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

ANNOUNCEMENT OF THE UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of FingerTango Inc. (the "**Company**") is pleased to announce the unaudited consolidated annual results (the "**annual results**") of the Company and its subsidiaries (collectively, the "**Group**", "**we**", "**our**" or "**us**") for the year ended 31 December 2019 (the "**Reporting Period**"). The annual results have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and have been reviewed and approved by the Company's audit committee together with the management of the Company.

FINANCIAL SUMMARY

	Year ended 31 December		
	2019	2018	Change
	RMB Million		%
	(Unaudited)	*(Audited)*	
Revenue	**1,051.1**	1,085.9	(3.2)%
Gross profit	**663.5**	641.6	3.4%
Profit for the year	**38.7**	155.6	(75.1)%
Non-IFRS Measures			
— Adjusted profit for the year *(Note)*	**71.2**	254.3	(72.0)%

Note: During the Reporting Period, adjusted profit for the year excludes the impact from share-based compensation to key employees of RMB32.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

According to the 2019 China Gaming Industry Report jointly released by the Game Publishers Association Publications Committee (GPC) of the China Audio-video and Digital Publishing Association (中國音像與數字出版協會遊戲出版工作委員會) and International Data Company, the Chinese gaming industry maintained a steady performance and generated a total revenue of approximately RMB230.9 billion in the year of 2019, representing an increase of 7.7% as compared to the same period last year. Mobile game has retained its mainstream position in the overall online game industry cornering about two-thirds of the gaming market, with its revenue reaching RMB158.1 billion or a growth of 18.0%. In addition, mobile devices have become the first choice for leisure activities due to their portability and other conveniences, and with the development of 5G and cloud games, mobile games face a more stable market growth potential. The number of mobile game players has slightly increased by 3.2% to 620.0 million in the year of 2019.

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

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

As gaming enterprises have deployed more resources in research and development, more advanced technologies, such as 5G, cloud gaming, VR/AR, are being used in the gaming industry. And in the future, it is expected that the gaming industry will be more affluent with new functions, gameplay and landscape brought about by these new technologies. Meanwhile, with AI, VR, cloud computing and other technologies become mature, more gaming enterprises will focus on enhancing their own hard power, as such, we expect there will be more refined games and a more regulated environment.

The segment of SLG games, which we dedicate in, has shown rapid growth in recent years. In 2019, SLG games accounted for 14.0% of the top 100 mobile games in terms of revenue in China's mobile game market, following role-playing games (54.0%). Players have showed continuous demand for SLG games.

Business Review

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

The Group's revenue in the Reporting Period was approximately RMB1,051.1 million, representing a slight decrease of approximately 3.2% as compared to the corresponding period last year. The changes in Chinese game market and regulatory environment had led to the suspension of approval of online game publication for nine months. Certain pipeline games that had been scheduled to be launched during the Reporting Period were not launched due to underperformance of game testing results and the suspension of online game publication approval. The prolonged suspension of approval of online game publication has cast a negative impact on the growth momentum of the game industry which is yet to be recovered, leading to the lower anticipated revenue contribution from certain games launched during the Reporting Period being lower than previously expected. In view of the market conditions, we have made strategic adjustment and planning in the launch of our new games, and have been conducting comprehensive tests for the new titles to be launched in 2019. These included a deep optimization of playing techniques, gameplay, roles and design customizing to the players' evolving preferences to ensure their sound performance upon official launch. On the other hand, we have launched several new games in 2019 according to our business plan. These new titles are still in the promotion period and the stage of incubation of player base. It is expected that the growth momentum of the new games and their contribution to the revenue of the Company would be gradually unleashed in 2020. With the lifting of the above-mentioned suspension, we have acquired eight new licensed games since 2019 up to the date of this announcement, building substantial momentum for the Company to further publish new games and continuously create new income sources.

