leading game developers, we will continue to introduce and collaborate with reputable developers, so as to acquire quality content and jointly develop thrilling games. Moreover, we will proactively explore overseas market and expand international player base to grasp growth opportunity, thereby further consolidating our overall leading position in mobile game publishing industry.

Financial Performance

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	**537,464**	601,814
Cost of revenue	**(224,448)**	(229,035)
Gross profit	**313,016**	372,779
Selling and marketing expenses	**(141,983)**	(230,006)
Administrative expenses	**(57,149)**	(11,412)
Research and development expenses	**(16,650)**	(18,889)
Other income	**726**	3,398
Other loss, net	**(2,128)**	(2,268)
Operating profit	**95,832**	113,602
Finance income	**3,155**	311
Profit before income tax	**98,987**	113,913
Income tax expense	**(11,884)**	(9,649)
Profit for the period attributable to owners of the Company	**87,103**	104,264
Non-IFRS Measures		
Adjusted profit attributable to owners of the Company	**143,138**	104,264

Revenue

The Group's revenue in the Reporting Period was approximately RMB537.5 million, representing a decrease by approximately 10.7% or approximately RMB64.3 million as compared to the corresponding period last year. The decrease was primarily due to adjustment in game launching plan, as we are conducting comprehensive tests for the new titles to be launched in 2018 to ensure their sound performance after official launch. Growth momentum driven by the new titles is expected to be seen in the second half of the year and 2019.

During the Reporting Period, revenue generated from our seven major titles was approximately RMB519.2 million, reduced by 9.7% as compared to RMB574.9 million during the corresponding period last year. The main reason for such reduction is that titles such as *Tank Frontline* (坦克前線) have already been launched for over 40 months, lifecycles of which have gone far beyond the average lifecycles of SLG games ranging from 18 to 24 months, indicating the such titles are in their mature stage, and resulting in the decrease in revenue when compared to the corresponding period last year. As new titles will be launched in the market in the second half of 2018, a new growth momentum is yet to be seen.

With respect to revenue categorized by method of publication, self-publishing revenue remained relatively stable at approximately RMB271.0 million as compared to the corresponding period last year, representing 50.4% of the total revenue as compared to 46.7% of the total revenue in the corresponding period last year. Co-publishing revenue dropped by approximately 16.9% to approximately RMB266.4 million, representing 49.6% of the total revenue.

Cost of Revenue

The cost of revenue in the Reporting Period was approximately RMB224.4 million, slightly decreased by 2.0% or RMB4.6 million as compared to the corresponding period last year. It was mainly due to the decrease in platform sharing charges was partially offset by the growing commissions charged by game developers.

Gross Profit and Gross Profit Margin

During the Reporting Period, our gross profit was approximately RMB313.0 million, as compared to RMB372.8 million for the corresponding period last year, which is in line with the trend of the Group's revenue. Our gross profit margin slightly decreased from 61.9% to 58.2% as compared to the corresponding period last year, since the magnitude of decrease in cost is smaller than that of the decrease in revenue.

Other Income

During the Reporting Period, other income was approximately RMB0.7 million, decreased by approximately 78.6 % or approximately RMB2.7 million as compared to the corresponding period last year. The decrease was mainly due to the decrease in government grant during the Reporting Period.

Other Loss, net

During the Reporting Period, other loss, net was approximately RMB2.1 million, decreased by 6.2% or approximately RMB0.1 million as compared to the corresponding period last year.

Finance Income

During the Reporting Period, finance income was approximately RMB3.2 million, soared by approximately 914.5% or approximately RMB2.8 million as compared to the corresponding period last year. The increase was mainly from interest income of the short-term deposit with maturity less than 90 days.

Selling and Marketing Expenses

The selling expenses in the Reporting Period were approximately RMB142.0 million, reduced by approximately 38.3% or approximately RMB88.0 million as compared to the corresponding period last year, constituting 26.4% of the total revenue, and representing a reduction from 38.2% in the corresponding period last year. It was primarily due to adjustment in game launching plan, and the selling and marketing expenses were mainly spent on the operation and promotion of existing games.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB57.1 million, as compared to approximately RMB11.4 million for the corresponding period last year. It was mainly due to the one-off listing-related expenses and share-based compensation to key employees.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB16.7 million, decreased by approximately 11.9% or RMB2.2 million as compared to the corresponding period last year. The decrease was primarily due to less commissioned game development expenses incurred in the Reporting Period.

