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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of FingerTango Inc. (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results (the “**interim results**”) of the Company and its subsidiaries (collectively the “**Group**”, “**we**”, “**our**” or “**us**”) for the six-month period ended 30 June 2021 (the “**Reporting Period**”). The interim results have been prepared in accordance with International Accounting Standard 34 “**Interim Financial Reporting**” and reviewed by the Company’s audit committee together with the management of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

According to the China Gaming Industry Report 1H2021 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 generated a total revenue of approximately RMB150.5 billion in the first half of 2021, representing an increase of 7.9%, a much smaller growth rate as compared to the same period last year.

Mobile game has retained its mainstream position in the overall online game industry cornering over three quarters of the gaming market, with its revenue reaching RMB114.7 billion or a growth of 9.7%. Growth of gamers continue to slow down, with the number of gamers reaching 666.6 million in China by June 2021, of which mobile game users are 656.3 million, representing an increase of 1.38% compared with the previous year.

Chinese gaming companies are expanding into overseas market. Revenue of independently developed games generated from overseas market significantly by 11.6% year-on-year to USD8.5 billion in the first six months of 2021, of which simulation games (“**SLG**”) came out top and accounted for approximately 41.5%.

In addition, it has been an industry consensus that the unit cost of game advertising and promotion activities is increasing year by year, and how to reduce the waste of resources caused by ineffective exposure and invalid clicks has become one of the market challenges that major game publishers should pay attention to.

Business Review

During the Reporting Period, the Group recorded total revenue of RMB282.0 million, a decrease of approximately 34.3% as compared to the corresponding period last year. Decrease in revenue was mainly attributable to the combined effect of (i) natural drop of revenue from the classic games which have been in operation for years and are in their mature stage, (ii) significantly reduced approvals of new game publication and negative impact cast on growth momentum of the game industry by the prolonged suspension of approval of online game publication and changes in regulatory environment of the Chinese gaming market, leaving less access to quality games by the Company, (iii) certain pipeline games of the Group were not launched as scheduled during the Reporting Period as we made strategic adjustment and planning in the launch of our new games, and (iv) uncertain outcome from marketing and promotion activities across the industry.

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 during the Reporting Period. 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 during the Reporting Period 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 the second half of 2021 and after.

In response to the increasing unit cost and uncertain outcome of advertising and promotion activities, we adapted and re-positioned to streamline and refine our game operations, and sought out innovative promotion channels. With the lifting of the above-mentioned suspension, we have acquired seven new licensed games in the first half of 2021 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.

The total number of accumulative registered users maintained a steady growth and reached 178.0 million as at 30 June 2021, representing a 3.3% growth as compared to that of 30 June 2020. 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 novel coronavirus (“**COVID-19**”) pandemic continued to bring 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. To cope with the changing environment and market conditions, the Company drew on its strong operating capability as well as keen market insight and extensive industry experience of senior management team and responded rapidly. During the Reporting Period, the strategy of upholding our persistence in the SLG game segment while broadening our game category has been successful. Although we saw a natural

drop in revenue from our classic games which have been in operation for years, and despite for the vastly cut back in investment for marketing and promotion activities, such classic games as My Duty (「我的使命」), Tank Frontline (「坦克前線」), both SLG games, and Romance of Stars (「星辰奇緣」), a MMORPG game, are still popular after more than 55 months', 83 months' and 68 months' operation, respectively, and has achieved a monthly gross billings of up to RMB20.1 million, RMB11.5 million and RMB12.2 million, respectively during the Reporting Period. The games in the growth stage continued to power-up and maintained an upward momentum.

Outlook for the second half of 2021

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 and to produce more premium products. 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 the second half of 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 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.

In the past year, the Company was striving for the sustainable development of business and actively laying a foundation for healthy growth in the future despite the challenges. Looking ahead, 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. While adhering to the original aspirations with commitment, ambition and perseverance, we will also continue to stride forward against adversity, be so deeply versed and accumulated as to be able to present it with ease, and through which we aspire to turn to a new chapter in the Group's development.

