FORTUNET E-COMMERCE GROUP LIMITED
鑫網易商集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1039)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by approximately 556.3% to approximately RMB36.8 million for the six months ended 30 June 2019 (30 June 2018: approximately RMB5.6 million).

- The GMV of Changyou Alliance business amounted to approximately RMB81.2 million for the six months ended 30 June 2019 (30 June 2018: approximately RMB54.9 million), representing an increase of approximately 47.9%.

- Gross profit for the six months ended 30 June 2019 amounted to approximately RMB3.6 million (30 June 2018: approximately RMB1.3 million).

- The Group recorded a loss of approximately RMB77.4 million for the six months ended 30 June 2019 (30 June 2018: approximately RMB126.6 million).

- Net loss attributable to equity shareholders of the Company amounted to approximately RMB19.6 million for the six months ended 30 June 2019 (30 June 2018: approximately RMB29.7 million).

- Basic loss per share for the six months ended 30 June 2019 amounted to RMB1.08 cent and there was no diluted factor during the six months ended 30 June 2019 (30 June 2018: basic and diluted earnings per share of RMB1.64 cent and RMB2.37 cent respectively).

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

The board (the "**Board**") of directors (the "**Directors**") of Fortunet e-Commerce Group Limited (the "**Company**") presents herewith the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019. The interim financial information have not been audited, but have been reviewed by the Company's auditors, KPMG, who conducted the review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants, and the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019-unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2019**	2018
		RMB'000	*RMB'000*
			(Note)
Revenue	*4*	**36,774**	5,603
Cost of sales		**(33,218)**	(4,283)
Gross profit	*4(b)*	**3,556**	1,320
Other income	*5*	**2,577**	1,519
Selling and distribution expenses		**(20,516)**	(63,619)
Administrative expenses		**(29,842)**	(33,393)
Research and development costs		**(22,979)**	(24,862)
Impairment losses	*6*	**(8,028)**	(22,984)
Loss from operations		**(75,232)**	(142,019)
Finance (costs)/income	*7(a)*	**(2,217)**	16,304
Gain/(loss) arising from changes in fair value on held-for-trading investments		**2**	(866)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2019 – unaudited (continued)

(Expressed in RMB)

		Six months ended 30 June	
	Note	**2019**	2018
		RMB'000	*RMB'000*
			(Note)
Loss before taxation	*7*	**(77,447)**	(126,581)
Income tax	*8*	**–**	–
Loss for the period		**(77,447)**	(126,581)
Attributable to:			
Equity shareholders of the Company		**(19,621)**	(29,682)
Non-controlling interests		**(57,826)**	(96,899)
Loss for the period		**(77,447)**	(126,581)
Loss per share			
Basic (RMB cent)	*9(a)*	**(1.08)**	(1.64)
Diluted (RMB cent)	*9(b)*	**(1.08)**	(2.37)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019-unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Loss for the period	**(77,447)**	(126,581)
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	**(715)**	–
Total comprehensive income for the period	**(78,162)**	(126,581)
Attributable to:		
Equity shareholders of the Company	**(20,336)**	(29,682)
Non-controlling interests	**(57,826)**	(96,899)
Total comprehensive income for the period	**(78,162)**	(126,581)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited

(Expressed in RMB)

	Note	**At 30 June 2019**	At 31 December 2018
		RMB'000	*RMB'000*
			(Note)
Non-current assets			
Property, plant and equipment	*3,10*	**12,205**	9,396
Intangible assets		**–**	–
Goodwill		**–**	–
		12,205	9,396
Current assets			
Held-for-trading investments		**3,076**	3,062
Inventories		**1,240**	482
Trade and other receivables	*3,11*	**154,770**	67,065
Cash and cash equivalents	*12*	**195,801**	97,420
		354,887	168,029
Current liabilities			
Trade and other payables	*13*	**131,785**	43,478
Convertible bonds	*14*	**26,489**	44,435
Lease liabilities	*3*	**4,617**	–
		162,891	87,913
Net current assets		**191,996**	80,116
NET ASSETS		**204,201**	89,512

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019 – unaudited (continued)
(Expressed in RMB)

	Note	**At 30 June 2019** **_RMB'000_**	At 31 December 2018 *RMB'000* *(Note)*
CAPITAL AND RESERVES	*15*		
Share capital		117,812	117,812
Reserves		245,720	228,171
Total equity attributable to equity shareholders of the Company		363,532	345,983
Non-controlling interests		(159,331)	(256,471)
TOTAL EQUITY		204,201	89,512

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019-unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000*	Treasury share *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018	117,978	–	1,265,547	42,573	–	2,893	(1,034,851)	394,140	(61,742)	332,398
Changes in equity for the six months ended 30 June 2018:										
Loss and total comprehensive income for the period	–	–	–	–	–	–	(29,682)	(29,682)	(96,899)	(126,581)
Purchase of own shares	–	(1,924)	–	–	–	–	–	(1,924)	–	(1,924)
Balance at 30 June 2018 and 1 July 2018	117,978	(1,924)	1,265,547	42,573	–	2,893	(1,064,533)	362,534	(158,641)	203,893
Changes in equity for the six months ended 31 December 2018:										
Loss for the period	–	–	–	–	–	–	(39,485)	(39,485)	(97,830)	(137,315)
Other comprehensive income	–	–	–	–	3,511	–	–	3,511	–	3,511
Total comprehensive income	–	–	–	–	3,511	–	(39,485)	(35,974)	(97,830)	(133,804)
Issuance of warrants	–	–	–	1,290	–	–	–	1,290	–	1,290
Cancellation of own shares purchased										
– par value paid	(166)	166	–	–	–	–	–	–	–	–
– premium paid	–	1,758	(1,758)	–	–	–	–	–	–	–
Equity-settled share-based transaction	–	–	–	18,133	–	–	–	18,133	–	18,133
	(166)	1,924	(1,758)	19,423	–	–	–	19,423	–	19,423
Balance at 31 December 2018 ***(Note)***	117,812	–	1,263,789	61,996	3,511	2,893	(1,104,018)	345,983	(256,471)	89,512

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019-unaudited (continued)

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2019	117,812	1,263,789	61,996	3,511	2,893	(1,104,018)	345,983	(256,471)	89,512
Changes in equity for the six months ended 30 June 2019:									
Loss for the period	–	–	–	–	–	(19,621)	(19,621)	(57,826)	(77,447)
Other comprehensive income	–	–	–	(715)	–	–	(715)	–	(715)
Total comprehensive income	–	–	–	(715)	–	(19,621)	(20,336)	(57,826)	(78,162)
Effect on equity arising from capital injections from non-controlling equity shareholders into a subsidiary of the Group *(Note 18)*	–	–	–	–	37,885	–	37,885	154,966	192,851
Balance at 30 June 2019	117,812	1,263,789	61,996	2,796	40,778	(1,123,639)	363,532	(159,331)	204,201

