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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 2019

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 2019 (the “**Reporting Period**”), which was prepared in accordance with International Accounting Standard 34 “**Interim Financial Reporting**” and reviewed by the Company’s audit committee.

FINANCIAL SUMMARY

	(Unaudited)		
	Six months ended 30 June		
	2019	2018	Change
	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>
Revenue	525.1	537.5	(2.3)
Gross profit	318.6	313.0	1.8
Profit for the period	47.3	87.1	(45.7)

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

According to the China Gaming Industry Report 2019 jointly released by the Game Publishers Association Publications Committee (GPC) of the China Audio-video and Digital Publishing Association (中國音像與數字出版協會遊戲出版工作委員會) and International Data Company, the online game industry in China maintained a steady performance and generated a total revenue of approximately RMB114.0 billion in the first half of 2019, representing an increase of 8.6% as compared to the same period last year. Mobile game has retained its mainstream position in the overall online game industry, with its revenue reaching RMB77.1 billion or a growth of 15.4%. The number of mobile game users saw a softened growth in the second quarter of 2019 and slightly increased by 0.6% to 620 million in the first half of the year.

From March 2018 to December 2018, the National Radio and Television Administration of PRC suspended the approval of online game publication. As a consequence, China's game market fluctuated, resulting in an overall decline of market performance. In addition, the lagging effect caused by the change in policy has a medium-term effect on the entire game industry and the game developers.

In 2019, the National Intellectual Property Administration of PRC implemented a policy emphasizing on the strengthening of the protection of intellectual property. Efforts are put forward to the development of the intellectual property strategy compendium, the planning and implementation of an intellectual property protection system, improving the intellectual property laws and regulations, strengthening the protection of intellectual property source, and innovating the mechanism of protection of intellectual property. With the effective improvement of the government's comprehensive management of intellectual property rights, along with a further strengthened and enhanced protection means and efficiency, the game industry has ushered in an important opportunity for innovation and development.

The segment of SLG games, which we dedicate in, has shown rapid growth in recent years. In the first half of 2019, SLG games accounted for 17% of the top 100 mobile games in terms of revenue in China's mobile game market, following role-playing games (48%). Players have showed continuous demand for SLG games.

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. We have continued to attain the attention and favourable support of the players.

The Group's revenue in the Reporting Period was approximately RMB525.1 million, representing a slight decrease of approximately 2.3% as compared to the corresponding period last year. The policy change in 2018 which led to the suspension of approval of online game publication for nine months has cast a negative impact on the growth momentum of the game industry which is yet to be recovered. In view of the market conditions, we have made strategic adjustment and planning

in the launch of our new games, and have been conducting comprehensive tests for the new titles to be launched in 2019. These included a deep optimization of playing techniques, gameplay, roles and design to ensure their sound performance upon official launch. On the other hand, we have launched several new games in the first half of 2019 according to our business plan. These new titles are still in the promotion period and the stage of incubation of player base. It is expected the growth momentum of the new games and their contribution to the revenue of the Company could be gradually unleashed in 2019 and thereafter. With the lifting of the above-mentioned suspension, we have acquired seven new licensed games in the first half of 2019, building substantial momentum for the Company to further publish new games and continuously create new income sources.

During the Reporting Period, the profit attributable to our shareholders was approximately RMB47.3 million, as compared to RMB87.1 million during the corresponding period last year. The decline of profit was primarily due to the increase in sales and marketing expenses caused by the intensified advertising and business promotion activities of mobile games during the Reporting Period. The drop was also paired by the 9-month suspension of approval of online games publication which has cast a negative impact to the growth momentum which is yet to be recovered.

