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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of FingerTango Inc. (the "**Company**") is pleased to announce the audited consolidated results (the "**annual results**") of the Company and its subsidiaries (collectively, the "**Group**", "**we**", "**our**" or "**us**") for the year ended 31 December 2018 (the "**Reporting Period**"). The annual results have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and have been audited by PricewaterhouseCoopers ("**PwC**"), the auditor of the Company, in accordance with International Standards on Auditing.

FINANCIAL SUMMARY

	Year ended 31 December		
	2018	2017	Change
	RMB Million		*%*
Revenue	**1,085.9**	1,197.2	(9.3)
Gross profit	**641.6**	724.4	(11.4)
Profit for the year	**155.6**	240.8	(35.4)
Non-IFRS Measures			
— Adjusted Profit for the year(1)	**254.3**	246.5	3.2

Notes:

(1) Adjusted profit for the year excludes the impact from listing expenses of RMB20.8 million and share-based compensation to key employees of RMB77.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

According to the *China Gaming Industry Report 2018* jointly released by the Game Publishers Association Publications Committee (GPC) of the China Audio-video and Digital Publishing Association (中國音像與數字出版協會遊戲出版工作委員會) and Gamma Data (伽馬數據), the online game industry in China generated a total revenue of approximately RMB214.4 billion in 2018, representing a steady increase of 5.3% as compared to 2017, and the total number of game users has reached 626 million. Mobile game has maintained its mainstream position in the overall online game industry in the Reporting Period, with its revenue reaching RMB134 billion or a growth of 15.4%, and its market share in terms of total revenue has surged to 65.3%. The popularity of the Chinese mobile game market has also escalated with the number of mobile game users further increased to 605 million. With the acceleration of mobile phone upgrading and the continuous improvement of performance, coupled with the coming of 5G era, the ongoing development of the game industry is bound to benefit from the strong promotion of technology iteration.

The segment of SLG games, which we dedicate in, has shown rapid growth in recent years. SLG games have emerged as one of the fastest growing mainstream genre in China's mobile game industry with significant increase of demand from the players.

Due to the suspension of approval of online game publication by the State Administration of Press, Publication, Radio, Film and Television of the PRC from March 2018 to late 2018, China's game market fluctuated, resulting in an overall decline of the market performance. At present, the above-mentioned suspension has been lifted and it is expected to unleash the growth momentum of the previously stressed market.

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.

The Group's revenue in the Reporting Period was approximately RMB1,085.9 million, representing a decrease of approximately 9.3% as compared to the year ended 31 December 2017, primarily due to adjustment in game launching plan in view of the suspension of approval of online game publication. We are conducting comprehensive tests for the new titles launched in 2018 to ensure their sound performance upon official launch. In the second half of 2018, we have launched several new games as planned and these new games are still in the promotion period and the incubation stage of the player base. Growth momentum driven by the new titles and the contribution to revenue is expected to be seen in 2019. With the lifting of the above-mentioned suspension, we have acquired six new licensed games in the first quarter in 2019, building substantial momentum for the Company to further issue new games and continuously create new income sources.

During the Reporting Period, the profit attributable to our shareholders was approximately RMB155.6 million, as compared to RMB240.8 million for the year ended 31 December 2017. While excluding the impact of (i) one-off listing expenses of RMB20.8 million, and (ii) share-based compensation to key employees of RMB77.9 million, the adjusted profit in the Reporting Period recorded RMB254.3 million, representing an increase of 3.2% as compared to the year ended 31 December 2017.

In 2018, despite a volatile game market caused by the suspension of approval of online game publication in China, we have achieved sound performance and steady business indicators throughout the Reporting Period, leveraging on SLG's inherent advantage of long life-cycle, the Company's strong operating capability and the extensive industry experience of our senior management team. Four titles have generated an average monthly gross billings of RMB13 million or above in the Reporting Period. *Tank Frontline* (坦克前線), our signature title, is still popular after more than 50 months' operation and has achieved an average monthly gross billings of RMB33 million or above in the year ended 31 December 2018. Our other major games have also maintained their long-lasting popularity since the official launch: *Super Fleet* (超級艦隊) for more than 40 months, *Romance of Stars* (星辰奇緣) for more than 35 months and *My Duty* (我的使命) for more than 24 months. We constantly launched updated versions throughout the year and introduced iterative calculations and new gameplay. The games have maintained robust lifecycles and continued to generate steady revenue for us over a longer period of time.

