



2021

ANNUAL REPORT



**FINGER
TANGO**

FingerTango Inc.
指尖悅動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6860

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Corporate Information

DIRECTORS

Executive Directors

Mr. LIU Jie (劉傑) (*Chairman and Chief Executive Officer*)

Mr. ZHU Yanbin (朱炎彬)

Independent Non-executive Directors

Dr. LIU Jianhua (柳建華)

Mr. GUO Jingdou (郭靜鬥)

Mr. Sui Pengda (隋鵬達) (appointed on 21 March 2022)

AUDIT COMMITTEE

Dr. LIU Jianhua (柳建華) (*Chairperson*)

Mr. GUO Jingdou (郭靜鬥)

Mr. Sui Pengda (隋鵬達) (appointed on 21 March 2022)

REMUNERATION COMMITTEE

Mr. GUO Jingdou (郭靜鬥) (*Chairperson*)

Mr. ZHU Yanbin (朱炎彬)

Mr. Sui Pengda (隋鵬達) (appointed on 21 March 2022)

NOMINATION COMMITTEE

Mr. LIU Jie (劉傑) (*Chairperson*)

Mr. GUO Jingdou (郭靜鬥)

Mr. Sui Pengda (隋鵬達) (appointed on 21 March 2022)

AUTHORIZED REPRESENTATIVES

Mr. LIU Jie (劉傑)

Mr. WONG Yu Kit (黃儒傑)

COMPANY SECRETARIES

Mr. WONG Yu Kit (黃儒傑)

LEGAL ADVISERS

As to Hong Kong law:

O'Melveny & Myers

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Hong Kong

As to Cayman Islands law:

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Cayman Islands

AUDITOR

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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services limited
Shop 1712-1716
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183 Queen's Road East
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PRINCIPAL BANK

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

www.fingertango.com

STOCK CODE

6860

LISTING DATE

12 July 2018

Five Year Financial Summary

A summary of the Group's operating results, assets and liabilities for the last five financial years, is set out below.

Consolidated Statement of Profit or Loss

	Year ended 31 December				
	2017	2018	2019	2020	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenue	1,197.2	1,085.9	1,051.1	748.2	613.0
Gross Profit	724.4	641.6	663.5	464.0	360.8
(Loss)/profit for the Year	240.8	155.6	38.7	127.6	(517.4)
Non-IFRS Measures					
Adjusted (loss)/profit for the Year ^{Note}	246.5	254.3	71.2	135.8	(515.6)

Note: During the Reporting Period, adjusted loss for the year excludes share-based compensation to key employees of RMB1.8 million from loss for the year (2020: RMB8.2 million excluded from profit for the year).

Consolidated Statement of Financial Position

	As at 31 December				
	2017	2018	2019	2020	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Non-current assets	67.9	164.7	205.1	149.1	214.3
Current assets	857.2	1,457.8	1,410.3	1,491.5	973.8
Current liabilities	373.1	286.9	273.5	209.6	268.9
Net current assets	484.1	1,170.9	1,136.8	1,281.9	704.9
Non-current liabilities	—	—	1.3	0.3	24.9
Total equity	552.0	1,335.5	1,340.6	1,430.7	894.3

Chairman's Statement

To all Shareholders,

2021 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. The surge in the global stay-at-home economy under the COVID-19 pandemic last year has faded out gradually.

In 2021, China's gaming market continued to grow, and high-quality products led the innovation and development of the industry in various fields. According to the China Gaming Industry Report 2021 jointly published by the Game Publishers Association Publications Committee (GPC) of 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 total revenue was approximately RMB296.51 billion in 2021, representing an increase of 6.4%, a much smaller growth rate as compared to the same period last year. It was mainly attributable to the gradual weakening of the stimulation effect of the stay-at-home economy under the COVID-19 pandemic last year; year-on-year decrease in the number of hot-selling products; game development and operation publishing costs continued to increase.

Mobile games has retained its mainstream position in the overall online game industry concerning over three quarters of the gaming market, with its revenue reaching RMB225.54 billion or a year-on-year increase of 7.6%, representing a much smaller growth rate as compared with last year. The main reason was that there were fewer new games launched in 2021, and the revenue was mainly generated from games launched in the past. While the consumption power of old games has gradually weakened, and the willingness of paying players to spend has decreased accordingly.

In 2021, revenue of independently developed games generated from overseas market in China increased by 16.6% year-on-year to US\$18.01 billion, the increase was down significantly as compared with last year. This was mainly affected by the fading out of the surge in the global stay-at-home economy under the COVID-19 pandemic last year. Simulation games (“SLG”) came out top in terms of revenue in the overseas markets of independently developed games in China, accounted for approximately 41.4%.

Growth of gamers continued to slow down, the capacity of the user scale tends to be saturated, and exploring user segmentation needs will become the focus of future market competition. In 2021, the number of gamers in China reached 666.0 million, of which mobile game users were 656.0 million, representing a year-on-year increase of 0.23%. In addition, the user scale in the second half of the year showed a downward trend as compared with the first half of the year. This is mainly because in 2021, the regulatory authorities issued further strict management measures on the protection of minors and the anti-addiction work of online games, which promoted the standardized management of the game industry, and made the user structure tending to be healthy and reasonable.

To cope with the changing market conditions and regulatory environment of the Chinese gaming market, 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. In response to the increasing unit costs of advertising and promotion activities, we adapted and re-positioned to streamline and refine our game operations, and sought out innovative promotion channels.

Chairman's Statement

Moreover, 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, there's been a distinct decrease in approvals for games with publication license in 2021. According to GameLook, there are a total of 755 games with publication license approved by the National Press and Publication Administration (NPPA) in 2021, representing a decrease of 46.3% comparing to 1,405 games with publication license approved in 2020. The number of approvals for games with publication license have been decreased for four consecutive years since 2018.

In view of the market conditions, we have made strategic adjustment and planning in the launch of our new games, and have been conducting deep optimization customizing to the players' evolving preferences, including continuing improvements in gameplay by upgrading heroes and rolling out new in-game events was also conducted to ensure their sound performance upon 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, 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.

On behalf of the Board, I would like to express my gratitude to all our staff and the management team for their commitment for excellence and valuable contribution. I would also like to thank all of our Shareholders, users and business partners, and wish for their continuous support in the future.

LIU Jie

*Chairman, Chief Executive Officer
and Executive Director*

31 March 2022

Management Discussion and Analysis

MARKET OVERVIEW

In 2021, China's gaming market continued to grow, and high-quality products led the innovation and development of the industry in various fields. According to the China Gaming Industry Report 2021 jointly published by the Game Publishers Association Publications Committee (GPC) of 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 total revenue was approximately RMB296.51 billion in 2021, representing an increase of 6.4% , a much smaller growth rate as compared to the same period last year. It was mainly attributable to the gradual weakening of the stimulation effect of the stay-at-home economy under the COVID-19 pandemic last year; year-on-year decrease in the number of hot-selling products; game development and operation publishing costs continued to increase.

Mobile games has retained its mainstream position in the overall online game industry concerning over three quarters of the gaming market, with its revenue reaching RMB225.54 billion in 2021 or a year-on-year increase of 7.6%, representing a much smaller growth rate as compared with last year. The main reason was that there were fewer new games launched in 2021, and the revenue was mainly generated from games launched in the past. While the consumption power of old games has gradually weakened, and the willingness of paying players to spend has decreased accordingly.

In 2021, revenue of independently developed games generated from overseas market in China increased by 16.6% year-on-year to US\$18.01 billion, the increase was down significantly as compared with last year. This was mainly affected by the fading out of the surge in the global stay-at-home economy under the COVID-19 pandemic last year. Simulation games ("SLG") came out top in terms of revenue in the overseas markets of independently developed games in China, accounted for approximately 41.4%.

Growth of gamers continued to slow down, the capacity of the user scale tends to be saturated, and exploring user segmentation needs will become the focus of future market competition. In 2021, the number of gamers in China reached 666.0 million, of which mobile game users were 656.0 million, representing a year-on-year increase of 0.23%. In addition, the user scale in the second half of the year showed a downward trend as compared with the first half of the year. This is mainly because in 2021, the regulatory authorities issued further strict management measures on the protection of minors and the anti-addiction work of online games, which promoted the standardized management of the game industry, and made the user structure tending to be healthy and reasonable.

There's been a distinct decrease in approvals for games with publication license in 2021. According to GameLook, there're a total of 755 games in 2021 with publication license approved by the National Press and Publication Administration (NPPA), representing a decrease of 46.3% comparing to 1,405 games with publication license approved in 2020. The number of approvals for games with publication license have been decreased for four consecutive years since 2018.

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.

Management Discussion and Analysis

BUSINESS REVIEW

During the Reporting Period, the Group recorded total revenue of RMB613.0 million, a decrease of approximately 18.1% as compared to the corresponding period last year. The decrease in revenue was mainly due to the combined effect of the following factors: (i) natural drop of revenue from the classic games which have been in operation for years and are in their mature stage ; (ii) the launch of new games during the Reporting Period were concentrated in the fourth quarter, and were still in the promotion stage, no large-scale revenue has been generated; (iii) significantly reduced approvals for games with publication license for four consecutive years since 2018 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; (iv) the stimulation effect of the stay-at-home economy gradually weakened last year under the COVID-19 pandemic; and (v) uncertain outcome from marketing and promotion activities across the industry.

During the Reporting Period, the loss attributable to owners of the Company recorded RMB517.4 million, as compared to a profit attributable to owners of the Company of RMB127.6 million in the corresponding period last year. The change was primarily due to large loss allowances provisions for notes receivables and certain other receivables were recorded for the Reporting Period. Excluding the impact from loss allowances provisions for notes receivables and certain other receivables recorded during the Reporting Period, such change was mainly attributable to: (i) a decrease in total revenue primarily due to the natural drop of revenue from classic games, and games launched during the Reporting Period are yet to generate sizable income; (ii) a decrease in gross profit margin during the Reporting Period 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 profit margin than self-publishing games; and (iii) 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.

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 2022.

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 61 months', 89 months' and 74 months' operation, respectively, and has achieved a monthly gross billings of up to RMB21.1 million, RMB11.5 million and RMB12.4 million, respectively during the Reporting Period. The games in the growth stage continued to power-up and maintained an upward momentum.

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

Management Discussion and Analysis

the above-mentioned suspension, we have acquired 7 new licensed games in 2021 and as at the date of this annual report, building substantial momentum for the Company to further publish new games and continuously create new income sources.

As of 31 December 2021, the total number of accumulative registered users reached 185.0 million representing a 5.4% growth as compared to that of last year, higher than industry growth. 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.

OUTLOOK FOR 2022

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 games 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 2022 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 year 2021, 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.

Management Discussion and Analysis

FINANCIAL PERFORMANCE

The following table sets forth our annual consolidated statements of profit or loss for the years ended 31 December 2021 and 2020, respectively:

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	613,007	748,234
Cost of revenue	(252,255)	(284,238)
Gross profit	360,752	463,996
Selling and marketing expenses	(186,383)	(193,707)
Administrative expenses	(105,712)	(116,030)
Research and development expenses	(76,346)	(58,470)
Other income	8,328	7,961
Other losses, net	(532,577)	(636)
Operating (loss)/profit	(531,938)	103,114
Interest revenue	29,569	46,408
Lease interests	(1,173)	(311)
(Loss)/profit before income tax	(503,542)	149,211
Income tax expense	(13,857)	(21,572)
(Loss)/profit for the year attributable to owners of the Company	(517,399)	127,639
Non-IFRS Measures		
Adjusted (loss)/profit attributable to owners of the Company	(515,604)	135,811

Revenue

The Group's revenue in the Reporting Period was approximately RMB613.0 million, representing a decrease by approximately 18.1% as compared to the corresponding period in 2020. The decrease was primarily due to (i) the natural drop of revenue from 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; (iii) the prolonged suspension of approval of online games publication in the Mainland has cast an impact to the growth momentum which has yet to recover; (iv) the stimulation effect of the stay-at-home economy under the COVID-19 pandemic was weakening gradually; and (v) 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 RMB319.0 million, representing approximately 52.0% of the total revenue. Co-publishing revenue was approximately RMB294.0 million, representing 48.0% of the total revenue.

Cost of Revenue

The cost of revenue in the Reporting Period was approximately RMB252.3 million and decreased by approximately 11.3% as compared to the corresponding period last year. It was mainly because the decrease in platform sharing charges and the growing commissions charged by game developers as the total revenue in the Reporting Period decreased.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB360.8 million, as compared to RMB464.0 million in the corresponding period last year. The gross profit margin slightly decreased from 62.0% to 58.8% 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.

Selling and Marketing Expenses

The selling and marketing expenses in the Reporting Period were approximately RMB186.4 million, slightly decreased from RMB193.7 million in the corresponding period last year. It constituted 30.4% of the total revenue, comparing to 25.9% in the corresponding period last year. The decrease was primarily due to 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, which was partially offset by the increase in advertising and promotion investments in new games launched during the Reporting Period.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB105.7 million, as compared to approximately RMB116.0 million in the corresponding period last year. The change was primarily due to decrease in entertainment expenses and expenditures for public welfare donations.

Management Discussion and Analysis

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB76.3 million, increased by approximately 30.6% or RMB17.9 million as compared to the corresponding period last year. The increase was primarily attributable to the Group's strategy of establishing in-house research and development ("R&D") team and continuous investments to enhance the Group's game development capabilities.

Other Income

During the Reporting Period, other income was approximately RMB8.3 million as compared to approximately RMB8.0 million in the corresponding period last year. It was a combined effect of the increase in government grant recognised during the Reporting Period and the decrease in VAT additional deduction.

Other Losses, net

During the Reporting Period, net other losses were approximately RMB532.6 million, as compared to approximately RMB0.6 million in the corresponding period last year, primarily attributable to loss allowances provisions for notes receivables and certain other receivables recorded for the Reporting Period.

Finance Income, net

During the Reporting Period, net finance income (interest revenue less lease interests) was approximately RMB28.4 million, as compare to RMB46.1 million in the corresponding period last year. The decrease was mainly from interest revenue of the short-term deposit with maturity less than 90 days as well as interest revenue from notes receivables.

Income Tax Expense

The income tax expense in the Reporting Period was approximately RMB13.9 million, decreased by 35.8% or approximately RMB7.7 million as compared to the corresponding period last year. It was a consequent result of decreased taxable income.

(Loss)/Profit for the Year

During the Reporting Period, the loss attributable to owners of the Company recorded RMB517.4 million, as compared to a profit attributable to owners of the Company of RMB127.6 million in the corresponding period last year. The change was primarily due to large loss allowances provisions for notes receivables and certain other receivables were recorded for the Reporting Period. Excluding the impact from loss allowances provisions for notes receivables and certain other receivables recorded during the Reporting Period, such change was mainly attributable to: (i) a decrease in total revenue primarily due to the natural drop of revenue from classic games, and games launched during the Reporting Period are yet to generate sizable income; (ii) a decrease in gross profit margin during the Reporting Period 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 profit margin than self-publishing games; and (iii) 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 (Loss)/Profit

The adjusted loss in the Reporting Period, adjusted by excluding the impact from the share-based compensation to key employees, was RMB515.6 million, as compared to the adjusted profit of RMB135.8 million in the corresponding period last year.

The following table sets out the adjusted (loss)/profit as well as the calculation process based on non-IFRS measures for the years ended 31 December 2021 and 2020, respectively:

	For the year ended	
	31 December	
	2021	2020
	RMB Million	RMB Million
(Loss)/profit for the year	(517.4)	127.6
Add:		
Share-based compensation	1.8	8.2
Adjusted (loss)/profit	(515.6)	135.8

Liquidity and source of funding and borrowing

As at 31 December 2021, current assets of the Group amounted to approximately RMB973.8 million, including cash and cash equivalents of approximately RMB608.0 million and other current assets of approximately RMB365.8 million. Cash and cash equivalents increased by approximately 16.6% as compared with approximately RMB521.5 million as at 31 December 2020. Current liabilities of the Group amounted to approximately RMB268.9 million, including trade payables and contract liabilities of approximately RMB141.2 million and other current liabilities of approximately RMB127.7 million. As at 31 December 2021, the current ratio (the current assets to current liabilities ratio) of the Group was 3.6, 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 31 December 2021 and the resulting gearing ratio is nil. The Group intends to finance the expansion, investments and business operations with internal resources.

Management Discussion and Analysis

Investments at Fair Value through Profit or Loss

As at 31 December 2021, investments at fair value through profit or loss recorded approximately RMB232.3 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 2020 RMB Million	Additions for the year ended 31 December 2021 RMB Million	Changes in fair value for the year ended 31 December 2021 RMB Million	Settlements for the year ended 31 December 2021 RMB Million	Currency translation differences for the year ended 31 December 2021 RMB Million	Fair value as at 31 December 2021 RMB Million
Investments at fair value through profit or loss						
Listed equity securities in Hong Kong	—	84.7	(10.8)	—	(1.1)	72.8
Wealth management product — Central China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」)	56.3	—	3.6	—	(1.7)	58.2
Private equity investment fund Yuedong Stable Win (「悅動穩贏私募證券投資基金」)	—	50.0	4.4	(4.4)	—	50.0
Investments in private company A	8.0	—	—	—	—	8.0
Investments in private company B	3.0	—	—	—	—	3.0
Non-capital protected wealth management products (非保本理財產品) Placed on:						
Shanghai Pudong Development Bank Co. Limited	40.3	55.0	1.0	(81.1)	—	15.2
Industrial Bank Co. Limited	40.2	85.0	1.1	(101.2)	—	25.1
Total	147.8	274.7	(0.7)	(186.7)	(2.8)	232.3

Listed securities in Hong Kong primarily 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 31 December 2021, carrying amount of the investments in wealth management products of various commercial banks was approximately RMB40.3 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.

Additional Information Relating to the Qualified Opinion

As set out on pages 98 to 99 of this annual report, a qualified opinion on the Group's consolidated financial statements for the year ended 31 December 2021 (the "**Qualified Opinion**") was issued in relation to:

- (1) the valuation and recoverability of the carrying amount of certain investments at fair value through profit or loss of RMB52,976,000 as at 31 December 2021 and whether which change in fair value on investments at fair value through profit or loss of RMB2,556,000 is properly recorded (the "**Investment Audit Qualification**"); and
- (2) the nil carrying amount of notes receivables and the nil carrying amount of certain other receivables as at 31 December 2021, and whether which loss allowance provisions of RMB202,241,000 and RMB327,966,000 respectively are properly recorded (the "**Receivables Audit Qualification**", together with the Investment Audit Qualification, the "**Audit Qualifications**")

The Company agreed with ZHONGHUI ANDA CPA Limited (the "**Auditor**"), the independent auditor of the Company in this regard.