China's game market fluctuated in the first half of 2019 due to a lagging effect caused by the suspension of approval of online games publication. Despite the challenging market conditions, looking back on the past six months, the Company was still striving for the sustainable development of business and actively laying a foundation for healthy growth in the future. Leveraging SLG's inherent advantage of long life-cycle, the Company's strong operating capability and the extensive industry experience of our senior management team, the Company has achieved sound performance throughout the Reporting Period. The strategy of upholding our persistence in the SLG game segment while broadening our game category has shown results. Romance of Stars (星辰奇緣), a MMORPG game, is still popular after more than 44 months' operation and has achieved a monthly gross billings up to RMB32 million during the Reporting Period, and an aggregated gross billings over RMB800 million since its official launch. The games in the growth stage continued to power-up and maintained an upward momentum. Those in the mature stage saw a natural drop, but steady gross billings were maintained. Four titles have generated an average monthly gross billings of RMB15 million or above in the Reporting Period. We constantly launched updated versions and introduced iterative calculations and new gameplay. The games have maintained robust lifecycles and continued to generate steady revenue for us over a longer period of time.

Outlook for 2019

2019 is a year full of challenges and opportunities for China's game industry. In June 2019, China's Ministry of Industry and Information Technology officially issued 5G commercial licenses to major telecom operators in China, marking 2019 the first year of 5G commercial development in China. The ultra-high speed and low latency of 5G network can bring more refined gaming experience for players. In addition, the ability of 5G in handling increased synchronous connections could lead to more powerful multiplayer gameplay. On the other hand, the screen frame number of smart phones can reach super smooth 60 frames per second, while 5G network speeds up transmission with higher bandwidth and speed. Mobile games will have a new look and game experience will be enhanced when 5G has become popular along with the next generation smart phones which are equipped with a full 3D and a robust engine. Market competition is expected to become increasingly keen, however.

In the meantime, the growth that relies on the bonus of user increment will not be able to last. Companies need to create products with both cultural and commercial values and seek for new growth models in the increasingly intense market. Player demands and market potential are awaiting exploration.

Moreover, it is also a challenge for mobile game developers to win users' attention. The emergence of new entertainment choices such as short online video clips has consumed some of the time formerly spent on playing games. According to statistics on the proportion of entertainment time of mobile phone users from January 2017 to November 2018, the time spent on mobile games, as compared with other entertainment choices, was declining. Such a change in users' behavioral pattern has posed a bigger challenge to both the game industry and the game developers.

The current approval policy of online game publication in China will result in a more regulated game industry. Specifically, the limitation on approval has driven game developers and operators to be more innovative, producing more premium products. At the end of 2018, the National Radio and Television Administration announced the reopening of new games publication approval with the first batch of approved games, which enormously boosted the morale of the game industry. However, due to the lagging effect of the new policy, it will take a certain time for the industry to adjust their strategies and operations before the growth impetus is in full play in future.

Adherence to and focus on long lifecycle products, the concept of continuous operation with long-term flow, and constant offer of new gameplay to extend product lifecycle — these are our initial intention and our advantage and development strategy. In the face of a complex and changing market environment, we will always insist on developing products with the first-class technology, optimizing game in full dimension, and extending the lifecycle of our games with the continuous enriched and enhanced player experience, thereby improving the ability to monetization and continuing to generate stable revenue for the Company.

We are conducting comprehensive tests for the new titles to be launched in the second half of 2019 while optimizing product launch strategies and plans. Over the years, we have accumulated an immense user database. We will continue to leverage our big data analytics ability with our proprietary multi-dimensional data analysis engine which collates and structures our data in a variety of ways for ad-hoc analysis, real-time on-line analysis. Moreover, we will enhance gameplay strategies, characters, scenes, technical depth, and other parameters and improve cross-promotion efficacy by analyzing player demographic, gameplay preference, gaming time, level-up, in-game purchase amount and user turnover rate, etc. These initiatives are being performed to ensure sound performance after the official launch.

