2018

INTERIM REPORT

FINGER
TANGO

FingerTango Inc.
指尖悅動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6860

Contents

Company Profile

We are a leading mobile game publisher in China. We ranked tenth among all mobile game publishers, and fifth among third-party mobile game publishers, in China as measured by 2017 gross billings, according to the CIC Report. As a pioneer in China's SLG game publishing industry, we ranked first among all SLG mobile game publishers in China with a market share of 9.8% as measured by 2017 gross billings, and we had six titles among the top 20 SLG mobile games in 2017 in terms of average monthly gross billings, according to the same source.

Since inception in December 2013, we had officially launched over 40 mobile games, including seven major games in operation, namely, *Tank Fortline* (坦克前線), *Three Heros* (超級群英傳), *Super Fleet* (超級艦隊), *Romance of Stars* (星辰奇緣), *Wartime* (戰爭時代), *The Age of Rome* (羅馬時代) and *My Duty* (我的使命). Four titles have generated an average monthly gross billings of RMB15 million or above during the six months ended 30 June 2018. *Tank Frontline* (坦克前線), our signature title, is still popular after more than 40 months' operation, and has achieved an average monthly gross billings of RMB36 million or above.

We focus primarily on SLG games and generated all of our revenue from mobile game publishing, including self-publishing and co-publishing. For self-publishing, we are primarily responsible for game optimization, marketing, promotion, distribution, monetization, and other user-related services, as well as coordinating with game developers on updates and modifications based on user or market feedback. Where we publish a game together with our co-publishers, we are primarily responsible for coordinating with game developers on updates and modifications based on feedbacks from our co-publishers, and responding to and resolving our user's technical inquiries and complaints. We grant the co-publishers the right to publish, promote and operate our games as well as to make modifications to our games primarily for compatibility purposes.

Corporate Information

DIRECTORS

Executive Directors

Mr. LIU Jie (劉傑)
Mr. WU Junjie (吳俊傑)
Mr. WANG Zaicheng (王在成)
Mr. LIU Zhanxi (劉展喜)

Independent Non-executive Directors

Ms. YAO Minru (姚敏茹)
Mr. GUO Jingdou (郭靜鬥)
Mr. DU Geyang (杜戈陽)

AUDIT COMMITTEE

Ms. YAO Minru (姚敏茹) *(Chairperson)*
Mr. GUO Jingdou (郭靜鬥)
Mr. DU Geyang (杜戈陽)

REMUNERATION COMMITTEE

Mr. GUO Jingdou (郭靜鬥) *(Chairperson)*
Mr. WU Junjie (吳俊傑)
Mr. DU Geyang (杜戈陽)

NOMINATION COMMITTEE

Mr. LIU Jie (劉傑) *(Chairperson)*
Mr. GUO Jingdou (郭靜鬥)
Mr. DU Geyang (杜戈陽)

AUTORIZED REPRESENTATIVES

Mr. WANG Zaicheng (王在成)
Mr. WONG Yu Kit (黃儒傑) *FCIS, FCS*

JOINT COMPANY SECRETARIES

Mr. WANG Zaicheng (王在成)
Mr. WONG Yu Kit (黃儒傑) *FCIS, FCS*

LEGAL ADVISERS

As to Hong Kong law:

O'Melveny & Myers
31st Floor, AIA Central
1 Connaught Road Central
Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS

3rd Floor, Huixin Building
1132 Zhongshan Avenue West
Tianhe District
Guangzhou
PRC

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANK

China Merchants Bank Co. Ltd.
Guangzhou Gaoxin Branch
1 Huajing Road, Zhongshan Avenue
Guangzhou
PRC

INVESTOR RELATIONS

Porda Havas International Finance Communications Group
Unit 2401, 24/F
Admiralty Centre Tower II
18 Harcourt Road
Admiralty
Hong Kong

COMPANY WEBSITE

www.fingertango.com

STOCK CODE

6860

LISTING DATE

12 July 2018

Financial Summary

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

Note:

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

Management Discussion and Analysis

MARKET OVERVIEW

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

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

BUSINESS REVIEW

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

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

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

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

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

During the Reporting Period, we have officially launched an SLG game – *Enthroned* (任我為王) in March. Throughout the Reporting Period, the new titles expected to be launched by the end of the year have already been developed or are being developed. *Windy World* (風色世界) and *The Light of King* (王者之光), developed by renowned developers, are among the most anticipated new games to be launched later in the third quarter of 2018. The two new titles are currently under test operation. With a robust game pipeline, we have been proactively optimizing our launch strategy, and it is expected to bring new driving force for business growth.