The level of game monetization has continued to reflect our strengths and keen ability. The average revenue per month per paying user ("**ARPPU**") saw a growth of 11.0% to RMB437 and the total number of accumulative registered users has reached 150 million during the Reporting Period. The enormous user base enables us to better understand player preferences and market changes through strong data analytics ability, so as to launch new games with higher popularity in the market, and to conduct targeted marketing with more cost-effective strategies.

In 2018, we broke through the reliance on single long-cycle products and broadened our game category whilst focusing on the SLG segment. During the Reporting Period, in addition to SLG games which is our targeted segment, we launched two ARPG games, namely *Windy World* (風色世界) and *Light of the King* (王者之光), both of which are licensed exclusively by the relevant game developers. We have built a richer and more diverse game portfolio. *Enthroned* (任我為王), upon its official launch, has gained positive feedback on many download platforms and app stores. And *Windy World* (風色世界) was awarded the "*Most Popular MMO Game*" by Mobile Hardcore Alliance (硬核聯盟), a mobile game platform in China. The number of players has continued to rise with consistent praises and favourable comments. *Windy World* (風色世界) and *Light of the King* (王者之光), both launched in the second half of 2018, were produced by well-known game developers. Rich game experience and diverse and innovative gameplay have won them top download ranking in multiple lists. Our strategic advantage in the symbiotic partnership with reputable developers has continued. These newly launched games are still in the incubation stage of the player base, and we have allocated resources to continuously roll out marketing and promotion activities. The unleashing of growth momentum is expected to be seen in 2019.

It is a constituent of our strategies to proactively explore the overseas market, expand the international player base and grasp growth opportunities. In December 2018, *United Front*, the overseas version of one of our major SLG games *My Duty* (我的使命) has been officially launched on Google Play Store and was recommended globally (excluding Japan). As FingerTango's first SLG to go abroad, *United Front* comes into vogue in various countries with its ranks rising rapidly, winning high recognition from the market and marking significant progress for our overseas expansion strategy with initial result accomplished.

During the Reporting Period, we worked with ambition and total dedication to strive for excellence. The Company has been well recognized by the market and the industry, earning itself the awards as set out below:

Organization	Award	Time
Mobile Hardcore Alliance	"Most Anticipated Emerging Enterprise"	December
OPPO	"Excellent Partner"	December
Tencent Myapp	"Emerging Partner"	November
Tencent	"Partner of the Year"	November
Sumsung App Store	"Most Innovative Partner"	March

Outlook for 2019

2019 will be full of challenges and opportunities. On the one hand, the rapid development and technical iteration of mobile phone and communication technology will be more conducive to the application and popularity of SLG and other games on mobile phones, further driving the continued growth of China's mobile game publishing industry. On the other hand, market competition will become increasingly fierce.

According to the China Gaming Industry Report 2018, as the average income of PRC citizens who pursue richer and better lifes continues to rise, user demand for games increases and the game industry achieves sustainable development, and the market size is expected to further maintain a positive growth. But at the same time, user demand is changing, and the difficulty of user acquisition is increasing. The competition in the existing market requires market players to provide more and more refined game products. The entry barrier for new products is on a rise.

In terms of policies, due to the suspension of approval of online game publication in China in 2018, the earnings and growth of the domestic game companies were under pressure. At the end of 2018, the Publicity Department of the CPC Central Committee announced major positive news including the lifting of the above-mentioned suspension and releasing the first batch of approved games. It is expected that the growth momentum of the game industry will be unleashed in 2019, ushering in a new development boom.

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

For the new games launched in 2018, we will continuously analyze gaming habits and player activities, thereby launching new features and frequent version updates, introducing new gameplay, levels and characters, etc., adding more social and gaming function, and providing a rich variety of virtual items to enhance players' participation. Furthermore, we will optimize the games in every aspect in order to bring in refined game experience. Leveraging these initiatives, we aim to unleash growth momentum that will contribute to the Company's revenue in a longer period of time.