Management's view on the Qualified Opinion

Based on the discussion with the Auditor, the management of the Company (the "**Management**") agreed to the Audit Qualification on the following basis:

- 1) the Management noted the limitation for the Auditor to obtain sufficient appropriate audit evidence in relation to the Investment Audit Qualification as it involved 16,962,000 shares of China Gas Industry Investment Holdings Co. Limited ("**CGII Shares**"), being a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (HKEx stock code: 1940) ("**CGII**") which had been suspended for trading since 25 March 2021;
- 2) the Management also noted the limitation for the Auditor to obtain sufficient appropriate audit evidence in relation to the Receivables Audit Qualification as the negotiations with the note issuer and certain debtors for the repayment of the outstanding debts and the legal actions being taken against the note issuer and certain debtors to recover the outstanding debts were still in progress;
- 3) despite the fact that the Company has been closely monitoring the resumption progress of CGII and has taken initiative to contact CGII regularly with an aim to understand the latest development and obtain further information in relation to CGII, the Management noted that there were no other audit procedures to the satisfaction of the Auditor as to whether any allowances for non-recovery of the such amounts should be made in the consolidated financial statements of the Company; and

Management Discussion and Analysis

- 4) despite the fact that the Company had been in discussion and negotiation with the note issuer and certain debtors for the repayment of the outstanding debts and had taken legal actions against the note issuer and certain debtors to recover the outstanding debts since the default in repayment of the relevant debts, the Management noted that there were no other audit procedures to the satisfaction of the Auditor as to whether the loss allowance provisions are properly recorded in the consolidated financial statements of the Company.

To address the Audit Qualifications, the Management will adopt the following action plans:

- (1) for the Investment Audit Qualification, the Management will continuously monitor the resumption progress of CGII with reference to its latest financial publications available on the website of the Stock Exchange and continue to take initiative to contact CGII regularly with an aim to understand the latest development and obtain further information in relation to CGII; and upon the resumption of CGII and depending on its subsequent market performance, the Management will consider taking further actions, such as whether to dispose the acquired CGII Shares; and
- (2) for the Receivables Audit Qualification, the Management will continue to negotiate with the note issuer and certain debtors and to proceed with the legal actions taken or to be taken against the note issuer and the debtors in order to recover the outstanding debts.

Regarding the Investment Audit Qualification, the Management and the Auditor are of the view that such audit qualification is expected to be removed in subsequent consolidated financial statements of the Company upon the resumption of CGII.

Regarding the Receivables Audit Qualification, given that the progress of legal actions against the note issuer and certain debtors will provide more information about their financial conditions and repayment ability, the Management and the Auditor are of the view that the above actions could unveil more requisite information in support of the assessment on the notes receivables and certain other receivables and thus, the Receivables Audit Qualification is expected to be removed in subsequent consolidated financial statements of the Company.

As noted on page 99 of this annual report, any adjustment to the figures stated above might have a consequential effect on the Group's consolidated financial performance for the year ended 31 December 2021, the consolidated financial position as at 31 December 2021, and the related disclosures thereof in the consolidated financial statements.

There is no difference in views between the Directors and the Auditor with regard to the Qualified Opinion.

Audit Committee's view on the Qualified Opinion

Based on the discussion with the Auditor, the audit committee of the Company concurred with the view of the Management as set out above and its expectation to remove the Audit Qualifications in subsequent consolidated financial statements of the Company.

Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is a leading mobile game publisher and a pioneer in the SLG game publishing industry in China. Details of the principal activities of the principal subsidiaries of the Company are set out in note 19 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the Reporting Period by principal activities is set out in the section headed "*Management Discussion and Analysis*" in this annual report.

BUSINESS REVIEW

A fair review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year and an indication of likely future developments in the Group's business, could be found in the sections headed "*Chairman's Statement*", "*Management Discussion and Analysis*" and "*Corporate Governance Report*" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the section headed "*Management Discussion and Analysis*". The review and discussion form part of this directors' report.

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended 31 December 2021 are set out on pages 104 to 165 of this annual report.

The Board does not recommend payment of a final dividend for year ended 31 December 2021 (31 December 2020: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting will be held on Thursday, 30 June 2022 (the "**Annual General Meeting**").

For determining the eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 27 June 2022 to Thursday, 30 June 2022, 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 Friday, 24 June 2022.

FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in Note 16 to the consolidated financial statements on page 145 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2021 contained in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2021 are set out in Note 31 to the consolidated financial statements on page 159 of this annual report.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group and of the Company during the year ended 31 December 2021 are set out in consolidated statement of changes in equity, Note 33(a) and Note 33(b) to the consolidated financial statements on pages 107, 161 and 161, respectively of this annual report.

DISTRIBUTABLE RESERVES

The Company's total distributable reserves as at 31 December 2021 amounted to Nil.

BORROWINGS

As at 31 December 2021, the Company did not have any bank borrowings.

FOREIGN EXCHANGE RISK

The income of the Group was principally and mostly denominated in RMB. The Group will continue to monitor its foreign exchange risk exposure to best preserve the Group's cash value. As at 31 December 2021, the Group did not enter into any hedging transactions.

PLEDGE OF ASSETS

As at 31 December 2021, none of the Group's assets was pledged.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

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.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities.

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.

ACQUISITIONS OF LISTED SECURITIES AND WEALTH MANAGEMENT PRODUCTS

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 ("**CGII Shares**") of China Gas Industry Investment Holdings Co. Ltd., a company listed on Stock Exchange (stock code: 1940) 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 announcements of the Company dated 15 March 2021 and 2 June 2021.

On 29 December 2021 and 21 February 2022, Shanghai Youmin Networks Technology Limited, a PRC subsidiary of the Company, subscribed for two wealth management products from CIB Wealth Management Co., Limited, in the amount of RMB10,000,000 and RMB45,000,000 respectively. For further details, please refer to the announcement of the Company dated 22 February 2022.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 21 February 2022, Shanghai Youmin Networks Technology Limited, a PRC subsidiary of the Company, subscribed for wealth management products from CIB Wealth Management Co., Limited, in the amount of RMB45,000,000. For further details, please refer to the announcement of the Company dated 22 February 2022.

USE OF PROCEEDS

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 31 December 2021, the utilization of the net proceeds and remaining balance (approximately HK\$578.8 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 HK\$' Million	Amount of the remaining Net Proceeds as at 31 December 2020 HK\$' Million	Amount of the Net Proceeds utilised during the year ended 31 December 2021 HK\$' Million	Amount of the remaining Net Proceeds as at 31 December 2021 HK\$' Million
Develop game sourcing capabilities and ensure us to acquire high quality game content	35%	338.5	299.1	(13.1)	286.0
Establish in-house game development team	25%	241.8	224.7	(45.7)	179.0
Fund marketing and promotional activities	20%	193.4	—	—	—
Expand into overseas markets and develop overseas operation	10%	96.7	66.4	(14.3)	52.1
Working capital and general corporate purposes	10%	96.7	69.0	(7.3)	61.7
Total	100%	967.1	659.2	(80.4)	578.8

The expected timeline for fully utilizing the remaining proceeds is by 2024 and it 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. 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.

Directors' Report

DIRECTORS

The Directors of the Company as at the date of this annual report are:

Directors	Position
Mr. Liu Jie (劉傑)	Executive Director, chairman of the Board and chief executive officer
Mr. Zhu Yanbin (朱炎彬)	Executive Director and vice president
Dr. Liu Jianhua (柳建華)	Independent non-executive Director
Mr. Guo Jingdou (郭靜鬥)	Independent non-executive Director
Mr. Sui Pengda (隋鵬達)	Independent non-executive Director (appointed on 21 March 2022)

Biographical details of the Directors and the senior management of the Group are set out on pages 40 to 43 in this annual report.

All Directors are appointed for a specific term of three years which may be extended as each and the Company may agree, subject to retirement by rotation and re-election at the annual general meeting ("AGM") in accordance with the articles of association of the Company.

Article 84 of the articles of association of the Company provides that at each AGM, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Article 83(3) of the articles of association of the Company provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first annual general meeting of Members after his appointment, and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Liu Jie has entered into a service contract with the Company for a term of three years commencing from 19 June 2018, which has been renewed for another term of three years commencing from 19 June 2021 and may be terminated by not less than three months' notice in writing served by either the executive Director or the Company. Mr. Zhu Yanbin has entered into a service contract with the Company for a term of three years commencing from 19 June 2019.

Mr. Guo Jingdou, have signed an appointment letter with the Company for a term of three years with effect from 19 June 2018, which has been renewed for another term of three years commencing from 19 June 2021. Dr. Liu Jianhua has signed an appointment letter with the Company for a term of three years, with effect from 13 January 2020. And Mr. Sui Pengda has signed an appointment letter with the Company for a term of three years, with effect from 21 March 2022.

None of the Directors has entered into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in this annual report and in the section headed "Related Party Transactions" in Note 38 to the consolidated financial statements contained in this annual report, no contract of significance was entered between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended 31 December 2021 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended 31 December 2021 or subsisted at the end of the year.

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in the section "Connected Transactions" in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2021.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 13(a) and Note 13(c) to the consolidated financial statements respectively on pages 141 to 143 of this annual report.

For the year ended 31 December 2021, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2021.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2021, by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DEED OF NON-COMPETITION

Each of the Controlling Shareholders entered into the deed of non-competition ("**Deed of Non-competition**") in favour of the Company, pursuant to which the Controlling Shareholders have irrevocably, jointly and severally given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholders – Deed of Non-competition" in the Prospectus.

During the Reporting Period, no written notice of any New Opportunity (as defined in the Deed of Non-competition) had been received by the Company. The Controlling Shareholders confirmed that they have complied with the Deed of Non-competition for the year ended 31 December 2021 (the "**Confirmation**"). Upon receiving the Confirmation, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the non-competition undertakings in the Deed of Non-competition given by them.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2021.

MATERIAL LEGAL PROCEEDINGS

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, and has filed a Defense on 8 November 2021 (the "**Defense**"). 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 a secured 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 annual report.

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. On 16 March 2022, the Company has issued a letter of request for payment through legal counsel to the Issuer.

LOAN AND GUARANTEE

During the year ended 31 December 2021, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective connected person.

RESTRICTED SHARE UNIT (THE "RSU") SCHEME

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

Directors' Report

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

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Scheme**”) pursuant to a resolution passed on 19 June 2018 which will be valid for 10 years from the adoption date for the purposes of (i) motivating the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. Further details of the Scheme are set forth in the section headed “Statutory and General Information — D. RSU Scheme and Share Option Scheme” in Appendix IV to the Prospectus.

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at the Exercise Price (as defined below):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including independent non-executive Directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay US\$0.000005 to our Company by way of consideration for the grant.

The new Shares which may be issued by our Company upon exercise of all share options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 200,000,000 Shares, (i.e. 10% of the aggregate of the Shares in issue on the Listing Date assuming the Over-allotment Option is not exercised and approximately 10.35% of the aggregate of the Shares in issue as at the date of this annual report).

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by our Board at its absolute discretion and notified by our Board to each grantee of the Option (the “**Grantee**”) as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price (“**Exercise price**”) shall be such price determined by our Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option), but in the case that any Share would be allotted and issued to a Grantee upon the exercise of an Option in accordance with the terms of the Share Option Scheme, the Exercise Price shall be at least the higher of (a) the official closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for business of dealing in securities; (b) the average of the official closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

The Share Option Scheme is valid and effective for a period of 10 years commencing on 19 June 2018 and expiring on 19 June 2028. The remaining life of the Share Option Scheme is around 5 years 9 months.

For the year ended 31 December 2021, no share option was granted, exercised, cancelled or lapsed since the date of its adoption and there is no outstanding share option under the Share Option Scheme.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2021, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to herein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or Underlying Shares of our Company

Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of interest
Mr. Liu Jie ⁽²⁾	Interest in a controlled corporation	1,007,837,500(L) ⁽¹⁾	52.18%
Mr. Zhu Yanbin ⁽³⁾	Interest in a controlled corporation	148,488,000(L) ⁽¹⁾	7.69%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) LJ Technology Holding Limited, a beneficial owner 1,007,837,500 shares, is wholly-owned by Mr. LIU Jie. Thus, Mr. LIU Jie is deemed to be interested in the same number of Shares in which LJ Technology Holding Limited is interested by virtue of the SFO.
- (3) ZYB Holding Limited, a beneficial owner 148,488,000 shares, is wholly-owned by Mr. ZHU Yanbin. Thus, Mr. ZHU Yanbin is deemed to be interested in the same number of Shares in which ZYB Holding Limited is interested by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2021, the following persons (other than the interest of the Directors or chief executives of the Company disclosed above) who had an interest or short positions in the ordinary shares and underlying shares which fall to be disclosed to the Company and Stock Exchange under the provisions of Division 2 or 3 or Part XV of the SFO which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of interest
LJ Technology Holding Limited ⁽²⁾	Beneficial owner	1,007,837,500(L) ⁽¹⁾	52.18%
ZYB Holding Limited ⁽³⁾	Beneficial owner	148,488,000(L) ⁽¹⁾	7.69%

Notes:

- (1) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in our Shares.
- (2) LJ Technology Holding Limited is wholly-owned by Mr. LIU Jie. Thus, Mr. LIU Jie is deemed to be interested in the same number of Shares in which LJ Technology Holding Limited is interested by virtue of the SFO.
- (3) ZYB Holding Limited is wholly-owned by Mr. ZHU Yanbin. Thus, Mr. ZHU Yanbin is deemed to be interested in the same number of Shares in which ZYB Holding Limited is interested by virtue of the SFO.

Save as disclosed herein, our Directors are not aware of any person who, have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the sections headed "RSU Scheme" and "Share Option Scheme", at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2021, the percentages of purchases from the Group's largest supplier and five largest suppliers were 25.6% and 66.7%, respectively. The percentages of sales attributable to the Group's largest customer and the five largest customers were 37.8% and 91%, respectively.

As far as the Directors are aware, none of the Directors, their close associates (as defined under the Listing Rules) nor any substantial shareholders has any beneficial interest in the five largest suppliers or customers of the Group.

EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2021, the Group had a total of 334 employees, comparing to 372 employees as at 31 December 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 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.

RETIREMENT BENEFITS SCHEME

All of our employees are in PRC and they are members of the state-managed retirement benefits scheme operated by the PRC government. Our employees are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Group are set out in Note 12 to the consolidated financial statements in this annual report.

DIVIDEND POLICY

The Company had adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "**Shareholders**"), provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders.

In deciding whether to declare a dividend, the Board shall also take into account, inter alia:

- (a) the Company's actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
- (d) any restrictions on payment of dividends that may be imposed by the Group's lenders;
- (e) the Group's expected working capital requirements and future expansion plans;
- (f) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- (g) any other factors that the Board deem appropriate.

Any payment of the dividend by the Company is also subject to any restrictions under the Companies Act of the Cayman Islands, the Articles of Association of the Company and the Shareholders.

CONNECTED TRANSACTIONS

During the year ended 31 December 2021, no related party transactions disclosed in note 38 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

Contractual Arrangements

Our Group conducts the mobile game publishing business through our PRC Operating Entities in the PRC. As PRC laws and regulations, or the implementation of those laws and regulations by the relevant government authorities, generally prohibit foreign ownership in the mobile game publishing industry in the PRC, our Company is unable to own or hold any direct or indirect equity interest in our PRC Operating Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our PRC Operating Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

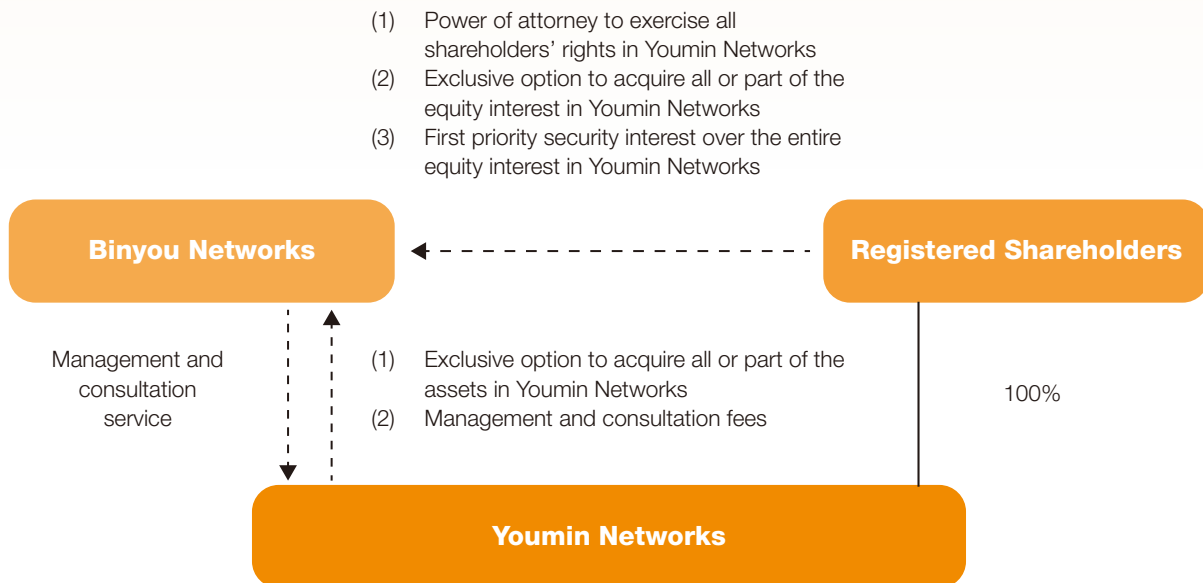
Investment activities in the PRC by foreign investors are mainly governed by the Guidance Catalog of Industries for Foreign Investment (the “**Catalog**”), which was promulgated and is amended from time to time jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會). The Catalog divides industries into four categories in terms of foreign investment, including “encouraged,” “restricted” and “prohibited,” and all industries not listed under any of these categories are deemed to be “permitted.” As confirmed by the Company’s PRC legal advisers, according to the Catalog, the mobile game publishing business that our Company currently operates falls into the internet cultural business which is considered “prohibited,” and relates to the value-added telecommunications services which is considered “restricted.”

Furthermore, according to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, which were issued on 11 December 2001 by the State Council and amended on 10 September 2008 and February 6, 2016 foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including ICP services. A foreign investor who invests in a value-added telecommunications businesses in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirement**”).

As advised by the Company’s PRC legal advisers, as at 31 December 2021, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation on the Qualification Requirement, and there was no update to the Qualification Requirement.

In order for the Company to be able to carry on its businesses in China, the Group has in place the Contractual Arrangements between Binyou Networks, on one hand, Youmin Networks and its registered shareholders on the other hand, which enable the Company to exercise control over the PRC Operating Entities, and to consolidate the financial results of the PRC Operating Entities in the results of the Company under IFRSs as if they were wholly-owned subsidiaries of the Company.