OUTLOOK FOR 2018

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

FINANCIAL PERFORMANCE

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

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

Revenue

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

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

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

Cost of Revenue

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Other Loss, net

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

Finance Income

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Research and Development Expenses

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

Income Tax Expense

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

Profit in the Reporting Period

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

Non-IFRS Measures – Adjusted Profit

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

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

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

Liquidity and source of funding and borrowing

As at 30 June 2018, the Group's total cash and cash equivalents amounted to approximately RMB357.7 million, representing a decrease of approximately 37.66% as compared with approximately RMB 573.8 million as at 31 December 2017. Such decrease was mainly due to a divestment by the Exit Shareholders (as defined in the prospectus of the Company dated 26 June 2018). For details, please refer to the section "History, Reorganisation and Corporate Structure" in the prospectus.

As at 30 June 2018, current assets of the Group amounted to approximately RMB632 million, including and cash and cash equivalents of approximately RMB357.7 million and other current assets of approximately RMB274.3 million. Current liabilities of the Group amounted to approximately RMB282.8 million, including trade payables and contract liabilities of approximately RMB210.4 million and other current liabilities of approximately RMB72.4 million. As at 30 June 2018, the current ratio (the current assets to current liabilities ratio) of the Group was 2.23, as compared with 2.30 as at 31 December 2017.

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 2018 and the resulting gearing ratio is nil. The Group intends to finance the expansion, investments and business operations with internal resources.

Material acquisitions and disposals

The Group did not make any material acquisitions or disposals of subsidiaries, associated companies or joint ventures and significant investments during the Reporting Period.

Pledge of assets

As at 30 June 2018, none of the Group's assets was pledged.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2018.

Report on Review of Interim Financial Information

To the Board of Directors of FingerTango Inc.

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 13 to 40, which comprises the interim condensed consolidated balance sheet of FingerTango Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the interim condensed consolidated statements of comprehensive income, the interim condensed consolidated statements of changes in equity and the interim condensed consolidated statements of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 August 2018

Interim Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
	Note	**(Unaudited)**	(Unaudited)
Revenue	6	**537,464**	601,814
Cost of revenue	7	**(224,448)**	(229,035)
Gross profit		**313,016**	372,779
Selling and marketing expenses	7	**(141,983)**	(230,006)
Administrative expenses	7	**(57,149)**	(11,412)
Research and development expenses	7	**(16,650)**	(18,889)
Other income		**726**	3,398
Other loss, net	8	**(2,128)**	(2,268)
Operating profit		**95,832**	113,602
Finance income	9	**3,155**	311
Profit before income tax		**98,987**	113,913
Income tax expense	11	**(11,884)**	(9,649)
Profit for the period attributable to owners of the Company		**87,103**	104,264
Total comprehensive income for the period, net of tax		**87,103**	104,264
Total comprehensive income attributable to owners of the Company		**87,103**	104,264
Earnings per share (expressed in RMB per share)	12		
— Basic		**0.06**	0.07
— Diluted		**0.06**	0.07

The notes on pages 19 to 40 form an integral part of this interim financial information.