Financial Performance

The following table sets forth our condensed consolidated statements of profit or loss and other comprehensive income for the six months ended 30 June 2021 and 2020, respectively:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	281,997	429,451
Cost of revenue	(118,485)	(157,601)
Gross profit	163,512	271,850
Selling and marketing expenses	(57,704)	(108,901)
Administrative expenses	(34,280)	(58,025)
Research and development expenses	(38,408)	(26,666)
Other income	4,460	5,115
Other losses, net	(3,969)	(5,438)
Operating profit	33,611	77,935
Interest revenue	21,366	21,666
Finance costs	(308)	(146)
Profit before income tax	54,669	99,455
Income tax expense	(9,654)	(12,243)
Profit for the period attributable to owners of the Company	45,015	87,212
Non-IFRS Measure		
Adjusted profit for the period attributable to owners of the Company	46,393	94,293

Revenue

The Group's revenue in the Reporting Period was approximately RMB282.0 million, representing a decrease by approximately 34.3% or RMB147.5 million as compared to the corresponding period in 2020. The decrease was mainly attributable to the combined effect of 1) natural drop of revenue from the classic games which have been in operation for years and are in their mature stage; 2) significantly reduced approvals of new game publication and negative impact posed on growth

momentum of the game industry by the prolonged suspension of approval of online game publication resulting from the changes in regulatory environment of the Chinese gaming market, leaving less access to quality games by the Company; 3) certain pipeline games of the Group were not launched as scheduled due to strategic adjustment and planning in the launch of our new games; and 4) the increasing unit cost and uncertain outcome from selling and marketing activities across the industry.

With respect to revenue categorized by method of publication, self-publishing revenue was approximately RMB132.6 million, representing 47.0% of the total revenue as compared to 55.2% in the corresponding period last year. Co-publishing revenue surpassed self-publishing revenue and recorded approximately RMB149.4 million, representing 53.0% of the total revenue, as compared to 44.8% in the corresponding period last year.

Cost of Revenue

The cost of revenue in the Reporting Period was approximately RMB118.5 million and decreased by approximately 24.8% or RMB39.1 million as compared to the corresponding period last year. It was mainly due to the decrease in platform sharing charges and commissions charged by game developers which was as consequent result from the decreased total revenue.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB163.5 million, as compared to RMB271.9 million in the corresponding period last year. Gross profit margin decreased from 63.3% in the corresponding period last year to 58.0%, since the magnitude of the decrease in cost is smaller than that of the decrease in revenue.

Other Income

During the Reporting Period, other income was approximately RMB4.5 million as compared to approximately RMB5.1 million in the corresponding period last year. The decrease was mainly attributable to the combined effect of the decrease in additional deduction of value-added tax and the increase in government grant during the Reporting Period.

Other Losses, net

During the Reporting Period, net other loss was approximately RMB4.0 million, as compared to approximately RMB5.4 million in the corresponding period last year, primarily attributable to fair value changes on investments at fair value through profit or loss and foreign exchange losses 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 RMB21.1 million as compared to RMB21.5 million in the corresponding period last year. The decrease was mainly due to decrease in interest revenue from bank balances and notes receivables, which was partially offset by increase in interest revenue from loans to third parties.

Selling and Marketing Expenses

The selling and marketing expenses in the Reporting Period were approximately RMB57.7 million, decreased by approximately 47.0% or approximately RMB51.2 million as compared to the corresponding period last year. It constituted 20.5% of the total revenue, comparing to 25.4% in the corresponding period last year. The decrease was primarily due to adjustment in game launching plan in the Reporting period 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 RMB34.3 million, as compared to approximately RMB58.0 million in the corresponding period last year. The change was primarily due to the decrease in impairment loss of assets which was partially offset by the increase in employee benefits.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB38.4 million, increased by approximately 44.0% or RMB11.7 million as compared to the corresponding period last year. The change was primarily attributable to the Group's strategy of establishing in-house R&D team and continuous investments to enhance the Group's game development capabilities.

Income Tax Expense

The income tax expense in the Reporting Period was approximately RMB9.7 million, decreased by 21.1% or approximately RMB2.6 million as compared to the corresponding period last year. It was a consequent result of a decreased taxable income.