At the same time, we are conducting comprehensive tests for the new titles to be launched in 2019 and optimizing product launch strategies and plans. We are enhancing gameplay, characters, scenes and technical depth combining our big data analytics capabilities we have been focusing in long-term player data, gaming time, level-up, in-game purchase amount and user turnover rate, etc. These initiatives are being performed to ensure sound performance after the official launch. We expect the new titles will be available timely in 2019 to meet the eager expectation of the players.

SLG games have a vast player base abroad, as overseas players are highly receptive to SLG. *United Front*, our first SLG to go abroad launched in December 2018, was recommended by Google Play Store globally (excluding Japan). While still in promotion stage, this title is well-received by players in countries such as France and Germany. We will continue to invest to gradually promote it in more markets, popularize it among all player levels and expand the player base. We will also increase the game exposure in multiple aspects, comprehensively analyze the player behaviour and continue targeted optimization in game experience to upgrade and update. At the same time, we will allocate resources to recruit more talents with experience in the overseas game market, and to collaborate with outstanding teams with deep international promotion experience. In the meantime, we are preparing for more global products and strategic layout, so as to proactively promote the strategy of overseas business development.

Financial Performance

The following table sets forth our annual condensed consolidated statements of comprehensive income for the years ended 31 December 2018 and 2017, respectively:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**1,085,931**	1,197,230
Cost of revenue	**(444,306)**	(472,853)
Gross profit	**641,625**	724,377
Selling and marketing expenses	**(324,974)**	(389,771)
Administrative expenses	**(102,757)**	(29,168)
Research and development expenses	**(54,600)**	(42,020)
Other income	**6,292**	7,788
Other gains/(losses), net	**2,398**	(294)
Operating profit	**167,984**	270,912
Finance income	**8,647**	1,692
Profit before income tax	**176,631**	272,604
Income tax expense	**(21,036)**	(31,812)
Profit for the year attributable to owners of the Company	**155,595**	240,792
Non-IFRS Measures		
Adjusted profit attributable to owners of the Company	**254,346**	246,538

Revenue

The Group's revenue in the Reporting Period was approximately RMB1,085.9 million, representing a decrease by approximately 9.3% or RMB111.3 million as compared to the year ended 31 December 2017. The decrease was primarily due to adjustment in our game launching plan in view of the suspension of approval of online game publication. We are conducting comprehensive tests for the new titles being launched in 2018 to ensure their sound performance after official launch. In spite of a volatile game market in China in 2018, we have launched several new games during the Reporting Period. Growth momentum driven by the new titles is expected to be seen in 2019.

With respect to revenue categorized by method of publication, the Group's revenue generated from our self-publishing games remained relatively stable at approximately RMB520.6 million, representing 47.9% of the total revenue as compared to 47.7% for the year ended 31 December 2017. The Group's revenue generated from our co-publishing games was approximately RMB565.3 million, representing 52.1% of the total revenue.

Cost of Revenue

The cost of revenue in the Reporting Period was approximately RMB444.3 million, representing a decrease of approximately 6.0% or RMB28.5 million as compared to the year ended 31 December 2017, which is largely in line with our revenue trend.

Other Income

During the Reporting Period, other income was approximately RMB6.3 million, representing a decrease of approximately 19.2% or RMB1.5 million as compared to the year ended 31 December 2017, primarily due to: (i) the decrease in government grant; and (ii) the decrease in interest income of the short-term deposit over 3 months.

Other Gains/(Losses), net

During the Reporting Period, other gains, net in 2018 increased to RMB2.4 million from a net loss of RMB0.3 million in 2017, primarily due to the increase from fair value changes on financial assets at fair value through profit or loss.

Finance Income

During the Reporting Period, finance income was approximately RMB8.6 million, representing an increase of approximately 411.1% or RMB7.0 million as compared to the year ended 31 December 2017. The increase was mainly from interest income of the short-term deposit with maturity less than 3 months.

