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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of FingerTango Inc. (the “**Company**”) is pleased to announce the audited 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 2020 (the “**Reporting Period**”). The annual results have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and have been audited by the independent auditor of the Company, ZHONGHUI ANDA CPA Limited (“**ZHONGHUI ANDA**”), and reviewed and approved by the Company’s audit committee together with the management of the Company.

FINANCIAL SUMMARY

	Year ended 31 December		Change
	2020	2019	
	RMB Million	RMB Million	%
Revenue	748.2	1,051.1	(28.8)
Gross profit	464.0	663.5	(30.1)
Profit for the year	127.6	38.7	229.7
Non-IFRS Measures			
— Adjusted profit for the year ^(Note)	135.8	71.2	90.7

Note: During the Reporting Period, adjusted profit for the year excludes share-based compensation to key employees of RMB8.2 million (2019: RMB32.5 million) from profit for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

2020 was a year full of both obstacles and opportunities. The novel coronavirus (“COVID-19”) pandemic not only brought unprecedented challenges to the global economy, changed the way people work, live and play, but also resulted in hastening changes to existing industries and the formation of new business models.

According to the 2020 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 Gamma Data (CNG), the Chinese gaming industry recorded a total revenue of approximately RMB278.69 billion in the year of 2020, representing an increase of 20.7% compared with the previous year. Mobile game has retained its mainstream position cornering about three quarters of the overall gaming market, with its revenue reaching RMB209.68 billion or a vigorous growth of 32.6%. The number of gamers reached 665 million in China at the end of 2020, of which mobile game users are 654 million, representing an increase of 4.8% compared with the previous year.

Chinese gaming companies are expanding into overseas market. Revenue of independently developed games generated from overseas market significantly increased by 33.3% year-on-year to USD15.45 billion in 2020, of which simulation games (“SGL”) came out top and accounted for approximately 37.2%. The segment of SLG games, which we dedicate in, has shown rapid growth in recent years. Gamers have shown continuous demand for SLG games.

Business Review

For the year of 2020, the Group recorded total revenue of RMB748.2 million, a decrease of approximately 28.8% as compared to the corresponding period last year. Revenue of the classic games which have been in operation for years and are in their mature stage saw a natural drop. On the other hand, the changes in regulatory environment of the Chinese gaming market had led to the suspension of approval of online game publication for nine months in 2018. Although the above-mentioned suspension has been lifted, approvals of new game publication are greatly reduced. During the Reporting Period, certain pipeline games of the Group were not launched as scheduled due to underperformance in game testing results and the reduction in online game publication approval. 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 launched in 2020. Deep optimization customizing to the players’ evolving preferences was also conducted to ensure their sound performance upon official launch. On the other hand, new titles launched in 2020 are still in the promotion period and the stage of incubation of player base. It is expected the growth momentum of the new games and their contribution to the revenue of the Company would be gradually unleashed in 2021. With the lifting of the above-mentioned suspension, we have acquired nine new licensed games in 2020 and as at the date of this announcement, building substantial momentum for the Company to further publish new games and continuously create new income sources.

Profit attributable to our shareholders recorded RMB127.6 million for the year of 2020, soaring 229.7% year-on-year. The increase of profit was primarily due to a decrease in selling and marketing expenses as the Company has engaged in less extensive advertising and promotion activities for classic games, which have been in operation for years and are in their mature stage during the Reporting Period.

The level of game monetization has continued to reflect our strengths and keen ability. The average revenue per month per paying user (“ARPPU”) for the year of 2020 was RMB577 as compared to RMB443 for the same period last year, up by 30.2% year over year. The total number of accumulative registered users reached 175.6 million as at 31 December 2020, representing a 4.7% growth over 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.