During the Reporting Period, the profit attributable to our shareholders was approximately RMB38.7 million, as compared to RMB155.6 million during the corresponding period last year. The decline of profit was primarily due to 1) an increase in selling and marketing expenses as the Company has engaged in more extensive advertising and promotion activities for mobile games during the Reporting Period amongst the increasingly fierce external competition environment. The unit cost of such advertising and promotion activities has also increased. Additionally, due to the lag in effect on revenue from the advertising and promotion activities, the impact of the increased sales and marketing expenses is expected to be seen over a longer period of time in the future; 2) certain pipeline games that had been scheduled to be launched during the Reporting Period were not launched due to underperformance of game testing results and the suspension of online game publication approval due to the changes in Chinese game market and regulatory environment, resulting in write-down of prepaid license fees for the these unlaunched pipeline games; and 3) the revenue contribution from certain games launched during the Reporting Period was lower than expected.

The level of game monetization has continued to reflect our strengths and keen ability. Despite a volatile game market caused by the prolonged suspension of approval of online game publication in China, the average revenue per month per paying user ("**ARPPU**") of the Company remain steady at RMB443 during the Reporting Period as compared to RMB437 for the same period last year. The total number of accumulative registered users has reached 167.7 million as at 31 December 2019, representing a 12.0% growth as compared for the same period last year. 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.

The China's game market faced fluctuations in 2019 due to a lag in the effect caused by the suspension of approval of online games publication. Despite the challenging macro situation, looking back on the past twelve months, the Company was still striving for the sustainable development of business and actively laying a foundation for healthy growth in the future. We upheld our persistence in the SLG game segment while broadening our game category. Leveraging SLG's inherent advantage of long life-cycle, the Company's strong operating capability and the extensive industry experience of our senior management team, the Company has achieved sound performance throughout the Reporting Period. The strategy of upholding our persistence in the SLG game segment while broadening our game category has been successful. *My Duty (「我的使命」)*, a SLG game, and *Romance of Stars (「星辰奇緣」)*, a MMORPG game, are still popular after more than 37 months' and 50 months' operation, respectively, and has achieved a monthly gross billings of up to RMB36 million and RMB32 million, respectively during the Reporting Period. The games in the growth stage continued to power-up and maintained an upward momentum, those in the mature stage saw a natural drop but steady gross billings were maintained. Four titles have generated an average monthly gross billings of RMB12 million or above in the Reporting Period. We constantly launched updated versions and introduced iterative calculations and new gameplay. The games have maintained robust lifecycles and continued to generate steady revenue for us over a longer period of time.

Outlook for 2020

Entering 2020, the rapid outbreak of coronavirus disease (the "**COVID-19 outbreak**") in different cities around the world has led to a major challenge for the global economy and has caused a short-term impact on all sectors. The Group has responded quickly with comprehensive arrangements and collaborated with regional offices, subsidiaries and joint ventures, to stand in the frontline of epidemic prevention and control. The Group will keep continuous attention on the situation, assess and react actively to its impacts on the Group's business operations. Up to the date of this announcement, the assessment is still in progress and the related financial impact on the Group could not be reasonably estimated at this stage, and will be reflected in the Group's 2020 interim and annual financial statements.

2020 is a year full of challenges and opportunities for China's game industry. In June 2019, China's Ministry of Industry and Information Technology officially issued 5G commercial licenses to major telecom operators in China, marking 2019 the first year of 5G commercial development in China. The ultra-high speed and low latency of 5G network can bring more refined gaming experience for players. In addition, the ability of 5G in handling increased synchronous connections could lead to more powerful multiplayer gameplay. On the other hand, the screen frame number of smart phones can reach super smooth 60 frames per second, while 5G network speeds up transmission with higher bandwidth and speed. Mobile games will have a new look and game experience will be enhanced when 5G has become popular along with the next generation smart phones which are equipped with a full 3D and a robust engine. Market competition is expected to become increasingly keen, however.