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 June 2019 RMB'000	2018 RMB'000 (Note)
Operating activities			
Cash used in operations		**(80,742)**	(121,040)
Income tax paid		–	–
Net cash used in operating activities		**(80,742)**	(121,040)
Investing activities			
Payments for purchase of property, plant and equipment		**(19)**	(3,099)
Proceeds from disposal of property, plant and equipment		–	2
Payments for held-for-trading investments		–	(4,095)
Loans to third parties		**(2,663)**	(17,554)
Interest received		**3,119**	–
Other cash flows arising from investing activities		–	30
Net cash generated from/(used in) investing activities		**437**	(24,716)
Financing activities			
Capital element of lease rentals paid		**(3,332)**	–
Interest element of lease rentals paid		**(748)**	–
Capital injections from non-controlling equity shareholders of a subsidiary, net of transaction costs	*18*	**92,851**	–
Advance from a non-controlling equity shareholder of a subsidiary		**100,000**	–
Purchase of own shares		–	(1,924)
Payments for the redemption of convertible bonds	*14*	**(18,202)**	–
Deposit received from an investor of a non-wholly owned subsidiary in connection with the contemplated capital injection by this investor	*13*	**10,000**	–
Finance costs paid		**(2,716)**	(4,168)
Net cash generated from/(used in) financing activities		**177,853**	(6,092)
Net increase/(decrease) in cash and cash equivalents		**97,548**	(151,848)
Cash and cash equivalents at 1 January	*12*	**97,420**	392,994
Effect of foreign exchange rate changes		**833**	1,092
Cash and cash equivalents at 30 June	*12*	**195,801**	242,238

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

Notes

(Expressed in RMB unless otherwise indicated)

1 Corporate information

Fortunet e-Commerce Group Limited (the "Company") was incorporated in the Cayman Islands on 21 May 2008 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 September 2010. The condensed consolidated financial statements of the Company as at and for the six months ended 30 June 2019 comprise the Company and its subsidiaries (collectively referred to as the "Group").

Upon the cessation of the e-commerce business in 2018, the principal activities of the Group are the development and operation of an electronic trading platform to facilitate awards earned by customers of loyalty programmes of other companies to be exchanged globally in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions.

2 Basis of preparation

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 30 August 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial information as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2018 are available from the Company's registered office. The Company's auditor has expressed an unqualified opinion on those financial statements in their report dated 15 March 2019.

2 Basis of preparation (continued)

For the six months ended 30 June 2019, the Group had incurred net loss of RMB77,447,000 and net cash used in operating activities of RMB80,742,000. Notwithstanding of the above, based on a cash flow forecast of the Group for the twelve months ending 30 June 2020 prepared by the management, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the interim financial information on a going concern basis.

3 Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease.* It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3 Changes in accounting policies (continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

As far as the Group is concerned, these newly capitalised leases are primarily in relation to properties as disclosed in Note 17.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3 Changes in accounting policies (continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operations. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

3 Changes in accounting policies (continued)

The following table reconciles the operating lease commitments as disclosed in Note 17 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	11,708
Less: commitments relating to short-term leases and leases of low-value assets exempt from capitalisation	(3,180)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	492
	9,020
Less: total future interest expenses	(1,071)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	7,949

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets in "Propterty, plant and equipment" and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	Capitalisation of operating lease contracts	Carrying amount at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	9,396	8,484	17,880
Non-current assets	**9,396**	**8,484**	**17,880**
Trade and other receivables	67,065	(535)	66,530
Current assets	**168,029**	**(535)**	**167,494**
Lease liabilities (current)	–	7,330	7,330
Current liabilities	**87,913**	**7,330**	**95,243**
Net current assets	**80,116**	**(7,865)**	**72,251**
Total assets less current liabilities	**89,512**	**619**	**90,131**
Lease liabilities (non-current)	–	619	619
Non-current liabilities	**–**	**619**	**619**
Net assets	**89,512**	**–**	**89,512**

3 Changes in accounting policies (continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019	At 1 January 2019
	RMB'000	*RMB'000*
Included in "Property, plant and equipment":		
– Properties leased for own use, carried at depreciated cost	**4,804**	8,484

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**4,617**	**4,940**	7,330	8,222
After 1 year but within 2 years	**–**	**–**	619	798
	4,617	**4,940**	7,949	9,020
Less: total future interest expenses		**(323)**		(1,071)
Present value of lease liabilities		**4,617**		7,949

(e) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3 Changes in accounting policies (continued)

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	Six months ended 30 June 2019				Six months ended 30 June 2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** ***(Note (i))***	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	(A)	**(B)**	**(C)**	**(D=A+B-C)**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial result impacted by the adoption of HKFRS 16:					
Loss from operations	**(75,232)**	**3,680**	**(4,080)**	**(75,632)**	(142,019)
Finance (costs)/income	**(2,217)**	**748**	**–**	**(1,469)**	16,304
Loss before taxation	**(77,447)**	**4,428**	**(4,080)**	**(77,099)**	(126,581)
Loss for the period	**(77,447)**	**4,428**	**(4,080)**	**(77,099)**	(126,581)

3 Changes in accounting policies (continued)

	Six months ended 30 June 2019			Six months ended 30 June 2018
	Amounts reported under HKFRS 16 (A)	**Estimated amounts related to operating leases as if under HKAS 17 *(Notes (i) & (ii))* (B)**	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)**	Compared to amounts reported for 2018 under HKAS 17
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Line items in the condensed consolidated cash flow statement impacted by the adoption of HKFRS 16:				
Cash used in operations	**(80,742)**	**(4,080)**	**(84,822)**	(121,040)
Net cash used in operating activities	**(80,742)**	**(4,080)**	**(84,822)**	(121,040)
Capital element of lease rentals paid	**(3,332)**	**3,332**	**–**	–
Interest element of lease rentals paid	**(748)**	**748**	**–**	–
Net cash generated from/(used in) financing activities	**177,853**	**4,080**	**181,933**	(6,092)

Notes:

(i) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

(ii) In this impact table, these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash generated from financing activities as if HKAS 17 still applied.

4 Segment reporting

The Group manages its businesses by lines of business. In view of the cessation of the e-commerce business in 2018, the Group focuses on the development of an electronic trading platform to facilitate awards earned by customers of loyalty programmes of other companies to be exchanged globally in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions, i.e. the "Digital point business". In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following operating segments:

- Digital point business: this segment operates an electronic platform to facilitate awards earned by customers of loyalty programmes of other companies to be exchanged globally in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions.