In 2020, the COVID-19 pandemic has posed challenges across countries and industries. The lag in effect caused by the prolonged suspension of approval of online games publication has cast an impact to the growth momentum which has yet to recover. 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. 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* (星辰奇缘), a massively multiple online role-play game, are still popular after more than 49 months’ and 62 months’ operation, respectively, and has achieved monthly gross billings of up to RMB39 million and RMB20 million, respectively during 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 2021

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 2021 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 and 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 consolidated statements of profit or loss for the years ended 31 December 2020 and 2019, respectively:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	748,234	1,051,137
Cost of Revenue	<u>(284,238)</u>	<u>(387,617)</u>
Gross Profit	463,996	663,520
Selling and marketing expenses	(193,707)	(500,106)
Administrative expenses	(116,030)	(93,778)
Research and development expenses	(58,470)	(63,312)
Other income	7,961	12,365
Other (losses)/gains, net	<u>(636)</u>	<u>10,912</u>
Operating profit	103,114	29,601
Interest revenue	46,408	14,442
Finance costs	<u>(311)</u>	<u>(495)</u>
Profit before income tax	149,211	43,548
Income tax expense	<u>(21,572)</u>	<u>(4,836)</u>
Profit for the year attributable to owners of the Company	<u>127,639</u>	<u>38,712</u>
Non-IFRS Measures		
Adjusted profit attributable to owners of the Company	<u>135,811</u>	<u>71,217</u>

Revenue

The Group's revenue in the Reporting Period was approximately RMB748.2 million, representing a decrease by approximately 28.8% as compared to the corresponding period in 2019. 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, (ii) games launched during the Reporting Period are still in promotion period and yet to generate sizable income, and (iii) the suspension of approval of online games publication for a period as long as nine months in 2018 that has cast an impact to the growth momentum which has yet to recover.

With respect to revenue categorized by method of publication, self-publishing revenue was approximately RMB392.5 million, representing 52.5% of the total revenue as compared to 52.2% in the corresponding period last year. Co-publishing revenue was approximately RMB355.7 million, representing 47.5% of the total revenue.

Cost of Revenue

The cost of revenue in the Reporting Period was approximately RMB284.2 million and decreased by approximately 26.7% as compared to the corresponding period last year. It was mainly because of the decrease in platform sharing charges, which was partially offset by the growing commissions charged by game developers.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB464.0 million, as compared to RMB663.5 million in the corresponding period last year. Gross profit margin slightly decreased from 63.1% to 62.0% as compared to the corresponding period last year, since the magnitude of the decrease in revenue is larger than that of the decrease in cost of revenue.

Other Income

During the Reporting Period, other income was approximately RMB8.0 million as compared to approximately RMB12.4 million in the corresponding period last year. It was mainly because of the decrease in government grant recognized during the Reporting Period, which was partially offset by the VAT additional deduction.

Other Losses/Gains, net

During the Reporting Period, net other loss was approximately RMB0.6 million, as compared to a net other gain of approximately RMB10.9 million in the corresponding period last year, primarily attributable to foreign exchange losses, which were partially offset by fair value gain on investments at fair value through profit or loss during the Reporting Period.

Finance Income, net

During the Reporting Period, net finance income, which is calculated by interest revenue less finance costs, was approximately RMB46.1 million, an increase of approximately 230.5% or RMB32.2 million as compared to the corresponding period last year. The increase was mainly from interest revenue from loans to third parties as well as interest revenue from notes receivables.

Selling and Marketing Expenses

The selling and marketing expenses in the Reporting Period were approximately RMB193.7 million, dropped by approximately 61.3% or approximately RMB306.4 million as compared to the corresponding period last year. It constituted 25.9% of the total revenue, representing a decrease from 47.6% in the corresponding period last year. The decrease was primarily due to adjustment in game launching plan in 2020 and less extensive advertising and promotion activities for classic games which have been in operation for years and are in their mature stage during the Reporting Period.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB116.0 million, as compared to approximately RMB93.8 million in the corresponding period last year. The change was primarily due to increases in provisions for losses of receivables and expenses for epidemic prevention and control during the COVID-19 outbreak.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB58.5 million, decreased by approximately 7.6% or RMB4.8 million as compared to the corresponding period last year. The change was primarily due to the decrease of share-based compensation to key employees.

Income Tax Expense

The income tax expense in the Reporting Period was approximately RMB21.6 million, increased by 346.1% or approximately RMB16.8 million as compared to the corresponding period last year. It was a consequent result of an increased taxable income.