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Assets			
Non-current assets			
Property and equipment	14	9,376	9,281
Intangible assets	14	1,310	1,498
Financial assets at fair value through other comprehensive income	5	11,200	11,200
Prepayments and other receivables		20,138	17,417
Deferred tax assets		22,851	28,522
Total non-current assets		64,875	67,918
Current assets			
Trade receivables	15	132,610	157,715
Prepayments and other receivables		87,700	55,301
Contract costs		54,066	70,394
Cash and cash equivalents		357,656	573,761
Total current assets		632,032	857,171
Total assets		696,907	925,089
Equity			
Share capital	16	48	—
Shares held for restricted share unit scheme	17	(2)	—
Reserves	18	83,793	195,525
Retained earnings		330,263	356,466
Total equity		414,102	551,991

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Liabilities			
Current liabilities			
Trade payable	20	76,209	102,234
Contract liabilities		134,189	174,757
Current income tax liabilities		27,543	31,771
Other payable and accruals		44,864	64,336
Total current liabilities		282,805	373,098
Total liabilities		282,805	373,098
Total equity and liabilities		696,907	925,089

The notes on pages 19 to 40 form an integral part of this interim financial information.

On behalf of the Board

Liu Jie
Director

Liu Zhanxi
Director

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000	Shares held for restricted share unit scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Unaudited						
Balance at 1 January 2017		—	—	54,688	176,511	231,199
Comprehensive income						
Profit for the period		—	—	—	104,264	104,264
Total comprehensive income for the period		—	—	—	104,264	104,264
Transaction with owners in their capacity as owners						
New shares issued to strategy investors	18(a)	—	—	135,000	—	135,000
Total transactions with owners in their capacity as owners		—	—	135,000	—	135,000
Balance at 30 June 2017		—	—	189,688	280,775	470,463

Interim Condensed Consolidated Statement of Changes In Equity

	Note	Share capital RMB'000	Shares held for restricted share unit scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Unaudited						
Balance at 1 January 2018		–	–	195,525	356,466	551,991
Comprehensive income						
Profit for the period		–	–	–	87,103	87,103
Total comprehensive income for the period		–	–	–	87,103	87,103
Transaction with owners in their capacity as owners						
Issuance of ordinary shares	16	48	–	–	–	48
Ordinary shares issued and allotted for RSU scheme	17	–	(2)	2	–	–
Shares repurchase from strategy investors	18(a)	–	–	(150,510)	(113,306)	(263,816)
Employee share-based compensation scheme	19	–	–	38,776	–	38,776
Total transactions with owners in their capacity as owners		48	(2)	(111,732)	(113,306)	(224,992)
Balance at 30 June 2018		48	(2)	83,793	330,263	414,102

The notes on pages 19 to 40 form an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		79,137	72,639
Income tax paid		(10,441)	(1,609)
Net cash generated from operating activities		68,696	71,030
Cash flows from investing activities			
Purchases of property and equipment	14	(1,631)	(2,201)
Prepayments for purchases of intangible assets		(4,179)	—
Purchases of financial assets at fair value through other comprehensive income		(10,000)	(600)
Purchases of financial assets at fair value through profit or loss		–	(435,421)
Proceeds from disposal of financial assets at fair value through profit or loss		–	306,017
Investment income received		–	360
Net cash used in investing activities		(15,810)	(131,845)
Cash flows from financing activities			
Payment for issuance costs of ordinary shares relating to the initial public offering		(3,757)	—
New shares issued to strategy investors	18	–	135,000
Shares repurchase from strategy investors	18	(263,816)	—
Net cash (used in)/generated from financing activities		(267,573)	135,000
Net (decrease)/increase in cash and cash equivalents		(214,687)	74,185
Cash and cash equivalents at beginning of period		573,761	212,817
Effects of exchange rate changes on cash and cash equivalents		(1,418)	(2,781)
Cash and cash equivalents at end of period		357,656	284,221

The notes on pages 19 to 40 form an integral part of this interim financial information.

Notes to the Interim Condensed Consolidated Financial Information

1 General information

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

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

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

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

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

On 12 July 2018, the Company completed the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "IPO"). Further details of the IPO are set out in Note 24 below.

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

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

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

2 Basis of preparation

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

3 Significant accounting policies

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

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

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

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

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

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

(ii) IFRS 16 Leases

3 Significant accounting policies (continued)

(b) (continued)

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

The accounting for lessors will not significantly change.

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

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

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

(c) New accounting policies

(i) Share capital

Ordinary shares are classified as equity.

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

3 Significant accounting policies (continued)

(c) New accounting policies (continued)

(ii) Share-based payments

— Equity-settled share-based payment transactions

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

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

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

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

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

4 Critical accounting estimates and judgments

The preparation of interim financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's combined financial statements for the year ended 31 December 2015, 2016 and 2017.