Selling and Marketing Expenses

The selling expenses in the Reporting Period were approximately RMB325.0 million, reduced by approximately 16.6% or approximately RMB64.8 million as compared to the year ended 31 December 2017. It constituted 29.9% of the total revenue, representing a reduction from 32.6% for the year ended 31 December 2017. The decrease was primarily due to adjustment in our game launching plan, and new titles were mainly launched in the second half of 2018.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB102.8 million, as compared to approximately RMB29.2 million for the year ended 31 December 2017. The rise was mainly due to the one-off listing expenses and share-based compensation to key employees.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB54.6 million, representing an increase of approximately 29.9% or RMB12.6 million as compared to the year ended 31 December 2017. It was mainly because the increase in share-based compensation to key employees, which was partially offset by the decrease of outsourcing research and development expense.

Income Tax Expense

The income tax expense in the Reporting Period was approximately RMB21.0 million, representing a decrease of 33.9% or approximately RMB10.8 million as compared to the year ended 31 December 2017. It was a consequent result of a decreased taxable income.

Profit in the Reporting Period

The profit attributable to owners of the Company in the Reporting Period was RMB155.6 million, dropped by 35.4% as compared to RMB240.8 million for the year ended 31 December 2017, which was a consequent result of: (i) one-off listing expenses of RMB20.8 million and share-based compensation to key employees of RMB77.9 million; (ii) adjustment in game launching plan, and new titles were mainly launched in the second half of 2018, and as a result, growth momentum driven by the new titles is expected to be seen in 2019.

Non-IFRS Measures — Adjusted Profit

The adjusted profit in the Reporting Period, adjusted by excluding the impact from one-off listing expenses and share-based compensation to key employees, was RMB254.3 million, increased by 3.2% as compared to RMB246.5 million last year.

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

	For the year ended 31 December	
	2018	2017
	RMB million	
Profit for the year	**155.6**	240.8
Add:		
Share-based compensation	**77.9**	—
One-off listing expenses	**20.8**	5.7
Adjusted profit for the year	**254.3**	246.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	3	**1,085,931**	1,197,230
Cost of revenue	4	**(444,306)**	(472,853)
Gross profit		**641,625**	724,377
Selling and marketing expenses	4	**(324,974)**	(389,771)
Administrative expenses	4	**(102,757)**	(29,168)
Research and development expenses	4	**(54,600)**	(42,020)
Other income		**6,292**	7,788
Other gains/(losses), net	5	**2,398**	(294)
Operating profit		**167,984**	270,912
Finance income		**8,647**	1,692
Profit before income tax		**176,631**	272,604
Income tax expense	6	**(21,036)**	(31,812)
Profit for the year attributable to owners of the Company		**155,595**	240,792
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
— Currency translation differences		**26,575**	—
Items that will not be subsequently reclassified to profit or loss:			
— Changes in fair value of financial assets at fair value through other comprehensive income		**(10,000)**	—
Corresponding income tax effect		**2,500**	—
Other comprehensive income for the year, net of tax		**19,075**	—
Total comprehensive income attributable to owners of the Company		**174,670**	240,792
Earnings per share (expressed in RMB per share)	7		
— Basic		**0.0932**	0.1690
— Diluted		**0.0928**	0.1690

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**11,752**	9,281
Intangible assets		**5,616**	1,498
Financial assets at fair value through other comprehensive income		**1,200**	11,200
Financial assets at fair value through profit or loss		**97,368**	—
Prepayments and other receivables		**21,402**	17,417
Deferred tax assets		**27,329**	28,522
Total non-current assets		**164,667**	67,918
Current assets			
Trade receivables	9	**163,760**	157,715
Prepayments and other receivables		**93,568**	55,301
Contract costs		**59,980**	70,394
Financial assets at fair value through profit or loss		**309,233**	—
Cash and cash equivalents		**831,216**	573,761
Total current assets		**1,457,757**	857,171
Total assets		**1,622,424**	925,089
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**65**	—
Share premium	10	**794,690**	—
Shares held for restricted share unit ("**RSU**") scheme		**(2)**	—
Reserves		**142,024**	195,525
Retained earnings		**398,755**	356,466
Total equity		**1,335,532**	551,991
Liabilities			
Current liabilities			
Trade payables	11	**65,228**	102,234
Contract liabilities		**144,989**	174,757
Current income tax liabilities		**34,327**	31,771
Other payables and accruals		**42,348**	64,336
Total current liabilities		**286,892**	373,098
Total liabilities		**286,892**	373,098
Total equity and liabilities		**1,622,424**	925,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 (together, 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 as 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 ("**Youmin Networks**") and its subsidiaries (collectively, the "**PRC Operating Entities**").