- E-commerce business: this segment trades goods through electronic distribution platform, mobile applications and other related means. The Group ceased the operation of this segment in 2018.

No operating segments have been aggregated to form the above reportable segments.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
– Revenue from facilitation of digital point business through operation of an electronic platform	**36,774**	4,965
– Revenue from trading of goods through operation of an electronic distribution platform	**–**	638
	36,774	5,603

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(b).

(b) Segment results, assets and liabilities

For the purposes of disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments. No inter-segment sales have occurred for the six months ended 30 June 2019 and 2018. The Group's other operating expenses, such as selling and distribution expenses, administrative expenses, research and development costs, impairment losses, finance income/costs and gain/loss arising from changes in fair value on held-for-trading investments, are not measured under individual segments. The measure used for reporting segment result is gross profit.

4 Segment reporting (continued)

In view of the shift of focus to the digital point business, the most senior executive management consider that the Group's assets and liabilities are not required to be monitored under this segment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below.

	Digital point business		**E-commerce business**		**Total**	
For the six months ended	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	**36,095**	4,965	**–**	638	**36,095**	5,603
Over time	**679**	–	**–**	–	**679**	–
Revenue from external customers and reportable segment revenue	**36,774**	4,965	**–**	638	**36,774**	5,603
Reportable segment gross profit	**3,556**	1,153	**–**	167	**3,556**	1,320

5 Other income

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest income	**2,541**	1,390
Government grants	**–**	138
Net loss on disposal of property, plant and equipment	**–**	(9)
Others	**36**	–
	2,577	1,519

6 Impairment losses

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Impairment losses on trade and other receivables	**8,028**	22,984

7 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs/(income):

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Finance charges on convertible bonds *(Note 14)*	**4,580**	6,037
Interest on lease liabilities	**748**	–
	5,328	6,037
Net foreign exchange gain	**(1,492)**	(344)
Changes in fair value on the derivative components of convertible bonds *(Note 14)*	**(148)**	(21,997)
Gain on redemptions, extinguishment and recognition of convertible bonds *(Note 14)*	**(1,471)**	–
	2,217	(16,304)

(b) Staff costs:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**46,889**	47,759
Contributions to defined contribution retirement plans	**5,269**	5,604
	52,158	53,363

(c) Other items:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Cost of inventories	**33,218**	4,261
Depreciation		
– owned property, plant and equipment	**2,005**	1,497
– right-of-use assets *(Note)*	**3,680**	–
Operating lease charges in respect of properties under HKAS 17 *(Note)*	**–**	5,848
Lease charges relating to short-term leases and leases of low-value assets *(Note)*	**1,747**	–

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

8 Income tax

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current taxation	**–**	–
Deferred taxation	**–**	–
	–	–

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2019 (six months ended 30 June 2018: 16.5%).

The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%).

9 Loss per share

(a) Basic loss per share

The basic loss per share for the six months ended 30 June 2019 is calculated based on the loss attributable to the equity shareholders of the company of RMB19,621,000 (six months ended 30 June 2018: RMB29,682,000) and the weighted average number of ordinary shares of 1,810,953,000 (six months ended 30 June 2018: 1,813,258,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares:

	Six months ended 30 June	
	2019	2018
	'000	*'000*
Issued ordinary shares at 1 January	**1,810,953**	1,813,509
Effect of shares repurchased	**–**	(251)
Weighted average number of ordinary shares at 30 June	**1,810,953**	1,813,258

(b) Diluted loss per share

The Group's convertible bonds, share options granted and warrants issued could potentially dilute basic loss per share in the future, but were not included in the calculation of diluted loss per share because they are antidilutive during the six months ended 30 June 2019.

The diluted loss per share for the six months ended 30 June 2018 was calculated based on the loss attributable to equity shareholders of the Company (diluted) of RMB44,470,000 and the weighted average number of ordinary shares (diluted) of 1,877,793,000.

10 Property, plant and equipment

Right-of-use assets

As discussed in Note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 3.

11 Trade and other receivables

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Trade receivables	**14,762**	23,979
Less: loss allowance	**(4,415)**	(3,604)
	10,347	20,375
Other receivables:		
– Loans to third parties	**56,652**	54,352
– Receivable for issuance of shares of a subsidiary to a non-controlling equity shareholder *(Note 18)*	**100,000**	–
– Others	**49,714**	49,592
Other receivables	**206,366**	103,944
Less: loss allowance	**(74,333)**	(67,031)
	132,033	36,913
Financial assets measured at amortised cost	**142,380**	57,288
Prepayments and deposits *(Note)*	**12,390**	9,777
	154,770	67,065

Note: On the date of transition to HKFRS 16, prepayments of operating leases of RMB535,000 previously included in "Prepayments and deposits" were adjusted to right-of-use assets recognised at 1 January 2019. See Note 3.

All of the trade and other receivables, net of loss allowance, are expected to be recovered or recognised as expenses within one year.

11 Trade and other receivables (continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (net of loss allowance), included in trade and other receivables, based on the invoice date, is as follows:

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 3 months	**7,261**	19,518
Over 3 months but within 6 months	**387**	688
Over 6 months	**2,699**	169
	10,347	20,375

12 Cash and cash equivalents

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Cash at bank and on hand	**195,801**	97,420

The Group's operations in the PRC (excluding Hong Kong) conduct their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

13 Trade and other payables

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Trade payables	**7,404**	17,954
Payables for staff related costs	**5,302**	6,258
Payables for miscellaneous taxes	**1,189**	2,782
Payables for selling expenses incurred for digital point business	**1,201**	8,286
Advance from a non-controlling equity shareholder of a subsidiary *(Note 18)*	**100,000**	–
Others	**4,300**	6,467
	111,992	23,793
Financial liabilities measured at amortised cost	**119,396**	41,747
Deposit received from an investor of a non-wholly owned subsidiary in connection with the contemplated capital injection by this investor	**10,000**	–
Deposits received from business partner in connection with the Group's digital point business	**1,000**	1,000
Advances received from customers	**259**	147
Others	**1,130**	584
	131,785	43,478

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables included in trade and other payables, based on the invoice date, is as follows:

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Within 3 months	**6,793**	17,536
3 to 6 months	**100**	239
Over 6 months	**511**	179
	7,404	17,954

14 Convertible bonds

The Group's convertible bonds are analysed as follows:

	Liability components *RMB'000*	Derivative components *RMB'000*	Total *RMB'000*
At 1 January 2018	59,031	26,044	85,075
Accrued finance charges for the year	11,385	–	11,385
Interest paid	(7,480)	–	(7,480)
Exchange adjustments	3,127	1,350	4,477
Fair value changes on the derivative components	–	(26,438)	(26,438)
Redemptions, extinguishment and recognition of convertible bonds	(21,700)	(884)	(22,584)
At 31 December 2018 and 1 January 2019	44,363	72	44,435
Accrued finance charges for the period *(Note 7(a))*	4,580	–	4,580
Interest paid	(2,716)	–	(2,716)
Exchange adjustments	11	–	11
Fair value changes on the derivative components *(Note 7(a))*	–	(148)	(148)
Redemptions, extinguishment and recognition of convertible bonds	(19,857)	184	(19,673)
At 30 June 2019	26,381	108	26,489

In June 2015, the Company issued two secured convertible bonds with an aggregate face value of United States Dollar ("USD") 10,000,000 (equivalent to approximately RMB61,176,000) to Chance Talent Management Limited ("Chance Talent"), a third party, (together, "CB1"). On the date of issuance, both bonds bore interest at 13% per annum and were to mature in June 2018, where Chance Talent could convert them into the Company's ordinary shares at the respective stipulated conversion prices before their maturity dates.