The following simplified diagram illustrates the flow of economic benefits from the PRC Operating Entities to our Group as stipulated under the Contractual Arrangements:



Summary of the major terms of the structured contracts under the Contractual Arrangements

The following sets out a summary of the major terms of the structured contracts under the Contractual Arrangements which were in place during the year ended 31 December 2021:

1. Exclusive Option Agreement dated 24 March 2018, pursuant to which Binyou Networks (or its designee) has an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Youmin Networks, and an irrevocable and exclusive right to purchase from Youmin Networks all or any part of its assets, at a nominal price, unless the relevant government authorities request that another amount be used as the purchase price and in which case the purchase price shall be such amount;
2. Exclusive Business Cooperation Agreement dated 24 March 2018, pursuant to which Youmin Networks agreed to engage Binyou Networks as its exclusive provider of business support, technical and consulting services, including technology services, network support and maintenance, research and development, employee training, business and management consultancy, intellectual property licensing, equipment leasing, market research and other services, in exchange for service fee;
3. Share Pledge Agreement dated 24 March 2018, pursuant to which the Registered Shareholders pledged all of their equity interests in Youmine Networks to Binyou Networks as collateral security for all of their payments due to Binyou Networks and to secure performance of all obligations of Youmin Networks and the Registered Shareholders under the Contractual Arrangements;
4. Powers of Attorney dated 24 March 2018 executed by each Registered Shareholders, appointing Binyou Networks, or any person designated by it, as its exclusive agent and attorney to act on their behalf on all matters concerning Youmin Networks and to exercise all of their rights as registered shareholders of Youmin Networks;
5. Spouse Undertaking dated 24 March 2018 signed by the spouse of each Registered Shareholders.

Directors' Report

During the year ended 31 December 2021, (i) there were no new contractual arrangements entered into, renewed or reproduced between the Group and the PRC Operating Entities, (ii) there were no material changes in the Contractual Arrangements or the circumstances under which they were adopted, and (iii) none of the structured contracts under the Contractual Arrangements mentioned above has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements have been removed.

Particulars of the PRC Operating Entities

Particulars of the PRC Operating Entities as at 31 December 2021 are presented as follows:

Name of the PRC Operating Entities	Type of legal entity/ place of establishment and operation	Registered owners as at 31 December 2019	Business activities
Youmin Networks	Limited liability company/PRC	Mr. Liu, Mr. Zhu, Mr. Wu, Zhuhai Sangu Limited Partnership and Zhuhai Jugu Limited Partnership hold 68.86%, 13.49%, 2.08%, 10.38% and 5.19% of the equity interest of Youmin Networks respectively	Internet culture operations
Kuoyou Networks	Limited liability company/PRC	100% by Youmin Networks	Internet culture operations
Yiguo Networks	Limited liability company/PRC	100% by Youmin Networks	Internet culture operations
Feimiao Networks	Limited liability company/PRC	100% by Youmin Networks	Internet culture operations
Shanghai Langxianjing	Limited liability company/PRC	100% by Youmin Networks	Internet culture operations
Binjie Networks	Limited liability company/PRC	100% by Youmin Networks	Internet culture operations
Jieba Networks	Limited liability company/PRC	100% by Youmin Networks	Internet culture operations
Guangzhou Langxianjing	Limited liability company/PRC	100% by Youmin Networks	Internet culture operations
Miyuan Networks	Limited liability company/PRC	100% by Youmin Networks	Internet culture operations
Shanghai Zhijianyuedong	Limited liability company/PRC	100% by Youmin Networks	Internet culture operations

The Board considers that the above PRC Operating Entities are significant to the Group in the view that (i) they have obtained the Online Culture Operating Permit, which is essential to the operation of all our business, and the ICP License and (ii) most of our intellectual property rights, including software copyrights, trademarks, patents and domain names, are held by Youmin Networks.

Revenue and assets subject to the structured contracts under the Contractual Arrangements

For the year ended 31 December 2021, the services provided by Binyou Networks to the PRC Operating Entities, including the provision of business support, technical and controlling services, amounted to RMB0 million. The revenue and the total asset value of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB476.3 million for the year ended 31 December 2021 and approximately RMB203.1 million as at 31 December 2021, respectively.

Risk associated with the Contractual Arrangements and the actions taken to mitigate the risks

Risks associated with Contractual Arrangements

Mitigation actions taken by the Group

1. Current PRC laws and regulations impose certain prohibitions on foreign ownership of companies that engage in the Internet cultural business, such as mobile game publishing. If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Company could be subject to sever consequences, including the nullification of the Contractual Arrangements and the relinquishment of its interest in our PRC Operating Entities.

Pursuant to the relevant exclusive business cooperation agreement under the Contractual Arrangements, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change of such laws, regulations or rules, the following agreements shall be applicable: If the economic interests of any party under the agreements suffer a significant adverse effect directly or indirectly due to above change of laws, regulations or rules, the agreements should continue to operate pursuant to the original terms. Each of the parties shall obtain a waiver for complying with such change or rule via all legal channels. If any adverse effect on the economic interests of any party may not be eliminated according to the relevant agreement, upon the receipt by the other parties of such notice from the affected party, all the parties shall promptly discuss and make all necessary modification to the agreements to preserve the economic interests of the affected party under the agreement.

2. The Contractual Arrangements may not be as effective in providing operational control as direct ownership. The PRC Operating Entities may fail to perform their obligations under our Contractual Arrangements.

According to the relevant powers of attorney, share pledge agreements and exclusive business cooperation agreements under the Contractual Arrangements, the arbitration tribunal may decide (i) compensation for the equity interests or property ownership of the PRC Operating Entities or their shareholders, or (ii) enforceable remedy or to demand bankruptcy of the PRC Operating Entities or their shareholders for relevant business or enforceable asset transfer. Any party is entitled to request a competent court to execute the arbitration award when it comes into effect.

Directors' Report

Risks associated with Contractual Arrangements	Mitigation actions taken by the Group
<p>3. The Company may lose the ability to use and enjoy assets held by its PRC Operating Entities that are material to its business operations if its PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.</p>	<p>Pursuant to the relevant exclusive option agreement under the Contractual Arrangements, in the event of a mandatory liquidation required by the laws of the PRC, the relevant PRC Operating Entities shall sell all of their assets and any residual interest through a non-reciprocal transfer to the extent permitted by the laws of the PRC to Binyou Networks or another qualifying entity designated by Binyou Networks, at the lowest selling price permitted by applicable laws of the PRC.</p>
<p>4. The ultimate shareholders of the Company's PRC Operating Entities may have conflicts of interest with them, which may materially and adversely affect its business.</p>	<p>The shareholders of the PRC Operating Entities have undertaken to Binyou Networks that during the period when the Contractual Arrangements remain effective, (i) unless otherwise agreed by Binyou Networks in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, be interested in, engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of the PRC Operational Entities or any of its affiliates and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Binyou Networks (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interest where Binyou Networks has the sole absolute discretion to determine whether such conflict arises, he agrees to take any appropriate actions as instructed by Binyou Networks.</p>

Risks associated with Contractual Arrangements	Mitigation actions taken by the Group
<p>5. Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities. A finding that the Company owe additional taxes could substantially reduce its consolidated net income and the value of the investments.</p>	<p>As advised by the Company's PRC legal advisers, who took the view that the Contractual Arrangements will not be challenged by the PRC tax authorities or other government authorities unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis, provided that Binyou Networks and the PRC Operating Entities implement the Contractual Arrangements in accordance with the terms of the structured contracts.</p>

For details of the risks associated with the Contractual Arrangements, please refer to the section headed "Risk Factors – Risks relating to our Contractual Arrangements" in the Prospectus.

Requirements related to the Contractual Arrangements (other than relevant foreign ownership restrictions)

As advised by the Company's PRC legal advisers, requirements related to the Contractual Arrangements (other than relevant foreign ownership restrictions) include:

- i. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the state, (ii) malicious collusion is conducted to damage the interest of the state, a collective unit or a third party, (iii) the contract damages the public interest, (iv) an illegitimate purpose is concealed under the guise of legitimate acts or (v) the contract violates the mandatory provisions of the laws or administrative regulations. As advised by the Company's PRC legal advisers, the relevant terms of the Contractual Arrangements do not fall within any of the aforementioned five circumstances, and in particular, would not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52 of the PRC Contract Law, and do not violate the provisions of the PRC Contract Law or the General Principles of the PRC Civil Law. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and future PRC laws and regulations, and there can be no assurance that any PRC government agency will not take a view that is contrary to or otherwise different from the above.

- ii. According to the Contractual Arrangements, when a dispute arises, any party to the agreements may submit such dispute to the China International Economic and Trade Arbitration Commission for settlement pursuant to the effective arbitration rules at that time, and the arbitration award shall be final and binding on the parties. Arbitration tribunal may decide compensation for the equity interests and property ownership of the on-shore subsidiaries, decide enforceable remedy or demand liquidation of relevant business or enforceable asset transfer. Any party is entitled to request the competent court to execute the arbitration award when it comes into effect. The courts in Hong Kong and Cayman Islands also have the right to grant or execute awards of arbitration tribunal and make decision or execute temporary remedy on the equity interests and property ownership of the on-shore subsidiaries. However, pursuant to the laws of China, in the settlement of dispute, the arbitration tribunals shall not be entitled to grant an injunctive order to protect the property ownership or equity interests of the on-shore subsidiaries, and shall not issue a temporary or final liquidation order directly. Moreover, the interim remedies or orders granted by the off-shore courts, including Hong Kong and Cayman Islands, may not be recognised or enforced by the courts in China. Therefore, such terms in above agreements may not be enforceable under the laws of China.

Waiver from the Stock Exchange

As Mr, Liu Jie, Mr. Zhu Yanbin and Mr. Wang Zaicheng are the Controlling Shareholder or substantial Shareholders, or executive Directors where applicable, they are the Company's connected persons pursuant to Rule 14A.07 of the Listing Rules.

Each of the PRC Contractual Entities is directly or indirectly controlled by the Controlling Shareholders or substantial Shareholders, or and the Executive Directors, they are therefore each an associate of the Controlling Shareholders or substantial Shareholders, and the Executive Directors, and a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

In view of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to the Company from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules for so long as the Company's Shares are listed on the Stock Exchange subject to certain conditions.

For details, please refer to the section "*Connected Transactions*" in the Prospectus.

Annual Review

The Directors, including the Independent Non-executive Directors, have reviewed each of the Contractual Arrangements set out above and have confirmed that the Contractual Arrangements were entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Independent Non-executive Directors have also reviewed and confirmed that:

1. the transactions carried out during the year ended 31 December 2021 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and have been operated so that the revenue generated by the PRC Contractual Entities has been mainly retained by the Group;
2. no dividends or other distributions have been made by the PRC Contractual Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and
3. there was no new contract entered into, renewed or reproduced between the Group and the PRC Contractual Entities during the year ended 31 December 2021.

Further, the Company's auditor, ZHONGHUI ANDA CPA Limited, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2021 are set out in Note 38 to the consolidated financial statements contained herein.

None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

INDEMNITY OF DIRECTORS

The Articles of Association provide that the Directors are entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duty in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director. The Company has purchased and maintained Directors' liability insurance during the year under review, which provides appropriate coverage for the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group's subsidiaries are incorporated in the British Virgin Islands, Hong Kong and China. The Group's operations are mainly carried out by the Group's subsidiaries in China. Our establishments and operations accordingly shall comply with relevant laws and regulations in the Cayman Islands, the British Virgin Islands, China and Hong Kong. During the year under review, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 44 to 57 of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors’ securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code during the Reporting Period.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of not less than 25% of the Company’s issued shares as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the years ended 31 December 2021 was audited by ZHONGHUI ANDA CPA Limited, who is proposed for reappointment at the forthcoming annual general meeting of the Company.

Save as disclosed herein, there has been no other change in auditors of the Group in the preceding three years.

On behalf of the Board

Liu Jie

Chairman and Chief Executive Officer

Guangzhou, the People’s Republic of China, 31 March, 2022

Director and Senior Management

The directors and senior management of the Company during the year and up to the date of this annual report were:

BOARD OF DIRECTORS

Executive Directors

LIU Jie (劉傑) (*Chairman*)

ZHU Yanbin (朱炎彬)

Independent Non-executive Directors

LIU Jianhua (柳建華)

GUO Jingdou (郭靜鬥)

SUI Pengda (隋鵬達) (appointed on 21 March 2022)

In accordance with Article 87 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. ZHU Yanbin and Mr. GUO Jingdou will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first annual general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. Sui Pengda will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

The Company has received from each independent non-executive Director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board considers all the Independent non-executive Directors as independent.

Biographical Details of Directors

Mr. LIU Jie (劉傑), aged 41, is the co-founder of our Group and currently is Director of the Company. Mr. Liu was appointed as chairman, chief executive officer of the Company and has been re-designated as an executive Director on 16 March 2018. Mr. Liu has served as the president of Shanghai Youmin Networks Technology Limited since December 2013. With more than 16 years of experience in the mobile internet industry and profound expertise in user experience and traffic, Mr. Liu has been the key driver of our business strategy and achievements to date. Mr. Liu is mainly responsible for the strategic development, overall operation and management and major decision-making of our Group.

From December 2004 to February 2005, Mr. Liu worked as a product manager at Shenzhen Xuntian Communication Technology Company Limited (深圳市訊天通信技術有限公司). From December 2004 to February 2005, Mr. Liu worked as a product manager at Shenzhen Haotian Investment Company Limited. From October 2006 to December 2012, Mr. Liu served as the general manager at Shenzhen Dongrun Information Consultation Company Limited, an advertising and consulting company, and was mainly responsible for corporate operation and management.

Mr. Liu obtained a graduate certificate in computer science and application from Guangdong University of Foreign Studies in July 2003.

Mr. ZHU Yanbin (朱炎彬), aged 41, was appointed as an executive Director on 19 June 2019 and is the co-founder of our Group and currently is the chief operating officer of our Company, mainly responsible for business operation and development of our Group. He has joined the Group and served as the vice president of Youmin Networks since December 2013.

From June 2003 to December 2004, Mr. Zhu worked as a product manager at Shenzhen Xuntian Communication Technology Company Limited. From May 2005 to April 2006, he worked as a product manager at Shenzhen Haotian Investment Company Limited. From May 2006 to September 2007, he worked as a operation manager at Guangzhou Rock Mobile Networks Company Limited. From September 2007 to December 2012, he worked as the vice president of operation at Shenzhen Dongrun Information Consultation Company Limited, an advertising and consulting company, where he was mainly responsible for operation management.

Mr. Zhu obtained a graduate certificate in electronic commerce from Jinan University (暨南大學) in July 2003.

Dr. LIU Jianhua (柳建華), aged 41, was appointed as an independent non-executive Director of the Company on 13 January 2020. Mr. Liu is primarily responsible for supervising and providing independent judgement to the Board.

Dr. Liu has over 10 years of experience in the education industry. Dr. Liu has been a postgraduate mentor of the department of finance of Sun Yat-sen University since June 2013. He has also become an associate professor and the deputy chief of the department of finance of Lingnan College of Sun Yat-sen University since June and October 2016, respectively. He was selected by the ministry of finance of the PRC as one of the national accounting leading (back-up) talents (academics) (全國會計領軍(後備)人才(學術類) in 2013.

Director and Senior Management

Dr. Liu also has three years of experience in professional accounting in relation to listed companies. Dr. Liu has served as an independent non-executive director of Guangzhou Great Power Energy & Technology Company Limited, which is listed on the ChiNext board of the Shenzhen Stock Exchange (stock code: 300438), China National Electric Apparatus Research Institute Co., Ltd., which is listed on the Shanghai Stock Exchange (stock code: 688128) and Scholar Education Group, which is listed on The Stock Exchange of Hong Kong Limited (the “**HK Stock Exchange**”) (stock code: 1769) since September 2017, April 2019 and June 2019, respectively. He is also an independent non-executive director of Guangzhou Ruoyuchen Technology Company Limited, which was delisted from the National Equities Exchange and Quotation in October 2017 and has filed its listing application to the Shenzhen Stock Exchange.

Dr. Liu obtained his bachelor degree and masters’ degree in management from Nanchang University in Jiangxi Province, the PRC in June 2002 and June 2005, respectively, and later graduated from Sun Yat-sen University in Guangzhou, the PRC in June 2008 with a doctorate degree of management. He was awarded the title of postdoctoral fellow of excellence from Sun Yat-sen University in January 2010.

Mr. GUO Jingdou (郭靜鬥), aged 44, was appointed as an independent non-executive Director of the Company on 19 June 2018. Mr. Guo is primarily responsible for supervising and providing independent judgement to the Board.

From May 2010 to October 2010, Mr. Guo served as the senior manager of assets management at Foshan Jiachuang Real Estate Co., Ltd, and was primarily responsible for real estate investment management. From October 2010 to September 2017, Mr. Guo worked as the investment director of the strategic investment department of Alpha Group (a company listed on the Shenzhen Stock Exchange, stock code: 002292), where Mr. Guo was mainly responsible for the investment and acquisition and merger of listed companies. From September 2017 to May 2018, Mr. Guo served as the managing director at Guangzhou Chengfa Capital Company Limited, where he is mainly responsible for the management of Guangzhou Culture Investment Fund. In June 2018, Mr. Guo founded Guangzhou City Qingting Cultural Development Co., Ltd, a company mainly engaged in animation content production and development, and has served as president.

Mr. Guo graduated from Shijiazhuang College of Economics (currently known as Hebei GEO University) with a bachelor degree in economics in July 1999. Mr. Guo graduated from Euromed Marseille Ecole de Management (currently known as KEDGE Business School) in France with a master of international business in September 2003. Mr. Guo was qualified as an intermediate economist (中級經濟師) by Guangzhou Municipal Bureau of Human Resources and Social Security in December 2014.

Mr. Sui Pengda (隋鵬達), aged 36, was appointed as an independent non-executive Director of the Company on 21 March 2022. Mr. Sui is primarily responsible for supervising and providing independent judgement to the Board.

From September 2011 to September 2013, Mr. Sui worked as a consulting manager at The First Huida Risk Management Consulting Co., Ltd. From September 2013 to September 2016, Mr. Sui worked as an account director at Zhongcai Haoyuan Asset Management Co., Ltd. From September 2016 to October 2020, Mr. Sui was the special assistant to chairman at Beijing Paide Electronic Commerce Co., Ltd. (also known as “**DOTUS**”). From November 2020 to September 2021, Mr. Sui was a senior manager of Beijing Spruce World Information Technology Co., Ltd (also known as “**Meicai**”). From September 2021 to date, Mr. Sui was the special assistant to chairman at Beijing Paide Electronic Commerce Co., Ltd. (also known as “**DOTUS**”).

Director and Senior Management

Mr. Sui obtained his bachelor degree in Economics from Lanzhou University in Gansu Province, the PRC in July 2009, and later graduated from the joined program by Central University of Finance and Economics and Stevens Institute of Technology in March 2012 with a Master's degree in Management. Mr. Sui is a member of The Forensic CPA Society (FCPAS) and has extensive experience in business valuation, loss measurement and anti-fraud investigations.

SENIOR MANAGEMENT

The senior management team of the Group is composed of the following:

Name	Age	Position	Roles and responsibilities
Mr. WU Junjie (吳俊傑)	44	Vice president	Strategic development and daily management
Ms. LI Nini (李妮妮)	39	Vice president	Business operation and project management

Mr. WU Junjie (吳俊傑), aged 44, currently is a vice president of the Company. Mr. Wu is also a vice president of the Company, mainly responsible for strategic development and daily management of our Group. Mr. Wu has served as the vice president of Shanghai Youmin Networks Technology Limited since December 2013.