Income Tax Expense

The income tax expense in the Reporting Period was approximately RMB11.9 million, increased by 23.2% or approximately RMB2.3 million as compared to the corresponding period last year. It was a consequent result of an increased taxable income.

Profit in the Reporting Period

The profit attributable to owners of the Group in the Reporting Period was RMB87.1 million, dropped by 16.5% as compared to RMB104.3 million in the corresponding period last year, which was a consequent result of: (i) one-off listing-related expenses of RMB17.2 million and share-based compensation to key employees of RMB38.8 million; (ii) adjustment in game launching plan, and as a result, revenue generated in the Reporting Period does not reflect performance of the new titles to be launched. Growth momentum driven by the new titles is expected to be seen in the second half of the year and in 2019.

Non-IFRS Measures – Adjusted Profit

The adjusted profit in the Reporting Period, adjusted by excluding the impact from one-off expenses in relation to listing and share-based compensation to key employees, was RMB143.1 million, significantly increased by 37.2% as compared to RMB104.3 million for the first half of 2017.

The following table sets out the adjusted profit as well as the calculation process based on non-IFRS for the Reporting Period:

	(Unaudited) Six months ended 30 June	
	2018	2017
	RMB million	
Profit for the period	**87.1**	104.3
Add:		
Share-based compensation	**38.8**	—
Listing-related expenses	**17.2**	—
Adjusted profit	**143.1**	104.3

FINANCIAL INFORMATION

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June **2018** *RMB'000* ***(Unaudited)***	2017 *RMB'000* *(Unaudited)*
Revenue	5	**537,464**	601,814
Cost of revenue	6	**(224,448)**	(229,035)
Gross profit		**313,016**	372,779
Selling and marketing expenses	6	**(141,983)**	(230,006)
Administrative expenses	6	**(57,149)**	(11,412)
Research and development expenses	6	**(16,650)**	(18,889)
Other income		**726**	3,398
Other loss, net	7	**(2,128)**	(2,268)
Operating profit		**95,832**	113,602
Finance income		**3,155**	311
Profit before income tax		**98,987**	113,913
Income tax expense	8	**(11,884)**	(9,649)
Profit for the period attributable to owners of the Company		**87,103**	104,264
Total comprehensive income for the period, net of tax		**87,103**	104,264
Total comprehensive income attributable to owners of the Company		**87,103**	104,264
Earnings per share (expressed in RMB per share)	9		
— Basic		**0.06**	0.07
— Diluted		**0.06**	0.07

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2018** *RMB'000* *(Unaudited)*	As at 31 December 2017 *RMB'000* *(Audited)*
ASSETS			
Non-current assets			
Property and equipment		**9,376**	9,281
Intangible assets		**1,310**	1,498
Financial assets at fair value through other comprehensive income		**11,200**	11,200
Prepayments and other receivables		**20,138**	17,417
Deferred tax assets		**22,851**	28,522
Total non-current assets		**64,875**	67,918
Current assets			
Trade receivables	11	**132,610**	157,715
Prepayments and other receivables		**87,700**	55,301
Contract costs		**54,066**	70,394
Cash and cash equivalents		**357,656**	573,761
Total current assets		**632,032**	857,171
Total assets		**696,907**	925,089
EQUITY			
Share capital		**48**	—
Shares held for restricted share unit scheme		**(2)**	—
Reserves		**83,793**	195,525
Retained earnings		**330,263**	356,466
Total equity		**414,102**	551,991
LIABILITIES			
Current liabilities			
Trade payable	12	**76,209**	102,234
Contract liabilities		**134,189**	174,757
Current income tax liabilities		**27,543**	31,771
Other payable and accruals		**44,864**	64,336
Total current liabilities		**282,805**	373,098
Total liabilities		**282,805**	373,098
Total equity and liabilities		**696,907**	925,089

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information

FingerTango Inc. (the "**Company**") was incorporated in the Cayman Islands on 9 January 2018 as an exempted company with limited liability. The address of the Company's registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "**Group**") are principally engaged in the development, operation and publishing of mobile game business (the "**Publishing Business**") in the People's Republic of China (the "**PRC**"). Mr. Liu Jie ("**Mr. Liu**") and Mr. Zhu Yanbin ("**Mr. Zhu**") (collectively the "**Founders**") are the founders of the Group. The ultimate holding company of the Company is LJ Technology Holding Limited ("**LJ Holding**"). The ultimate controlling party of the Group is Mr. Liu.