Profit for the Reporting Period

The profit for the Reporting Period attributable to owners of the Company was RMB45.0 million, decreased by 48.4% as compared to RMB87.2 million in the corresponding period last year. The decrease in profit was primarily due to 1) a decrease in gross profit for the Reporting Period, which was mainly resulted from a decrease in gross margin, primarily due to the increase in the contribution ratio from co-publishing games to the total revenues of the Group, as co-publishing games generally have lower gross margin than self-publishing games; and 2) a significant increase in the Group's investment in research and development for the Reporting Period due to the Group's strategy of establishing in-house R&D team and continuous investments to enhance the Group's game development capabilities.

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 RMB46.4 million, decreased by 50.8% as compared to RMB94.3 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 for the periods ended 30 June 2021 and 2020 respectively:

	For the six months ended 30 June	
	2021	2020
	<i>RMB Million</i>	<i>RMB Million</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	45.0	87.2
Add:		
Share-based compensation	1.4	7.1
Adjusted profit	46.4	94.3

Liquidity and source of funding and borrowing

As at 30 June 2021, current assets of the Group amounted to approximately RMB1,521.4 million, including bank and cash balances of approximately RMB520.5 million and other current assets of approximately RMB1,000.9 million. Current liabilities of the Group amounted to approximately RMB192.0 million, including trade payables and contract liabilities of approximately RMB112.5 million and other current liabilities of approximately RMB79.5 million. As at 30 June 2021, the current ratio (the current assets to current liabilities ratio) of the Group was 7.9, as compared with 7.1 as at 31 December 2020.

Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. The Group does not have any bank borrowings and other debt financing obligations as at 30 June 2021 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 30 June 2021, investments at fair value through profit or loss recorded approximately RMB273.5 million. Details of investments at fair value through profit or loss for the Reporting Period are shown as below:

		Increases	Changes in	Settlements	Currency	
	Fair value	for the	fair value	for the	translation	Fair value
	as at	6 months	for the	6 months	differences	as at
	31 December	ended 30	6 months	ended 30	6 months	30
	2020	June 2021	ended 30	June 2021	ended 30	June 2021
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Investments at fair value through profit or loss						
Listed equity securities in Hong Kong	—	85.4	(5.2)	—	(0.6)	79.6
Wealth management product — Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金)	56.3	—	1.5	—	(0.6)	57.2
Investments in private companies	11.0	—	—	—	—	11.0
Wealth management products of various commercial banks	80.5	135.0	1.2	(91.0)	—	125.7
Total:	<u>147.8</u>	<u>220.4</u>	<u>(2.5)</u>	<u>(91.0)</u>	<u>(1.2)</u>	<u>273.5</u>

Listed securities in Hong Kong included 16,962,000 shares of China Gas Industry Investment Holdings Co. Limited (“CGII Shares”) acquired on the open market during the period from 10 March 2021 to 15 March 2021 (both dates included) and other listed securities acquired on the open market during the Reporting Period. The highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in relation to acquisitions of other listed securities is less than 5% as at the time of acquisitions. For further details of the acquisitions of CGII Shares, please refer to the announcement of the Company dated 15 March 2021.

The terms of investments in wealth management products of various commercial banks varies among different banks with maturity of less than 183 days. As at 30 June 2021, carrying amount of the investments in wealth management products of various commercial banks was approximately RMB125.7 million. The highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in relation to the investments in wealth management products of each commercial bank is less than 5% as at the time of investment.

FINANCIAL INFORMATION

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	<u>Six months ended 30 June</u>	
		2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Unaudited)</i>
Revenue	4	281,997	429,451
Cost of revenue		(118,485)	(157,601)
Gross profit		163,512	271,850
Selling and marketing expenses		(57,704)	(108,901)
Administrative expenses		(34,280)	(58,025)
Research and development expenses		(38,408)	(26,666)
Other income		4,460	5,115
Other losses, net	5	(3,969)	(5,438)
Operating profit		33,611	77,935
Interest revenue	6	21,366	21,666
Finance costs	6	(308)	(146)
Profit before income tax		54,669	99,455
Income tax expense	7	(9,654)	(12,243)
Profit for the period attributable to owners of the Company	8	45,015	87,212
Other comprehensive (expense)/income:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(8,306)	15,496
Other comprehensive (expense)/income for the period, net of income tax		(8,306)	15,496
Total comprehensive income for the period attributable to owners of the Company		36,709	102,708
Earnings per share (RMB)	10		
— Basic		0.0237	0.0463
— Diluted		0.0237	0.0460