In the meantime, the growth that relies on the bonus of user increment will not be able to last. Companies need to create products with both cultural and commercial values and seek for new growth models in the increasingly intense market. The massive amount of mobile game users offers a large user base for mobile games. Player demands and market potential are awaiting exploration.

Moreover, it is also a challenge for mobile game developers to win users' attention. The emergence of new entertainment choices such as short online video clips has consumed some of the time formerly spent on playing games. Such a change in users' behavioral pattern has posed a bigger challenge to both the game industry and the developers.

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

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

We are conducting comprehensive tests for the new titles to be launched in 2020 while optimizing product launch strategies and plans. Over the years, we have accumulated an immense user database. We will continue to leverage our big data analytics ability with our proprietary multi-dimensional data analysis engine which collates and structures our data in a variety of ways for ad-hoc analysis, real-time on-line analysis. Moreover, we will enhance gameplay strategies, characters, scenes, technical depth, and other parameters and improve cross-promotion efficacy by analyzing player demographic, gameplay preference, gaming time, level-up, in-game purchase amount and user turnover rate, etc. These initiatives are being performed to ensure sound performance after the official launch.

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

Financial Performance

The following table sets forth our annual consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2018, respectively:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Revenue	**1,051,137**	1,085,931
Cost of revenue	**(387,617)**	(444,306)
Gross profit	**663,520**	641,625
Selling and marketing expenses	**(500,106)**	(324,974)
Administrative expenses	**(93,778)**	(102,757)
Research and development expenses	**(63,312)**	(54,600)
Other income	**12,365**	6,292
Other gains, net	**10,912**	2,398
Operating profit	**29,601**	167,984
Finance income	**14,442**	8,647
Finance costs	**(495)**	—
Profit before income tax	**43,548**	176,631
Income tax expense	**(4,836)**	(21,036)
Profit for the year attributable to owners of the Company	**38,712**	155,595
Non-IFRS Measures		
Adjusted profit attributable to owners of the Company	**71,217**	254,346

Revenue

The Group's revenue in the Reporting Period was approximately RMB1,051.1 million, representing a slight decrease by approximately 3.2% or RMB34.8 million as compared to the corresponding period in 2018. The decrease was primarily due to (i) the natural drop in revenue of the classic games which have been in operation for years and are in their mature stage, and (ii) the prolonged suspension of approval of online game publication has cast a negative impact on the growth momentum of the game industry which is yet to be recovered, leading to the lower revenue contribution from certain games launched during the Reporting Period.

With respect to revenue categorized by method of publication, self-publishing revenue was approximately RMB548.8 million as compared to the corresponding period last year, representing 52.2% of the total revenue as compared to 47.9% in the corresponding period last year. Co-publishing revenue was approximately RMB502.3 million, representing 47.8% of the total revenue.

Cost of Revenue

The cost of revenue in the Reporting Period was approximately RMB387.6 million and decreased by approximately 12.8% or RMB56.7 million as compared to the corresponding period last year. It was mainly due to the decrease in platform sharing charges partially offset by the growing commissions charged by game developers.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB663.5 million, as compared to RMB641.6 million in the corresponding period last year. Gross profit margin increased from 59.1% to 63.1% as compared to the corresponding period last year, since the magnitude of the decrease in cost is larger than that of the decrease in revenue.

Other Income

During the Reporting Period, other income was approximately RMB12.4 million as compared to approximately RMB6.3 million in the corresponding period last year. The rise was mainly from the additional deduction of value-added tax and the increase in government grant recognized during the Reporting Period.

Other Gains, net

During the Reporting Period, net other gains was approximately RMB10.9 million, as compared to a gain of approximately RMB2.4 million in the corresponding period last year, primarily attributable to investment income from financial assets and foreign exchange gains.

Finance Income

During the Reporting Period, finance income was approximately RMB14.4 million, an increase of approximately 67.0% or RMB5.8 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.