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's combined financial statements for the year ended 31 December 2017, as set out in the prospectus of the Company date 26 June 2018.

There have been no changes in the risk management policies since period end.

5.2 Liquidity risk

Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

5.3 Fair value estimation

The Group's financial instruments are carried at fair value as at balance sheet dates, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2018 and 31 December 2017 on a recurring basis:

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 30 June 2018				
Long-term investments				
Financial assets				
— Financial assets at fair value through other comprehensive income ("FVOCI")	—	—	11,200	11,200
	—	—	11,200	11,200

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
At 31 December 2017				
Long-term investments				
Financial assets				
— Financial assets at FVOCI	—	—	11,200	11,200
	—	—	11,200	11,200

There were no transfers among Levels 1, 2 and 3 during the period.

There were no other changes in valuation techniques during the period.

5 Financial risk management and financial instruments (continued)

5.4 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial instruments for each of the six months ended 30 June 2018 and 2017:

	Unaudited		
	Financial assets at fair value through profit or loss ("FVPL") RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Ending balance 30 June 2018 and 31 December 2017	**—**	**11,200**	**11,200**

	Unaudited		
	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Opening balance 31 December 2016	12,000	1,200	13,200
Additions	435,421	—	435,421
Disposals	(306,377)	—	(306,377)
Changes in fair value	715	—	715
Realised investment income included in profit or loss upon disposal	360	—	360
Closing balance 30 June 2017	142,119	1,200	143,319

5 Financial risk management and financial instruments (continued)

5.5 Group's valuation processes

The Group has a team that manages the valuation exercise of level 3 financial instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 financial instruments. External valuation experts will be involved when necessary.

The level 3 financial instruments of the Group as at 30 June 2018 and 31 December 2017 was financial assets at FVOCI.

Financial assets at FVOCI as at 30 June 2018 represent certain investments in private companies. The Group used income method of the discounted cash flows to determine fair value of these financial instruments. The fluctuation of unobservable input would not have a significant impact on fair value of these financial instruments.

Except for the financial assets at FVOCI, the carrying amounts of financial assets including cash and cash equivalents, trade receivables and other receivables; and financial liabilities including trade and other payables, approximate their respective fair values due to their short maturity at the reporting date.

6 Revenue and segment information

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

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

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

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

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

7 Expenses by nature

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Commissions charged by third party distribution platforms	**191,713**	218,297
Promotion expenses	**122,921**	227,525
Share-based compensation	**38,776**	—
Salaries, Pension costs and other employee benefits	**28,414**	20,019
Commissions charged by game developers in relation to commissioned developed game	**20,319**	1,669
Listing expenses	**17,259**	—
Office rental expenses	**3,854**	1,871
Office charges	**2,880**	1,931
Service fees	**2,327**	1,713
Payment handling costs charged by payment channels	**1,662**	2,079
Depreciation of property and equipment (Note 14)	**1,536**	909
Others	**8,569**	13,329
	440,230	489,342

8 Other loss, net

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Investment income from wealth management products classified as financial assets at fair value through profit or loss (Note 10)	**—**	1,075
Foreign exchange losses, net	**(1,605)**	(3,343)
Others	**(523)**	—
	(2,128)	(2,268)

9 Finance income

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from bank balances	**3,155**	311

10 Financial assets at fair value through profit or loss

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	**–**	12,000
Additions	**–**	435,421
Disposals	**–**	(306,377)
Changes in fair value	**–**	715
Realised investment income included in profit or loss upon disposal	**–**	360
At the end of the period	**–**	142,119

Financial assets at fair value through profit or loss represent the wealth management products issued by commercial banks with a variable interest rate indexed to the performance of underlying assets. The Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in the fair value are reflected in profit or loss.

11 Income Tax Expense

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

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

(a) Cayman Islands Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

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

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

(c) Hong Kong Profits Tax

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

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

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

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

11 Income Tax Expense (continued)

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

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

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

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

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

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits for the six months ended 30 June 2018.