In December 2017, the Company has extinguished CB1 and issued secured convertible bonds with face value of USD10,000,000 (equivalent to approximately RMB66,066,000) to Chance Talent ("CB2"). On the date of issuance, CB2 bore interest at 13% per annum, were to mature in June 2019 and secured by 109,343,662 ordinary shares in the Company owned by Century Investment (Holding) Limited ("Century Investment"). Chance Talent could convert CB2 into the Company's ordinary shares at HK$1.209 per share before the maturity date.

In July 2018, the Company and Chance Talent entered into an agreement to amend the terms of CB2 which constituted significant contract modifications, and accordingly, CB2 has been accounted for as extinguishment of the original financial instrument and the recognition of new financial instrument. Pursuant to this agreement, the Company redeemed an aggregated principal amount of USD3,300,000 (equivalent to approximately RMB21,994,000) of CB2 in cash and provided an additional 45,347,514 shares in the Company owned by Century Investment as securities for CB2 in 2018. The remaining principal amount of USD6,700,000 was to mature in June 2019 and could be converted into the Company's ordinary shares at HK$1.209 per share before the maturity date in June 2019.

14 Convertible bonds (continued)

On 3 June 2019, the Company and Chance Talent agreed further amend the terms of CB2 which constituted significant contract modifications, and accordingly, CB2 has been accounted for as extinguishment of the financial instrument recognised in July 2018 and the recognition of new financial instrument. Pursuant to the agreement, the Company redeemed a principal amount of USD2,700,000 (equivalent to approximately RMB18,202,000) of CB2 in cash on the same day, and the remaining principal amount of USD4,000,000 is extended to mature in June 2020 and can be converted into the Company's ordinary shares at HK$1.209 per share from 22 July 2019 to the maturity date in June 2020.

The aggregate difference between the redemptions/extinguishment and recognition and the carrying amount of CB2 took place during the six months ended 30 June 2019 amounted to a gain of RMB1,471,000 which has been recognised in profit or loss for the six months ended 30 June 2019.

15 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: RMBNil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

The directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2018 (2017: RMBNil).

(b) Share capital

	Six months ended 30 June 2019		Year ended 31 December 2018	
	No. of shares *'000*	***RMB'000***	No. of shares *'000*	*RMB'000*
Ordinary shares of USD0.01 each, issued and fully paid:				
At 1 January	**1,810,953**	**117,812**	1,813,509	117,978
Shares repurchased and cancelled	–	–	(2,556)	(166)
At 30 June/31 December	**1,810,953**	**117,812**	1,810,953	117,812

(c) Equity-settled share-based transactions

The Company has a share option scheme which was adopted on 28 June 2010 whereby the directors of the Company are authorised, at their discretion, to invite any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of the Group and any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the directors of the Company, will contribute or have contributed to the Group, to take up share options at HK$1 to subscribe for ordinary shares in the Company.

15 Capital, reserves and dividends (continued)

On 3 October 2016, 80,000,000 share options were granted to directors of the Company and employees of the Group under the above share option scheme. All of the share options granted will vest after one year from the date of grant and will mature on 2 October 2019. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK$1.41 and is settled gross in shares.

On 7 August 2018, 72,000,000 share options were granted to a director of the Company under the above share option scheme. All of the share options granted will vest immediately from the date of grant and will mature on 3 May 2023. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK$1.21 and is settle gross in shares.

(i) The terms and conditions of the share options granted is as follow:

	Number of instruments	Vesting condition	Contractual life of share options
Share options granted to directors:			
– On 3 October 2016	45,000,000	One year from the date of grant	3 years
– On 7 August 2018	72,000,000	No vesting condition	4.74 years
Share options granted to employees:			
– On 3 October 2016	35,000,000	One year from the date of grant	3 years
Total share options granted	152,000,000		

(ii) The number and weighted average exercise price of share options are as follows:

	Six months ended 30 June 2019		Year ended 31 December 2018	
	Weighted average exercise price ***HK$***	**Number of share options**	Weighted average exercise price *HK$*	Number of share options
Outstanding at the beginning of the period/year	**1.31**	**147,000,000**	1.41	75,000,000
Granted during the period/year		**–**	1.21	72,000,000
Outstanding at the end of the period/year	**1.31**	**147,000,000**	1.31	147,000,000
Exercisable at the end of the period/year	**1.31**	**147,000,000**	1.31	147,000,000

The share options outstanding at 30 June 2019 had a weighted average exercise price of HK$1.31 (31 December 2018: HK$1.31) and a weighted average remaining contractual life of 2 years (31 December 2018: 2.5 years).

16 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements at 30 June 2019 categorised into		Fair value measurements at 31 December 2018 categorised into	
	Level 1	**Level 3**	Level 1	Level 3
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets				
– Held-for-trading investments	3,076	–	3,062	–
Financial liabilities				
– Derivative components of convertible bonds *(Note 14)*	–	108	–	72

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2018: none). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable input	Weighted average
Derivative components of convertible bonds	Binomial lattice model	Expected volatility	51.59%

16 Fair value measurement of financial instruments (continued)

The fair values of the conversion options embedded in the convertible bonds are determined using binomial lattice model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2019, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have increased the Group's net loss by RMB74,000, whereas a decrease in the expected volatility by 5% would have decreased the Group's net loss by RMB50,000.

The movements in the derivative components of convertible bonds are set out in Note 14.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2019 and 31 December 2018.

17 Commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties *RMB'000*	Others *RMB'000*
Within 1 year	9,887	364
After 1 year but within 5 years	1,383	74
	11,270	438

The Group is the lessee in respect of a number of properties and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 3.