Profit for the Year

The profit attributable to owners of the Company in the Reporting Period was RMB127.6 million, significantly increased by 229.7% as compared to RMB38.7 million in the corresponding period last year. The increase of profit was primarily due to a decrease in selling and marketing expenses as the Group has engaged in less extensive advertising and promotion activities for classic games which have been in operation for years and are in their mature stage 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 RMB135.8 million, increased by 90.7% as compared to RMB71.2 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 years ended 31 December 2020 and 2019, respectively:

	2020 <i>RMB Million</i>	2019 <i>RMB Million</i>
Profit for the year	127.6	38.7
Add:		
Share-based compensation	<u>8.2</u>	<u>32.5</u>
Adjusted profit	<u>135.8</u>	<u>71.2</u>

Liquidity and source of funding and borrowing

As at 31 December 2020, current assets of the Group amounted to approximately RMB1,491.5 million, including cash and cash equivalents of approximately RMB521.5 million and other current assets of approximately RMB970.0 million. Cash and cash equivalents decreased by approximately 33.0% as compared with approximately RMB778.0 million as at 31 December 2019. Current liabilities of the Group amounted to approximately RMB209.6 million, including trade payables and contract liabilities of approximately RMB128.0 million and other current liabilities of approximately RMB81.6 million. As at 31 December 2020, the current ratio (the current assets to current liabilities ratio) of the Group was 7.1, as compared with 5.2 as at 31 December 2019.

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 2020 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 2020, investments at fair value through profit or loss recorded approximately RMB147.8 million. Details of investments at fair value through profit or loss for the Reporting Period are shown as below:

	Fair value as at 31 December 2019 <i>RMB Million</i>	Increases for the year ended 31 December 2020 <i>RMB Million</i>	Changes in fair value for the year ended 31 December 2020 <i>RMB Million</i>	Settlements for the year ended 31 December 2020 <i>RMB Million</i>	Currency translation difference for the year ended 31 December 2020 <i>RMB Million</i>	Fair value as at 31 December 2020 <i>RMB Million</i>
Investments at fair value through profit or loss						
Wealth management product						
Central China Dragon Growth Fund SP7(「中州龍騰增長七號基金」)	95.4	—	0.9	(34.9)	(5.1)	56.3
Investments in private company A	8.0	—	—	—	—	8.0
Investments in private company B	—	3.0	—	—	—	3.0
Private equity investment fund						
Yuedong Stable Win (「悅動穩贏私募證券投資基金」)	—	40.0	2.1	(42.1)	—	—
Wealth management products of commercial banks placed at:						
China Guangfa Bank Co., Ltd. Shanghai Pudong	—	30.0	0.3	(30.3)	—	—
Development Bank Co., Ltd.	—	160.0	1.5	(121.2)	—	40.3
Ping An Bank Co., Ltd.	—	20.0	0.2	(20.2)	—	—
China Merchants Bank Co. Ltd.	—	50.0	0.4	(50.4)	—	—
Industrial Bank Co., Ltd.	—	80.0	0.6	(40.4)	—	40.2
Total	<u>103.4</u>	<u>383.0</u>	<u>6.0</u>	<u>(339.5)</u>	<u>(5.1)</u>	<u>147.8</u>

As at 31 December 2020, investments at fair value through profit or loss of the Group are mainly composed of investments in wealth management product Central China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」) and wealth management products of commercial banks.

As at 31 December 2020, carrying amount of wealth management product Central China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」) was approximately RMB56.3 million after redemption of HK\$40.0 million (equivalent to approximately RMB34.9 million) by the Company during the Reporting Period, accounting for approximately 3.4% of the Group's total assets as at 31 December 2020. 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 terms of investments in wealth management products of commercial banks varies among different banks with maturity of less than 183 days. As at 31 December 2020, carrying amount of investments in wealth management products of commercial banks was approximately RMB80.5 million, accounting for approximately 4.9% of the Group's total assets as at 31 December 2020.