(e) PRC Withholding Tax ("WHT")

According to the applicable the PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

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

12 Earnings per share

In calculating earnings per share, it is assumed that the weighted average number of shares in issue excluding treasury share throughout the six months ended 30 June 2018 is 1,425,000,000 (Note 16) (2017: 1,425,000,000).

(a) Basic

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

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

(b) Diluted

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

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

13 Dividends

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

14 Property and equipment and intangible assets

Unaudited	Property and Equipment RMB'000	Intangible Assets RMB'000
Six months ended 30 June 2018		
Opening net book amount	**9,281**	**1,498**
Additions	**1,631**	**943**
Disposals	**—**	**(90)**
Depreciation/amortisation charge	**(1,536)**	**(1,041)**
Closing net book amount	**9,376**	**1,310**

Unaudited	Property and Equipment RMB'000	Intangible Assets RMB'000
Six months ended 30 June 2017		
Opening net book amount	4,211	3,668
Additions	2,201	—
Depreciation/amortisation charge	(909)	(1,062)
Closing net book amount	5,503	2,606

15 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.

15 Trade receivables (continued)

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

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

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

16 Share capital

	Note	Number of ordinary shares	Nominal value of ordinary shares US$'000
Authorised:			
Ordinary shares upon incorporation	(a)	1,000,000,000	50
Effect of share subdivision	(c)	9,000,000,000	—
As at 30 June 2018		10,000,000,000	50

	Note	Number of ordinary shares	Nominal value of ordinary shares US$'000	Equivalent nominal value of ordinary shares RMB'000
Issued:				
Ordinary shares issued upon incorporation	(a)	95,000,000	5	31
Newly issued ordinary shares on 16 March 2018	(b)	5,000,000	—	2
Effect of share subdivision	(c)	900,000,000	—	—
Newly issued and allotted ordinary shares on 22 March 2018	(d)	500,000,000	3	15
As at 30 June 2018		1,500,000,000	8	48

(a) The Company was incorporated on 9 January 2018 with an authorised share capital of US$50,000 divided into 1,000,000,000 ordinary shares of US$0.00005 each. On the same date, 95,000,000 ordinary shares were issued.

16 Share capital (continued)

(b) On 28 February 2018, the Company's shareholders approved and adopted a RSU Scheme and the Company has appointed Core Trust Company Limited as the trustee (the "Trustee") to assist with the administration of the RSU Scheme and Super Fleets Limited, a wholly-owned subsidiary of the Trustee, as nominee (the "Nominee"). On 16 March 2018, the Board of the Company approved a new issuance of 5,000,000 ordinary shares to the Super Fleets Limited.

(c) On 22 March 2018, each share of US$0.00005 was sub-divided into 10 shares of a par value of US$0.000005 each. Upon completion of the sub-division, the Company's authorised and issued ordinary shares are 10,000,000,000 shares and 1,000,000,000 shares, respectively.

(d) On 22 March 2018, the Company issued and allotted 500,000,000 shares to all then existing shareholders. Upon completion of the issuance and allotment, the Company's issued shares increased to 1,500,000,000, of which 75,000,000 shares held by Super Fleets Limited are treasury shares and 1,425,000,000 shares are outstanding ordinary shares.

17 Shares held for restricted share unit scheme

The Company adopted a RSU Scheme to award shares to qualified grantees. Super Fleets Limited was set up as a special vehicle for the purpose of holding the ordinary shares issued and allotted by the Company. As the Company has the power to direct the relevant activities of Super Fleets Limited and can derive benefits from the contributions of the grantees, therefore, Super Fleets Limited is consolidated by the Company and the shares it held are presented as a deduction in equity as shares held for restricted share unit scheme.