18 Capital injections from non-controlling equity shareholders

On 31 January 2019, Pointsea Company Limited ("PCL"), an indirect non-wholly owned subsidiary of the Company, entered into separate agreements with three independent parties, pursuant to which PCL will issue an aggregate of 84,109,692 new ordinary shares at a total subscription consideration of RMB300,000,000 to the above investors.

Pursuant to the above subscription agreements, PCL has undertaken to the above investors that if the valuation of PCL in future financing which involves a further subscription of PCL's new ordinary shares is less than USD400,000,000, PCL shall compensate the above investors by issuing additional new ordinary shares to the above investors in accordance with the terms and conditions set out in the related subscription agreements.

As at 30 June 2019, PCL has issued 56,073,128 new shares to two of the above investors. Proceeds from one of the investors, net of transaction costs, of RMB92,851,000 have been received during the six months ended 30 June 2019. Proceeds from the other investor has not yet been received while this investor granted an advance of RMB100,000,000 to PCL which is non-interest bearing and will mature upon receipt of the proceeds for shares issued to this investor by PCL.

19 Material related party transactions

In addition to the balances disclosed elsewhere in this interim financial report, the material related party transactions entered into by the Group during the period are set out below.

(a) Transactions with the equity shareholders of the Company

Details of guarantees provided by the equity shareholder of the Company for the Group's convertible bonds are set out in Note 14.

(b) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Short-term employee benefits	**2,524**	2,213
Contributions to defined contribution retirement plans	**58**	29
	2,582	2,242

20 Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has capitalised on its years of experience in the e-commerce business, which has enabled the Group to grasp market opportunities and enter the digital points business segment and industry. In the second half of 2017, the Group formed the Changyou digital point business ecosystem alliance (the "**Changyou Alliance**") with CCB lnternational (Holdings) Limited, China UnionPay Merchant Services Company Limited, China Mobile (Hong Kong) Group Limited, Bank of China Group Investment Limited and China Eastern Airlines Corporation Limited. With an aim to integrate the digital membership points, resources and strategic advantages of the business partners in the Changyou Alliance, the Group has developed an electronic trading platform, the Changyou platform. The Group strives to develop the Changyou platform as an integrative and secured platform, so as to preserve and maximise the value of points as virtual assets for the platform users.

With the development of blockchain technology, digital assets have received increasing attention from the industry. By leveraging advanced technologies such as blockchain and big data, the Changyou Alliance aims to develop a global financial platform for the issuance, circulation, trading, storage and payment settlement of blockchain tokenisation of assets.

Since the launch of the Changyou platform, the platform has undergone rapid development, with an increasing number of users, more diversified prouducts and services, as well as optimised business models and consumption scenarios. The total revenue from the business operations of the Changyou Alliance and the Changyou platform (the "**Digital Point**" business) was approximately RMB36.8 million for the six months ended 30 June 2019 (the corresponding period in 2018: approximately RMB5.0 million).

The gross merchandise volume (the "**GMV**") of the Digital Point business amounted to approximately RMB81.2 million for the six months ended 30 June 2019 (the corresponding period in 2018: approximately RMB54.9 million), representing a significant increase of approximately RMB26.3 million (approximately 48%) over the corresponding period last year. The Group is currently negotiating with a number of potential business partners to further optimise the Changyou platform and expand its business scope to other sectors.

Finance Services

With the improvement of China's financial market and the rapid development of information technology, the "pan-financial" era has arrived with numerous emerging internet financial models. Changyou is dedicated to the issuance, trading, exchange and settlement of digital points with the hope of creating a forward-looking commercial financial platform. Users can monetise Changyou points via Changyou Pay (暢由付) on the Changyou platform. Changyou Pay also enhances the standardised, low-cost and efficient Changyou points services for small and medium enterprises.

Point payment business

The Group offers points consumption services and points cashier output services. During the first half of 2019, the Group optimised the offline scan-and-pay business as well as product management and reconciliation for merchants, which have become the core products for merchants on Changyou. To expand its income sources and integrate payment capabilities, the Group has expanded its cooperation channels and the sales scope of the products in the scan-and-pay business, as well as its income sources. For the six months ended 30 June 2019, the total transaction amount from the point payment business exceeded RMB60 million.

Loan business

The Group provides loan product and credit card recommendation services for platform users, and allows payment by instalment for products and services on the Changyou platform. The Changyou platform has increased the promotion of its cooperation and developments in relation to various loan products, such as the introduction of credit card instalment plans which may be accessed by end-users through mobile applications, in order to receive more credit card instalments.

Asset management business

The Group selects financial products and services ranging from insurance, funds and wealth management to smart investment advisory services. The Group has strengthened its promotion of credit cards and insurance products. The Group has also launched car insurance and insurance products which are redeemable with Changyou points, which aims to attract more diversified investment from users through these various types of products.

Retail

To cater for the current consumption trends and improving quality of life in China, Changyou's points mall has introduced various differentiated and high-quality products to the Changyou platform via a vertical business cooperation model of "introducing new merchants" (招商入駐+對接) with popular social e-commerce platforms in China. In the Changyou points mall, users can purchase goods and services of other e-commerce platforms with Changyou points. The Group will then make online rebate settlements with such cooperation platforms after calculation of the customers' consumption of the products and services.

The retail segment is the foundation of the Changyou platform with a focus on increasing the variety of goods, necessities and improving the quality of services available on the platform. During the first half of 2019, the Group achieved positive results in the points mall business through the cooperation with third parties and expansion of marketing tools.

In the first half of 2019, the Group focused on expanding e-commerce consumption and video leisure products. The Group has introduced top brands, goods with high trading volume to the Changyou points mall, and improved strategic planning for each product category and brand. The Company also implemented precise management plans for various merchants.

The Group has improved the integration of the coupon and points rebate system in the Changyou points mall, encouraged users to pay with Changyou points, and streamlined the process of adding merchants' products to the points mall system. In additions, the Group completed a flash sale campaign and has also developed the distribution function of cloud stores, integrating the rebate system into the membership system and the members-only shopping zone.

Games and entertainment

To further make the Changyou platform available to a wider customer base and expand the scope of the points business, the Group continues to develop the points business in the games and entertainment scenario, including self-developed games, external games and action games.

The Changyou platform has created a new points business through, among other things, Changyou points lucky draws and online claw crane machines. To better serve its users, Changyou has consistently applied the business philosophy of "making each point more valuable" and will continue to promote the "Changxiangjia" (「暢享家」) membership system. In addition to self-developed online games, the Changyou platform also intends to cooperate with various game platforms to co-publish games on the Changyou platform and other channels.

Cooperation with sales channels

In the first half of 2019, the Group has been negotiating and collaborating with a number of institutions to implement "pay-by-points" and "scan-and-pay" businesses.