The performance of the investments has been closely and effectively monitored by the Group. For the year ended 31 December 2020, the returns of investments in wealth management product Central China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」) and wealth management products of commercial banks were consistent with its fair value gain of approximately RMB0.9 million and RMB3.0 million, respectively. The Group believes that the investments in Central China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」) and wealth management products of commercial banks 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 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	3	748,234	1,051,137
Cost of revenue		<u>(284,238)</u>	<u>(387,617)</u>
Gross profit		463,996	663,520
Selling and marketing expenses		(193,707)	(500,106)
Administrative expenses		(116,030)	(93,778)
Research and development expenses		(58,470)	(63,312)
Other income		7,961	12,365
Other (losses)/gains, net	4	<u>(636)</u>	<u>10,912</u>
Operating profit		103,114	29,601
Interest revenue		46,408	14,442
Finance costs		<u>(311)</u>	<u>(495)</u>
Profit before income tax		149,211	43,548
Income tax expense	5	<u>(21,572)</u>	<u>(4,836)</u>
Profit for the year attributable to owners of the Company	6	<u>127,639</u>	<u>38,712</u>
Other comprehensive (expense)/income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of equity investments at fair value through other comprehensive income		—	(1,200)
Income tax on item that will not be reclassified to profit or loss		—	300
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(45,699)</u>	<u>16,712</u>
Other comprehensive (expense)/income for the year, net of income tax		<u>(45,699)</u>	<u>15,812</u>
Total comprehensive income for the year attributable to owners of the Company		<u>81,940</u>	<u>54,524</u>
Earnings per share (RMB)	8		
— Basic		<u>0.0675</u>	<u>0.0204</u>
— Diluted		<u>0.0673</u>	<u>0.0202</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property and equipment		7,794	10,158
Right-of-use assets		3,874	8,262
Intangible assets		5,251	8,095
Investments at fair value through profit or loss		67,328	103,351
Prepayments and deposits		21,611	27,070
Time deposits		20,000	20,000
Deferred tax assets		23,237	28,156
Total non-current assets		149,095	205,092
Current assets			
Trade receivables	9	53,036	75,095
Contract costs		32,255	42,126
Prepayments and deposits		88,398	132,833
Other receivables		407,732	157,416
Notes receivables		208,177	223,950
Investments at fair value through profit or loss		80,464	—
Restricted bank deposits		302	892
Time deposits		99,575	—
Bank and cash balances		521,549	777,962
Total current assets		1,491,488	1,410,274
TOTAL ASSETS		1,640,583	1,615,366
EQUITY AND LIABILITIES			
Equity			
Share capital	10	62	62
Reserves		1,430,638	1,340,526
Total equity		1,430,700	1,340,588

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Current liabilities			
Trade payables	11	39,075	69,043
Contract liabilities		88,855	126,617
Accruals and other payables		47,713	46,227
Lease liabilities		3,294	7,124
Current tax liabilities		30,615	24,516
		<u>209,552</u>	<u>273,527</u>
Total current liabilities			
		<u>209,552</u>	<u>273,527</u>
Non-current liabilities			
Lease liabilities		331	1,251
		<u>331</u>	<u>1,251</u>
Total liabilities		<u>209,883</u>	<u>274,778</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,640,583</u></u>	<u><u>1,615,366</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

FingerTango Inc. 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, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong. Subsequent to the end of the Reporting Period, its principal place of business in Hong Kong has been updated to 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong on 8 March 2021. The address of its headquarters is 3/F, Huixin Building, 1132 Zhongshan Avenue West, Tianhe District, Guangzhou, the 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. The principal activities of the principal operating subsidiaries of the Company are the development, operation and publishing of mobile game business in the PRC.

In the opinion of the directors of the Company (the "Directors"), as at 31 December 2020, 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 issued by International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise International Financial Reporting Standards; 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 consolidated financial statements and amounts reported for the current year and prior years.

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.