Finance Costs

During the Reporting Period, finance costs was approximately RMB0.5 million, while finance costs was nil for the same period last year.

Selling and Marketing Expenses

The selling and marketing expenses in the Reporting Period were approximately RMB500.1 million, increased by approximately 53.9% or approximately RMB175.1 million as compared to the corresponding period last year. It constituted 47.6% of the total revenue, representing an increase from 29.9% in the corresponding period last year. The increase was primarily due to the more extensive advertising and promotion activities undertaken by the Company for mobile games during the Reporting Period in order to cope with the increasingly fierce external competition environment.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB93.8 million, as compared to approximately RMB102.8 million in the corresponding period last year. The change was primarily due to the decrease in the share-based compensation to key employees.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB63.3 million, increased by approximately 16.0% or RMB8.7 million as compared to the corresponding period last year. The rise was primarily due to the increased resources allocated to research and development of proprietary operation system as well as increased research and development personnel, resulting in an increase in employee salaries.

Income Tax Expense

The income tax expense in the Reporting Period was approximately RMB4.8 million, decreased by 77.0% or approximately RMB16.2 million as compared to the corresponding period last year. It was a consequent result of a decreased taxable income.

Profit for the Year

The profit attributable to owners of the Group in the Reporting Period was RMB38.7 million, dropped by 75.1% as compared to RMB155.6 million in the corresponding period last year, which was a consequent result of 1) an increase in selling and marketing expenses as the Company has engaged in more extensive advertising and promotion activities for mobile games during the Reporting Period in order to cope with the increasingly fierce external competition environment. Additionally, due to the lag in effect on revenue from the advertising and promotion activities, the impact of the increased sales and marketing expenses is expected to be seen over a longer period of time in the future and the unit cost of advertising and promotion activities is also rising; 2) certain pipeline games that had been scheduled to be launched during the Reporting Period were unable to be launched due to underperformance of game testing results and the suspension of online game publication approval due to the changes in Chinese game market and regulatory environment, resulting in write-down of prepaid license fees for the pipeline games which were unable to be launched during the Reporting Period; and 3) the lower revenue contribution from certain games launched during the Reporting Period.

Non-IFRS Measures — Adjusted Profit

The adjusted profit in the Reporting Period, adjusted by excluding the impact from the share-based compensation to key employees, was RMB71.2 million, decreased by 72.0% as compared to RMB254.3 million in the corresponding period last year.

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

	For the year ended 31 December	
	2019	2018
	RMB Million	
	(Unaudited)	*(Audited)*
Profit for the year	**38.7**	155.6
Add:		
Share-based compensation	**32.5**	77.9
Listing-related expenses	**—**	20.8
Adjusted profit for the year	**71.2**	254.3

Liquidity and source of funding and borrowing

As at 31 December 2019, the Group's total cash and cash equivalents amounted to approximately RMB778.0 million, representing a decrease of approximately 6.4% as compared with approximately RMB831.2 million as at 31 December 2018.

As at 31 December 2019, current assets of the Group amounted to approximately RMB1,410.3 million, including cash and cash equivalents of approximately RMB778.0 million and other current assets of approximately RMB632.3 million. Current liabilities of the Group amounted to approximately RMB273.5 million, including trade payables and contract liabilities of approximately RMB195.7 million and other current liabilities of approximately RMB77.8 million. As at 31 December 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 5.2, as compared with 5.1 as at 31 December 2018.

Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. The Group does not have any bank borrowings and other debt financing obligations as at 31 December 2019 and the resulting gearing ratio is nil. The Group intends to finance the expansion, investments and business operations with internal resources.