In the first half of 2019, the technical department of the Group has been active in upgrading the technical infrastructures of the Changyou platform, including constructing blockchain infrastructures, applying blockchain technology to real-world scenarios, facilitating and enhancing the infrastructure for the equity asset trading business, and refining the research and development process. Through these efforts, the Changyou platform aims to provide users with a faster and more secured user experience, improving customer stickiness and engagement, thereby improving marketing efficiency. The marketing and operation departments have enhanced the brand value and the Company business development and long-term value through marketing promotions and events, as well as brand-building and public relations activities. These efforts have enabled the Changyou platform to reach and serve more individual and enterprise customers.

FINANCIAL REVIEW

Revenue

The Group recorded a consolidated revenue of approximately RMB36.8 million (30 June 2018: approximately RMB5.6 million), representing an increase by approximately 556.3% as compared with the corresponding period in 2018. The increase in revenue was mainly attributable to the increase in revenue from the retail segment of the Changyou platform.

Gross profit

Gross profit for the six months ended 30 June 2019 amounted to approximately RMB3.6 million (30 June 2018: approximately 1.3 million). The increase in gross profit in 2019 was attributable to the increase in revenue from Digital Points business.

Other income

Other income of the Group for the six months ended 30 June 2019 amounted to approximately RMB2.6 million (30 June 2018: approximately RMB1.5 million), which mainly consists of interest income. Detailed breakdown is disclosed in the note 5 of the interim financial information as disclosed in this announcement.

Impairment losses

Impairment losses of the Group for the six months ended 30 June 2019 amounted to approximately RMB8.0 million which mainly represent impairment losses on a loan to a third party (30 June 2018: approximately RMB23.0 million).

Selling and distribution expenses

Selling and distribution expenses of the Group for the six months ended 30 June 2019 decreased to approximately RMB20.5 million (30 June 2018: approximately RMB63.6 million) was mainly attributable to reduced sales and promotion activities for Changyou platform during the six months ended 30 June 2019.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2019 decreased to approximately RMB29.8 million, as compared to RMB33.4 million for the corresponding period in 2018. The administrative expenses slightly decreased approximately 10.6% when comparing with the respective period in 2018. The decrease was mainly attributable to the cessation of the operation of e-commerce business in 2018.

Research and development costs

Research and development costs of the Group for the six months ended 30 June 2019 decreased to approximately RMB23.0 million (30 June 2018: approximately RMB24.9 million). The research and development costs were relatively stable in 2019.

Finance (costs)/income

The Group incurred finance costs of approximately RMB2.2 million for the six months ended 30 June 2019 (30 June 2018: finance income approximately RMB16.3 million). The finance costs mainly consist of the net effect of finance charges on the convertible bonds, the gain on redemptions and recognition of the convertible bonds and net foreign exchange gain, the details of which are disclosed in note 7(a) of the interim financial information as disclosed in this announcement.

Taxation

No income tax is provided for the six months ended 30 June 2019 (30 June 2018: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, cash and cash equivalents of the Group amounted to approximately RMB195.8 million (31 December 2018: approximately RMB97.4 million).

As compared with the position as at 31 December 2018, cash and cash equivalents increased by approximately RMB98.4 million, resulting from the net cash outflow from operating activities of approximately RMB80.7 million for the six months ended 30 June 2019 (year ended 31 December 2018: approximately RMB245.8 million), the net cash inflow from investing activities of approximately RMB437,000 for the six months ended 30 June 2019 (year ended 31 December 2018: net cash outflow of approximately RMB25.7 million) and the net cash inflow from financing activities of approximately RMB177.9 million for the six months ended 30 June 2019 (year ended 31 December 2018: net cash outflow of approximately RMB30.1 million).

As at 30 June 2019, net current assets of the Group amounted to approximately RMB192.0 million (31 December 2018: approximately RMB80.1 million). As at 30 June 2019, the current ratio (representing total current assets divided by total current liabilities) of the Group was approximately 2.18 (31 December 2018: approximately 1.91).

As at 30 June 2019, total assets of the Group were approximately RMB367.1 million (31 December 2018: approximately RMB177.4 million) and total liabilities were approximately RMB162.9 million (31 December 2018: approximately RMB87.9 million). The debt ratio (representing total liabilities divided by total assets) as at 30 June 2019 was 0.44 as compared to 0.50 as at 31 December 2018.

As at 30 June 2019, the Group had total borrowings which represents the convertible bonds issued in December 2017 of approximately RMB26.5 million (31 December 2018: approximately RMB44.4 million). The gearing ratio as at 30 June 2019 (i.e. total borrowing/total equity) was approximately 0.13 (31 December 2018: approximately 0.50).

Convertible bonds

On 7 December 2017, the Company and Chance Talent Management Limited ("**Chance Talent**"), an indirect wholly-owned special purpose vehicle of CCB International (Holdings) Limited, entered into a subscription agreement, pursuant to which the Company shall issue US$10 million 13% secured convertible bonds (the "**Convertible Bonds**") to Chance Talent. The Convertible Bonds bear an interest at 13% per annum with a maturity date on 3 June 2019.

The issuance of Convertible Bonds was completed on 20 December 2017. The US$10 million payable by Chance Talent for the subscription of the Convertible Bonds was satisfied by way of off-setting the aggregate outstanding principal amount of US$10 million payable by the Company under the previous convertible bonds issued by the Company to Chance Talent in June 2015. Accordingly, no proceeds arose from the issue of the Convertible Bonds.

On 10 July 2019, the Company entered into a framework deed of amendment (the "**Amendment Deed**") with Chance Talent and Century Investment (Holding) Limited ("**CIH**"), and executed an amendment deed poll pursuant to the Amendment Deed, to amend, among other things, the maturity date of the Convertible Bonds from 3 June 2019 to 3 June 2020. For further details of the extention of the maturity date of the Convertible Bonds, please refer to the announcement of the Company dated 10 July 2019. Since the issuance of the Convertible Bonds on 20 December 2017 and up to 30 June 2019, the Company partially redeemed the Convertible Bonds in the aggregate principal amount of US$6 million. The total outstanding principal amount of the Convertible Bonds as at 30 June 2019 was US$4 million.