Looking forward, we will continue to extend our existing game portfolio and broaden our game category while focusing on the SLG game segment. We will implement the concept of premium game and strive to create high-quality games. At the same time, we will continue to optimize the game content, enhance the player experience, boost player stickiness and loyalty, and actively optimize the product launch strategy. In addition, we will continue to invest sufficient resources in our research and development and operating teams, diligently deploy overseas markets, continue to attract elite talents worldwide, expand the overseas player base, and capture huge opportunities in the market. The Company will also continue to seek synergetic merger and acquisition opportunities to accelerate business growth and breakthroughs, with the aim to further reinforce our leadership in mobile game operation.

Financial Performance

The following table sets forth our interim condensed consolidated statements of comprehensive income for the six months ended 30 June 2019 and 2018, respectively:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	525,129	537,464
Cost of Revenue	(206,508)	(224,448)
Gross Profit	318,621	313,016
Selling and marketing expenses	(219,092)	(141,983)
Administrative expenses	(27,801)	(57,149)
Research and development expenses	(32,832)	(16,650)
Other income	3,611	726
Other gains/(losses), net	6,395	(2,128)
Operating profit	48,902	95,832
Finance income, net	4,882	3,155
Profit before income tax	53,784	98,987
Income tax expense	(6,510)	(11,884)
Profit for the period attributable to owners of the Company	47,274	87,103
Non-IFRS Measures		
Adjusted profit attributable to owners of the Company	70,175	143,138

Revenue

The Group's revenue in the Reporting Period was approximately RM525.1 million, representing a slight decrease by approximately 2.3% or RMB12.3 million as compared to the corresponding period in 2018. The decrease was primarily due to (i) the natural drop in revenue of the classic games which have been in operation for years and are in their mature stage, and (ii) the suspension of approval of online games publication for a period as long as nine months that has cast an impact to the growth momentum which has yet to recover.

With respect to revenue categorised by method of publication, self-publishing revenue was approximately RMB263.4 million as compared to the corresponding period last year, representing 50.2% of the total revenue as compared to 50.4% in the corresponding period last year. Co-publishing revenue was approximately RMB261.8 million, representing 49.8% of the total revenue.

Cost of Revenue

The cost of revenue in the Reporting Period was approximately RMB206.5 million and decreased by approximately 8.0% or RMB17.9 million as compared to the corresponding period last year. It was mainly due to the decrease in platform sharing charges, which was partially offset by the growing commissions charged by game developers.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB318.6 million, as compared to RMB313.0 million in the corresponding period last year. Gross profit margin increased from 58.2% to 60.7% as compared to the corresponding period last year, since the magnitude of the decrease in cost is larger than that of the decrease in revenue.

Other Income

During the Reporting Period, other income was approximately RMB3.6 million as compared to approximately RMB0.7 million in the corresponding period last year. The rise was mainly due to the significant increase in government grant recognised during the Reporting Period.

Other Gains/(Losses), net

During the Reporting Period, other gains, net were approximately RMB6.4 million, as compared to a net loss of approximately RMB2.1 million in the corresponding period last year. The increase was primarily due to fair value changes on financial assets at fair value through profit or loss.

Finance Income, net

During the Reporting Period, finance income, net was approximately RMB4.9 million, an increase of approximately 54.7% or RMB1.7 million as compared to the corresponding period last year. The increase was mainly from interest income of the short-term, highly liquid investments with original maturities of three months or less.

Selling and Marketing Expenses

The selling and marketing expenses in the Reporting Period were approximately RMB219.1 million, increased by approximately 54.3% or approximately RMB77.1 million as compared to the corresponding period last year. It constituted 41.7% of the total revenue, representing an increase from 26.4% in the corresponding period last year. During the Reporting Period, we further intensified our advertising and promotion activities for games in the growth stage and new games to infuse growth momentum into future business development, which led to increased selling and marketing expenses.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB27.8 million, as compared to approximately RMB57.1 million in the corresponding period last year. The change was primarily due to the decrease of the one-off listing 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 RMB32.8 million, increased by approximately 97.2% or RMB16.2 million as compared to the corresponding period last year. The rise was primarily due to the increased resources distributed to product research and development as well as increased R&D personnel, resulting in an increase in employee salaries and share-based compensation.