Condensed Consolidated Statement of Financial Position

		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property and equipment		7,213	7,794
Right-of-use assets		39,573	3,874
Intangible assets		6,968	5,251
Investments at fair value through profit or loss	11	68,199	67,328
Prepayments and deposits		24,370	21,611
Time deposits		—	20,000
Deferred tax assets		20,824	23,237
Total non-current assets		167,147	149,095
Current assets			
Trade receivables	12	48,524	53,036
Contract costs		31,858	32,255
Prepayments and deposits		66,519	88,398
Other receivables	13	422,546	407,732
Notes receivables	14	205,827	208,177
Investments at fair value through profit or loss	11	205,337	80,464
Restricted bank deposits		302	302
Time deposits		20,000	99,575
Bank and cash balances		520,496	521,549
Total current assets		1,521,409	1,491,488
TOTAL ASSETS		1,688,556	1,640,583
EQUITY AND LIABILITIES			
Equity			
Share capital		62	62
Reserves		1,468,724	1,430,638
Total equity		1,468,786	1,430,700

		30 June 2021	31 December 2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Liabilities			
Current liabilities			
Trade payables	15	30,192	39,075
Contract liabilities		82,344	88,855
Accruals and other payables		41,602	47,713
Lease liabilities		11,798	3,294
Current tax liabilities		26,031	30,615
		<hr/>	<hr/>
Total current liabilities		191,967	209,552
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		27,803	331
		<hr/>	<hr/>
Total liabilities		219,770	209,883
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		1,688,556	1,640,583
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. General information

FingerTango Inc. (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 9 January 2018. 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 in Hong Kong is 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong. The address of the headquarters is 3/F, Huixin Building, 1132 Zhongshan Avenue West, Tianhe District, Guangzhou, the People’s Republic of China (“**PRC**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The condensed consolidated financial statements are presented in Renminbi (the “**RMB**”), which is the Company’s presentation currency and the functional currency of the principal operating subsidiaries of the Company.

The Company is an investment holding company. The principal activities of the principal operating subsidiaries of the Company are development, operation and publishing of mobile game business in the PRC.

2. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020.

3. Adoption of new and revised International Financial Reporting Standards

In the current period, the Company and its subsidiaries (collectively referred to as the “**Group**”) has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. 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 period 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.

4. 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.

Six months ended 30 June

	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Self-publishing	132,557	237,115
Co-publishing	149,440	192,336
Total revenue	281,997	429,451

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

Over time	281,997	429,451
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Revenue from major customers:

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (for the six months ended 30 June 2020: nil).

The following table summarises the percentage of revenue from games licensed by single game developers exceeding individually 10% of the Group's revenue during the six months ended 30 June 2021.

Six months ended 30 June

	2021	2020
	(Unaudited)	(Unaudited)
Game developer a	26.1 %	43.0%
Game developer b	12.1 %	16.4%
Game developer c	11.2 %	16.9%

5. Other losses, net

Six months ended 30 June

	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Donation	—	3,891
Fair value changes on investments at fair value through profit or loss	2,539	(1,386)
Charge deducted over deposits	—	4,600
Loss on disposals of property and equipment	24	34
Net foreign exchange losses/(gains)	731	(1,770)
Others	675	69
	3,969	5,438

6. Interest revenue and finance costs

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<u>Interest revenue</u>		
Interest revenue from bank balances	5,134	8,857
Interest revenue from loans to third parties	9,672	5,392
Interest revenue from notes receivables	6,560	7,417
	<u>21,366</u>	<u>21,666</u>
<u>Finance costs</u>		
Lease interests	<u>308</u>	<u>146</u>

7. Income tax expense

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax	7,241	11,548
Deferred tax	2,413	695
	<u>9,654</u>	<u>12,243</u>

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to Hong Kong dollars (“**HK\$**”) 2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the six months ended 30 June 2021 and 2020.