Placing

On 12 December 2016, the Company entered into a placing agreement with a placing agent, pursuant to which the Company agreed to place, through the placing agent, a maximum of 291,218,000 shares of the Company to independent placees at a price of HK$1.98 per share (the "**Placing**"). As at 30 June 2019, the actual use of the proceeds from the Placing which was completed on 6 January 2017, was as follows:

Usage	Original use of the proceeds from the Placing *RMB (million)*	Revised use of the proceeds from the Placing (as previously disclosed in the annual report of the Company for the year ended 31 December 2017) *RMB (million)*	Actual use of the proceeds from the Placing since 6 January 2017, being the date of completion of the Placing *RMB (million)*
To fund the general working capital of the Company other than the Digital Point business for the year ended 31 December 2017	53	53	53
To fund the Company's subscription of 50.1% in the issued share capital of Treasure Ease Holdings Limited	40	40	40
To partially fund the working capital requirement for operating the Digital Point business for the year ended 31 December 2017, which includes (a) capital expenditure (such as acquisition of information system hardware, software, establishment of technological platform, and construction of engine rooms); and (b) operating expense requirement (such as marketing expenses, human resources expenses, and office rent)	31	76	76
To fund (a) the capital expenditure; and (b) the operating expense for developing and operating the Digital Point business for the two years ending 31 December 2019 *(Note)*	377	229	226
For interest-bearing instrument to allow flexibility in the Company's financial and treasury management	–	47	47
To fund the repurchase of shares of the Company	–	9	9
For the repayment of secured loan	–	47	47
Total	**501**	**501**	**498**

Note:

The detailed breakdown for (a) the capital expenditure; and (b) the operating expense for developing and operating the Digital Point business for the two years ending 31 December 2019 are as follows:

Usage	**Revised use of the proceeds from the Placing (as previously disclosed in the announcement of the Company dated 22 August 2018 and the annual report of the Company for the year ended 31 December 2018)** *RMB (million)*	**Actual use of the proceeds from the Placing since 6 January 2017, being the date of completion of the Placing** *RMB (million)*
To fund the fixed expenses (comprising salaries and other administrative expenses) for the recruitment and retention of personnel and management and for the development of the "Changyou" platform for the year ended 31 December 2018	120	120
To fund promotional and marketing activities to attract and maintain customers' loyalty and their participation and consumption of the products and services provided on the "Changyou" platform for the two years ending 31 December 2019	104	102
To fund the capital expenditure of the Digital Point business for the two years ending 31 December 2019	5	4
Total	**229**	**226**

UPDATE ON THE USE OF PROCEEDS FROM THE PLACING

The total balance of the unutilised proceeds from the Placing was approximately RMB3 million as at 30 June 2019 ("**Unutilised Proceeds**"). The Group intends that the Unutilised Proceeds will be used to fund the continued development and operations of the Digital Point business of the Group for the year ending 31 December 2019 as follows:

Intended use and expected timeline	**Amount of the Unutilised Proceeds as at 30 June 2019** *RMB (million)*
To fund the fixed expenses (comprising salaries and other administrative expenses) for the recruitment and retention of personnel and management and for the development of the "Changyou" platform for the year ending 31 December 2019	3

Warrants

On 26 March 2018, the Company and CIH, the substantial shareholder of the Company, entered into a subscription agreement, pursuant to which the Company shall issue 298,000,000 warrants ("**Warrants**") to CIH at a subscription price of HK$0.01 per Warrant. The Company received the subscription price of HK$2,980,000. The Warrants were issued on 18 September 2018. The net proceeds from the issue of Warrants of approximately HK$1,480,000 was fully utilised for the development of the "Changyou" platform during the year ended 31 December 2018. None of the Warrants were exercised during the six months ended 30 June 2019.

Advance to an entity

On 3 January 2019, Fortunet Development Limited (the "**Lender**"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement (the "**Loan Agreement**") with Asia Television Holdings Limited (the "**Borrower**"), pursuant to which the Lender conditionally agreed to provide to the Borrower a term loan of HK$40,000,000 for the general working capital of the Borrower, at an interest rate of 12% per annum for a term of 12 months commencing from the date of the drawdown of the loan by the Borrower (the "**Loan**"). The obligations of the Borrower under the Loan Agreement are secured by a deed of guarantee by a substantial shareholder of the Borrower. For further details of the Loan, please refer to the announcement of the Company dated 3 January 2019. The Borrower has fully drawn down the Loan in one single amount on 3 January 2019. Pursuant to the Loan Agreement, the Borrower shall repay the principal amount of the Loan in full together with the interest accrued on the maturity date of the Loan.

Deemed disposal of equity interest in a subsidiary

On 31 January 2019, Pointsea Company Limited ("**PCL**"), an indirect non-wholly owned subsidiary of the Company, entered into subscription agreements with certain investors (collectively, the "**Investors**") in relation to the allotment and issue of shares in PCL (the "**Subscriptions**"). The aggregate amount of proceeds raised from the Subscriptions amounted to RMB300 million, which is intended to be utilized for, among other things, the further development and expansion of the Digital Point business of the Group. The subscription price payable for the Subscriptions was determined after arm's length negotiations between PCL and the Investors on the basis of the pre-money valuation of US$500 million (approximately RMB3,424 million). As at the date of this announcement, the Subscriptions by two out of three Investors were completed in March 2019, and gross proceeds of RMB200 million were received by the Group. Further details in relation to the Subscriptions have been disclosed in the Company's announcements dated 31 January 2019, 14 February 2019 and 31 May 2019. As at 30 June 2019, the actual use of proceeds from the Subscriptions was as follows:

Usage	**Use of the proceeds from the Subscriptions** *RMB (million)*	**Actual use of the proceeds from the Subscriptions** *RMB (million)*
To fund the fixed expenses (comprising salaries and other administrative expenses) for the recruitment and retention of personnel and management and for the development of "Changyou" platform in 2019 and 2020	120	59
To fund promotional and marketing activities to attract and maintain customers' loyalty and their participation and consumption of the products and services provided on the "Changyou" platform in 2019 and 2020	80	–
For the repayment of the unsecured term loan facility advanced from the Company by August 2018	88	88
To fund the registered capital of any direct or indirect wholly foreign owned enterprise of PCL in 2019 and 2020	3	–
To fund the general working capital of PCL and its subsidiaries in 2019 and 2020	9	9
Total	300 *Note*	156

Note: As at the date of this announcement, the Subscriptions were completed by two out of three Investors and gross proceeds of RMB200 million were received by the Group.

Property, plant and equipment

As at 30 June 2019, property, plant and equipment were approximately RMB12.2 million (31 December 2018: approximately RMB9.4 million). The increase was mainly attributable to the right of use assets recognised as a result of the adoption of HKFRS 16.

Trade and other receivables

Trade and other receivables of the Group as at 30 June 2019 were approximately RMB154.8 million (31 December 2018: approximately RMB67.1 million). Detailed breakdown is disclosed in the note 11 of the interim financial information as disclosed in this announcement.

Trade and other payables

Trade and other payables of the Group as at 30 June 2019 were approximately RMB131.8 million (31 December 2018: approximately RMB43.5 million). Detailed breakdown is disclosed in the note 13 of the interim financial information as disclosed in this announcement.

Pledged assets

As at 30 June 2019, the Group did not have pledged assets (as at 31 December 2018: Nil).