From December 2000 to April 2002, Mr. Wu served as a human resources supervisor at San Miguel Shunde Brewery Co., Ltd. From February 2003 to March 2004, he served at Guangdong Vtron Rixin Electronics Company Limited. From April 2004 to May 2006, Mr. Wu served as a human resource manager at Guangzhou Hangxin Electronics Company Limited. From January 2007 to September 2010, Mr. Wu served as the vice head of human resources at Aspire Holdings Limited.

Mr. Wu graduated from Wuhan University of Science and Technology with a bachelor degree in business administration in June 2000. Mr. Wu graduated from Sun Yat-sen University with an EMBA degree (part time degree) in December 2012.

Mr. Wu ceased to act as an executive director of the Company on 19 June 2019.

Ms. LI Nini (李妮妮), aged 39, is vice president of the Group, mainly responsible for the business operation and project management. She has served as vice president of Youmin Networks since December 2013.

From July 2009 to December 2012, she served as an operation manager at Shenzhen Dongrun Information Consultation Company Limited, an advertising and consulting company.

Ms. Li graduated from Guangdong Ocean University with a bachelor degree in food science and engineering in June 2006 and graduated from Guangdong University of Technology with a master degree in food science and engineering in June 2009.

Corporate Governance Report

OVERVIEW

The Company and its subsidiaries are committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all the code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, except for the following deviations from provision A.2.1 (which has been re-arranged as code provision C.2.1 since 1 January 2022) the CG Code which is explained below:

1. Code Provision C.2.1

According to provision C.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 two 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. Rule 3.10, and 3.21, 3.25 and 3.27A of Listing Rules

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

Following to the resignation of Ms Yao Minru (“**Mr. Yao**”) on 13 July 2021:

- (i) the total number of independent non-executive Directors of the Company was less than one-third of Board members, and hence the Company fails to meet the requirement of Rule 3.10A Listing Rules;

- (ii) the number of independent non-executive Directors and the number of members of the audit committee of the Company has fallen 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 (which has been upgraded as Rule 3.27A of the Listing Rules since 1 January 2022) as the Nomination Committee does not comprise a majority of independent non-executive Directors as members.

The above non-compliances occurred were only due to the resignation of Ms Yao. Following the appointment of Mr. Sui Pengda (“**Mr. Sui**”) as an independent non-executive Director and a member of the audit committee, remuneration committee and nomination committee of the Company on 21 March 2022, the Company has fully complied with the requirements of Rules 3.10A, 3.10(1) and 3.10(2), 3.21, 3.25 and 3.27A of the Listing Rules.

Board of Directors

The Board is responsible for overseeing the management, businesses, strategic directions and financial performance of the Group. The Board holds regular meetings to discuss the Group’s businesses and operations. The Board delegates the day-to-day management, administration and operation of the Group to the management team. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

Corporate Governance Report

As at 31 December 2021, the Board consists of five Directors, of whom two are executive Directors and the remaining three are independent non-executive Directors. The table below sets out the roles of each member of the Board:

Directors	Position
Liu Jie (劉傑)	Executive Director, chairman of the Board and chief executive officer
Zhu Yanbin (朱炎彬)	Executive Director and chief operating officer
Liu Jianhua (柳建華)	Independent non-executive Director
Guo Jingdou (郭靜鬥)	Independent non-executive Director
Sui Pengda (隋鵬達)	Independent non-executive Director

None of the Directors have a relationship (including financial, family or other material or related relationship) with each other. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the Directors of the Company are set out on pages 40 to 43 of this annual report.

The Board is well-balanced in structure and each of its members possesses extensive knowledge, experience and talent in relation to the business operation and development of the Company. All the Directors are well aware of their joint and several responsibilities towards the shareholders of the Company.

None of the independent non-executive Directors of the Company has any business or financial interests in the Company and its subsidiaries, nor do they hold any executive positions in the Company, which effectively guaranteed their independence.

In order to take advantage of the skills, experiences and diversity of perspectives of the Directors and in order to ensure that the Directors give sufficient time and attention to the Group's affairs, the Company requested each of the Directors to disclose to the Company, the number and the nature of their offices held in public companies or organizations and other significant commitments.

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 and up to the date of annual report are set out below:-

1. Ms. Lin Yanfen has been appointed as the acting chief financial officer of the Company with effect from 28 May 2021.

The current Board's composition is in compliance with the requirement under Rule 3.10A of the Listing Rules that there must be at least three independent non-executive Directors and must represent at least one-third of the Board and at least one of whom shall have appropriate professional qualifications, or accounting or relevant financial management expertise. The qualifications of the three independent non-executive Directors of the Company fully comply with the requirements of Rules 10(1) and (2) of the Listing Rules. The Board believes that the balance between the executive Directors and the non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the shareholders and the Group.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence under Rule 3.13 of the Listing Rules. Accordingly, the Company is of the opinion that all the independent non-executive Directors are independent under Rule 3.13 of the Listing Rules.

Company Secretary

Mr. Wong Yu Kit is the company secretary of the Company.

Mr. Wong Yu Kit is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed. Mr. Liu Jie is the primary point of contact of the Company for Mr. Wong Yu Kit.

For the year ended 31 December 2021, Mr. Wong Yu Kit has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Directors' Continuous Training and Development

Pursuant to code provision A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company will conduct induction training to the newly appointed Directors upon their appointment.

During the Reporting Period, the Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. All Directors have participated in continuous professional development by reading training materials and attending training courses on the topics related to corporate governance and regulations.

According to the records maintained by the Company, all Directors of the Company participated in the trainings regarding the knowledge of Listing Rules and other legislations, as well as the knowledge in relation to responsibilities of directors of a listed company, in order to comply with the requirements of the Corporate Governance Code in relation to continuous professional development.

Corporate Governance Report

The training record of each Director received during the year ended 31 December 2021 is set out below:

Name of director	Reading materials relevant to corporate governance and regulations	Attending training session (s) relevant to corporate governance and regulations
Executive Directors		
Liu Jie (劉傑)	Y	Y
Zhu Yanbin (朱炎彬)	Y	Y
Independent Non-executive directors		
Liu Jianhua (柳建華)	Y	Y
Guo Jingdou (郭靜鬥)	Y	Y
Sui Pengda (隋鵬達) ^{Note}	N/A	N/A

Note: Mr. Sui Pengda was appointed as independent non-executive director of the Company on 21 March 2022, and he has received an induction training upon his appointment as Director on 21 March 2022.

Appointment and Re-election of Directors

All Directors (including non-executive Directors) are appointed for a specific term of three years which may be extended as each and the Company may agree, subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. Article 84 of the articles of association of the Company provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Article 83(3) of the articles of association of the company provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first annual general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the nomination committee of the Board (the “**Nomination Committee**”) and then submitted to the Board, subject to approval by election at the general meeting.

Where vacancies on the Board exist, the Nomination Committee evaluates skills, knowledge and experience required by the Board, and identifies if there are any special requirements for the vacancy. The Nomination Committee identifies appropriate candidates and convenes Nomination Committee meeting to discuss and vote in respect of the nominated Directors, and recommends candidates for Directors to the Board.

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board. The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

Nomination Policy

In order to nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election at general meetings, the secretary of the Nomination Committee shall call a meeting with the list and information of the candidates. For proposing candidates to stand for election at a general meeting, a circular which contains the names, brief biographies, independence, proposed remuneration and any other information as required pursuant to the applicable laws and regulations, will be sent to the Shareholders. Other than the nomination recommended by the Board for election, the Shareholders can serve a notice in writing of the intention to propose that certain person for election as a Director within the lodgment period. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee has the discretion to nominate any person as it considers appropriate and in assessing the suitability of a proposed candidate, the criteria as set out below will be used as reference.

- Reputation and integrity;
- Experience in the directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas;
- Commitment in performing the duties as a director and a member of the Board committees (if applicable); and
- Board diversity, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service, and the potential contributions can be brought to the Board.

Emoluments of Directors and Senior Management and Five Highest Paid Individuals

Emoluments of Directors shall be proposed by the remuneration committee (the “**Remuneration Committee**”) based on their educational background and working experience. As authorized by the general meeting, emoluments of Directors shall be determined by the Board with reference to Directors’ experience, working performance and position as well as the market conditions.

Corporate Governance Report

Emoluments of senior management shall be determined by the Board.

Details of emoluments of Directors, senior management and five highest paid individuals of the Group are set out in notes 13(a), 38(a) and 13(c) to the consolidated financial statements in this annual report, respectively.

BOARD DIVERSITY POLICY

In accordance with the latest amendment and requirements of the Corporate Governance Code, the Company has adopted a board diversity policy (the “**Policy**”). The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of this Policy. The Nomination Committee will review the effectiveness of this Policy, as appropriate discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the Board consists of six male with two Directors of age 31–40 years old and four Directors of age 41–50 years old. The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

GENDER DIVERSITY

The Board currently has no female Director in the Board but we will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to shareholders’ expectation and international and local recommended best practices. The Nomination Committee will use its best endeavors and on suitable basis, identify and recommend female candidates to our Board for its consideration on appointment of a Director as and when appropriate with the goal to maintain at least one female Director in our Board, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidate based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and its Shareholders as a whole when considering the appointment.

We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in near future.

The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

Directors’ and Senior Management’s Liability Insurance

The Company has entered into Directors’ and senior management’s liability insurance policy to cover any possible legal action against the Directors during the Reporting Period and remained in force as at the date of this annual report.

BOARD MEETING

The Company adopts a practice to convene Board meetings regularly which is at least four meetings per year and roughly on a quarterly basis with active participation of the majority of the Directors, either in person or through electronic means of communication. A notice of a regular Board meeting shall be delivered to all the Directors at least 14 days in advance with the matters to be discussed specified in the agenda of the meeting. For other Board and committee meetings, reasonable notice is generally served. Agendas or relevant documents of the Board or committee meetings shall be despatched to the Directors or members of the committees at least 3 days prior to the convening of the meetings to ensure that they have sufficient time to review the relevant documents and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given opportunity to make their views known to the Chairman prior to the meeting.

The minutes of the Board meetings and committees thoroughly recorded all matters under consideration and decisions made including any problems raised by the Directors. Directors have a right to review the minutes of the Board meetings and the committee meetings. The minutes are kept by the joint company secretaries of the Company and the copies are circulated to all Directors for reference record purpose.

For the year ended 31 December 2021 and up to the date of this annual report, the Company held four Board meetings in total. The Company held one general meeting during the reporting period. The Company will fully comply with the requirement under the code provision A.1.1 of the Corporate Governance Code to convene Board meetings at least four times a year at approximately quarterly intervals.

In addition, in order to facilitate open discussion with all Independent Non-Executive Directors, the chairman of the Board had held a meeting with all the Independent Non-Executive Directors without the presence of other Directors in accordance with the code provision C.2.7 of the CG Code during the Reporting Period.

The attendance records of the Directors of the Board Meeting are as follows:

Name of director	Attendance/Number of Eligible Meeting(s)
Executive Directors	
Liu Jie (劉傑) (Chairman)	4/4
Zhu Yanbin (朱炎彬)	4/4
Independent Non-executive directors	
Liu Jianhua (柳建華)	4/4
Guo Jingdou (郭靜鬥)	4/4
Sui Pengda (隋鵬達) (appointed 21 March 2022)	1/4

BOARD COMMITTEES

The Company has three Board committees, namely the audit committee (the “**Audit Committee**”), the Remuneration Committee and the Nomination Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the website of the Company (www.fingertango.com) and that of the Stock Exchange (www.hkexnews.hk), respectively.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee comprises three members, namely Dr. Liu Jianhua (the Chairman), Mr. Guo Jingdou and Mr. Sui Pengda, all being independent non-executive Directors of the Company. Mr. Sui Pengda is an independent non-executive Director with appropriate professional qualifications under Rule 3.10(2) of the Listing Rules. The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of our Group, to oversee the audit process, the develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

The Audit Committee held two meetings during the reporting period and up to the date of this annual report to review and consider, in respect of the year ended 31 December 2021, the interim and annual financial results and reports, amendments to its terms of reference, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, the proposed quotation from the external auditors for the forthcoming year and removal and appointment of external auditors and engagement of non-audit services. The Audit Committee also met the external auditors once during the reporting period without the presence of the executive Directors and the management.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance/Number of Meeting(s)
Liu Jianhua (柳建華) (Chairperson)	2/2
Guo Jingdou (郭靜鬥)	2/2
Sui Pengda (隋鵬達) (appointed 21 March 2022)	1/2

The Audit Committee is of the opinion that the Group’s consolidated financial statements for the year ended 31 December 2021 comply with the applicable accounting principles, standards, and requirements and that adequate disclosures have been made. The Audit Committee therefore recommend for the Board’s approval of the Group’s consolidated financial statements for the year ended 31 December 2021.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee comprises three members, namely Mr. Guo Jingdou, Mr. Zhu Yanbin and Mr. Sui Pengda. Mr. Guo Jingdou is the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations to the Board on employee benefit arrangement.

For the year ended 31 December 2021 and up to the date of this annual report, three meetings of the Remuneration Committee were held to review the remuneration policy and structure and to make recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance/Number of Eligible Meeting(s)
Guo Jingdou (郭靜鬥) (Chairperson)	3/3
Zhu Yanbin (朱炎彬)	3/3
Sui Pengda (隋鵬達) (appointed 21 March 2022)	1/3

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee comprises three members, namely Mr. Liu, Mr. Guo Jingdou and Ms. Yao Minru. Mr. Liu has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of members of our Board.

For the year ended 31 December 2021 and up to the date of this annual report, three meetings of the Nomination Committee was held to review composition and structure of the Board, evaluate the independence of the independent non-executive Directors and recommend the Board on the re-election of Directors. The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance/Number of Eligible Meeting(s)
Liu Jie (劉傑) (Chairperson)	3/3
Guo Jingdou (郭靜鬥)	3/3
Sui Pengda (隋鵬達) (appointed 21 March 2022)	1/3

Corporate Governance Report

Corporate Governance Functions

No corporate governance committee has been established. The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements, reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (The "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Group's senior management, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiries to all Directors, all of them confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

AUDITOR AND THEIR REMUNERATION

ZHONGHUI ANDA CPA Limited has been appointed as the external auditor of the Group for the financial year ended 31 December 2021. For the year ended 31 December 2021, the fees paid/payable to ZHONGHUI ANDA CPA Limited for the consolidated financial statements audit service are approximately:

	Fees (RMB'000)
Audit services	3,070
Non-audit services	195

In respect of matters relating to the selection, appointment, resignation or dismissal of the external auditor, the Board concurs with the view of the Audit Committee.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs and results of the Group. In doing so, the Directors opted for suitable accounting policies and applied them consistently and used accounting estimates as appropriate in the circumstances. With the assistance of the accounting and finance staffs, the Directors ensured that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

The statement of the external auditor of the Group, ZHONGHUI ANDA CPA Limited, in relation to their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 98 to 103.

RISK MANAGEMENT AND INTERNAL CONTROL

Assisted by the Audit Committee, the Board monitors the effectiveness of risk management and internal control systems of the Company, in order to protect the assets and value of the Company. The risk management and internal control systems implemented by the Company aim to manage rather than eliminate risks of failure to achieve the business objectives, and only to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Company has an internal audit function in place, which is responsible for independently reviewing the effectiveness of the risk management and internal control system of the Company, and reporting the results to the Audit Committee. Internal control supervisor of the Company is responsible for coordinating the internal control, sorting out and improving the business process and management mechanism, and carrying out the effectiveness evaluation of internal control. In addition to the internal control and internal audit functions, all employees are liable for risk management and internal control within their business scope. Each business department shall actively cooperate with the internal control and internal review, report to the management on the important development of the department's business and the implementation of policies and strategies established by the Company, and identify, evaluate and manage major risks in time.

The Company has established risk management and internal control management to build general risk management and internal control environment. At present, the Company has built an internal control process framework covering procurement, sales, human resources and compensation management, marketing and promotion management, tax management, capital management, information security and intellectual property rights, financial reporting and disclosure and other business processes and carry out risk assessment regularly to ensure risk management and internal control being in operation effectively.

During the year ended 31 December 2021, the Board has reviewed the risk management and internal control system and recommend continuous efforts in improving them. The scope of review covers key control, including the function of finance, operation and compliance control and risk management. The Board considers that the Company has substantially sufficient resource in accounting, internal audit and financial reporting, and training course and the related budget also be sufficient. The relevant review has been discussed by the management of the Company, external and internal auditor and audited by Audit Committee. The Board will review the effectiveness of the risk management and internal control system on an annual basis.

ANTI-CORRUPTION POLICY

The Company has also established policies and systems that promote and support anti-corruption laws and regulations. We require our employees to follow our employee manual and code of business conduct and ethics, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanisms, negligence and corruption. We also carry out regular on-the-job compliance training to our senior management and employees to maintain a healthy corporate culture and enhance their compliance perception and responsibility. Our staff can anonymously report any suspected corrupt incident to the Company.

WHISTLEBLOWING POLICY

The Company has established a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Company.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period and up to the date of this annual report, there was no significant change in constitutional documents of the Company. A copy of the Articles of Association of the Company is available on the websites of the Company (www.fingertango.com) and the Stock Exchange (www.hkexnews.hk), respectively.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders of the Company and the Board. An annual general meeting of the Company shall be held each year at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting (“EGM”).

1. Right to Convene EGM

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, be signed by the requisitioner(s) and deposited to the Board or the company secretary of the Company at the Company's principal place of business, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified to not be in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitioner(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

- At least 21 clear days' notice (and not less than 10 clear business days) if the proposal constitutes a special resolution of the Company in EGM;
- At least 14 clear days' notice (and not less than 10 clear business days) for proposal of all other EGMs.

2. Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

3. Right to Put Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 85 of the Company's Articles of Association, no person other than a director retiring at a meeting shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office of the Company at 3rd Floor, Huixin Building, 1132 Zhongshan Avenue West, Tianhe District, Guangzhou, PRC or at the registration office of the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, provided that the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodging of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

SHAREHOLDERS' COMMUNICATION

The Company has maintained a continuing dialogue with the Company's shareholders and investors through various channels, including, among others, the Company's interim and annual reports, notices, announcements and the Company's website. The Company also holds press conferences from time to time at which the Executive Directors and senior management of the Group are available to answer questions regarding the Group's business and performance.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This is the fourth Environmental, Social and Governance report (the “**ESG Report**” or the “**Report**”) published by FingerTango Inc. and its subsidiaries (hereafter as “**FingerTango**”, the “**Group**” or “**We**”), which outlines the Group’s principles in fulfilling corporate social responsibility (“**CSR**”) and sustainable development concept, summarises the Group’s relationships with major stakeholders and elaborates our vision and responsibilities for CSR.

Reporting Guideline

The Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the “**Guide**”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) issued by the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). The contents in the report have complied with the requirements of “comply or explain” provisions under the Guide and that of four reporting principles (Materiality, Quantitative, Balance and Consistency). A content index for the Guide compiled by referencing this Report was appended in the last chapter of the Report for quick reference.