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% (for the six months ended 30 June 2020: 25%).

Shanghai Binyou Networks Technology Limited (“**Binyou Networks**”) and Shanghai Kaixi Networks Technology Limited (“**Kaixi Networks**”) were accredited as “software enterprise” under the relevant PRC laws and regulations. It is exempt from Enterprise Income Tax for two years, followed by 50% reduction in the applicable income 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.

Kaixi Networks started to enjoy the 0% preferential tax rate for two years beginning from year 2021, followed by 50% reduction in the applicable tax rates for the next three years, since it has made profit in year 2021.

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. 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 six months ended 30 June 2021 (for the six months ended 30 June 2020: 15%).

8. Profit for the period

The Group's profit for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	2,860	2,155
Depreciation	7,316	6,692
Loss on disposals of property and equipment	24	34
Loss allowance provision for trade receivables (included in administrative expenses)	2,693	151
(Reversal of)/impairment loss on prepayments for purchase of licenses and to game developers (included in administrative expenses)	(85)	21,334
Provision for expected credit losses of notes and other receivables (included in administrative expenses)	843	—
Staff costs including Directors' emoluments	58,329	54,041

9. Dividend

No dividends was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2021, nor has any dividend been proposed at the end of the reporting period (for the six months ended 30 June 2020: nil).

10. Earnings per share

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	45,015	87,212

	Six months ended 30 June	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,896,103	1,885,377
Adjustments for unvested restricted share units ("RSUs")	1,422	8,627
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,897,525	1,894,004

11. Investments at fair value through profit or loss

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Listed equity securities in Hong Kong	79,649	—
Unlisted wealth management products	182,887	136,792
Investments in private companies	11,000	11,000
	<u>273,536</u>	<u>147,792</u>
Analysed as:		
— Non-current assets	68,199	67,328
— Current assets	205,337	80,464
	<u>273,536</u>	<u>147,792</u>

12. Trade receivables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	52,031	53,850
Provision for loss allowance	(3,507)	(814)
	<u>48,524</u>	<u>53,036</u>
Carrying amount	<u>48,524</u>	<u>53,036</u>

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 1 month	14,472	23,291
1 month to 3 months	25,336	20,771
3 months to 6 months	5,341	8,819
6 months to 1 year	3,375	155
	<u>48,524</u>	<u>53,036</u>

13. Other receivables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Input value-added tax to be deducted	3,449	4,918
Interest receivables	21,413	10,247
Loans to third parties	395,800	381,738
Receivables from game developers	3,600	8,275
Others	12,607	13,956
	<u>436,869</u>	<u>419,134</u>
Less: provision for expected credit losses	<u>(14,323)</u>	<u>(11,402)</u>
	<u><u>422,546</u></u>	<u><u>407,732</u></u>

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 1 month	7,161	186,084
1 month to 3 months	43,523	4,887
3 months to 6 months	115,564	116,835
6 months to 1 year	219,565	81,847
Over 1 year	36,733	18,079
	<u>422,546</u>	<u>407,732</u>

Other receivables from major debtors:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Debtor a	41,863	41,726
Debtor b	41,858	41,721
Debtor c	40,016	39,615
Debtor d	37,802	37,654
Debtor e	34,302	—
Debtor f	16,902	33,695

14. Notes receivables

Notes receivables is secured by way of a charge on receivables owed to a third party and trade receivables owed to a company incorporated in Hong Kong with limited liability which is ultimately controlled by the shareholder of the third party. The interest rate is 7% per annum and it was matured on 12 June 2021 (“**Extended Maturity Date**”). As disclosed in the announcement of the Company dated 22 June 2021, the issuer of the notes receivables, Orbitronic Global Development Co., Limited (the “**Issuer**”), failed to repay the principal amount of the notes receivables together with the accrued interests on the notes receivables to the Company on Extended Maturity Date and such sums remained outstanding as at the date of this announcement.