Contingent liabilities

As at 30 June 2019, save as disclosed in this announcement in relation to the compensation of shares as disclosed in the note 18 of the interim financial information, the Group had no significant contingent liabilities (31 December 2018: Nil).

Capital commitment

As at 30 June 2019, the Group had no contracted capital commitments which were not provided in the interim financial information (31 December 2018: Nil).

Employees

As at 30 June 2019, the Group had 259 employees which are located in Beijing, Shanghai and Hong Kong. For the six months ended 30 June 2019, total staff costs were approximately RMB52.2 million. During the period, the Group also provided internal training, external training and correspondence courses for its staff in order to promote self-improvement and enhancement of skills relevant to work.

Foreign exchange risk

The business of the Group is mainly located in China and most of the transactions are denominated in Renminbi. Most of the assets and liabilities of the Group are computed in Renminbi. As at 30 June 2019, the Group's net foreign currency assets amounted to approximately RMB108.2 million (as at 31 December 2018: net foreign currency liabilities of approximately RMB37.2 million). During the six months ended 30 June 2019, the Group did not utilise any future contracts, currency borrowings and otherwise to hedge against its foreign exchange risk. However, the Group will continue to monitor the risk exposures and will consider to hedge against material currency risk if required.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as the deemed disposal of equity interest in PCL by the Company as disclosed in this announcement, there were no significant investments held nor material acquisitions or disposals of subsidiaries during the reporting period and there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

As at the date of this announcement, CIH pledged its 154,691,176 ordinary shares in the Company (the "**Charged Shares**") to secure the obligation of the Company under the Convertible Bonds. The Charged Shares represent approximately 8.54% of the issued share capital of the Company.

DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), the changes in information of Directors of the Company subsequent to the date of the annual report of the Company for the year ended 31 December 2018 are set out below:

Mr. Yuan Weitao	ceased to be a director of CIH, a substantial shareholder of the Company, with effect from 24 July 2019

PROSPECTS

During the second half of 2019, the Group will continue to focus on developing the consumption scenario of the Changyou platform, implementing and promoting the digital equity asset trading business, expanding the key merchant base and launching business-to-business (B2B) and business-to-consumer (B2C) services, in order to increase the user base, user traffic and liquidity of the digital points of the Changyou platform.

In the future, the Group will continue to focus on the Changyou Alliance business by developing the Changyou platform and the equity asset trading business. The Group plans to complete a digital trading platform for equity assets by integrating with the merchant system of card issuers. It will also establish a nationwide sales channel in order to achieve a fast and low-cost business expansion.

The Group will develop new business models for the equity asset trading business, explore merchant resources, build a consumer-to-consumer (C2C) trading platform, The Changyou Alliance is committed to fully exploiting the financial attributes of digital points. Through equity asset trading, access to digital points sources and consumption scenarios) will be enhanced, creating a digital points ecosystem alliance that is applicable to different industries. The Group aims to select outstanding enterprises from various industries for the Changyou Alliance's consumption scenarios, and aims to cooperate with enterprises on the integration of digital points, cards and vouchers. The Group aims to tap into the resources of small and medium enterprises by offering products which are redeemable with Changyou points.

Integration of key merchants

The Group plans to establish a series of cooperative ventures with various leading industry companies, covering increased access to point sources, key merchant digital voucher equity transactions, joint member marketing activities, and sales of goods and services.

The Group will develop different channels to promote the new markets for digital vouchers. A smooth connection will be established between the trading platform and the systems of card issuers. The Group will also aim to cooperate with potential card issuers, thereby establishing a marketing service platform (including issuance of cards, digital vouchers and marketing events) which will be provided to key merchants for free or at a low cost.

Finance services

The Group has cooperated with business partners and third-party payment service providers to integrate different forms of payment services into the Changyou platform and explore more financial points scenarios. During the second half of 2019, the Group will expand the number of authorised scan-and-pay merchants, high-quality online platform merchants and equity asset trading merchants to actualise the idea of "pay by points". The Group will continue to allow the points to empower small-to-medium size enterprises. The Group will continue to diversify the types of insurance, investment and other financial products offered to Changyou platform users.

In the point payment business segment, the Group will standardise the point payment output interface, enrich the scope of products available for the code-scanning payment service, and establish the aggregation payment capability. The Group will expand the loan business by collaborating with brand merchants to develop the consumption scenarios.

Retail

The Group is committed to providing its users with high-quality products. The Group will further enrich its product types through brand tours and outlets. In the second half of 2019, the Group will increase the promotion activities to enhance sales performance, focus on key merchants products and popular items and extend more benefits to its members.

Games and entertainment

The Group will continue to create unique content to attract users to the Changyou platform. The Group will continue to focus on self-developed mini games and will strengthen the interplay between Changyou points and games. The Group will also cooperate with other game developers to introduce more quality games to the platform. In addition to enriching the games and entertainment consumption scenario with Changyou Pay, the Group plans to engage in game co-publishing business in the second half of 2019. It will also utilise the Changyou platform to develop the game publication business, and establish an ecosystem that integrates product customisation, channel distribution and user operations.

Overall

In terms of future business prospects, the Group has extended its scope of cooperation to leading international companies to acquire richer and more diverse points resources, increase the user base and expand the products, services, business segments, categories and consumption scenarios of the Changyou platform. To further improve the value-added services of the Changyou platform, the Group will make use of big data and consumption scenarios for more effective marketing efforts and offering advertising spaces to merchants.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency of the Company. The Board will continue to review and improve the corporate governance practices from time to time to ensure the Group is led by an effective Board in order to optimize returns for the shareholders of the Company. During the six months ended 30 June 2019, the Company has applied the principles of and has complied with all code provisions as set forth in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 of the Listing Rules, save for the deviation as set forth below:

Code Provision A.6.7

Code Provision A.6.7 of the CG Code provides that independent non-executive directors and non-executive directors should generally attend general meetings of the Company. Mrs. Guo Yan and Mr. Liu Jialin were not able to attend the annual general meeting of the Company held on 28 May 2019 due to their other engagement in other commitments.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2019.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed and declared that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2019.

REVIEW ON INTERIM RESULTS

The Audit Committee has reviewed the accounting principles, practices and treatments adopted by the Group and the unaudited interim results of the Group for the six months ended 30 June 2019 with the management of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.fortunetecomm.com and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available on the same websites in due course.

By order of the Board
Fortunet e-Commerce Group Limited
Mr. Cheng Jerome
Chairman

Hong Kong, 30 August 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Cheng Jerome and Mr. Yuan Weitao; the non-executive Director of the Company is Mrs. Guo Yan; and the independent non-executive Directors of the Company are Mr. Wong Chi Keung, Mr. Liu Jialin and Mr. Chan Chi Keung Alan.