Investments at Fair Value through Profit or Loss

As at 31 December 2019, investments at fair value through profit or loss is recorded at approximately RMB103.4 million. Details of investments at fair value through profit or loss for the year ended 31 December 2019 are shown as below:

	Fair value as at 31 December 2018	**Changes in fair value for the year ended 31 December 2019**	**Increases for the year ended 31 December 2019**	**Settlements for the year ended 31 December 2019**	**Currency exchange differences for the year ended 31 December 2019**	**Fair value as at 31 December 2019**
			(RMB Million)			
	(Audited)	***(Unaudited)***	***(Unaudited)***	***(Unaudited)***	***(Unaudited)***	***(Unaudited)***
Investments at fair value through profit or loss						
Wealth management product Leading Global — 1 SP	309.2	**4.5**	**—**	**(321.3)**	**7.6**	**—**
Wealth management product Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金)	88.1	**5.3**	**—**	**—**	**2.0**	**95.4**
Investments in private company A	8.0	**—**	**—**	**—**	**—**	**8.0**
Investments in private company B	1.0	**(1.0)**	**—**	**—**	**—**	**—**
Investments in private company C	0.3	**(0.3)**	**—**	**—**	**—**	**—**
Private equity investment fund Yuedong Stable Win (悅動穩贏私募證券投資基金)	—	**—**	**20.0**	**(20.0)**	**—**	**—**
Structured deposit product at LUSO International Banking Ltd. (澳銀財富結構性存款產品)	—	**—**	**10.0**	**(10.0)**	**—**	**—**
Total	406.6	**8.5**	**30.0**	**(351.3)**	**9.6**	**103.4**

As at 31 December 2019, investments at fair value through profit or loss are mainly composed of investments in the wealth management product Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金) with carrying amount of approximately RMB95.4 million as at 31 December 2019, accounting for approximately 5.9% of the Group's total assets as at 31 December 2019. For details of the subscription in Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金) by the Company, please refer to the announcement of the Company dated 11 December 2018.

The performance of the investments has been closely and effectively monitored by the Company. For the year ended 31 December 2019, the returns of the Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金) were consistent with its fair value change of approximately RMB5.3 million. The Company believes that the investments in Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金) will continue to generate stable income for the Group.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 *RMB'000* *(Unaudited)*	2018 *RMB'000* *(Audited)*
Revenue	3	**1,051,137**	1,085,931
Cost of revenue		**(387,617)**	(444,306)
Gross profit		**663,520**	641,625
Selling and marketing expenses		**(500,106)**	(324,974)
Administrative expenses		**(93,778)**	(102,757)
Research and development expenses		**(63,312)**	(54,600)
Other income		**12,365**	6,292
Other gains, net	4	**10,912**	2,398
Operating profit		**29,601**	167,984
Finance income		**14,442**	8,647
Finance costs		**(495)**	—
Profit before income tax		**43,548**	176,631
Income tax expense	5	**(4,836)**	(21,036)
Profit for the year attributable to owners of the Company		**38,712**	155,595
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		**(1,200)**	(10,000)
Income tax on item that will not be reclassified to profit or loss		**300**	2,500
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**16,712**	26,575
Other comprehensive income for the year, net of tax		**15,812**	19,075
Total comprehensive income for the year attributable to owners of the Company		**54,524**	174,670
Earnings per share (RMB)	7		
— Basic		**0.0204**	0.0932
— Diluted		**0.0202**	0.0928

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**10,158**	11,752
Right-of-use assets		**8,262**	—
Intangible assets		**8,095**	5,616
Prepayments and deposits		**27,070**	21,402
Equity investments at fair value through other comprehensive income		**—**	1,200
Investments at fair value through profit or loss		**103,351**	97,368
Deferred tax assets		**28,156**	27,329
Time deposits		**20,000**	—
Total non-current assets		**205,092**	164,667
Current assets			
Trade receivables	8	**75,095**	163,760
Contract costs		**42,126**	59,980
Prepayments and deposits		**132,833**	84,726
Other receivables		**157,416**	8,842
Notes receivables		**223,950**	—
Investments at fair value through profit or loss		**—**	309,233
Restricted bank deposits		**892**	—
Bank and cash balances		**777,962**	831,216
Total current assets		**1,410,274**	1,457,757
Total assets		**1,615,366**	1,622,424
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**62**	65
Reserves		**1,340,526**	1,335,467
Total equity		**1,340,588**	1,335,532