Income Tax Expense

The income tax expense in the Reporting Period was approximately RMB6.5 million, decreased by 45.2% or approximately RMB5.4 million as compared to the corresponding period last year. It was a consequent result of a decreased taxable income.

Profit in the Reporting Period

The profit attributable to owners of the Group in the Reporting Period was RMB47.3 million, dropped by 45.7% as compared to RMB87.1 million in the corresponding period last year, which was a consequent result of (i) an increase in selling and marketing expenses as the Company has engaged in more extensive advertising and promotion activities for mobile games during the Reporting Period; (ii) the unrecovered growth momentum of the previously stressed market resulting from the suspension of approval of online game publication for over nine months in 2018. Growth momentum driven by the new titles is expected to be unleashed eventually in the second half of 2019 and afterward.

Non-IFRS Measures — Adjusted Profit

The adjusted profit in the Reporting Period, adjusted by excluding the impact from the share-based compensation to key employees, was RMB70.2 million, decreased by 50.9% as compared to RMB143.1 million in the corresponding period last year.

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	
	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Profit for the period	47.3	87.1
Add:		
Share-based compensation	22.9	38.8
Listing-related expenses	—	17.2
Adjusted profit	<u>70.2</u>	<u>143.1</u>

Liquidity and source of funding and borrowing

As at 30 June 2019, the Group's total cash and cash equivalents amounted to approximately RMB825.5 million, representing a decrease of approximately 0.7% as compared with approximately RMB831.2 million as at 31 December 2018.

As at 30 June 2019, current assets of the Group amounted to approximately RMB1,388.1 million, including cash and cash equivalents of approximately RMB825.5 million and other current assets of approximately RMB562.6 million. Current liabilities of the Group amounted to approximately RMB260.1 million, including trade payables and contract liabilities of approximately RMB193.4 million and other current liabilities of approximately RMB66.7 million. As at 30 June 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 5.3, as compared with 5.1 as at 31 December 2018.

Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. The Group does not have any bank borrowings and other debt financing obligations as at 30 June 2019 and the resulting gearing ratio is nil. The Group intends to finance the expansion, investments and business operations with internal resources.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2019, financial assets at fair value through profit or loss recorded approximately RMB413.3 million (equivalent to approximately HK\$469.8 million). Details of financial assets at fair value through profit or loss for the six months ended 30 June 2019 are shown as below:

Financial assets at fair value through profit or loss	Carrying amount as at 31 December 2018 (RMB million)	Changes in fair value for the six months ended 30 June 2019 (RMB million)	Carrying amount as at 30 June 2019 (RMB million)
Wealth management product			
Leading Global — 1 SP	309.2	4.2	313.4
Wealth management product Central			
China Dragon Growth Fund SP7 (中州龍騰增長七號基金)	88.1	2.5	90.6
Investment in private company A	8.0	—	8.0
Investment in private company B	1.0	—	1.0
Investment in private company C	0.3	—	0.3
Total	406.6	6.7	413.3

Financial assets at fair value through profit or loss are mainly composed of investments in Leading Global — 1 SP and Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金). The carrying amount of Leading Global — 1 SP as at 30 June 2019 was approximately RMB313.4 million, accounting for approximately 19.7% of the Group's total assets as at 30 June 2019. The carrying amount of Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金) as at 30 June 2019 was approximately RMB90.6 million, accounting for approximately 5.7% of the Group's total assets as at 30 June 2019. For details of the subscription in Leading Global — 1 SP and Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金), please refer to the announcements of the Group dated 14 June 2019 and 11 December 2018.

The performance of the investments have been closely and effectively monitored by the Company. For the Reporting Period, the returns of the relevant wealth management products were consistent with its fair value change of approximately RMB4.2 million and RMB2.5 million, respectively. The Company believes that the investments in Leading Global — 1 SP and Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金) and determined on normal commercial terms and are fair and reasonable.