The Group's Publishing Business is carried out through several domestic operating companies, incorporated in the PRC, namely Shanghai Youmin Networks Technology Co., Limited (上海遊民網絡科技有限公司，"**Youmin Networks**") and its subsidiaries (collectively, the "**PRC Operating Entities**").

Pursuant to applicable PRC laws and regulations, foreign investors are restricted from conducting value-added telecommunications services or holding equity interest in an entity conducting such services in China. In order to enable investments be made into the Group's Publishing Business, the Company established a subsidiary on 16 March 2018, Shanghai Binyou Networks Technology Co., Ltd. (上海繽遊網絡科技有限公司 , "**FT WFOE**"), which is a wholly foreign owned enterprise incorporated in the PRC.

Pursuant to a series of contractual agreements signed on 24 March 2018 (the "**Contractual Arrangements**") among FT WFOE, Youmin Networks and its legal shareholders, FT WFOE acquired effective control over the financial and operational policies of the PRC Operating Entities and became entitled to economic benefits generated by the PRC Operating Entities. Accordingly, Youmin Networks and its subsidiaries were accounted for as subsidiaries of FT WFOE and the reorganisation was completed.

On 12 July 2018, the Company completed the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "**IPO**"). Further details of the IPO are set out in Note 13 below.

The interim condensed consolidated balance sheet as at 30 June 2018, and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the "**Interim Financial Information**") of the Group have been approved for issue by the Board on 28 August 2018.

This condensed consolidated interim financial information is presented in Renminbi ("**RMB**"), unless otherwise stated.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the Group's combined financial statements for the year ended 31 December 2015, 2016 and 2017, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), as set out in the prospectus of the Company date 26 June 2018.

3 Significant accounting policies

The accounting policies applied are consistent with those in the preparation of the Group's combined financial statements for the year ended 31 December 2015, 2016 and 2017, except for the adoption of new and amended standards and new accounting policy related to the Company's share capital and share-based compensation for the six months ended 30 June 2018 as set out below.

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

(a) The Group has early adopted IFRS 9 "Financial instruments" ("**IFRS 9**") and IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**") in preparation of the Group's combined financial statement for the year ended 31 December 2015, 2016 and 2017. Other amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2018 and adopted by the Group for this period either do not have a material impact or are not relevant to the Group.

(b) New and revised standards, amendments and interpretations to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted:

	Effective for the financial year beginning on or after
IFRIC 23 Uncertainty over income tax treatment *(i)*	1 January 2019
IFRS 16 Leases *(ii)*	1 January 2019
IFRS 17 Insurance contracts *(i)*	1 January 2021
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associates or joint ventures *(i)*	To be determined

(i) None of these is expected to have a significant impact on the Group's accounting policies.

(ii) IFRS 16 Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB5,453,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

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

(c) *New accounting policies*

(i) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Share-based payments

— Equity-settled share-based payment transactions

The Group operates a restricted share unit scheme ("**RSU Scheme**"), which is an equity-settled shared-based compensation plan under which share awards are granted to employees as part of their remuneration package.

The fair value of the employee services received in exchange for the grant of the share-based awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share-based awards granted:

- including any market performance conditions;

- excluding the impact of any service and non-market performance vesting conditions and

- including the impact of any non-vesting conditions.

At the end of the Reporting Period, the Group revises its estimates of the number of share-based awards that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

4 Critical accounting estimates and judgments

The preparation of interim financial statements required 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 condensed consolidated interim 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 Group's combined financial statements for the year ended 31 December 2015, 2016 and 2017.

5 Revenue and segment information

The Group's chief operating decision-maker ("**CODM**") has been identified as its executive directors, who reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. The Group's long-lived assets are substantially located in the PRC and substantially all of the Group's revenues are derived from the PRC. Therefore, no geographical segments are presented.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Self-publishing	**271,026**	281,102
Co-publishing	**266,438**	320,712
	537,464	601,814

The Group has a large number of game players. No revenue from any individual game player exceeded 10% or more of the Group's revenue during the six months ended 30 June 2018 (2017: nil).