	2020 RMB'000	2019 RMB'000
Self-publishing	392,488	548,785
Co-publishing	355,746	502,352
Total revenue	748,234	1,051,137
Disaggregation of revenue from contracts with customers:		
Timing of revenue recognition		
Over time	748,234	1,051,137

Revenue from major customers:

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (2019: 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 2020:

	2020	2019
Game developer a	43.0%	28.9%
Game developer b	16.6%	18.6%
Game developer c	16.3%	20.2%

4. OTHER (LOSSES)/GAINS, NET

	2020 RMB'000	2019 RMB'000
Changes in fair value on investments at fair value through profit or loss	6,024	8,451
Loss on disposals of property and equipment	(65)	(74)
Net foreign exchange (losses)/gains	(6,458)	2,535
Others	(137)	—
	<u>(636)</u>	<u>10,912</u>

5. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax — PRC Enterprise Income Tax (“EIT”) and other jurisdictions	16,653	5,363
Deferred tax	4,919	(527)
	<u>21,572</u>	<u>4,836</u>

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 subsidiaries of the Company in the PRC is 25% (2019: 25%).

Shanghai Binyou Networks Technology Limited (“Binyou Networks”) was accredited as a “software enterprise” under the relevant PRC laws and regulations. It is exempt from EIT for two years, followed by 50% reduction in the applicable tax rates for the next three years from year 2019, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

Binyou Networks was entitled to a preferential tax rate of 0% for two years beginning from year 2019, followed by 50% reduction in the applicable tax rates for the next three years, since it 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 tax rate of 15% for a 3-year period. Miyuan Networks was re-entitled as “High and New Technology Enterprises” under the EIT Law in year 2019. Accordingly, the applicable tax rate was 15% for the year ended 31 December 2020.

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the year ended 31 December 2020. 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.

6. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amortisation of licenses (included in cost of revenue)	4,663	2,760
Amortisation of other intangible assets (included in administrative expenses)	139	151
Depreciation	13,156	13,827
Directors' emoluments		
— As Directors	1,348	1,382
— For management	5,514	12,112
	<u>6,862</u>	<u>13,494</u>
Loss on disposals of property and equipment	65	74
Research and development expenses	58,470	63,312
Auditor's remuneration		
— Audit services	3,214	3,190
— Non-audit services	680	—
	<u>3,894</u>	<u>3,190</u>
Impairment on intangible assets (included in cost of revenue)	—	890
Loss allowance provision for trade receivables (included in administrative expenses)	120	860
Impairment on prepayments for purchase of licenses and to game developers (included in administrative expenses)	25,357	17,557
Provision for expected credit losses of notes and other receivables (included in administrative expenses)	14,041	—
Staff costs including Directors' emoluments		
— Wages, salaries and bonuses	87,258	75,607
— Pension costs — defined contribution plans	863	5,367
— Social security costs, housing benefits and other employee benefits	8,865	9,820
— Share-based payments expenses	8,172	32,505
	<u>105,158</u>	<u>123,299</u>

7. DIVIDEND

No dividends was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed at the end of the Reporting Period (2019: nil).

8. EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>127,639</u>	<u>38,712</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,889,823,001	1,897,892,453
Adjustments for unvested restricted share units	<u>6,479,985</u>	<u>16,992,572</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,896,302,986</u>	<u>1,914,885,025</u>

9. TRADE RECEIVABLES

Trade receivables are primarily due from third party distribution platforms (“**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.

	2020 RMB'000	2019 RMB'000
Trade receivables	53,850	75,955
Provision for loss allowance	<u>(814)</u>	<u>(860)</u>
Carrying amount	<u>53,036</u>	<u>75,095</u>

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

	2020 RMB'000	2019 RMB'000
0 to 1 month	23,291	31,834
1 month to 3 months	20,771	36,742
3 months to 6 months	8,819	6,323
6 months to 1 year	<u>155</u>	<u>196</u>
	<u>53,036</u>	<u>75,095</u>

10. SHARE CAPITAL

	Number of ordinary shares '000	Amount USD'000
Authorised:		
Ordinary shares of United States Dollar ("USD") 0.000005 (2019: USD0.000005) each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	10,000,000	50
	Number of ordinary shares '000	Amount RMB'000
Issued and fully paid:		
Ordinary shares of USD0.000005 (2019: USD0.000005) each		
At 1 January 2019	1,990,082	65
Repurchase and cancellation of ordinary shares (<i>note</i>)	(58,695)	(3)
At 31 December 2019, 1 January 2020 and 31 December 2020	1,931,387	62

Note: 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 of the Company's shares on the Main Board of the Stock Exchange. On 12 November 2018, the Board 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 shares at an average price of HK\$1.47 for an aggregate consideration of HK\$93,398,000 (equivalent to RMB81,973,000) under this share repurchase plan, among which 50,335,000 shares had been cancelled and 13,299,000 shares are not cancelled.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stakeholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital) by regularly reviewing the capital structure. As a part of this review, the Directors consider the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In the opinion of the Directors, the Group's capital risk is low.