Materiality	The Report has identified and disclosed material ESG factors and the criteria for selecting such factors, as well as the description of material stakeholders and the process and results of stakeholder engagement.
Quantitative	The statistical standards, methods, assumptions and/or calculation tools used for reporting emissions/energy consumption (if applicable) and the source of conversion factors in this report are explained in the report.
Balance	This report provides an unbiased picture of the Group’s performance during the reporting period, and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the reader.
Consistency	The statistical methods used for the information disclosed in this report are consistent. Changes will be explained clearly in the report.

Reporting Scope

This Report elaborates the Group’s sustainable development policies, measures and key performance indicators in respect of its core business from 1 January 2021 to 31 December 2021 (“**the year**” or “**reporting period**”). Unless otherwise specified, this Report covers the business of the entire Group.

Reporting Language

This Report is published in two versions, Traditional Chinese and English. If there is any ambiguity, the Traditional Chinese version shall prevail.

Data Source and Reliability Statement

The data and cases in this Report are sourced from procedural documents, information documents, pictures and other related records related to ESG performance during the year collected by the Group through a comprehensive procedure of ESG information collection. The Group undertakes that the Report does not contain any false information or misleading statement, and accepts responsibilities for the contents of the Report as to its authenticity, accuracy and completeness.

Environmental, Social and Governance Report

Confirmation and Approval

This Report is confirmed by the management and approved by the Board of Directors on 30 March 2022.

Feedback on report

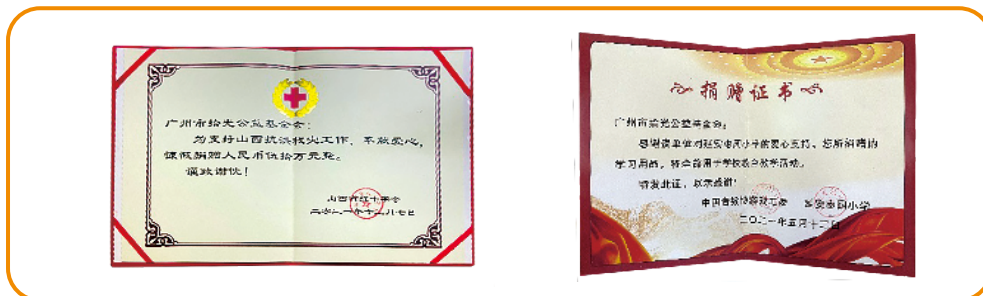
Your opinions on this Report are treasured by us. For any enquiry or recommendation, please feel free to contact us via the following email: ir@fingertango.com.

2. AWARDS AND HONOURS

Leveraging on its extensive experience in operating mobile game platforms in China, FingerTango is committed to providing high-quality products and services, practicing the business philosophy of “taking honesty as the foundation”, and actively giving back to the society. We have been widely recognized and praised by many professional institutions, creating greater commercial value and social value in terms of business achievements, enterprise operations and social welfare.

	Awards and Honours	Awarding Organization
1	Thank you letter for the joint efforts against the pandemic in Guangzhou	Guangzhou Municipal Game Industry Association
2	Executive Vice President-Guangzhou Miyuan	Guangzhou Game Association
3	Anti-epidemic Outstanding Contribution Award — Public Welfare Award of the Year (Awards and Certificates)	Game Industry Association
4	2021 Shanghai Top 100 Emerging Industry Enterprises	Shanghai Municipal Entrepreneurs Association
5	2021 Top 100 Private Service Enterprises in Shanghai	Shanghai Municipal Entrepreneurs Association
6	China Red Cross Contribution Award-Certificate and Badge	Red Cross Society of China
7	Certificate of Donation for Rainstorms in Shanxi	Shanxi Red Cross Society
8	Piyong Nezha China Intangible Cultural Heritage Protection Game Award	China Culture Media
9	Advanced Enterprise-Shanghai Youmin Networks Technology Limited	Rucheng County Volunteer Service Working Committee and Rucheng County New Era Civilization Practice Center Office
10	Donation Certificate	China Game Publishers Association Publications Committee and Yan'an Zaoyuan Primary School
11	Gamet Best Business Innovation Award	Huawei Cloud
12	Vivo Best Business Strategy Game of the Year	vivo
13	2021 Excellent Manufacturer	Mi Games

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3. SUSTAINABILITY STRATEGY

3.1 Statement of the Board

The Group sees sustainable development as an important element of our steady development. As the highest management organization of the Group, the Board is responsible for the overall supervision of the Group's sustainable development work, and regularly resolves and supervises ESG policies and strategies, including the approval and confirmation of ESG-related target setting, review of target progress, assessment and priority. In order to promote the effective implementation of the Group's sustainable development work, the Group has established an ESG working team, which is authorized by the Board to be responsible for determining the Group's material ESG issues and major ESG risks, and regularly reporting the ESG management status to the Board.

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3.2 Sustainability Management

As a leading mobile game operation platform in China, FingerTango always keeps abreast of CSR, regards ESG management as a part of our responsibility, and is committed to integrating sustainable development into our daily operations. The Group has established a sound ESG management structure and formed an ESG management system that consists of the Board of Directors, the ESG working team and ESG coordinators of various departments.

FingerTango ESG management structure



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3.3 Communication with Stakeholders

The Group understands that the opinions of stakeholders are closely related to the sustainable development of our business. In formulating the direction of sustainable development, we incorporate the opinions of various stakeholders as much as possible when assessing and determining ESG risks, formulating relevant risk management and business strategies, and understand their expectations and feedback on the sustainable development of the Group through the following communication methods to continuously improve our sustainable development work.

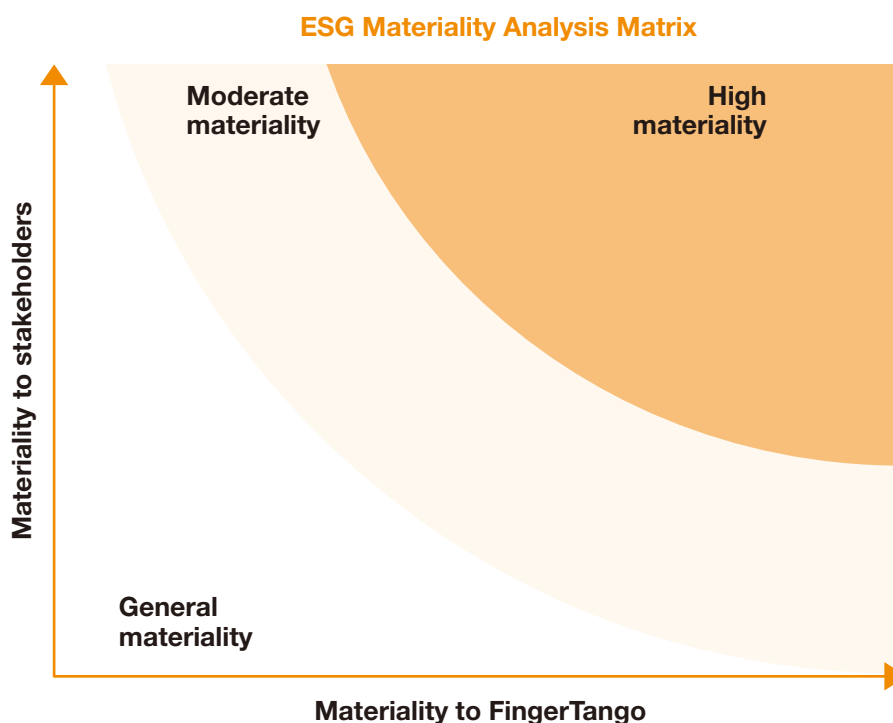
Major Stakeholders	Expectations and demands	Major channels for communication and feedback
Player	<ul style="list-style-type: none"> Quality of products and services Fair play Privacy Protection 	<ul style="list-style-type: none"> Online Game Master (hereafter as “GM”) communication Customer satisfaction survey Social media platforms Online service platform GM hotline Mailbox
Shareholder/Investor	<ul style="list-style-type: none"> Corporate governance Business growth Return on investment Transparent information Stable operation 	<ul style="list-style-type: none"> General Meeting Interim and annual reports Results announcement Corporate communications Investor meetings Company website
Employee	<ul style="list-style-type: none"> Remuneration and benefit package Career development Health and safety of employee Business growth Employment promotion 	<ul style="list-style-type: none"> Employee opinion survey Performance reviews and interviews Meetings and interviews Employee dialogue meeting Employee intranet
Government and regulator	<ul style="list-style-type: none"> Operation compliance Employment promotion Quality of products and services 	<ul style="list-style-type: none"> Actively acquire industrial compliance information Compliance report Meeting
Business Partner	<ul style="list-style-type: none"> Business growth Operation compliance Compliance with contracts Stable operation Quality of products and services 	<ul style="list-style-type: none"> Meeting Visit Seminar
Supplier	<ul style="list-style-type: none"> Open, fair and just procurement Compliance with contracts Anti-corruption 	<ul style="list-style-type: none"> Supplier management procedure Assessment system on supplier/contractor Site visit Meeting

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Major Stakeholders	Expectations and demands	Major channels for communication and feedback
Peers	<ul style="list-style-type: none"> • Business growth 	<ul style="list-style-type: none"> • Strategic cooperation projects • Communication meeting
Community/ Non-government organization	<ul style="list-style-type: none"> • Facilitating community development • Participate in public welfare and charity activities • Response to climate change • Environment protection 	<ul style="list-style-type: none"> • Community activity • Volunteering activity • Donation • Social media platform • Seminars/talks/workshops

3.4 Materiality Assessment

In order to identify the major sustainability risks and opportunities of FingerTango, the Group has carried out the identification of important ESG issues according to its own strategies and business priorities. Taking into account the operating conditions of the Group’s business and the expectations of major stakeholders, we have finally determined 21 material issues for the year, including 8 issues of high materiality, 6 issues of moderate materiality and 7 issues of general materiality, with reference to the disclosure obligations covered in the Guide and the material issues in Sustainability Accounting Standards Board (SASB). The content of the following issues will be highlighted in this report to reflect our contribution to ESG work.



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ESG materiality ranking of FingerTango for 2021

High materiality	ESG scope
<ul style="list-style-type: none"> Product innovation 	Business Operation
<ul style="list-style-type: none"> Promotion and product/service labelling 	Business Operation
<ul style="list-style-type: none"> Product/Service Quality Management 	Business Operation
<ul style="list-style-type: none"> Player service and communication 	Business Operation
<ul style="list-style-type: none"> Protection of players' privacy 	Business Operation
<ul style="list-style-type: none"> Protection of Intellectual Property Rights 	Compliance Management
<ul style="list-style-type: none"> Compliance operation and anti-corruption 	Compliance Management
<ul style="list-style-type: none"> Supply Chain Management 	Compliance Management
Moderate materiality	ESG scope
<ul style="list-style-type: none"> Employment rights 	People-Oriented
<ul style="list-style-type: none"> Lawful employment (prevention of child labour and forced labour) 	People-Oriented
<ul style="list-style-type: none"> Employee recruitment and retention of talents 	People-Oriented
<ul style="list-style-type: none"> Employee diversity and equal opportunities 	People-Oriented
<ul style="list-style-type: none"> Employee Health and Safety 	People-Oriented
<ul style="list-style-type: none"> Employee training and development 	People-Oriented
General materiality	ESG scope
<ul style="list-style-type: none"> Community Engagement and Investment 	Giving Back to Society
<ul style="list-style-type: none"> Greenhouse Gas Management 	Green Operation
<ul style="list-style-type: none"> Reduction of pollutant emissions 	Green Operation
<ul style="list-style-type: none"> Energy management 	Green Operation
<ul style="list-style-type: none"> Waste management 	Green Operation
<ul style="list-style-type: none"> Environmental Protection and Natural Resources 	Green Operation
<ul style="list-style-type: none"> Responding to Climate Change 	Green Operation

4. BUSINESS OPERATION

FingerTango is committed to continuously optimizing and expanding its products and services to provide customers with the best game experience. We always focus on the control of product quality and the improvement of service quality. Therefore, we implement different measures for the optimization of product quality, fully fulfill our product safety obligations, and continuously enhance our independent innovation capabilities.

4.1 Improving Game Experience

FingerTango adheres to the mission of “entertain lives with games”, and is committed to improving the game experience of players. We have a strong pipeline of games, continuously optimize our product launch strategy, and explore different product portfolios and business development to enhance game quality and improve player experience. We spare no effort to keep improving the Group’s game brands. In addition to the technical updates on software, we have also launched film and game linkage and peripheral product feedback activities during the year to continuously explore product innovation and realize more brand value.

We leverage the effect of brand crossover to create a cinematic gaming experience for our players by combining the media of different fields of games and movies. We have launched a new game version of the Group’s game brand “my Mission” in collaboration with “The Rescue” domestic movies. With the core spirit of the game and “The Rescue” movies, we customized interactive text for players, continued the film’s drama and aroused the resonance of players, so as to enhance the original game experience.



In addition, we have also started a new attempt of another business model to develop peripheral products as an extension of our brand culture. To celebrate the 4th anniversary of the Group’s game brand “my Mission”, we have launched a peripheral product feedback activity on our official Weibo account to give players a medal or made-to-order umbrellas in appreciation of their support. We have penetrated into the real life of players with our life-style peripheral products to demonstrate their warm and intimate brand image, which has further narrowed the gap between the brand and consumers and enabled the brand to realize more value.



4.2 Health and Safety Games

We continue to pay attention to game-related laws, regulations and document requirements, and timely upgrade and update the game software development kit (SDK) to include the setting in line with the latest national regulations.

The Group has strictly complied with the Notice on Further Strict Management and Practical Prevention of Minors' Addiction to the Internet and the Implementation Plan for Comprehensive Prevention and Control of Juveniles' Myopia, and actively responded to and fully implemented various requirements related to the management of the use of minors' games and online virtual property transactions. We have implemented the duration of game service hours, connected to the Anti-addiction Real-name Authentication System for Online Games of the National Press and Publication Administration and implemented payment restrictions, and conducted random internal inspections on the anti-addiction work of minors operating online games from time to time to create a good environment for the healthy growth of minors.

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Game real name validation

We are connected to the Anti-addiction Real-name Authentication System for Online Games of the National Press and Publication Administration (NPPA) and players are required to fill in valid identification information.

Real-name game topping up

We have established payment restrictions for certain gameplay and items in our games:

- Users under the age of 8 cannot pay;
- For minor users aged above 8 and below 16, the single top-up amount shall not exceed RMB50, and the accumulated monthly top-up amount shall not exceed RMB200;
- For minor users over 16 years old, the single top-up amount shall not exceed RMB100, and the accumulated monthly top-up amount shall not exceed RMB400.

Anti-addiction System

We have developed the length of game service hours:

- Juvenile users can use 1 hour online game service from 20:00 to 21:00 on Fridays, Saturdays, Sundays and statutory holidays.

We will continue to optimize user experience, establish and implement the growth protection plan for minors, update the privacy policy of games in a timely manner, continue to promote the certification and protection of the anti-addiction system for minors in technology, and create a healthy online game environment.

We encourage any minors to participate in the Group's online activities by obtaining prior consent from parents or their legal guardians, reading the privacy policies issued by the Group, and guiding minors to use our services. The Group has formulated the "Parents' Guardian Project for Minors", published the "Tips on the Health of Minors Participating in Online Games" to their parents or guardians, and established the "Parents' Surveillance System" to assist or their legal guardians in supervising and guiding minors to properly participate in online games. We carry out the "Parents' Guardian Service" to provide parents with legal guardian qualification, game name and account, parents' desire to limit their gaming intensity and other information, and apply for restriction measures for the account number of minor players, such as limiting the time interval and length of children's game play every day, or restrict to playing games only during weekends, or completely banned. If the account is banned, all attributes of the account remain unchanged. We promise that virtual property still exists during the operation of the game, and the account owner can apply for the release and re-use of the account after attaining the legal adult age.

Game Content Management

While the Group is committed to meeting the leisure and entertainment needs of the public through online games, it also strives to enrich the spiritual and cultural life of players. We understand that online games are an important platform for information transmission. Therefore, we promote a communication style of mutual respect and courtesy on the game platform. The Group has been filtering and screening messages, words and phrases with adverse impact according to social trends in a timely manner, the screened word library is updated monthly regularly and has been accumulated to 90,000 words. We also uphold the harmonious communication environment of players, set up supervision and complaint channels for game players, disclose violations, and maintain the healthy development of the game industry.

In addition, the Group strictly follows the Advertising Law of the People's Republic of China, the Interim Measures for the Administration of Internet Advertising and other relevant laws and regulations, and has formulated the Regulations on Review of Advertising Content. We strictly review the authenticity and compliance of advertising content with external regulatory authorities through internal legal review, and require that advertisements must not contain false and exaggerated factual content and misleading false publicity. We have formulated the "3K Game Advertisement Placement Review Record" to strengthen the review process of the management department. Once found inappropriate, the advertisement will be withdrawn and rectified as soon as possible.

In addition to stop inappropriate information, we also promote healthy and positive information through online game platforms. We have incorporated climate change elements into the Group's game brand "my Mission" to demonstrate the environment of extreme weather brought by climate change to game players and convey our deep reflection on the need to cherish natural resources.

In respect of health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress, during the reporting period, the Group did not violate any relevant laws and regulations, nor was there any products and services subject to recalls for safety and health reasons.

4.3 High-quality Customer Service

FingerTango attaches great importance to customers' opinions, which is the foundation for us to provide high-quality products and services. The Group has established a sound customer supervision mechanism and provided a series of internal and external communication channels for customers. It is our top priority to pay close attention to players' feedback and comments for our improvement in the quality of products and services. We establish multi-faceted communication channels for players to express their opinions, and we also disclose external channels for monitoring purpose.

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Players' expression channel	Measure
Internal	GM hotline Game K diagram 3K official website GM function in system setting Official WeChat account Game feedback function
External	12315 consumer complaint hotline Industry and Commerce Bureau Culture and Tourism Bureau Cultural law enforcement system Consumer Rights Protection Association

In order to carry out stringent quality control on products and services, FingerTango has established a customer service department to be responsible for the Group's complaint handling process and results reporting, analyzes the reasons for complaint, and consults with relevant business departments. We record feedback on each complaint or inquiry to properly collect player opinions for game improvement. In order to improve the efficiency of customer service handling, we have established a classification system for common complaints to avoid recurring problems in complaints. We have identified the major complaints from players in the following six categories: game abnormality, punishment measures, account re-charge, GM services, misconduct report and re-charge by minor. Therefore, FingerTango continues to improve game experience, enhance communication with players, protect player privacy, promote healthy games, discover and solve potential problems and risks of products and services, thus creating values for players with products and services in higher quality.

Complaint type	Quantity	
	2021	2020
Game abnormality	40	118
Punishment measures	10	20
Account re-charge	10	26
GM service	0	9
Misconduct report	4	4
Re-charge by minor	46	29
Total	110	206

The complaints we received during this year decreased by 47% as compared to last year and the complaints handling ratio is 100%. We have introduced timely measures for game and service improvement to enhance the quality of games and services for the dedication to provide high quality games and services to the players.

4.4 Product and Service Quality Management

FingerTango strictly monitors the quality of customer service to build a professional customer service team with high-quality services. In order to effectively manage the quality of customer service, we have formulated the 3K Customer Service Quality Inspection Work Specification and the 3K Customer Service Quality Inspection Work Specification to control and supervise customer service quality and inspection quantity.