The following table summarises the percentage of revenue from games licensed by a single game developer exceeding individually 10% of the Group's revenue during the six months ended 30 June 2018.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	*(Unaudited)*
A	**32.5%**	36.5%
B	**14.8%**	16.4%
C	**11.7%**	18.0%

6 Expenses by nature

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Commissions charged by third party distribution platforms	**191,713**	218,297
Promotion expenses	**122,921**	227,525
Share-based compensation	**38,776**	—
Salaries, Pension costs and other employee benefits	**28,414**	20,019
Commissions charged by game developers in relation to commissioned developed game	**20,319**	1,669
Listing expenses	**17,259**	—
Office rental expenses	**3,854**	1,871
Office charges	**2,880**	1,931
Service fees	**2,327**	1,713
Payment handling costs charged by payment channels	**1,662**	2,079
Depreciation of property and equipment	**1,536**	909
Others	**8,569**	13,329
	440,230	489,342

7 Other loss, net

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Investment income from wealth management products classified as financial assets at fair value through profit or loss	**—**	1,075
Foreign exchange losses, net	**(1,605)**	(3,343)
Others	**(523)**	—
	(2,128)	(2,268)

8 Income Tax Expense

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax	**6,213**	8,749
Deferred income tax	**5,671**	900
Income tax expense	**11,884**	9,649

(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) British Virgin Islands ("**BVI**") Income tax*

Pursuant to the rules and regulations of the BVI, the company incorporated in BVI is not subject to any income tax.

(c) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the six months ended 30 June 2018 (2017: nil).

*(d) PRC Enterprise Income Tax ("**EIT**")*

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the six months ended 30 June 2018, based on the existing legislation, interpretations and practices in respect thereof.

Youmin Networks, Shanghai Binjie Networks Technology Co., Ltd. ("**Binjie Networks**"), Shanghai Langxianjing Network Technology Co., Ltd. ("**Shanghai Langxianjing**"), Shanghai Yiguo Network Technology Co., Ltd. ("**Yiguo Networks**") and Shanghai Feimiao Networks Technology Co., Ltd. ("**Feimiao Networks**") were accredited as a "software enterprise" under the relevant PRC laws and regulations. They are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years (the "**tax holiday**").

Youmin Networks started to enjoy the 0% preferential tax rate for two years beginning from 2015, followed by 50% reduction in the applicable tax rates for the next three years. Based on the management's assessment, Youmin Networks was not entitled the 50% reduction in tax rate starting from 2017 because its research and development expenditure was lower than the benchmark of a "software enterprise". As a result, the management applied 25% in calculating its EIT for the six months ended 30 June 2018 (2017: 25%).

Binjie Networks was exempt from EIT for two years beginning from 2017, followed by 50% reduction in the applicable tax rates for the next three years, since it has made profit in 2017.

Shanghai Langxianjing, Yiguo Networks and Feimiao Networks were in accumulated tax loss positions as at 30 June 2018, therefore the respective tax holiday had not commenced as at 30 June 2018.

Guangzhou Miyuan Networks Technology Co., Ltd. ("**Miyuan Networks**") was qualified as "High and New Technology Enterprises" ("**HNTEs**") under the EIT Law since 2016. Accordingly, it was entitled to a preferential income tax rate of 15% for a 3-year period. The applicable tax rate was 15% for the six months ended 30 June 2018 (2017: 15%).

According to 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 the Group's entities in ascertaining their assessable profits for the six months ended 30 June 2018.

*(e) PRC Withholding Tax ("**WHT**")*

According to the applicable the 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%.

As at 30 June 2018, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 30 June 2018.

9 Earnings per share

In calculating earnings per share, it is assumed that the weighted average number of shares in issue excluding treasury share throughout the six months ended 30 June 2018 is 1,425,000,000 (2017: 1,425,000,000).

(a) Basic

Basic earnings per share for the six months ended 30 June 2018 and 2017 are calculated by dividing the Group's profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during each respective period.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	*(Unaudited)*
Profit attributable to owners of the Company (RMB'000)	**87,103**	104,264
Weighted average number of outstanding ordinary shares	**1,425,000,000**	1,425,000,000
— Basic earnings per share (in RMB/share)	**0.06**	0.07

(b) Diluted

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

For the six months ended 30 June 2018, the Company's dilutive potential ordinary shares only include restricted share units ("**RSUs**") granted to employees under RSU Scheme. As the share awards under the RSU Scheme are issuable upon the satisfaction of specified performance condition and as of June 30, 2018 the condition was not met, accordingly, the contingently issuable shares were not included in the diluted earnings per share during the period reported.