18 Reserves

	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2017	11,066	28,112	15,510	54,688
New shares issued to strategy investors (a)	—	—	135,000	135,000
Balance at 30 June 2017 (Unaudited)	11,066	28,112	150,510	189,688
Balance at 1 January 2018	**16,903**	**28,112**	**150,510**	**195,525**
Shares repurchase from strategy investors (a)	**—**	**—**	**(150,510)**	**(150,510)**
Employee share-based compensation scheme	**—**	**38,776**	**—**	**38,776**
Shares held for RSU Scheme	**—**	**2**	**—**	**2**
Balance at 30 June 2018 (Unaudited)	**16,903**	**66,890**	**—**	**83,793**

(a) On 12 January 2017, pursuant to a share purchase agreement entered into among Youmin Networks and its then equity holders, and Mr. Cai Wenhang ("Mr. Cai") and his investment vehicle, Zhuhai Aotuo Investment Center LLP ("Aotuo Investment") (collectively, the "strategy investors"), the strategy investors subscribed for 4.5% newly issued registered capital of Youmin Networks at a cash consideration of RMB135,000,000. In the meantime, Mr. Liu transferred 3.5% of his equity interest in Youmin Networks to the strategy investors at a cash consideration of RMB105,000,000.

In January 2018, Youmin Networks repurchased from the strategy investors in respect of their equity interests in Youmin Networks at cash consideration of RMB263,816,000 in aggregate. Accordingly, RMB150,510,000 recognised as other reserves previously was transferred out and the difference amounting to RMB113,306,000 was charged against the retained earnings.

19 Share-based payments

RSU Scheme

On 28 February 2018, the Company's shareholders approved the establishment of a RSU Scheme and the Company has appointed Core Trust Company Limited as the trustee to assist with the administration of the RSU Scheme. Under the RSU Scheme, the maximum number of shares which may be granted is 75,000,000. On 22 March 2018, the Company granted 36,000,000 RSUs to two directors and certain management. The awards include both service and performance conditions as below:

a) For vesting schedule of the RSUs granted to the two directors, 50% of the RSUs will be vested upon the completion of initial public offering, which is defined as performance condition for vesting, and the remaining 50% will be vested over the latter of (i) a two-year period, with one-half of the awards vesting annually or (ii) upon completion of initial public offering; and

b) For vesting schedule of the RSUs granted to certain management, one-third of the RSUs will be vested upon the completion of initial public offering, and the remaining two-thirds will be vested over the latter of (i) a two-year period, with one-half of the awards vesting annually or (ii) upon completion of initial public offering.

	RSU Scheme Number of Shares Six months ended 30 June 2018
At beginning of period	–
Granted	36,000,000
At end of period	36,000,000

In determining the fair value of the RSUs granted, a discounted cash flow method ("DCF") under income approach is applied by the Company. DCF method of the income approach involves applying appropriate weighted average cost of capital, or WACC, to discount the future cash flows forecast, based on the Company's best estimates as of the grant date, to present value. The WACC was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors. The weighted average fair value of RSUs granted on 22 March 2018 was RMB2.19. Key assumptions are set as below:

19 Share-based payments (continued)

	RSU Scheme 22 March 2018
Discount rate	**15.0%**
Terminal growth rate	**3.0%**

During the six months ended 30 June 2018, based on the Company's best estimate, it is highly probable that the Company will be listed in July 2018 and therefore the performance condition will be achieved, accordingly, the Company recognized share based compensation expenses amounted to RMB38,776,000 (2017: nil) over the requisite service period using the graded vesting attribution method.

20 Trade payables

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

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

21 Commitments

Capital Commitments

As at 30 June 2018, the capital expenditure contracted but not provided for amounted to RMB10,040,000 (2017: nil), which were related to acquisition of intangible assets and licensing arrangements.

22 Contingencies

As at 30 June 2018, the Group did not have any significant unrecorded contingent liabilities.

23 Significant related party transactions

(a) During the six months ended 2018, there were no significant transactions with related parties.

(b) Key management personnel compensations

The compensations paid or payable to key management personnel (including Chief Executive Officer and other senior executives) for employee services are shown below:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages, salaries and bonuses	**1,202**	978
Pension costs — defined contribution plan	**92**	76
Other social security costs, housing benefits and other employee benefits	**110**	90
Share-based compensation expenses	**21,646**	—
	23,050	1,144

24 Subsequent Events

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

Other Information

INTERIM DIVIDEND

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

MATERIAL EVENTS AFTER THE REPORTING PERIOD – INITIAL PUBLIC OFFERING AND USE OF PROCEEDS

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

The proceeds received from the Initial Public Offering will be used in the manner consistent with that disclosed in the section headed "Future Plan and Use of Proceeds" to the Prospectus dated 26 June 2018.