11. TRADE PAYABLES

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 1 month	11,006	14,773
1 month to 3 months	18,202	30,382
3 months to 6 months	7,680	21,575
6 months to 1 year	1,579	1,996
Over 1 year	608	317
	<u>39,075</u>	<u>69,043</u>

12. EVENTS AFTER THE REPORTING PERIOD

During the period from 10 March 2021 to 15 March 2021 (both dates inclusive), the Group acquired on the open market a total of 16,962,000 ordinary shares of China Gas Industry Investment Holdings Co. Ltd., (stock code: 1940) (“CGII”), a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange at an aggregate consideration of approximately HK\$67,876,200 (exclusive of transaction costs) at an average price of approximately HK\$4.00 per CGII share. For details of the acquisitions of listed securities, please refer to the announcement of the Company dated 15 March 2021.

OTHER INFORMATION

USE OF PROCEEDS

Upon the listing of the Company on 12 July 2018, the Company raised net proceeds (the “**Net Proceeds**”) of approximately HK\$967.1 million. Summary of the usages and amounts of the Net Proceeds utilised and the remaining Net Proceeds as at 31 December 2020 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 HK\$' Million	Amount of the remaining Net Proceeds as at 31 December 2019 HK\$' Million	Amount of the Net Proceeds utilised during the year ended 31 December 2020 HK\$' Million	Amount of the remaining Net Proceeds as at 31 December 2020 HK\$' Million
Develop game sourcing capabilities and ensure us to acquire high quality game content	35%	338.5	304.9	5.8	299.1
Establish in-house game development team	25%	241.8	241.8	17.1	224.7
Fund marketing and promotional activities	20%	193.4	—	—	—
Expand into overseas markets and develop overseas operation	10%	96.7	71.1	4.7	66.4
Working capital and general corporate purposes	10%	96.7	84.7	15.7	69.0
Total	100%	967.1	702.5	43.3	659.2

Looking forward, the Company will use the Net Proceeds in accordance with its development strategies, market conditions and intended use of such proceeds. 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 year ended 31 December 2020 (31 December 2019: Nil).

ANNUAL GENERAL MEETING

The annual general meeting will be held on 10 June 2021 (Thursday) (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 (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 7 June 2021 (Monday) to 10 June 2021 (Thursday), 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 registrar 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 2021 (Friday).

EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2020, the Group had a total of 372 employees, comparing to 426 employees as at 31 December 2019. 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 provides 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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Reporting Period.

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

Save as disclosed herein, 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 2020, none of the Group's assets was pledged.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Acquisitions of listed securities

During the period from 10 March 2021 to 15 March 2021 (both dates inclusive), the Company acquired on the open market a total of 16,962,000 shares of China Gas Industry Investment Holdings Co. Ltd., (stock code: 1940) ("CGII") at an aggregate consideration of approximately HK\$67,876,200 (exclusive of transaction costs) at an average price of approximately HK\$4.00 per CGII share. For details of the acquisitions of listed securities, please refer to the announcement of the Company dated 15 March 2021.

Save as disclosed herein, there was no other material events after the Reporting Period and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to 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 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period and up to the date of this announcement, 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.

SCOPE OF WORK OF ZHONGHUI ANDA

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this annual results announcement have been agreed by the Group’s auditors, ZHONGHUI ANDA, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2020. The work performed by ZHONGHUI ANDA 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 ZHONGHUI ANDA on this annual results announcement.

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 Dr. Liu Jianhua, 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 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 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 2020 annual report will be dispatched to shareholders of the Company 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 2021

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.