FINANCIAL INFORMATION

Interim Condensed Consolidated Statement of Comprehensive Income

	<i>Note</i>	Six months ended 30 June	
		2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	5	525,129	537,464
Cost of revenue	6	(206,508)	(224,448)
Gross profit		318,621	313,016
Selling and marketing expenses	6	(219,092)	(141,983)
Administrative expenses	6	(27,801)	(57,149)
Research and development expenses	6	(32,832)	(16,650)
Other income		3,611	726
Other gains/(losses), net	7	6,395	(2,128)
Operating profit		48,902	95,832
Finance income, net		4,882	3,155
Profit before income tax		53,784	98,987
Income tax expense	8	(6,510)	(11,884)
Profit for the period attributable to owners of the Company		47,274	87,103
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
— Currency translation differences		3,080	—
Other comprehensive income for the period, net of tax		3,080	—
Total comprehensive income attributable to owners of the Company		50,354	87,103
Earnings per share (expressed in RMB per share)	9		
— Basic		0.0285	0.0611
— Diluted		0.0283	0.0611

Interim Condensed Consolidated Balance Sheet

		<u>As at 30 June</u>	<u>As at 31 December</u>
		2019	2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Non-current assets			
Property and equipment		10,238	11,752
Right-of-use assets	3	8,503	—
Intangible assets		4,324	5,616
Deferred tax assets		23,506	27,329
Financial assets at fair value through other comprehensive income		1,200	1,200
Financial assets at fair value through profit or loss		99,914	97,368
Prepayments and other receivables		36,704	21,402
Long-term bank deposits		20,000	—
Total non-current assets		<u>204,389</u>	<u>164,667</u>
Current assets			
Trade receivables	11	106,292	163,760
Prepayments and other receivables		86,157	93,568
Contract costs		46,729	59,980
Financial assets at fair value through profit or loss		313,402	309,233
Short-term bank deposits		10,000	—
Cash and cash equivalents		825,478	831,216
Total current assets		<u>1,388,058</u>	<u>1,457,757</u>
Total assets		<u><u>1,592,447</u></u>	<u><u>1,622,424</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		62	65
Share premium		716,788	794,690
Shares held for restricted share unit scheme		(2)	(2)
Reserves		168,005	142,024
Retained earnings		446,029	398,755
Total equity		<u><u>1,330,882</u></u>	<u><u>1,335,532</u></u>

		<u>As at 30 June</u>	<u>As at 31 December</u>
		2019	2018
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>1,444</u>	<u>—</u>
Total non-current liabilities		<u>1,444</u>	<u>—</u>
Current liabilities			
Trade payables	12	71,945	65,228
Contract liabilities		121,474	144,989
Current income tax liabilities		24,230	34,327
Other payable and accruals		35,304	42,348
Lease liabilities		<u>7,168</u>	<u>—</u>
Total current liabilities		<u>260,121</u>	<u>286,892</u>
Total liabilities		<u>261,565</u>	<u>286,892</u>
Total equity and liabilities		<u>1,592,447</u>	<u>1,622,424</u>

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 in the People’s Republic of China (the “**PRC**”).

Mr. Liu Jie (“**Mr. Liu**”) and Mr. Zhu Yanbin are the founders of the Group. The ultimate holding company of the Company is LJ Technology Holding Limited. The ultimate controlling party of the Group is Mr. Liu.

The Company’s shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 12 July 2018 by way of its initial public offering (“**IPO**”).

The interim condensed consolidated balance sheet as at 30 June 2019, 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 of Directors (“**Board**”) on 28 August 2019.