	Notes	**2019** *RMB'000* ***(Unaudited)***	2018 *RMB'000* *(Audited)*
LIABILITIES			
Current liabilities			
Trade payables	10	**69,043**	65,228
Contract liabilities		**126,617**	144,989
Accruals and other payables		**46,227**	42,348
Lease liabilities		**7,124**	—
Current income tax liabilities		**24,516**	34,327
Total current liabilities		**273,527**	286,892
Non-current liabilities			
Lease liabilities		**1,251**	—
Total non-current liabilities		**1,251**	—
Total liabilities		**274,778**	286,892
Total equity and liabilities		**1,615,366**	1,622,424

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 its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong. The address of its headquarters is 3/F, Huixin Building, 1132 Zhongshan Avenue West, Tianhe District, Guangzhou, People's Republic of China (the "**PRC**"). The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company.

In the opinion of the directors of the Company, as at 31 December 2019, LJ Technology Holding Limited, a company incorporated in the British Virgin Islands is the ultimate holding company; and Mr. Liu Jie is the ultimate controlling party of the Company.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

The Group has adopted IFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of IFRS 16

	RMB'000
Operating lease commitments disclosed at 31 December 2018 (audited)	5,911
Discounted using the lessee's incremental borrowing rate of 4.75% p.a. at the date of initial application (unaudited)	5,491
Less: short-term leases recognised on a straight-line basis as expense (unaudited)	(513)
Add: adjustments as a result of a different treatment of extension options (unaudited)	4,310
Lease liabilities recognised at 1 January 2019 (unaudited)	9,288
Of which are:	
Current lease liabilities (unaudited)	6,116
Non-current lease liabilities (unaudited)	3,172
	9,288

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 January 2019.

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

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

— the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

— reliance on previous assessments on whether leases are onerous;

— the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

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.

	2019 ***RMB'000*** ***(Unaudited)***	2018 *RMB'000* *(Audited)*
Self-publishing	**548,785**	520,640
Co-publishing	**502,352**	565,291
Total revenue	**1,051,137**	1,085,931
Disaggregation of revenue from contracts with customers:		
Timing of revenue recognition		
Over time	**1,051,137**	1,085,931

Revenue from major customers:

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (2018: nil).

The following table summarises the percentage of revenue from games licensed by a single game developer exceeding individually 10% of the Group's revenue during the year ended 31 December 2019.

	2019 ***(Unaudited)***	2018 *(Audited)*
Game developer a	**28.9%**	*
Game developer b	**20.2%**	*
Game developer c	**18.6%**	29.1%
Game developer d	*	10.9%

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

4. OTHER GAINS, NET

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Loss on disposals of property and equipment	**(74)**	—
Fair value changes on investments at fair value through profit or loss	**8,451**	3,008
Net foreign exchange gains/(losses)	**2,535**	(465)
Others	**—**	(145)
	10,912	2,398

5. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Current tax — PRC Enterprise Income Tax ("**EIT**")	**5,363**	17,343
Deferred tax	**(527)**	3,693
	4,836	21,036

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong during that year (2018: nil).

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% (2018: 25%).

Shanghai Binyou Networks Technology Limited ("**Binyou Networks**") was accredited as a "software enterprise" under the relevant PRC laws and regulations in 2019. It's 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.

Binyou Networks started to enjoy the 0% preferential tax rate for two years beginning from year 2019, followed by 50% reduction in the applicable tax rates for the next three years, since it has made profit in year 2019.