EMPLOYEE REMUNERATION AND RELATIONS

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

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

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

The shares of the Company were only listed on the Main Board of the Stock Exchange on 12 July 2018 and therefore, the respective Division 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"), Section 352 of the SFO and Model Code were not applicable as at 30 June 2018.

As at the date of this report, the interest of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required pursuant to the Model Code to be notified to the Company and the Stock Exchange are set out as follows:

Name	Capacity/Nature of interest	Number of shares held/interested	Approximately percentage of interest
Mr. LIU Jie[2]	Interest in a controlled corporation	1,018,216,500(L)[1]	50.91%
Mr. ZHU Yanbin[3]	Interest in a controlled corporation	214,488,000(L)[1]	10.72%
Mr. WU Junjie[4]	Interest in a controlled corporation	103,545,000(L)[1]	5.17%
Ms. LI Nini[5]	Interest in a controlled corporation	44,376,000(L)[1]	2.21%
Mr. WANG Zaicheng[6]	Interest in a controlled corporation	14,791,500(L)[1]	0.73%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) LJ Technology Holding Limited, a beneficial owner 1,018,216,500 shares, is wholly-owned by Mr. LIU Jie. Thus, Mr. LIU Jie is deemed to be interested in the same number of Shares in which LJ Technology Holding Limited is interested by virtue of the SFO.

(3) ZYB Holding Limited, a beneficial owner 214,488,000 shares, is wholly-owned by Mr. ZHU Yanbin. Thus, Mr. ZHU Yanbin is deemed to be interested in the same number of Shares in which ZYB Holding Limited is interested by virtue of the SFO.

(4) ACERY Holding LIMITED, a beneficial owner 103,545,000 shares, is wholly-owned by Mr. WU Junjie. Thus, Mr. WU Junjie is deemed to be interested in the same number of Shares in which ACERY Holding is interested by virtue of the SFO.

(5) LNN Holding Limited, a beneficial owner 44,376,000 shares, is wholly-owned by Ms. LI Nini. Thus, Ms. LI Nini is deemed to be interested in the same number of Shares in which LNN Holding Limited is interested by virtue of the SFO.

(6) KW Technology Holding Limited, a beneficial owner 14,791,500 shares, is wholly-owned by Mr. WANG Zaicheng. Thus, Mr. WANG Zaicheng is deemed to be interested in the same number of Shares in which KW Technology Holding Limited is interested by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2018, the shares of the Company were not listed on the Main Board of the Stock Exchange. The respective Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

As at the date of this report, the following persons (other than the interest of the Directors or chief executives of the company as disclosed above) who had an interest or a short positions in the ordinary shares and underlying shares which fall to be disclosed to the Company and Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares held/interested	Approximately percentage of interest
LJ Technology Holding Limited[2]	Beneficial owner	1,018,216,500(L)[1]	50.91%
ZYB Holding Limited[3]	Beneficial owner	214,488,000(L)[1]	10.72%
ACERY Holding LIMITED[4]	Beneficial owner	103,545,000(L)[1]	5.17%

Notes:

(1) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in our Shares.

(2) LJ Technology Holding Limited is wholly-owned by Mr. LIU Jie. Thus, Mr. LIU Jie is deemed to be interested in the same number of Shares in which LJ Technology Holding Limited is interested by virtue of the SFO.

(3) ZYB Holding Limited is wholly-owned by Mr. ZHU Yanbin. Thus, Mr. ZHU Yanbin is deemed to be interested in the same number of Shares in which ZYB Holding Limited is interested by virtue of the SFO.

(4) ACERY Holding LIMITED is wholly-owned by Mr. WU Junjie. Thus, Mr. WU Junjie is deemed to be interested in the same number of Shares in which ACERY Holding is interested by virtue of the SFO.