In terms of service quality, we require customer service staff to master good communication skills, listen carefully to customers' words and express sincere gratitude to them. The Guidelines for Customer Service Hotline Reception of 3K Play clearly regulates the basic etiquette, processing procedures and reference sale talks when receiving phone enquiries. Customer service employees are required to respond to different types of issues or complaints in accordance with the instructions. We see customers' opinions as the source of our service excellence. Therefore, we also require our customer service staff to respond to players' inquiries and provide suggestions in a targeted manner, and to fill in work orders and record files after receiving players' feedback in a timely manner.

In terms of inspection quantity, we have established a fair, impartial and rigorous quality inspection process in accordance with the "3K Customer Service Quality Inspection Work Standards". We conduct online quality checks with no less than 100 calls per day and implement a scoring mechanism to score four levels of A +/A/B/C for online customer service. In order to maintain the high quality of customer service, we will export data analysis of weekly and monthly analysis of quality inspection reports to strictly monitor the compliance of customer service staff. If customer service staff fails to meet the standards, they will be given a score of zero.

We understand that the fairness and smoothness of games are one of the important elements affecting player experience. Therefore, we are committed to protecting the rights and interests of players in the game process, and have formulated game rules and orders, and monitored the game environment to strictly crack down on abnormal behaviors caused by click farming and game bots. We have formulated the Procedures for Handling Game Work Orders of the GM Customer Service Center, under which customer service personnel will manage the abnormal game issues encountered by players during the game. The customer service staff verifies the abnormal issues and the players' complaints by logging into the game backstage to verify the log information. We identify and quickly crack down on click farming by players, block accounts with click farming, and re-set backstage game information to avoid occupying database resources and increasing server burden.

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4.5 Protection of Customer Privacy

As a leading mobile game distributor, FingerTango regards every byte of the personal information and other private information of every player as our highly confidential data. The Group strictly abides by the Safety Protection of Computer Information System Regulations of the People's Republic of China, the Cybersecurity Law of the People's Republic of China, the Provisions on Technological Measures for Internet Security Protection, the Administrative Measures on Internet Information Service of the People's Republic of China, the Administrative Measures on the Security Protection of Computer Information Network with International Connections and other laws and regulations.

In order to manage the Group's internal information and build a safe network environment, the Group has formulated relevant policies and measures, such as the Information Safety Management System, Information Safety Confidentiality System, Network Safety Management System and Information Safety Technology Protection Policies. We have identified the risk of information leakage and established a two level protection system for information system security to comprehensively protect information and network security. We have set the authorization of the Group's internal servers as the first defensive line. We control the licensing of technical personnel, and limit the access of intranet IP to the database to prevent internal leakage of the Group's information. In terms of the second defensive line, we have set up an anti-intrusion inspection system to isolate the servers of different business lines by setting up a firewall of the server, and use a computer virus prevention software to prevent external illegal appropriating of the Group's information.

We strengthen the management of customer privacy and data security, including the safety of players' game accounts and the security of various virtual properties such as character and equipment under accounts. The Group has formulated the "3K Game Privacy Policy" and various information and network security management and confidentiality systems to comprehensively regulate the data and information security management in terms of technology, system and process. In order to protect customer privacy and their rights, we publish the "3K Game Privacy Policy" to players and obtain their consent before using the Group's products and services, which details the information that may be collected, the possible use of their information, the method of protecting user information and the application of Cookie and similar technologies, and respect customers' right to know about the use of their own information. We continuously update and improve our customer privacy policies. If a function or service does not collect customer information, we will explain the content, scope and purpose of information collection to customers through page reminders, interactive processes, website announcements and other methods to obtain their consent.

For account problems encountered by players, the Group has established account safety handling procedures such as retrieving accounts, retrieving passwords, unbinding mobile numbers and retrieving security locks, to safeguard account security for players. We respect users' right to their own information and data. Therefore, we have formulated the "Explanation on 3K Game Player Data Destruction Procedure" to set up a user cancellation function for players on the game platform. Players can click on the "Cancellation of account" button on the official website of the game and cancel their accounts by following the instructions. In order to further ensure the security of personal information, the account logout procedure contains the following steps: verify account information, verify binded mobile number, verify player identification, review account re-charge history, logout account, and wait for review by our employee, among others, to verify players' identities in multiple ways.

During the reporting period, the Group did not have any complaints or litigation regarding data protection and privacy protection.

5. COMPLIANCE MANAGEMENT

FingerTango conducts its business in a responsible manner and regards information protection, integrity operation and supply chain management as important elements for stable business development.

5.1 Respect for Intellectual Property Rights

The Group is committed to protecting intellectual property rights, and regards intellectual property rights as an innovation and intellectual labor achievement, which is also an important cornerstone for the steady development of the Group. The Group strictly abides by relevant laws and regulations, such as the Intellectual Property Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other relevant laws and regulations to maintain and protect its own intellectual property rights and respect the intellectual property rights of others. In order to improve the level of intellectual property management in the online game industry, the Group has established a strict and prudent process to protect intellectual property rights, which provides institutional guarantee for the intellectual property rights protection work of FingerTango.

We have established a sound intellectual property management system, which clearly regulates the intellectual property ownership certification process. After the confirmation of cooperation on new products, we require that the Product Cooperation Department shall provide game names within one work day, the Design Department to provide finished pictures and videos, and the Operation Department to provide tentative game names, backup names and other reserved names, for the Legal Affairs Department to issue intellectual property rights ownership certifications. It also requires the game designer/producer to keep the drafts and original files and all other documents generated during the design and production processes.

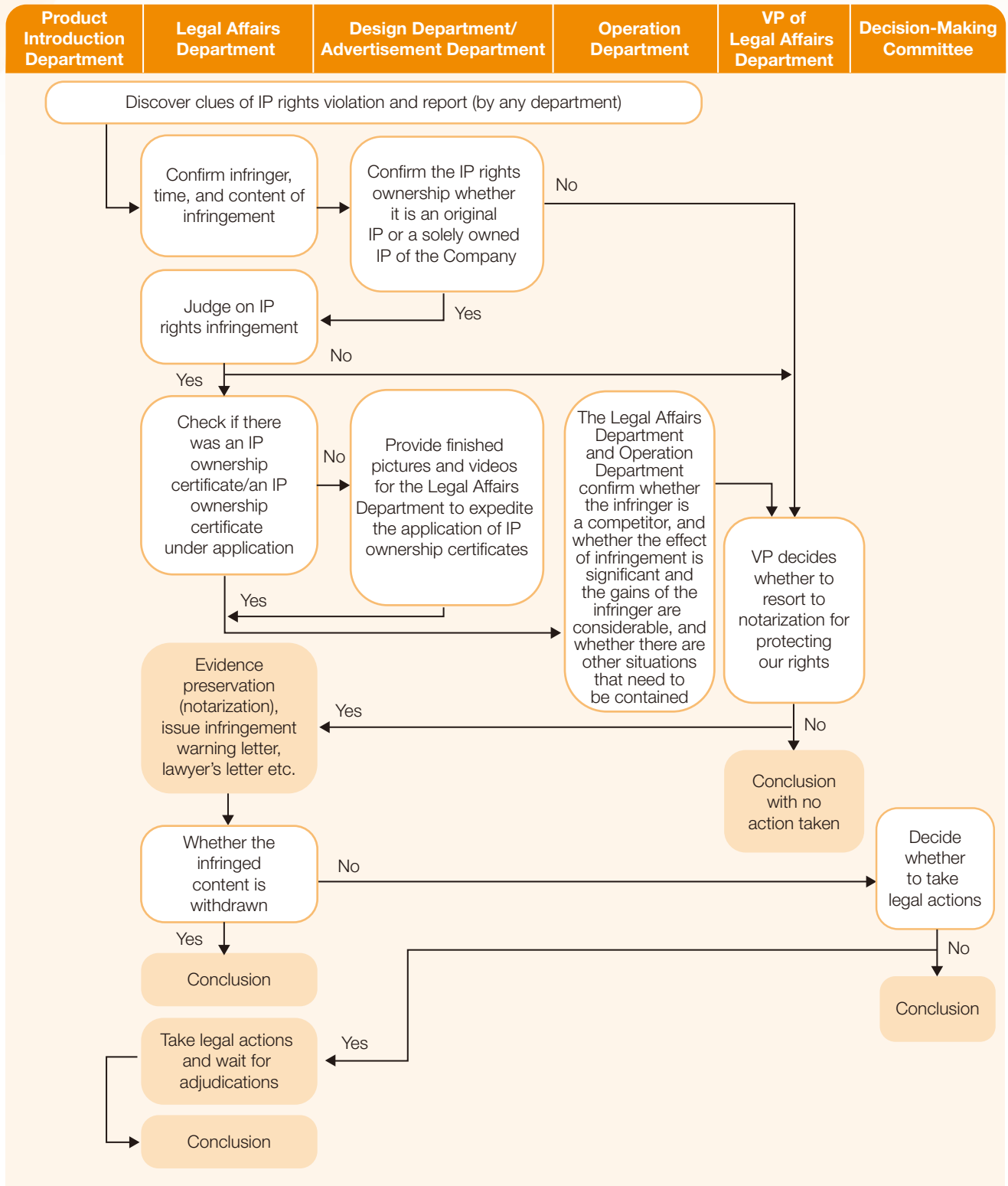
We are committed to safeguarding the intellectual labour results of our employees, encouraging them to report and provide clues of infringement. The Group has also formulated the operational process for the safeguard of our intellectual property rights. Any suspicious cases of infringement will be investigated by the Legal Affairs Department, verified by the Design Department and Advertisement Department on whether it is an original intellectual property or a solely owned intellectual property from the Group, and determined by the Legal Affairs Department if it is an infringement. For an alleged infringement, our Intellectual Property Rights Committee preserves the right to initiate legal actions, so as to prevent infringement and to pursue liability for infringement.

In addition to protecting the intellectual property rights related to our own business, we also respect the intellectual property rights of others. All terminal equipment and information systems of the Group have been installed and used genuine software, and employees are strictly prohibited to download or use unauthorized software and files illegally.

During the reporting period, the Group maintained 842 trademarks and registered patents, 21 new trademarks and patents were granted, and 20 new trademarks were registered.

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Procedure of IP rights protection



5.2 Integrity and Compliance Operation

FingerTango advocates a corporate culture of honesty and integrity and adopts a zero-tolerance attitude towards unethical business practices such as corruption, bribery and fraud. The Group strictly abides by the Company Law of the People's Republic of China, the Law of the People's Republic of China on Anti-Unfair Competition, the Interim Provisions on Banning Commercial Bribery and other laws and regulations, so that the Group can have a stable operation with legal interests of the Group and shareholders are under protection.

The Group has formulated the Anti-fraud, anti-corruption and anti-commercial bribery system to clearly regulate internal violations of laws and regulations, including employee malpractice, commercial bribery and misappropriation of funds. In order to establish the Group's business philosophy focusing on law-abiding, integrity and quality services, the Directors, senior management and employees of the Group have received anti-corruption related training during the reporting period, requiring all members of the Group to be honest and trustworthy. We regard integrity and compliance as the basic principles of employee discipline. We provide employees with anti-fraud, anti-corruption and anti-bribery training in various forms, such as employee handbook, company rules and regulations release, publicity or local area network, etc., to help employees identify legal and illegal, honest and unethical behaviors. We will provide anti-fraud training, laws and regulations and integrity ethics education to new employees in key positions. In addition to strictly stipulating that employees must abide by laws and regulations and engage in activities that abide by integrity ethics in the daily work of the Group, the Group will also convey relevant information to all stakeholders directly or indirectly related to us, including customers, suppliers, regulatory authorities and shareholders, so as to create a law-abiding working environment with all stakeholders.

The Group's audit committee is our permanent anti-corruption organisation responsible for receiving anti-fraud reports, investigating, reporting and providing suggestions for handling, and the daily management is subject to the comprehensive leadership of the Group's senior management. We have many reporting channels, such as email, mail and complaint hotline, and report can be filed by using real name or by anonymity. The identity of the whistle-blower will be kept confidential and under protection during the course of investigation. We are committed to providing feedback to whistleblowers on suspicious cases, regardless of whether an investigation will be initiated. We will report to the management of the Company and the Board of Directors within 2 working days and conduct fair and just investigations according to the instruction. For substantiated cases, any person who seriously violates the Company's rules and regulations will be subject to termination of employment contract in accordance with the law. Any person in breach of criminal law shall be referred to the judicial departments for legal actions.

During the reporting period, the Group did not have any litigation cases related to corruption, nor did it violate relevant laws and regulations that have a significant impact on the Group's operations.

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5.3 Supply Chain Management

As part of its commitment to the environment and corporate responsibility, FingerTango understands that a sustainable supply chain is an important part of our sustainable governance. We have formulated the Review and Management Measures on Suppliers, which applies to different suppliers and dealers, including arts, advertisement media, catering, electronics products, office equipment and security service.

When selecting suppliers, apart from considering their qualification, production and service scale, price level, business capability, quality of product and service and after-sale service capability, we also consider environmental and social risk factors in the supply chain such as labour standard, health and safety, anti-corruption, environmental compliance and the application of environmentally friendly products, and we are committed to achieving a sustainable development of supply chains together with suppliers and dealers.

In order to effectively monitor suppliers, we will review the product quality, environmental and social performance of suppliers and dealers once a year and select qualified suppliers, so as to conduct classified management and update files in a timely manner. In specific situation, we will conduct half-year or quarterly review.

During the year, we had 25 major suppliers in Guangzhou, which provided us with products and services like office furniture, stationeries, printing services, catering, art and cultural services, renovation works and air-conditioning works and etc.

6. PEOPLE-ORIENTED

FingerTango deeply understands that the steady development of the Group relies on the joint efforts of employees. We fully respect the value of employees, strive to create a comfortable working environment where employees feel respected, and pursue win-win development between the Company and employees.

6.1 Protection of Employment Rights

FingerTango adopts a people-oriented human resources management approach and is committed to creating a comfortable working environment where employees feel respected. The Group strictly abides by the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, other labour laws and regulations as well as local employment policies. We respect and protect the legitimate rights and interests of every employee, fully protect the legitimate rights and interests of employees in recruitment, promotion, resignation, working hours, remuneration and benefits, and strive to establish a close and long-term cooperative relationship with employees.

FingerTango recruits talents from different industries with various professional skills and integrated qualifications, set our talent recruitment workflow according to the annual and quarterly human resources planning and enters into labour contracts with employees. We recruit and attract talents through various recruitment and headhunting channels. We have developed a sound recruitment process system and formulated the Employee Handbook to regulate various personnel management

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systems, including employee attendance, salary and performance, training and development, as well as rewards and penalties system. Employees must follow equal opportunities in recruitment, assessment, promotion, career development, welfare and other aspects, select talents based on the principles of fairness, openness and impartiality, and refuse any discrimination and differentiated treatment based on race, gender, religion, age, family status and other factors.

The Group earnestly protects the rights and interests of employees, and strictly prohibits and resists any form of child labour and forced labour. We implement a strict and careful recruitment process. All employees sign labour contracts with the Group voluntarily and in accordance with the law. We conduct background checks on prospective employees through a rigorous recruitment process, and require applicants to provide documents such as identification documents, academic qualifications and work experience certificates. The Group also refuses to force employees to work in an illegal or unethical way. We have implemented a flexible working system, and formulated working hours based on the working conditions of the position, so as to provide employees with sufficient rest time, respect and protect their personal liberty rights. If violation is found, we will consider the implement of disciplinary actions. At the same time, the Group also respects the leaving and staying of employees. In respect of employee resignation procedures, we will follow the Employee Handbook and labour contracts to terminate employment in accordance with laws and regulations.

During the reporting period, there were no cases of non-compliance in relation to remuneration, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination and other benefits and welfare, nor were there any cases of non-compliance in relation to the employment of child labour or forced labour.

6.2 Focus on Employee Well-being

The Group regards employees as our greatest asset. In order to attract and retain outstanding talents and achieve sustainable and stable growth of the Group, the Group strictly complies with the laws and regulations such as the Labour Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China and the Tax Law of the People's Republic of China to provide its talents with competitive remuneration and diversified welfare measures.

The Group has enacted the Employee Welfare Management System and fulfills its legal obligations by paying pension, medical insurance, maternity insurance, work injury insurance, unemployment insurance and housing fund, and withholding individual income tax for employees. We also provide employees with commercial insurance coverage, including paid public holidays, paid annual leave, sick leave, wedding leave, prenatal check leave, maternity leave, breastfeed leave, paternity leave and funeral leave. We respect the labour rights of our employees. For those who cannot enjoy statutory rest day due to the arrangement of the Company, overtime wages will be given for works during holidays according to the law.

We are committed to creating a people-oriented corporate culture by providing our employees with care within our capacity. The Group distribute gifts or cash for festivals, birthdays, and weddings for benediction, and funerals for condolences. We serves the employees with work meals and afternoon teas during working days for regular diets.

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In order to enhance the cohesion and sense of belonging of employees, we also organize various festival activities and company activities for employees. During the year, we held the Company's annual meeting, 38 Women's Day activities, 520 activities, Qixi activities, Mid-Autumn Festival activities, Halloween activities, etc. We also organize different types of labour unions, such as badminton associations, basketball associations, dance associations and Ukeley associations, to regularly organize sports gatherings to provide employees with opportunities to expand their social platforms and promote their physical and mental health.



6.3 Safeguarding Employees' Health

FingerTango regards the safeguard of employees' health and safety as one of our primary responsibilities, strives to provide a healthy and comfortable working environment for employees. We strictly abide by the Provisions on the Supervision and Management of Occupational Health at Work Sites, the Industrial Injury Insurance Regulations of People's Republic of China, the Fire Protection Law of the People's Republic of China and other rules and regulations.

We strive to eliminate safety hazards in work sites to ensure workplace safety. In order to ensure fire safety, we have negotiated and agreed on the "Procedure of Security Service Works" with the Security Company to strengthen the patrol checks on air-conditioners, lighting equipment, and other electrical switches, and the interior temperature of the server room. We also regularly inspect fire escape of office floors, and timely report and replace expired fire equipment to ensure the electricity safety of the office and the fire escape is free from obstruction. We understand the importance of raising employees' safety awareness. Therefore, we also remind employees with safety signs and internal safety communications of personal safety at all times.

FingerTango cares for the health of employees and provides them with nutritious meal packages. To ensure the food health and safety of our Employee canteens, we carefully select catering service providers and in the contracts entered into with suppliers, we require the supplier to ensure the food quantity, temperature, quality and safety. We attach great importance to employees' opinions on food and beverage quality and will demand the suppliers to rectify according to their opinions, and we will change the suppliers if they fail to satisfy our employees as well as food safety and hygiene.