Guangzhou Miyuan Networks Technology Co., Limited ("**Miyuan Networks**") was qualified as "High and New Technology Enterprises" under the EIT Law since year 2016. Accordingly, it was entitled to a preferential income tax rate of 15% for a 3-year period since 2016. Miyuan Networks was re-qualified as "High and New Technology Enterprises" under the EIT Law in 2019. Accordingly, the applicable tax rate was 15% for the year ended 31 December 2019.

6. DIVIDEND

No dividends was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed at the end of the reporting period (2018: nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**38,712**	155,595

	2019	2018
	(Unaudited)	*(Audited)*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**1,897,892,453**	1,670,276,028
Adjustments for unvested restricted share units ("**RSUs**")	**16,992,572**	6,592,598
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,914,885,025**	1,676,868,626

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 a reorganisation.

8. 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 generally range from 30 to 90 days and 0 to 30 days respectively.

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables	**75,955**	167,702
Provision for loss allowance	**(860)**	(3,942)
Carrying amount	**75,095**	163,760

The aging analysis of trade receivables, based on recognition date of the trade receivables, and net of allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 1 month	**31,834**	61,224
1 month to 3 months	**36,742**	76,372
3 months to 6 months	**6,323**	22,189
6 months to 1 year	**196**	3,970
Over 1 year	**—**	5
	75,095	163,760

9. SHARE CAPITAL

	Notes	Number of ordinary shares *'000*	Nominal value of ordinary share *USD'000*
Authorised:			
Ordinary shares as at 31 December 2019 of USD0.000005 (unaudited) (as at 31 December 2018: USD0.000005 (audited)) each			
At date of incorporation	(a)	1,000,000	50
Share sub-division	(c)	9,000,000	—
At 31 December 2018 (audited), 1 January 2019 and 31 December 2019 (unaudited)		**10,000,000**	**50**

	Notes	Number of ordinary shares *'000*	Equivalent nominal value of ordinary share *RMB'000*
Issued and fully paid:			
Ordinary shares as at 31 December 2019 of USD0.000005 (unaudited) (as at 31 December 2018: USD0.000005 (audited)) each			
Upon incorporation	(a)	95,000	32
Issue of ordinary shares on 16 March 2018	(b)	5,000	—
Share sub-division	(c)	900,000	—
Issue of ordinary shares on 22 March 2018	(d)	500,000	16
Issue of new ordinary shares upon the initial public offering on the main board of the Stock Exchange ("**IPO**")	(e)	500,000	17
Repurchase and cancellation of ordinary shares	(f)	(9,918)	—
At 31 December 2018 (audited) and 1 January 2019		1,990,082	65
Repurchase and cancellation of ordinary shares	(f)	(58,695)	(3)
At 31 December 2019 (unaudited)		**1,931,387**	**62**

Notes:

(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. 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 IPO, the Company issued 500,000,000 new ordinary shares for cash consideration of HK$2.07 each, and raised gross proceeds of HK$1,035,000,000 (equivalent to RMB879,957,000). Share capital increased by RMB17,000 and share premium arising from the issuance was 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. For the year ended 31 December 2019, the Company repurchased an aggregate of 63,634,000 (2018: 18,278,000) shares at an average price of HK$1.47 (2018: HK$1.71) for an aggregate consideration of HK$93,398,000 (equivalent to RMB81,973,000) (2018: HK$31,165,000 (equivalent to RMB27,499,000)) under this share repurchase plan, among which 50,335,000 (2018: 18,278,000) shares had been cancelled and 13,299,000 (2018: Nil) shares are not cancelled.