10 Dividends

The board does not declare payment of any interim dividend for the six months ended 30 June 2018 (2017: nil).

11 Trade receivables

Trade receivables are primarily due from third party distribution platforms and payment channels, which collect the proceeds from sales of in-game virtual items on the Group's behalf. The credit terms of trade receivables agreed with third party distribution platforms and payment channels are 30-90 days and 0-30 days, respectively.

	As at 30 June	As at 31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Third parties	**134,867**	161,499
Less: provision for impairment	**(2,257)**	(3,784)
	132,610	157,715

Aging analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	As at 30 June	As at 31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Up to 1 month	**50,087**	64,017
1 to 3 months	**56,583**	64,632
3 to 6 months	**21,768**	24,203
6 months to 1 year	**4,833**	6,270
Over 1 year	**1,596**	2,377
	134,867	161,499

12 Trade payables

Trade payables primarily represent payment received from game players and to be reimbursed to the game developers. The credit terms of trade payables granted by the game developers are usually 30 to 90 days. The aging analysis based on recognition date of trade payables at the respective balance sheet dates is as follows:

	As at 30 June	As at 31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Up to 1 month	**16,160**	20,324
1 to 3 months	**34,642**	42,261
3 to 6 months	**25,386**	39,641
6 months to 1 year	**21**	8
	76,209	102,234

13 Subsequent Events

The Company completed the IPO on 12 July 2018 on the Main Board of The Stock Exchange of Hong Kong Limited. The Company allotted and issued a total of 500,000,000 ordinary shares at an offer price of HK$2.07 per share.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six-month period ended 30 June 2018.

MATERIAL EVENTS AFTER THE REPORTING PERIOD — INITIAL PUBLIC OFFERING

On 12 July 2018, the Company completed the Initial Public Offering on the Main Board of The Stock Exchange of Hong Kong Limited, and issued a total of 500,000,000 ordinary shares at HK$2.07 per share for total gross proceeds of HK$1,035.0 million.

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2018, the Group had a total of 374 employees, comparing to 243 employees as at 30 June 2017. The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provide training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team and game operation team to enhance their skill and knowledge.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As the Company was not yet listed on the Stock Exchange during the six months ended 30 June 2018, the provisions under the Listing Rules in relation to the compliance with the Model Code by the Directors were not applicable to the Company during the Reporting Period. After the Listing, the Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issues (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors' securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code since the listing of the Company on 12 July 2018 up to the date of this interim results announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Company was not yet listed on the Stock Exchange during the six months ended 30 June 2018, the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules (the "**Corporate Governance Code**") was not applicable to the Company during the Reporting Period. After the Listing, the Company has complied with all the code provisions set forth in the Corporate Governance Code, with the exception that the roles of the chairman of the Board (the "**Chairman**") and the chief executive officer of our Company have not been segregated as required by code provision A.2.1 of the Corporate Governance Code. The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three members, namely, Ms. Yao Minru, Mr. Guo Jingdou and Mr. Du Geyang, all being independent non-executive Directors of the Company. Ms. Yao Minru is the chairwoman of the Audit Committee, who possesses suitable professional qualifications.

The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for during the Reporting Period and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The interim results for the Reporting Period is unaudited, but has been reviewed by the Auditor, in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the IAASB.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.fingertango.com). The Group's 2018 interim report will be dispatched to shareholders and will be published on the aforementioned websites in due course.

APPRECIATION

Lastly, I would like to thank all the staff and the management team for their hard work during the Reporting Period. I would also like to express heartfelt gratitude to all of our customers and business partners on behalf of the Group, and wish for their continuous support in the future. We will keep working closely with our shareholders and employees to steer the Group to a more modernized and sophisticated level of operation, through which we aspire to turn to a new chapter in the Group's development.

By order of the Board
FingerTango Inc.
LIU Jie
Chairman, Chief Executive Officer
and Executive Director

Hong Kong, 28 August 2018

As at the date of this announcement, the Board of Directors of the Company comprises Mr. LIU Jie, Mr. WU Junjie, Mr. WANG Zaicheng and Mr. LIU Zhanxi as executive Directors and Mr. GUO Jingdou, Ms. YAO Minru and Mr. DU Geyang as independent non-executive Directors.