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We understand that a strong body of our employees is the capital to serve FingerTango. Therefore, we provide employees with comprehensive health protection, such as commercial insurance, annual body check up and two days of paid sick leave per month as one of the regular benefits for employees. The Group arranges annual body check for employees, and provides employees with comprehensive health protection covering disease prevention, accidents, vital diseases, illness and death, and in-hospital treatment, so as to help employees identify and respond to various accident risks. We have also spared a specific budget to assist employees in the treatment of work-related injuries during office hours and follow-up work-related injury applications to cater for the special needs of the injured employees. We also advocate the importance of sports to employees' physical fitness. We have a well-equipped gym in the office to provide employees with ergonomic desks and chairs, and organize weekly sports activities such as badminton, football and basketball to prevent shoulder and neck strain caused by long sitting in the office.

During the reporting period, the Group did not receive any complaints and litigations regarding violations of health and safety laws, and there were no cases of work-related fatalities in the past three years including the reporting year (Year 2019, 2020, 2021).

Pandemic Prevention and Control Measures

FingerTango pays close attention to the latest development of the COVID-19 pandemic. In order to ensure the health and safety of each employee and carry out epidemic prevention work in a normal and orderly manner, we have enacted the Notice on the Arrangement of Relevant Rules on Epidemic Prevention.

We understand that the epidemic prevention and control work is a long-term battle, so we have established the "Epidemic Prevention Working Group" to fight the epidemic together with our employees. We will disseminate information on epidemic prevention and control to employees and call on each employee to take daily epidemic prevention measures. In order to care for the special needs of employees, we provide masks to each employee to help reduce their financial burden.

In order to reduce the risk of infection, we explored the business development and company operation mode of the normalization of the pandemic, and implemented office safety access management and office area management. We require all employees to wear their employee badge throughout the day in the office area, which is the only valid document for entering and leaving the Company. All personnel without employee badge are not allowed to enter the office area. During the office visit, we also require employees to cooperate with the relevant inspection process, including active presentation of working cards, cooperation in temperature testing, hand washing and disinfection, and wearing masks throughout the office. In addition, during the pandemic, the Group has also set up a QR code registration for healthy visits, requiring all visitors to scan the QR code registration distributed by the street and show the green safety code before entering the reception area.

6.4 Cultivating Outstanding Talents

In order to promote the mutual development of employees and the Group, we have established a wide range of personal growth opportunities and platforms for employees, and formulated a number of plans on employee education and training to improve employees' knowledge level, business and management capabilities and professional quality, so as to ensure that employees continue to develop themselves and explore their potential according to the Group's business needs.

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During the year, we provided various forms and contents of on-the-job training for social hires, campus hires, tutors, all employees of the Company and management cadres according to business needs and employee development needs. In line with the needs of employees at different levels, a total of over 678 people received the training we held for employees. The average satisfaction rate of employees trained exceeded ninety-four per cent. The main training projects during the year are as follows:

Training project	Training target	Brief introduction of training content
Social hire training project	Social hires	Regular training focusing on social hires and studying of Corporate Culture and Rules and Regulations with the aim to help social hires quickly understand the culture, rules and regulations of the Company
Campus hire training project	Campus hires	Major project focusing on campus hires and studying of Brief History of Mobile Games Publishing, Introduction to the Company's Principal Business and Organizational Structure, Corporate Culture, System Training, Basic Science of Game Products, and New Talents from Students to Workplace, etc., so as to brief the campus hires to let them quickly complete the transition from students to employees and integrate into the Company
Management training project	Management cadres	Management study course focusing on mid-level and senior management, so as to help the management master the essential management knowledge, concepts, approaches and tools for personal advancement in management capability
Pilot tutor system	Tutors	For the tutor team for internal training, the Company standardized the management and training of post tutors, and carried out courses such as "If the tutor has a set of tricks" to continuously empower the Company's talent training and innovative development
Business training project	All employees of the Company	Business training focusing on all employees and introduce courses such as "Principles and Certification of Game User Behavior", so as to help employees know more business and master business knowledge for personal advancement
Quality training course	All employees of the Company	General course on quality focusing on all employees and introduce courses like "Structured Thinking and Reporting" so as to solve the learning needs of employees on general ability and help employees to improve their workplace etiquette
3K TALK Project	All employees of the Company	Sharing of views focusing on all employees such as "Cheers, ACG", with the aim to provide employees with a multi-dimensional display and learning platform, so as to help broaden the perspectives of employees
"Hello, 3K" Cultural Activity	All employees of the Company	Corporate culture activities for all employees, the Company organized activities such as the "Impressive 3K" to communicate face-to-face with senior management, and deeply discussed the corporate culture through different roles and perspectives.

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In order to build a good learning environment, we have built a large reading zone in the open office space to support employees to learn independently. At the same time, we keep pace with the times and meet the ever-changing needs of the industry, formulate different types of training courses, and provide rich training resources to improve the professional quality and business capabilities of employees.

We pay attention to the development and growth of employees within the enterprise, and provide smooth career development paths for employees of different positions and ranks. The Group has established a promotion committee to conduct a fair and equitable reasonable rotation mechanism and promotion mechanism for employees through the “Administrative Measures for Employee Changes and Compensation” and the “Promotion Process for Rank and Rank” as a reference indicator for employee salary adjustment and promotion, in order to commend employees’ contributions. We consider the interests of the enterprise, and evaluate the individual ability, performance and salary of employees to ensure the internal reasonableness of the remuneration system.

7. GIVING BACK TO SOCIETY

While achieving steady development, FingerTango always keeps social responsibility in mind and actively carries out various charity and volunteer activities to give back to the society and people’s livelihood with practical actions.

FingerTango aims to promote long-term and effective public welfare and charity. Therefore, we have established Guangzhou Shiguang Public Welfare Foundation to respond to the needs of long-term social development. During the year, we invested a total of RMB614,200 in three aspects, namely “cultivating talents for education”, “caring for minors” and “solving difficulties and delivering warmth”, including a donation of RMB500,000 to inject new resources into the foundation.

Cultivating Talents for Education

Case: Donation of school bags to the second primary school in Deqin County, Shangri-La City, Yunnan Province

- This year, FingerTango donated 1,000 school bags to the second primary school in Deqin County, Shangri-La City, Yunnan Province.

Case: Donation of teaching equipment to Zaoyuan Primary School in Yan’an, Shaanxi Province

- This year, FingerTango donated teaching equipment with the value of RMB7,920 to Zaoyuan Primary School in Yan’an, Shaanxi Province.

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Case: Donation of computers to Qing Yuan San Pai Central School and Nan Gang Central School

- This year, FingerTango and Guangzhou Municipal Gaming Industry Association donated 10 sets of computers to Qingyuan Sampai Central School and Nangang Central School, and participated in the donation ceremony on site.



Yan'an Zaoyuan Primary School donated teaching equipment

Donation of school bags to Deqin County Second Primary School, Shangri-La City, Yunnan Province

Caring for Minors

Case: Donation of materials to the "Dreams Come True – Mid-Autumn Family Search Campaign"

- This year, FingerTango participated in the 2021 "Dreams Come True – Mid-Autumn Festival Family Search Campaign" organised by Taian Community of Tianhe District, Guangzhou, donating 10 sets of computers and installing them in the homes of 2 families of children.

Case: Youth Internet Safety Awareness Campaign

- This year, FingerTango participated in the "I do practical things for the masses, cyber security together to protect" 2021 Youth Cyber Security Promotion and Light Up Summer Vacation Micro Wishes campaign organised by the Party Group Service Centre of Tongde Street in Baiyun District and the Jiang Yi Community Committee of Xingang Street Office in Haizhu District, providing 100 children and youths in Guangzhou with micro wishes such as desks, chairs and electronic keyboards.



Donated materials to the “Mid-Autumn Festival Family Search Campaign”



Youth Internet Safety Awareness Campaign

Solving Difficulties and Delivering Warmth

Case: “Micro Love Station” project to help families in need

- This year, FingerTango participated in the “Micro Love Station” project initiated by the Guangzhou Tianhe District Charity Association, donating RMB10,000 to the project.

Case: Assistance to the Shanxi rainstorm disaster

- This year, FingerTango’s “Gleaning Light Charity Foundation” responded quickly to the disaster in Shanxi by donating RMB500,000 to the Shanxi Red Cross Society to help the people of Shanxi to tide over the difficult times.

Case: Fighting the pandemic together

- This year, FingerTango supported the Nanyuan Street Organisation in Liwan District, Guangzhou, by providing 60 cups of chilled drinks to medical Employee and volunteers at the nucleic acid testing site in Tianhe District, and giving 100 boxes of “eight treasures congee”, 600 pieces disposable raincoats and 100 pieces of 3k rechargeable battery packs to Liwan District, with a total value of RMB14,466.

Case: The Red Walk in Jinggangshan visited veterans

- This year, with the support and collaboration of the Jinggangshan Red Cross Society and the Veterans Affairs Bureau, FingerTango visited the veterans of the war of Resist America and Assist Korea in Jinggangshan Municipality, Jiangxi Province, to listen to their red stories and send them condolences and gifts.



Fighting the Pandemic Together



The Red Walk in Jinggangshan visited veterans

8. GREEN OPERATION

While deeply cultivating its business, FingerTango is committed to continuously improving the environmental sustainability of its business and creating a green corporate culture. We have strictly abided by the laws and regulations related to environmental protection such as the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and the Water Pollution Prevention and Control Law of the People's Republic of China. The Group is principally engaged in the mobile game industry. Our daily operations are mainly office activities, which mainly affect the consumption of electricity, the use of office consumables, domestic water and the generation of office domestic waste. The impact on the environment is minimal. In fact, we understand that an enterprise should shoulder the social responsibility of protecting the environment, strive to minimize the impact on the environment in daily business operations, and enhance the environmental awareness of employees to mitigate the potential impact on the environment as much as possible.

During the reporting period, the Group was not aware of any cases of non-compliance with environmental protection laws and regulations.

8.1 Advocating Environmental Protection Concept

In order to mitigate the potential impact of FingerTango's operation on the environment, we have implemented a green office as the main policy to comprehensively manage the aspects of energy, water resources, waste and greenhouse gas emissions, so as to effectively ensure that the resources are consumed in the right place and promote the Group's environmental performance. To this end, FingerTango has set a preliminary directional goal this year, further integrating the concept of green development into daily office and operation.

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Environmental aspects	Goal
Greenhouse Gas Emissions	According to the Group's energy conservation measures, actively implement and maintain or gradually reduce the intensity of greenhouse gas emissions in the future when the operation level is similar to that of 2021.
Energy use efficiency	According to the Group's energy conservation measures, actively implement and maintain or gradually reduce the intensity of electricity consumption in the future when the operation level is similar to that of 2021.
Water use efficiency	According to the Group's water conservation measures, actively implement and maintain or gradually reduce the water consumption intensity in the future when the operation level is similar to that of 2020.
Waste Reduction	According to the Group's material saving measures, actively implement and maintain or gradually reduce the intensity of waste generation compared to 2021 with similar operation level.

Greenhouse Gas Emission Management

FingerTango deeply understands that greenhouse gas emission management is essential to mitigate climate change risks. We try our best to reduce the carbon footprint of our operations and actively implement low-carbon operations.

The Group conducts GHG emissions inspections according to the Greenhouse Gas Protocol issued by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 set by the International Organization for Standardization for the Group's offices in Shanghai and Guangzhou. During the reporting period, the summary of GHG emissions is as follows:

GHG Emissions Performance	Unit	2021
GHG Emissions¹		
Direct GHG emissions (Scope 1)	tonnes of CO ₂ equivalent	245.75
Indirect GHG emissions (Scope 2)	tonnes of CO ₂ equivalent	302.87
Total GHG emissions (Scope 1 and 2)	tonnes of CO ₂ equivalent	548.62
GHG emissions intensity		
GHG emissions intensity (per square metre)	tonnes of CO ₂ equivalent/square metre	0.09
GHG emissions intensity (per employee)	tonnes of CO ₂ equivalent/employee	1.45

Scope 1: Direct GHG emissions generated by sources owned and controlled by the Group.

Scope 2: Indirect greenhouse gas emissions from electricity generation, heating and cooling or steam purchased by the Group

¹ Calculated based on the emission factors in the "Environmental Key Performance Index Guide" in Appendix 2 to the Stock Exchange

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In addition to greenhouse gases, the types and data of emissions generated by vehicles are as follows:

Emission Type ¹	Unit	2021
Nitrogen oxides (NO _x)	kg	184.74
Sulphur oxides (SO _x)	kg	0.19
Particulate Matter (PM)	kg	17.20

We have identified that the Group's greenhouse gas emissions are mainly from fuel consumption of its vehicles (Scope 1) and electricity consumption during business operations (Scope 2). During the year, the Group's total GHG emissions amounted to 548.62 tCO₂e, representing an increase of approximately 33%² as compared to last year. To this end, we implement company vehicle management and conduct regular inspection and maintenance for company vehicles to maintain vehicle efficiency and prevent unnecessary fuel waste. In addition, we also encourage employees to take public transportation and share transportation to reduce the need for employees to use company vehicles. For the use of company vehicles, we require employees to turn off the engine when idling to reduce carbon emissions and air emissions.

Energy management

In order to further reduce greenhouse gas emissions, we take green energy conservation as the main strategy to optimize the use of energy in the office, including the management of air-conditioning system, lighting system and other electronic equipment.

In terms of lighting system and other electronic equipment, we have used highly energy efficient LED lights in all of our office areas and employ lighting time control devices to control lighting devices, so as to improve the energy efficiency of lighting devices. In order to reduce the use of lamps, we have used glass and other materials as much as possible during decoration, and used daylight as much as possible. At the same time, we have also installed lighting devices with sensor control functions in places with low utilization rates such as staircases and toilets. We actively cultivate good habits of employees to turn off the lighting system and other electronic equipment when leaving the office, and arrange for colleagues and security guards to inspect the site every day to ensure that the equipment is turned off.

In terms of air-conditioning system, we control the indoor air-conditioning temperature to be maintained at 25–26°C, so as to adjust a suitable environmental temperature for employees. As far as practicable, our employees are allowed to wear casual clothing to work on Fridays when they are not in need, so as to reduce the demand for air conditioning. At the same time, we also regularly clean the air-conditioning system, filter filters and coil fans to reduce the possibility of refrigerant leakage and ensure the high efficiency of the air-conditioning system.

During the reporting period, our consumption of purchased electricity is as follows, given the addition of the research and development (R&D) team in 2021, the electricity consumption per employee has increased reasonably compared with last year.

Electricity purchased	Unit	2021
Electricity purchased	kWh	496,420.65
Electricity purchased intensity (per square meter)	kWh/square metre	78.09
Electricity purchased intensity (per employee)	kWh/employee	1,313.28

2 During the year, the Group's total greenhouse gas emissions increased reasonably due to the increase in the demand for the Company's new vehicles and external service, as well as the increase in the number of research and development personnel, and the increase in the fuel consumption of vehicles, the mileage of vehicles and the total power consumption of operation.

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Water resources management

The Group treasures water consumption and implements various water conservation measures. There is no issue in sourcing water that is fit for purpose.

Starting from reducing unnecessary water waste, we post water-saving labels in pantries and washrooms to remind employees to conserve water and control water flow. We have adopted environmental-friendly energy-saving toilets with high energy-efficiency compression flushing technology and innovative super-large pipe-diameter flushing valves, which could not only meet the flushing effect but also save water. In addition, we also encourage employees from various departments to notify the administrative department in a timely manner if they discover any water leakage, water leakage or dripping. The administrative department arranges professionals for maintenance to cultivate the water-saving culture of the Company.

During the reporting period, our water consumption data is as follows:

Water resources consumption	Unit	2021
Total water consumption	Cubic metre	2,179.00
Total water consumption intensity (per employee)	Cubic metre/employee	5.76

Cherishing Natural Resources and waste management

FingerTango understands the importance of good waste management. The Group has formulated the Management Measures and Processing Procedures for Waste Materials to regulate the disposal of waste materials. In order to create an environmentally friendly atmosphere in the office and achieve our goals, we encourage our employees to reduce the use of disposable items during travel and office work, such as disposable lunch boxes, tableware, paper cups and plastic bags, and provide environmental friendly bags and personal cups for new employees. The Group's canteen has adopted trays that can be cleaned to support the reuse of utensils. We also encourage employees to reuse envelopes, folders, clips and other stationery, and make good reuse of single-sided copy paper. In addition, we adopt waste classification and support recycling. We set up recycling bins and collection point for cartons and waste batteries at the Company's front desk to classify recyclable, hazardous waste, food waste from restaurants and other waste, and deliver them to professional qualified third-party enterprises for treatment.

At the same time, we use recyclable toner cartridges and ink cartridges, and use paper certified by the China Forest Certification (CFCC) Programme for the Endorsement of Forest Certification (PEFC) to ensure that all paper is from sustainable forests and recycled controllable resources. The Group actively promotes paperless office by replacing paper usage with electronic communication and transmission technology through the updated and optimized electronic office OA system. We encourage employees to use double-sided printing when necessary.

During the reporting period, the Group consumed a total of 150.00 kg of non-hazardous waste and 0.40 kg per employee. The waste production data is as follows:

Total Waste Performance	Unit	2021
Non-hazardous Waste		
Total non-hazardous waste	kg	150.00
Non-hazardous waste intensity	kg/employee	0.40
Non-hazardous waste recycled	kg	70.00
Hazardous Waste		
Light tubes	kg	10.00
Battery	kg	2.00
Cartridge	piece	12
Scrap IT equipment	piece	130

Environmental, Social and Governance Report



Guangzhou domestic waste classification and disposal guide



Recyclable collection box in the office

8.2 Response to Climate Change

Climate change is one of the major environmental issues in the world. FingerTango strives to assume the responsibility as a corporate citizen. In line with the national vision to reach peak by 2030 and achieve carbon neutrality by 2060, FingerTango actively adapts to and responds to the potential risks brought by climate change to the Group. To identify and monitor various relevant risks and opportunities.