10. TRADE PAYABLES

The aging analysis based on recognition date of trade payables, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 1 month	**14,773**	20,486
1 month to 3 months	**30,382**	28,695
3 months to 6 months	**21,575**	15,827
6 months to 1 year	**1,996**	200
Over 1 year	**317**	20
	69,043	65,228

OTHER INFORMATION

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the recent epidemic of the COVID-19 and the curbing and quarantine policies adopted and/or implemented by the Chinese government, ZHONGHUI ANDA CPA Limited, the auditor of the Company, encountered significant practical difficulties in compiling its report as it was unable to perform audit work on schedule. Accordingly, it was unable to complete the audit of the Group's annual results for the year ended 31 December 2019 (the "**Reporting Period**") by 31 March 2020 in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The annual results of the Company may be subject to adjustments as appropriate. An announcement relating to the audited results will be made (if necessary) after the remaining auditing process has been completed by the auditor in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

USE OF PROCEEDS

Upon the listing of the Company on 12 July 2018, the Company raised net proceeds (the "**Net Proceeds**") of approximately HKD967.1 million. Summary of the usages and amounts of the Net Proceeds utilised and the remaining Net Proceeds as at 31 December 2019 is set out as follows:

Intended use of the Net Proceeds	**Percentage of the Net Proceeds for each intended usage**	**Amount of the Net Proceeds for each intended usage**	**Amount of the utilised Net Proceeds as at 31 December 2019**	**Amount of the remaining Net Proceeds as at 31 December 2019**
	%	*HK$' Million*	*HK$' Million*	*HK$' Million*
Develop game sourcing capabilities and ensure us to acquire high quality game content	35%	338.5	33.6	304.9
Establish in-house game development team	25%	241.8	—	241.8
Fund marketing and promotional activities	20%	193.4	193.4	—
Expand into overseas markets and develop overseas operation	10%	96.7	25.6	71.1
Working capital and general corporate purposes	10%	96.7	12.0	84.7
Total		**967.1**	**264.6**	**702.5**

Looking forward, the Company will use the Net Proceeds in accordance with its development strategies, market conditions and intended use. Please refer to the section headed "Future Plan and Use of Proceeds" in the Company's prospectus dated 26 June 2018 for details of applications and expected timeline for utilising the remaining Net Proceeds.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2019 (31 December 2018: Nil).

ANNUAL GENERAL MEETING

The annual general meeting will be held on 10 June 2020 (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 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 5 June 2020 (Friday) to 10 June 2020 (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 4 June 2020 (Thursday).

EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2019, the Group had a total of 426 employees, comparing to 390 employees as at 31 December 2018. The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provide training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team and game operation team to enhance their skill and knowledge.

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

During the Reporting Period, 63,634,000 ordinary shares were repurchased, among which 50,335,000 shares were cancelled and 13,299,000 shares are not yet cancelled, respectively. Save as disclosed above, there was no other purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Reporting Period.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

PLEDGE OF ASSETS

As at 31 December 2019, none of the Group's assets were pledged.

CONTINGENT LIABILITIES

As at 31 December 2019, 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 material 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 Issuers (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 during the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set forth in the Corporate Governance Code (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 ("**Mr. Liu**") is our chairman and chief executive officer with extensive experience in the mobile internet industry and mobile game publishing industry. Mr. Liu is responsible for the strategic development, overall operation and management and major decision-making of our Group and is instrumental to our growth and business expansion since our establishment in 2013.

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

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and provision C.3 of the CG Code. The Audit Committee comprises three members, namely, Ms. Yao Minru, Mr. Guo Jingdou and Dr. Liu Jianhua, all being independent non-executive Directors of the Company. Ms. Yao Minru is the chairperson of the Audit Committee, who possesses suitable professional qualifications.

The Audit Committee has reviewed the Company's unaudited annual results for the Reporting Period with the management 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 internal control and financial reporting matters of the Company.

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 2019 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, 30 March 2020

As at the date of this announcement, the Board of Directors of the Company comprises Mr. LIU Jie, Mr. ZHU Yanbin, Mr. WANG Zaicheng and Mr. LIU Zhanxi as executive Directors and Mr. GUO Jingdou, Ms. YAO Minru and Dr. Liu Jianhua as independent non-executive Directors.