The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

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

2 Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

(a) New and amended standards and interpretation adopted by the Group

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28 (Amendment)	Long-term investment in an Associate or Joint Venture
IFRS 9 (Amendment)	Prepayment Features with Negative Compensation
IAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
Annual Improvements to IFRSs 2015–2017 cycle	

Except for the impact of adoption of IFRS 16 set out in Note 3 below, the adoption of other applicable new and amended standards and interpretations did not have any material impact on the Interim Financial Information of the Group.

3 Changes in accounting policy

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 in Note 3(b) below.

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 will be measured at the amount of the lease liability 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

	<i>RMB'000</i> <i>Unaudited</i>
Operating lease commitments disclosed at 31 December 2018	5,911
Discounted using the lessee's incremental borrowing rate of at the date of initial application	5,491
Less: short-term leases recognised on a straight-line basis as expense	(513)
Add: adjustments as a result of a different treatment of extension and termination options	4,310
Lease liability recognised at 1 January 2019	9,288
Of which are:	
Current lease liabilities	6,116
Non-current lease liabilities	3,172
	9,288

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.

The change in accounting policy increase right-of-use assets and lease liabilities by RMB9,288,000 on 1 January 2019.

No significant impact on the Group's net profit after tax or earnings per share 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 exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- 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 leases only offices. Rental contracts are typically made for fixed periods of 1 to 2 years but may have extension options in (i) below. 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 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 a right-of-use asset and a corresponding liability 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, and
- 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, and
- restoration costs.

Right-of-use assets only consist of properties.

Payments associated with short-term leases and leases of low-value assets 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.

(i) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. None of the lease payments made in 2019 were optional.

4 Critical accounting estimates and judgments

The preparation of Interim Financial Information 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 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 annual financial statements for the year ended 31 December 2018.

5 Revenue and segment information

The Group's chief operating decision-maker 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	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Self-publishing	263,374	271,026
Co-publishing	261,755	266,438
	525,129	537,464

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 2019 (six months ended 30 June 2018: 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 2019.

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
A	24.5%	14.8%
B	21.2%	32.5%
C	12.7%	*
D	*	11.7%

* The amount of revenue from the game developer was less than 10% of the total revenue for the relevant period.

6 Expenses by nature

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Promotion expenses	205,756	122,921
Commissions charged by third party distribution platforms	167,083	191,713
Employee benefits expenses	62,669	67,190
Commissions charged by game developers in relation to commissioned developed game	26,070	20,319
Depreciation of right-of-use assets	3,513	—
Depreciation of property and equipment	3,038	1,536
Payment handling costs charged by payment channels	2,504	1,662
Service fees	2,330	2,327
Provision for impairment of prepayments	2,242	—
Provision for impairment of intangible assets	842	—
Listing expenses	—	17,259
Provision for impairment of trade receivables (Note 11)	(221)	1,252
Others	10,407	14,051
	486,233	440,230

7 Other gains/(losses), net

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Fair value changes on financial assets at fair value through profit or loss	5,875	—
Foreign exchange gains/(losses), net	577	(1,605)
Others	(57)	(523)
	<u>6,395</u>	<u>(2,128)</u>

8 Income tax expense

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

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current income tax	2,687	6,213
Deferred income tax	3,823	5,671
Income tax expense	<u>6,510</u>	<u>11,884</u>

(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 2019 (six months ended 30 June 2018: 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 2019, based on the existing legislation, interpretations and practices in respect thereof.

Shanghai Binjie Networks Technology Co., Ltd. (“**Binjie Networks**”), Shanghai Binyou Networks Technology Co., Ltd. (“**Binyou Networks**”), 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**”).

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.

Binyou Networks was exempt from EIT for two years beginning from 2019, followed by 50% reduction in the applicable tax rates for the next three years, since it has made profit in 2019.

Yiguo Networks and Feimiao Networks were in accumulated tax loss positions as at 30 June 2019, therefore the respective tax holiday had not commenced as at 30 June 2019.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 to 2017, enterprises engaging in research and development activities were 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**”). From 2018 onwards, such enterprises are entitled to claim Super Deduction at the rate of 175%. 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 2019.