Pursuant to the terms and conditions of the notes receivables, it constitutes an event of default (“**Event of Default**”) if, among others, the Issuer fails to pay the principal when due or the Issuer fails to pay interest on the notes receivables when due unless non-payment of such interest is due solely to administrative or technical error and payment is made within seven business days of the due date thereof.

Accordingly, an Event of Default has occurred. The Company has issued a formal notice to the Issuer informing the occurrence of an Event of Default and preserving its rights under the Notes. The Company is in the course of seeking legal advice and assessing the Company’s legal position on the possible course of action, including potential enforcement actions against the Issuer, in response to the occurrence of the Event of Default.

The Board is also in the process of assessing the financial impact of the Event of Default on the Group and will use its best endeavours and take all possible actions to seek recovery from the Issuer of the principal amount of the notes receivables and interests accrued thereon.

15. Trade payables

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

	30 June 2021 RMB’000 (Unaudited)	31 December 2020 RMB’000 (Audited)
0 to 1 month	7,357	11,006
1 month to 3 months	14,246	18,202
3 months to 6 months	5,447	7,680
6 months to 1 year	1,791	1,579
Over 1 year	1,351	608
	30,192	39,075

16. Events after the reporting period

There were no material subsequent events during the period from 1 July 2021 to the approval date of the condensed consolidated financial statements of the Company by the board of directors on 31 August 2021.

17. Approval of condensed consolidated financial statements

The condensed consolidated financial statements of the Company were approved and authorised for issue by the board of directors on 31 August 2021.

OTHER INFORMATION

Use of Proceeds from the Listing

The net proceeds received from the Listing will be used in a manner consistent with that disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 June 2018. Since the Listing Date and up to 30 June 2021, the utilization of the net proceeds and remaining balance (approximately HK\$618.1 million) are set out below:

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 remaining Net Proceeds as at 31 December 2020	Amount of the Net Proceeds utilised during the period ended 30 June 2021	Amount of the remaining Net Proceeds as at 30 June 2021
	%	HK\$' Million	HK\$' Million	HK\$' Million	HK\$' Million
Develop game sourcing capabilities and ensure us to acquire high quality game content	35%	338.5	299.1	9.4	289.7
Establish in-house game development team	25%	241.8	224.7	24.2	200.5
Fund marketing and promotional activities	20%	193.4	—	—	—
Expand into overseas markets and develop overseas operation	10%	96.7	66.4	2.4	64.0
Working capital and general corporate purposes	10%	96.7	69.0	5.1	63.9
Total	100%	967.1	659.2	41.1	618.1

The expected timeline for fully utilizing the remaining proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

Interim Dividend

The Board does not recommend payment of any interim dividend for the six-month period ended 30 June 2021 (30 June 2020: Nil).

Employee Remuneration and Relations

As at 30 June 2021, the Group had a total of 350 employees, comparing to 361 employees as at 30 June 2020. 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.

Acquisitions of Listed Securities

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 CGII Shares at an aggregate consideration of approximately HK\$67,876,200.00 (exclusive of transaction costs) at an average price of approximately HK\$4.00 per CGII Share. For further details, please refer to the announcement of the Company dated 15 March 2021.

Purchase, Sale or Redemption of the Company's Listed Securities

Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the 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 30 June 2021, none of the Group's assets was pledged.

Litigations

Writ of Summons received by the Company

On 16 June 2021, the Company received a writ of summons issued in the High Court of the Hong Kong Special Administrative Region by Leading Global Fund SPC (the “**Plaintiff**”) as plaintiff and the Company as the defendant. The Company has indicated its intention to defend the proceedings. The Plaintiff filed and served its statement of claim on 23 July 2021 (the “**Statement of Claim**”). As set out in the Statement of Claim, the Plaintiff allegedly claims against the Company for (i) the sum of HK\$250,000,000 pursuant to an alleged subscription agreement entered into between the Plaintiff and the Company on or around 16 July 2018 (the “**Alleged Subscription Agreement**”); (ii) damages for alleged breach of the Alleged Subscription Agreement by the Company’s failure to transfer the sum of HK\$250,000,000 to the Plaintiff pursuant to the Alleged Subscription Agreement, together with (iii) interest, costs and further or other relief. The Company is currently seeking legal advice regarding the relevant proceedings. For further details, please refer to the announcement of the Company dated 17 June 2021.