RESTRICTED SHARE UNIT (THE "RSU") SCHEME

We have adopted the RSU Scheme (the "RSU Scheme") with a view to formalize our grant and our proposal to grant share incentives to eligible management and employees of our Group. The RSU Scheme was approved and adopted by the Board on March 16, 2018, the principal terms of which are set out in "Statutory and General Information — D. RSU Scheme and Share Option Scheme — 1. RSU Scheme" in Appendix IV of the Company's prospectus dated June 26, 2018.

We have appointed The Core Trust Company Limited as the trustee to assist with the administration and vesting of the RSUs granted pursuant to the RSU Scheme. A total of 75,000,000 Shares (as adjusted after share sub-division conducted on March 22, 2018) were issued to Super Fleets Limited (the "RSU Nominee"), who hold the shares for the benefit of eligible participants pursuant to the RSU Scheme. No further Shares will be allotted and issued to the RSU Nominee or the trustee for the purpose of the RSU Scheme (other than pursuant to sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company in accordance with the RSU Scheme). As the RSU Scheme does not involve the grant of options to subscribe for any new Shares of the Company, it is not required to be subject to the provisions under Chapter 17 of the Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 June 2018 (the "Scheme"). The principal terms of the Scheme are prepared in accordance with the provisions of Chapter 17 of the Listing Rules and other rules and regulations. Further details of the Scheme are set forth in the section headed "Statutory and General Information — D. RSU Scheme and Share Option Scheme" in Appendix IV to the prospectus.

For the six months ended 30 June 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

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

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

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

Glossary

ACERY Holding	ACERY Holding Limited, an exempted company incorporated in the BVI with limited liability on 8 January 2018 and wholly owned by Mr. Wu Junjie
"ARPPU"	average revenue per monthly paying user, calculated by dividing total revenue during certain period by the number of average MPUs during the same period; average MPUs is the average of the aggregate number of paying users for our games in each month during a certain period
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Audit Committee"	the audit committee of the Board
"Binyou Networks"	Shanghai Binyou Networks Technology Limited (上海繽遊網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on 16 March 2018 and a wholly-owned subsidiary of our Company
"Board"	the board of Directors of the Company
"Cayman Islands"	the Cayman Islands
"Chairman"	Chairman of the Board
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company", "the Company", "we" or "us"	FingerTango Inc. (指尖悅動控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 9 January 2018
"Contractual Arrangement(s)"	the series of contractual arrangements entered into by, among others, Binyou Networks, the Registered Shareholders and Youmin Networks, details of which are set out in the section headed "Contractual Arrangements" to the Prospectus
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Group" or "the Group"	our Company, its subsidiaries and the PRC Operating Entities
"Hong Kong dollar(s)", "HK dollar(s)" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

"IFRS(s)"	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standard Board
"KW Technology"	KW Technology Holding Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Wang Zaicheng
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	The date which dealings in Shares first commence on the Stock Exchange, i.e. 12 July 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LJ Technology"	LJ Technology Holding Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Liu Jie
"LNN Holding"	LNN Holding Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Ms. Li Nini
"Prospectus"	the prospectus dated 26 June 2018 issued by the Company
"Registered Shareholders"	direct shareholders of Youmin Networks, being Mr. Liu Jie, Mr. Zhu Yanbin, Mr. Wu Junjie, Zhuhai Sangu and Zhuhai Jugu
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"RSU(s)"	restricted share units or any one of them
"RSU Scheme"	The RSU scheme approved and conditionally adopted by the Shareholders on 28 February 2018, the principal terms of which are set out in "Statutory and General Information — D. RSU Scheme and Share Option Scheme — 1. RUS Scheme" in Appendix IV to the Prospectus
"Securities and Future Ordinance" or "SFO"	the Securities and Futures Ordinance of Hong Kong (chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.000005 each
"Shareholder(s)"	holder(s) of our Share(s)
"Share Option Scheme"	the share option scheme adopted by our Company on 19 June 2018 which complies with the provisions of Chapter 17 of the Listing Rules

Glossary

"SLG"	simulation games, which are generally designed to closely simulate aspects of a real or fictional reality
"Youmin Networks"	Shanghai Youmin Networks Technology Limited (上海遊民網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on 3 December 2013 and one of our PRC Operating Entities
"ZYB Holding"	ZBY Holing Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Zhu Yanbin