(e) *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%.

The Group has undistributed earnings of RMB448,312,000 (30 June 2018: RMB330,261,000) which, if paid out as dividends, would be subject to tax in the hands of the recipient. No deferred tax liability has been recognised for WHT as 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.

9 Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing the Group’s profit attributable to owners of the Company by the weighted average number of outstanding ordinary shares in issue during the year.

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (RMB’000)	47,274	87,103
Weighted average number of outstanding ordinary shares	1,661,382,477	1,425,000,000
Basic earnings per share (in RMB/share)	0.0285	0.0611

(b) *Diluted earnings per share*

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, the Company's dilutive potential ordinary shares included unvested restricted share units ("RSUs") granted to employees under the RSU Scheme. No adjustment is made to earnings (numerator).

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	47,274	87,103
Weighted average number of outstanding ordinary shares	1,661,382,477	1,425,000,000
Adjustments for unvested RSUs	9,973,898	—
Weighted average number of ordinary shares for the calculation of diluted EPS	1,671,356,375	1,425,000,000
Diluted earnings per share (in RMB/share)	0.0283	0.0611

10 Dividends

No dividends have been paid or declared by the Company for the six months ended 30 June 2019 (six months ended 30 June 2018: 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
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Third parties	110,013	167,702
Less: provision for impairment	(3,721)	(3,942)
	106,292	163,760

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
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Up to 1 month	35,587	61,224
1 to 3 months	53,046	76,372
3 to 6 months	14,370	22,189
6 months to 1 year	6,212	5,790
Over 1 year	798	2,127
	110,013	167,702

At 30 June 2019, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values.

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:

	<u>As at 30 June</u>	<u>As at 31 December</u>
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Up to 1 month	16,220	20,486
1 to 3 months	33,623	28,695
3 to 6 months	21,290	15,827
6 months to 1 year	812	220
	<u>71,945</u>	<u>65,228</u>

13 Subsequent Events

There were no material subsequent event during the period from 30 June 2019 to the approval date of these financial statements by the Board of Directors on 28 August 2019.

OTHER INFORMATION

Interim Dividend

The Board does not recommend payment of any interim dividend for the six-month period ended 30 June 2019.

Employee Remuneration and Relations

As at 30 June 2019, the Group had a total of 413 employees, comparing to 374 employees as at 30 June 2018. 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

During the six months ended 30 June 2019, 59,880,000 ordinary shares were repurchased, among which 50,335,000 shares were cancelled and 9,545,000 shares are not yet cancelled, respectively. After the Reporting Period, 3,754,000 ordinary shares were repurchased but not yet cancelled. Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Reporting Period.

Significant Investment, Acquisition and Disposal of Subsidiaries

The Group has no significant investment, acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

Pledge of Assets

As at 30 June 2019, none of the Group's assets was pledged.

Contingent Liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities.

Compliance with the Model Code for Securities Transactions by Directors

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 Date up to the date of this announcement.

Material Events after the Reporting Period

As at the date of this announcement, there were no material events after the Reporting Period.

Compliance with the Corporate Governance Code

From the listing date of the Company since 12 July 2018, and up to the date of this announcement, the Company has complied with all the code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, except for the following deviation from provision A 2.1 of the CG Code which is explained below:

According to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Liu Jie is our chairman and chief executive officer with extensive experience in the mobile internet industry and mobile game publishing industry. Mr. Liu is responsible for the strategic development, overall operation and management and major decision-making of our Group and is instrumental to our growth and business expansion since our establishment in 2013.

Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and visionary individuals. Our Board currently comprises four executive Directors (including Mr. Liu) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. 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 CG Code. 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 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.

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 2019 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 users 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 2019

As at the date of this announcement, the Board of Directors of the Company comprises Mr. LIU Jie, Mr. ZHU Yanbin, 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.