Event of Default of Notes of the Issuer

The Company has subscribed the Notes in the principal amount of HK\$250,000,000 (the “**Notes**”) issued by Orbitronic Global Development Co., Limited (the “**Issuer**”) on 13 December 2019. As disclosed in the announcement of the Company dated 12 December 2020, the maturity date of the Notes was extended from 12 December 2020 to 12 June 2021 (the “**Extended Maturity Date**”). However, as disclosed in the announcement of the Company dated 22 June 2021, the Issuer failed to pay the total principal amount of the Notes together with the accrued interests on the Notes (which amounted to HK\$8,750,000 as at the Extended Maturity Date) to the Company on the Extended Maturity Date and such sums remained outstanding as at the date of this announcement.

Pursuant to the terms and conditions of the Notes, it constitutes an event of default (“**Event of Default**”) if, among others, the Issuer fails to pay the principal when due or the Issuer fails to pay interest on the Note when due unless non-payment of such interest is due solely to administrative or technical error and payment is made within seven business days of the due date thereof.

Accordingly, an Event of Default has occurred. The Company has issued a formal notice to the Issuer informing the occurrence of an Event of Default and preserving its rights under the Notes. The Company is in the course of seeking legal advice and assessing the Company’s legal position on the possible course of action, including potential enforcement actions against the Issuer, in response to the occurrence of the Event of Default.

The Board is also in the process of assessing the financial impact of the Event of Default on the Group and will use its best endeavours and take all possible actions to seek recovery from the Issuer of the principal amount of the Notes and interests accrued thereon.

Contingent Liabilities

As at 30 June 2021, 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 Issues (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors’ securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code during the Reporting period and up to the date of this announcement.

Updates on Directors’ Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors and chief executives of the Company subsequent to the date of the 2020 annual report of the Company up to the date of the Board meeting held at 31 August 2021 approving this interim results announcement are set out below:-

1. Mr. Wang Zaicheng has resigned as an executive Director and joint company secretary of the Company with effect from 28 May 2021.
2. Mr. Liu Zhanxi has resigned as an executive Director and the chief financial officer of the Company with effect from 28 May 2021.
3. Ms. Lin Yanfen has been appointed as the acting chief financial officer of the Company with effect from 28 May 2021.
4. Ms. Yao Minru (“**Ms. Yao**”) has resigned as an independent non-executive Director with effect from 13 July 2021.

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 of the CG Code which is explained below:

1. 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.

2. Reference is made to the announcement of the Company dated 13 July 2021.

Following the resignation of Ms Yao on 13 July 2021:

- (i) total number of independent non-executive Directors accounts for less than one-third of Board members, and hence the Company fails to meet the requirement of Rule 3.10A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”);
- (ii) the number of independent non-executive Directors and the number of members of the audit committee of the Company will fall below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules respectively;
- (iii) at least one of the independent non-executive directors having appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules;
- (iv) the Remuneration Committee has two members one of whom (being the chairman) is an Independent Non-executive Director, and hence the Company does not meet all the requirements of Rule 3.25 of the Listing Rules as the Remuneration Committee does not comprise a majority of Independent Non-executive Directors as members; and
- (v) the Nomination Committee has two members one of whom (being the chairman) is an Independent Non-executive Director, and hence the Company deviates from code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules as the Nomination Committee does not comprise a majority of Independent Non-executive Directors as members.

The above non-compliances arose only due to the resignation of Ms Yao. The Board is identifying a suitable candidate with appropriate background and qualification for appointment as an independent non-executive Director and will fill the vacancies as soon as possible.

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 two members, namely, Mr. Guo Jingdou and Dr. LIU Jianhua, all being independent non-executive Directors of the Company.

The Audit Committee has reviewed the Company’s unaudited condensed consolidated interim 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.

Publication of the Interim Results and Interim Report

The interim 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 2021 interim 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, 31 August 2021

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