To prepare for the listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation (the "**Reorganisation**") pursuant to which the beneficial interests in the companies engaged in the Publishing Business were transferred to the Company.

FT Entertainment Limited and Finger Tango Interactive (HK) Limited, the intermediate holding companies of the Group, were incorporated on 10 January 2018 and 17 January 2018, respectively. On 16 March 2018, Shanghai Binyou Networks Technology Co., Ltd. ("**FT WFOE**",) was established as a wholly foreign owned enterprise in the PRC and is wholly owned by the intermediate holding companies.

Pursuant to the 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.

Pursuant to a series of agreements signed on 24 March 2018 (the "**Contractual Arrangements**") among FT WFOE, Youmin Networks and its legally registered equity holders, FT WFOE acquired effective control over the financial and operational policies of the PRC Operating Entities and became entitled to the entire 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.

The Company completed the initial public offering (the "**IPO**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 July 2018 (the "**Listing Date**").

These financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

IFRS 9 "Financial Instruments" ("**IFRS 9**") and IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**") are mandatorily effective for annual periods beginning on or after 1 January 2018. The Group has elected to early adopt IFRS 9 and IFRS 15. The adoption has been applied consistently in the financial statements throughout the years ended 31 December 2018 and 2017.

The Group has applied the following amendments and interpretations for the first time for their annual reporting period commencing 1 January 2018:

- Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

- Annual Improvements 2014–2016 cycle

- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The amendments and interpretations listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *Impact of new standards, amendments and interpretations issued but not yet adopted by the Group*

Certain new standards, amendments and interpretations have been published that are not mandatory for the year ended 31 December 2018 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Annual Improvements to IFRSs (Amendments)	Annual improvements to IFRSs 2015–2017 cycle	1 January 2019
IFRS 3 (Amendment)	Definition of a business	1 January 2020
IFRS 9 (Amendment)	Prepayment features with negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
IAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019
IAS 28 (Amendment)	Long-term interests in associates and joint ventures	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group's assessment of the impact of these new standards, amendments and interpretations is set out below.

(i) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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 Group has reviewed all of the Group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB5,911,000.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact to the Group in the current or future reporting periods and on foreseeable future transactions.

3 Revenue and segment information

The Group's chief operating decision maker has been identified as its executive directors, who review 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.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Self-publishing	**520,640**	571,325
Co-publishing	**565,291**	625,905
	1,085,931	1,197,230

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 year ended 31 December 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 year ended 31 December 2018.

	Year ended 31 December	
	2018	2017
A	**29.1%**	34.6%
B	**10.9%**	15.9%
C	*	16.0%

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

4 Expenses by nature

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Commissions charged by Platforms	**387,729**	435,542
Promotion expenses	**284,876**	382,711
Employee benefit expenses	**150,931**[(i)]	43,027
Commissions charged by game developers in relation to commissioned developed games	**27,867**	17,292
Listing expenses	**20,819**	5,746
Office rental expenses	**8,078**	5,315
Provision for impairment of prepayments	**7,453**	—
Office expenses	**6,372**	3,514
Service fees	**4,095**	3,436
Payment handling costs charged by payment channels	**3,936**	3,923
Depreciation of property and equipment	**3,767**	2,252
Auditor's remuneration		
— Audit services	**3,000**	500
— Non-audit services	**210**	—
Provision for impairment of trade receivables	**158**	1,635
Outsourcing research and development expenses	**—**	16,311
Others	**17,346**	12,608
	926,637	933,812

(i) Employee benefit expenses for the Reporting Period include share-based compensation to key employees of RMB77.9 million.

5 Other gains/(losses), net

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fair value changes on financial assets at fair value through profit or loss	**3,008**	—
Investment income from financial assets at fair value through profit or loss	**—**	6,010
Net foreign exchange losses	**(465)**	(6,238)
Others	**(145)**	(66)
	2,398	(294)

6 Income tax expense

The income tax expense of the Group for the year ended 31 December 2018 is analysed as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax	**17,343**	30,411
Deferred income tax	**3,693**	1,401
	21,036	31,812

(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 year ended 31 December 2018 (2017: Nil).

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

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the year ended 31 December 2018, based on the existing legislation, interpretations and practices in respect thereof.

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

Youmin Networks started to enjoy the 0% preferential tax rate for two years beginning from 2015, followed by 50% reduction in the applicable tax rates for the next three years. Youmin Networks was not entitled to 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, management applied 25% in calculating its EIT for the year ended 31 December 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 31 December 2018, therefore the respective tax holiday had not commenced as at 31 December 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 year ended 31 December 2018.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses when determining their assessable profits for that year ("**Super Deduction**"). The Super Deduction amount of the qualified research and development expenses have been increased from 50% to 75%, effective from 2018 to 2020, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018. 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 year ended 31 December 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 between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The Group has undistributed earnings of RMB402,659,000 (2017: RMB356,466,000) which, if paid out as dividends, would be subject to tax in the hands of the recipient. No deferred tax liability has been recognised for WHT as the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC.

7 Earnings per share

(a) Basic earnings per share

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

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**155,595**	240,792
Weighted average number of outstanding ordinary shares (Note)	**1,670,276,028**	1,425,000,000
Basic earnings per share (in RMB/share)	**0.0932**	0.1690

Note: The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation.

(b) Diluted earnings per share

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

For the year ended 31 December 2018, the Company's dilutive potential ordinary shares only included unvested RSUs granted to employees under the RSU Scheme (2017: Nil). No adjustment is made to earnings (numerator).

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**155,595**	240,792
Weighted average number of outstanding ordinary shares	**1,670,276,028**	1,425,000,000
Adjustments for unvested RSUs	**6,592,598**	—
Weighted average number of ordinary shares for the calculation of diluted EPS	**1,676,868,626**	1,425,000,000
Diluted earnings per share (in RMB/share)	**0.0928**	0.1690

8 Dividends

No dividends have been paid or declared by the Company during the year ended 31 December 2018.

Pursuant to the resolutions of the shareholders' meetings held on 22 December 2017, dividend of RMB55,000,000 was approved and paid by Youmin Networks to its then equity holders.

9 Trade receivables

Trade receivables are primarily due from 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 Platforms and payment channels are 30–90 days and 0–30 days, respectively.

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Third parties	**167,702**	161,499
Less: provision for impairment	**(3,942)**	(3,784)
	163,760	157,715

Aging analysis based on recognition date of the gross trade receivables as at 31 December 2018 is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Up to 1 month	**61,224**	64,017
1 to 3 months	**76,372**	64,632
3 to 6 months	**22,189**	24,203
6 months to 1 year	**5,790**	6,270
Over 1 year	**2,127**	2,377
	167,702	161,499

10 Share capital and premium

	Number of ordinary shares	**Nominal value of ordinary shares**
		USD'000
Authorised:		
Ordinary shares upon incorporation (Note a)	1,000,000,000	50
Effect of share subdivision (Note c)	9,000,000,000	—
As at 31 December 2018	10,000,000,000	50

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium
		USD'000	*RMB'000*	*RMB'000*
Issued:				
Ordinary shares issued upon incorporation (Note a)	95,000,000	5	32	—
Newly issued ordinary shares on 16 March 2018 (Note b)	5,000,000	—	—	—
Effect of share subdivision (Note c)	900,000,000	—	—	—
Newly issued ordinary shares on 22 March 2018 (Note d)	500,000,000	3	16	—
Issuance of new shares upon IPO (Note e)	500,000,000	3	17	822,189
Repurchase and cancellation of ordinary shares (Note f)	(9,918,000)	—	—	(27,499)
As at 31 December 2018	1,990,082,000	11	65	794,690

(a) The Company was incorporated on 9 January 2018 with an authorised share capital of USD50,000 divided into 1,000,000,000 ordinary shares of USD0.00005 each. On the same date, 95,000,000 ordinary shares were issued at par value.

(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 USD0.00005 was sub-divided into 10 shares of a par value of USD0.000005 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 allotted and issued 500,000,000 ordinary shares to the then existing shareholders at par value. Upon completion of the allotment and issuance, the Company's issued shares increased to 1,500,000,000, of which 75,000,000 shares held by Super Fleets Limited were treasury shares and 1,425,000,000 shares were outstanding ordinary shares.

(e) Upon completion of the IPO, the Company issued 500,000,000 new ordinary shares for cash consideration of HKD2.07 each, and raised gross proceeds of approximately HKD1,035,000,000 (equivalent to RMB879,957,000). Share capital increased by approximately RMB17,000 and share premium arising from the issuance was approximately RMB822,189,000, net of the share issuance costs. The share issuance costs mainly included underwriting commissions, lawyers' fees, reporting accountant's fees and other related costs which were incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB57,751,000 were treated as a deduction against the share premium.

(f) The Company's general meeting approved a share repurchase plan on 19 June 2018, pursuant to which the Company is allowed to repurchase a maximum of 200,000,000 ordinary shares, being 10% of the total number of issued shares immediately after the Listing. On 12 November 2018, the board of the Company announced to exercise its power to repurchase the Company's shares via on-market transaction. Up to 31 December 2018, the Company repurchased an aggregate of 18,278,000 shares at an average price of HKD1.71 for an aggregate consideration of HKD31,165,000 (equivalent to RMB27,499,000) under this share repurchase plan, among which 9,918,000 shares were cancelled on 24 December 2018 and 8,360,000 shares were cancelled on 21 January 2019.

11 Trade payables

Trade payables primarily represent payments 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 as at 31 December 2018 is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Up to 1 month	**20,486**	20,324
1 to 3 months	**28,695**	42,261
3 to 6 months	**15,827**	39,641
Over 6 months	**220**	8
	65,228	102,234

12 Subsequent events

There were no material subsequent events during the period from 31 December 2018 to the approval date of these financial statements by the Board of Directors on 28 March 2019.

OTHER INFORMATION

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2018.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 5 June 2019 (Wednesday) (the "**Annual General Meeting**"). A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 31 May 2019 (Friday) to 5 June 2019 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 30 May 2019 (Thursday).

EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2018, the Group had a total of 390 employees, comparing to 227 employees as at 31 December 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

During the year ended 31 December 2018, 18,278,000 ordinary shares were repurchased and the repurchased ordinary shares were cancelled on 24 December 2018 and 21 January 2019 respectively. After the Reporting Period, 7,150,000 ordinary shares were repurchased, and of which 5,335,000 repurchased ordinary shares were cancelled on 21 January 2019. Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2018.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

DISCLOSEABLE TRANSACTION IN RELATION TO INVESTMENT IN FUND

On 11 December 2018, the Company has submitted a subscription application form to the Administrator of the Fund under which the Company has committed to subscribe for Class L Shares of the Fund for an aggregate amount of HK$100 million on the terms and conditions of the Private Placement Memorandum.

Details of the transaction have been set out in the announcement of the Company dated 11 December 2018.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issues (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors' securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code since the Listing Date up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and visionary individuals. Our Board currently comprises four executive Directors (including Mr. Liu) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation.

TREASURY POLICIES

The Group adopts centralized financing and treasury policies designed to strengthen the control on bank deposits and to ensure the secured and efficient use of the Group's capital. Surplus cash of the Group is generally placed in short-term deposits denominated in Renminbi, US dollar and Hong Kong dollar. It is the Group's policy to enter into conservative deposits transactions only and the Group is restricted from investing in high-risk financial products.

AUDIT COMMITTEE

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

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

The annual results for the Reporting Period have been prepared in accordance with IFRSs and have been audited by the auditor of the Company, in accordance with International Standards on Auditing.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, PwC, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

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

APPRECIATION

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

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

Hong Kong, 28 March 2019

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