We understand that the increasing demand for sustainable products from investors and customers may pose market risks to us. FingerTango actively studies the feasibility of integrating low-carbon concepts into game products, and develops game products that meet the green and low-carbon concept. We have incorporated climate change elements into the Group's game brand "my Mission" to alert game players to the environment of extreme weather brought by climate change and promote the importance of environmental protection.³ In addition, we are also aware of the frequent extreme weather events caused by climate change, which will eventually affect the personal safety and daily operations of the Group's employees, and even bring possible economic losses. Therefore, we have identified physical acute risks, strictly complied with relevant extreme weather guidelines issued by the government, issued work arrangement instructions to employees under typhoon and rainstorm warnings, and adopted energy-saving measures to reduce energy consumption.⁴

3 Please refer to the section headed "4.2 Health and Safety Tour"

4 Please refer to the section headed "8.1 Advocating Environmental Protection Concept"

Appendix I ESG Related Laws, Regulations, and Policies

FingerTango 2021 ESG related laws, regulations, and policies

ESG aspects	Compliance with external laws and regulations	Internal policies of the Company
A1 Emissions	<i>National Catalogue of Hazardous Wastes Regulations on the Administration of Domestic Waste Classification in Guangzhou Administrative Measures for Urban Domestic Garbage</i>	<i>Waste Management Approach & Handling Procedure FingerTango Office Energy Conservation Guidelines</i>
A2 Use of resources	<i>Energy Conservation Law of the PRC Water Pollution Prevention and Control Law of the PRC</i>	<i>FingerTango Office Energy Conservation Guidelines “3K Game Security Service Workflow”</i>
A3 Environment and natural resources	<i>Environmental Protection Law of the PRC Energy Conservation Law of the PRC</i>	<i>FingerTango Office Energy Conservation Guidelines Explanation on Wastes Management Procedure</i>
A4 Climate change	<i>China’s Policies and Actions for addressing Climate Change White Paper</i>	The Group actively follows the national strategy for addressing climate change, identifies possible climate change risks in its operations, and continues to adopt energy conservation and environmental protection measures in this report to reduce energy consumption.
B1 Employment	<i>Labour Law of the PRC Labour Contract Law of the PRC Tax Law of the PRC Social Insurance Law of the PRC Regulations on Unemployment Insurance Tentative Measures for Corporate Employee Maternity Insurance Regulations on Management of Housing Fund</i>	<i>Employee Welfare Management System Employee Promotion and Remuneration Management Measures Welfare Costs Adjustment Plan</i>
B2 Health and safety	<i>Employment Injury Insurance Provisions of the People’s Republic of China Supervision and Management Regulations on Work Space Occupational Sanitation Fire Control Law of the PRC</i>	<i>Employee Welfare Management System</i>
B3 Development and training	<i>Labour Law of the PRC</i>	<i>3K Employee Training Agreement 2021 3K Social Recruitment Integration Plan 2021 3K Campus Recruitment Foster Plan 2021 3K Academy – Certified Internal Trainer Training Programme</i>
B4 Labour standards	<i>Law of the PRC on the Protection of Minors Provisions on Prohibition of Child Labour</i>	The Group recruits university and college graduates and people with work experiences, and confirms their age by checking their IDs during onboarding, preventing child labour from the beginning.

Appendix I ESG Related Laws, Regulations, and Policies

FingerTango 2021 ESG related laws, regulations, and policies

ESG aspects	Compliance with external laws and regulations	Internal policies of the Company
B5 Supply chain management	<i>Company Law of the PRC</i> <i>Contract Law of the PRC</i>	<i>Anti-Fraud, Anti-Corruption and Anti-Commercial Bribery System</i> We have considered environmental and social risk factors in our contracts with suppliers of meals, electronics, office equipment and security service.
B6 Product responsibility	<i>Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers</i> <i>Regulation on Internet Information Service of the People's Republic of China</i> <i>Interim Provisions on Cyber Culture Management</i> <i>Advertisement Law of the People's Republic of China</i> <i>Interim Measures for Online Advertisement Management</i> <i>Product Quality Law of the People's Republic of China</i> <i>Provisions on Publication Administration</i> <i>Notice on Mobile Game Publication Service Management</i> <i>Regulations on Online Publication Service Administration</i> <i>Trademark Law of the People's Republic of China</i> <i>Measures for the Administration of Telecommunications Business Licensing</i> <i>Notice of the Ministry of Culture on Enhancing Afterwards Supervision and Strengthening Regulations of Online Games</i> <i>Regulations on Internet Player Account Name Administration</i> <i>Cybersecurity Law of the People's Republic of China</i> <i>Intellectual Property Rights Protection Law of the People's Republic of China</i> <i>Implementation Plan for Comprehensive Prevention and Control of Juvenile Myopia</i> <i>Further Imposing Strict Administrative Measures to Prevent Minors from Becoming Addicted to the Internet</i>	<i>3K Games Privacy Policies (2021 version)</i> <i>Regulations on Advertisement Content Review</i> <i>3K Regulations on Quality Inspection Works on Customer Service</i> <i>3K GM Telephone Complaint Reception Guidelines</i> <i>Explanation on 3K Game User Data Destruction Procedure</i> <i>Workflow for Player Visit (generic version)</i> <i>Game Work Sheet Handling Procedure of GM Customer Service Center</i> <i>Regulations on Daily Monitoring Works (2020 version)</i> <i>Player Group Works Guidelines</i> <i>Community Monitoring Work Regulations</i>
B7 Anti-corruption	<i>Law of the People's Republic of China on Anti-Unfair Competition</i> <i>Interim Provisions on Banning Commercial Bribery</i> <i>Company Law of the PRC</i>	<i>Anti-Fraud, Anti-Corruption and Anti-Commercial Bribery System</i>
B8 Community investment	<i>Charity Law of the People's Republic of China</i>	The Group established Guangzhou Shiguang Community Foundation (廣州市拾光公益基金會) to carry out various charitable activities.

Appendix II: Sustainability Data Statements

Environmental performance ⁵	Unit	2021	2020
Air Emissions¹			
Nitrogen oxides (NO _x)	kg	184.74	113.15
Sulphur oxides (SO _x)	kg	0.19	0.12
Particulate matter (PM)	kg	17.20	10.54
GHG emissions¹			
Direct GHG emissions (Scope 1)	tonnes CO ₂ equivalent	245.75	187.53
Indirect GHG emissions (Scope 2)	tonnes CO ₂ equivalent	302.87	225.92
Total GHG emissions (Scope 1 and 2)	tonnes CO ₂ equivalent	548.62	413.45
GHG Emissions Intensity			
GHG emissions Intensity (per square metre)	tonnes CO ₂ equivalent/square metre	0.09	0.065
GHG emissions Intensity (per employee)	tonnes CO ₂ equivalent/employee	1.45	1.11
Energy Consumption			
Total energy consumption	kWh	612,439.17	443,964.55
Energy consumption intensity (per employee)	kWh/employee	1,620.21	1,193.45
Total electricity purchased	kWh	496,420.65	370,302.00
Total electricity purchased intensity (per square metre)	kWh/square metre	78.09	57.98
Total electricity purchased intensity (per employee)	kWh/employee	1,313.28	995.44
Gasoline consumption	Litre	12,600.00	8,000.00
Water Consumption			
Total water consumption	m ³	2,179.00	2,256.00
Total water consumption intensity (per employee)	m ³ /employee	5.76	6.06
Non-hazardous Waste			
Total non-hazardous waste	kg	150.00	160.00
Non-hazardous waste intensity (per employee)	kg/employee	0.40	0.43
Non-hazardous waste recycled	kg	70.00	80.00
Hazardous Waste			
Fluorescent tube	kg	10.00	26.25
Used battery	kg	2.00	4.00
Toner cartridges	piece	12	10
Scrap IT equipment	piece	130	110
Use of materials			
Refrigerants	kg	148.00	116.00
Paper consumption	kg	650.00	655.00
Paper consumption intensity (per employee)	kg/employee	1.72	1.76

⁵ The scope of environmental data includes the Group's offices in Shanghai and Guangzhou.

Appendix II: Sustainability Data Statements

Social performance	Unit	2021	2020
Total employees	no. of people	334	372
Total Employees (by Gender)			
Total female employees	no. of people	122	120
Total male employees	no. of people	212	252
Total Employees (by Age Group)			
Below 30	no. of people	186	254
30–50	no. of people	148	118
Above 50	no. of people	0	0
Total Employees (by Employee Category)⁶			
Full-time development/R&D	no. of people	164	191
Full-time operation	no. of people	97	108
Full-time supporting department	no. of people	73	73
Total Employees (by Geographical Region)⁷			
Employees in East China	no. of people	2	2
Employees in South China	no. of people	332	370
Employee Turnover Rate⁸ (by Gender)			
Female	Percentage	13.8	11.7
Male	Percentage	22.6	27.8
Employee Turnover Rate⁸ (by Age Group)			
Below 30	Percentage	24.2	32.7
30–50	Percentage	12.1	6.8
Above 50	Percentage	0	0
Employee Turnover Rate⁸ (by Geographical Region)⁷			
Employees in East China	Percentage	0	5.7
Employees in South China	Percentage	36.4	33.8
Percentage of employees trained (by Gender)⁹			
Female	Percentage	43.5	36.5
Male	Percentage	56.5	63.5
Percentage of employees trained⁹ (by Employee Category)⁶			
Full-time development/R&D	Percentage	11.8	39.6
Full-time operation	Percentage	68.8	39.0
Full-time supporting department	Percentage	19.4	21.3

6 During the year, the Group did not employ part-time employees.

7 Based on the actual location of work.

8 Calculation method: number of employee turnover ÷ (number of employee turnover + number of year-end employee) x 100%.

9 Calculation method: number of employees of the category trained ÷ total number of employees trained x 100%

Appendix II: Sustainability Data Statements

Social performance		Unit	2021	2020
Average Training Hours for Each Employee (by gender)				
Female	hours		1.5	9.3
Male	hours		2.4	14.5
Average Training Hours for Each Employee (by employee type⁶)				
Full-time development/R&D	hours		4.6	10.2
Full-time operation	hours		6.3	13.5
Full-time supporting department	hours		2.8	11.7
Occupational Health and Safety				
Work-related Injuries and Fatalities of Directly Employed Workers				
Rate of work-related fatalities occurred in each of the past three years including the reporting year (Year 2019,2020,2021)	Percentage		0	0
Number of work-related fatalities occurred in each of the past three years including the reporting year (Year 2019,2020,2021)	no. of people		0	0
Lost days due to work injury	days		0	0
Anti-corruption				
Number of concluded cases regarding corrupt practices brought against the Group or employee	no. of cases		0	0
Community investment				
Public service investment	RMB		614,200	3,262,000
Total number of participations for employees participating in public service activities ¹⁰	no. of participations		40	244

¹⁰ Data for 2020 includes employees participating in charity activities and donations. Since the Group's donation activity was carried out by the Foundation during the year, the data for 2021 did not include employees who made donations.

APPENDIX III: Content Index of Hong Kong Stock Exchange ESG Guide

Description of indicator		Relevant Chapter	
A. Environmental Area			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	8.1 Advocating Environmental Protection Concept
	A1.1	The types of emissions and respective emissions data.	8.1 Advocating Environmental Protection Concept Appendix II: Sustainability Data Statements
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8.1 Advocating Environmental Protection Concept Appendix II: Sustainability Data Statements
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8.1 Advocating Environmental Protection Concept Appendix II: Sustainability Data Statements
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8.1 Advocating Environmental Protection Concept Appendix II: Sustainability Data Statements
	A1.5	Description of emission target(s) set and steps taken to achieve them.	8.1 Advocating Environmental Protection Concept
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	8.1 Advocating Environmental Protection Concept
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources (including energy, water and other raw materials).	8.1 Advocating Environmental Protection Concept
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	8.1 Advocating Environmental Protection Concept Appendix II: Sustainability Data Statements
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	8.1 Advocating Environmental Protection Concept Appendix II: Sustainability Data Statements
	A2.3	Description of energy use efficiency target (s) set and steps taken to achieve them.	8.1 Advocating Environmental Protection Concept
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	8.1 Advocating Environmental Protection Concept
	A2.5	Total packaging material used for finished products (in kg) and, if applicable, with reference to per unit produced.	Not applicable, the Group's business does not involve packaging materials

Appendix III: Content Index of Hong Kong Stock Exchange ESG Guide

Description of indicator			Relevant Chapter
A3: Environmental and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	8.1 Advocating Environmental Protection Concept
	A3.1	Describe the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	8.1 Advocating Environmental Protection Concept
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	8.2 Response to Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	8.2 Response to Climate Change
B. Social Area			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	6.1 Protection of Employment Rights 6.2 Focus on Employee Well-being
	B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Appendix II: Sustainability Data Statements
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix II: Sustainability Data Statements
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.3 Safeguarding Employees' Health
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix II: Sustainability Data Statements
	B2.2	Lost days due to work injury.	Appendix II: Sustainability Data Statements
	B2.3	Describe occupational health and safety measures adopted, how they are implemented and monitored.	6.3 Safeguarding Employees' Health
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.4 Cultivating Outstanding Talents
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix II: Sustainability Data Statements
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix II: Sustainability Data Statements

Appendix III: Content Index of Hong Kong Stock Exchange ESG Guide

Description of indicator		Relevant Chapter	
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.1 Protection of Employment Rights
	B4.1	Describe measures to review employment practices to avoid child and forced labour.	6.1 Protection of Employment Rights
	B4.2	Describe steps taken to eliminate such practices when discovered.	6.1 Protection of Employment Rights
B5: Supply chain management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.3 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	5.3 Supply Chain Management
	B5.2	Describe the practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.3 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.3 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.3 Supply Chain Management
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.2 Health and Safety Game 4.5 Protection of Customer Privacy
	B6.1	Percentage of sold or shipped products to be recalled due to safety and health reasons.	4.2 Health and Safety Game
	B6.2	Number of products and service related complaints received and how they are dealt with.	4.3 High-quality Customer Service
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.1 Respect for Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	4.4 Product and Service Quality Management
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.5 Protection of Customer Privacy

Appendix III: Content Index of Hong Kong Stock Exchange ESG Guide

Description of indicator		Relevant Chapter	
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.2 Integrity and Compliance Operation
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.2 Integrity and Compliance Operation Appendix II: Sustainability Data Statements
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.2 Integrity and Compliance Operation
	B7.3	Description of anti-corruption training provided to directors and employees.	5.2 Integrity and Compliance Operation
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Giving Back to Society
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7. Giving Back to Society
	B8.2	Resources contributed to the focus area.	7. Giving Back to Society

Independent Auditor's Report



To the Shareholders of FingerTango Inc.

(Incorporated in the Cayman Islands with limited liability)

Qualified Opinion

We have audited the consolidated financial statements of FingerTango Inc. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 104 to 165, which comprise the consolidated statement of financial position as at 31 December 2021, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Qualified Opinion

1. Certain investments at fair value through profit or loss

No sufficient evidence has been provided to satisfy ourselves as to the valuation and recoverability of the carrying amount of certain investments at fair value through profit or loss of RMB52,976,000 in the consolidated statement of financial position as at 31 December 2021 and whether which change in fair value on investments at fair value through profit or loss of RMB2,556,000 is properly recorded.

We were unable to obtain the financial information in relation to these listed equity securities, which the trading is suspended on The Stock Exchange of Hong Kong Limited, on assessing its fair value and recoverability of the investment to the Group.

There are no other satisfactory audit procedures that we could adopt to determine whether any allowances for non-recovery of these amounts should be made in the consolidated financial statements.

Basis for Qualified Opinion (continued)

2. Notes receivables and certain other receivables

As disclosed in notes to the consolidated financial statements, the carrying amount of notes receivables is nil and the carrying amount of certain other receivables is nil as at 31 December 2021. Loss allowance provisions of RMB202,241,000 and RMB327,966,000 respectively had been made for the year ended 31 December 2021.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the nil carrying amount of notes receivables and the nil carrying amount of certain other receivables as at 31 December 2021, and whether which loss allowance provisions of RMB202,241,000 and RMB327,966,000 respectively are properly recorded for the year ended 31 December 2021. The management is still in progress on negotiating with these issuer and borrowers on settlements of these outstanding amounts. In the absence of the information in relation to the financial status of these issuer and borrowers on assessing its ability for settling on these outstanding amounts to the Group, the management considered that there is uncertainty on recovering these notes receivables and certain other receivables. The management has initiated actions including but not limited to legal action against these issuer and certain borrowers on the overdue balances, however no result from actions is available up to the date of this report for justifying the extent of the recoverability of the aforesaid outstanding amounts. There are no other satisfactory audit procedures that we could adopt to determine whether these loss allowance provisions are properly recorded in the consolidated financial statements.

Any adjustment to the figures as described from points 1 to 2 above might have a consequential effect on the Group's consolidated financial performance for the year ended 31 December 2021, the consolidated financial position as at 31 December 2021, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue and cost of revenue

Refer to Note 7 to the consolidated financial statements.

The Group is engaged in publishing third party/self-owned games to game players through third party and self-operated platforms. Revenue derives from sales of in-game virtual items and is recognised ratably over the estimates of playing period of paying players ("Player Relationship Period") as the Group has a continuing implied obligation to game developers and game players. Commissions charged by platforms are recognised in cost of revenue ratably over the Player Relationship Period as the platforms have similar obligations to the Group. In addition, the Group pays commissions to third party game programmers who are sub-contractors of the Group's self-owned game. The commissions are also recognised in cost of revenue ratably over the Player Relationship Period.

Independent Auditor's Report

Key Audit Matters (continued)

Revenue and cost of revenue (continued)

During the year ended 31 December 2021, the Group's revenue from game publishing amounted to RMB613,007,000. The balance of contract liabilities amounted to RMB90,272,000 as at 31 December 2021.

During the year ended 31 December 2021, the commissions charged by platforms and game programmers (where the Group is the game owner) amounted to RMB194,814,000 and RMB30,031,000 respectively. The balance of contract costs amounted to RMB33,042,000 as at 31 December 2021.

The Group determines the Player Relationship Period on a game-by-game basis taking into account all known and relevant information at the time of assessment. We focused on this area due to the fact that management applied significant judgements and estimation in determining the Player Relationship Period of each game. These judgements and estimation included: (i) the determination of key assumptions applied in the Player Relationship Period, including but not limited to the games profile, target audience and players of different demographic groups; (ii) the identification of events that may trigger changes in the Player Relationship Period; and (iii) the estimation of Player Relationship Period of newly launched games by considering the performance of similar types of games.

Our audit procedures included, among others:

- Understanding and evaluating the key internal controls in relation to the assessment of the Player Relationship Period;
- On a sample basis, validating key internal controls in respect of the assessment of the Player Relationship Period, including management's review and approval of (i) determination of the estimated Player Relationship Period of new games; and (ii) changes in the estimated Player Relationship Period of existing games based on periodic reassessment on any indications triggering such changes;
- Validating the data generated from the Group's information system used for the assessment of the Player Relationship Period, including testing the information technology general controls and verifying the data integrity;
- Evaluating the reasonableness of key assumptions applied in the determination of Player Relationship Period by comparing the Group's game profile with existing games category and assessing the variation on profile of target audience and players of different demographics groups;
- Testing the accuracy of revenue and cost of revenue by confirming the sales proceeds amount with the platforms, testing the reconciliation between cash received and sales proceeds, and checking the commission percentage charged by platforms and third party game programmers to the contract, on a sample basis;
- Testing the result of Player Relationship Period by reperforming the computation, on a sample basis;
- Comparing the current Player Relationship Period with the results of prior years to assess the reasonableness of the original estimation, on a sample basis;

Key Audit Matters (continued)

Revenue and cost of revenue (continued)

Our audit procedures included, among others: (continued)

- Comparing the newly launched games with existing game profile and assessing the reasonableness of the Player Relationship Period by comparing it with the results of similar types of games, on a sample basis; and
- Recalculating revenue and contract liabilities, cost of revenue and contract costs based on the respective Player Relationship Period of each game on a sample basis.

We consider that the Group's estimates of the contract assets and contract liabilities balances, as well as the revenue and cost of revenue recognised are supported by the available evidence.

Investments at fair value through profit or loss

Refer to Note 20 to the consolidated financial statements.

The Group measured its investments at fair value through profit or loss with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of certain investments at fair value through profit or loss of RMB179,365,000 as at 31 December 2021 is material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of these certain investments at fair value through profit or loss are supported by the available evidence.

Independent Auditor's Report

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about valuation and recoverability of certain investments at fair value through profit or loss and recoverability of notes receivables and certain other receivables. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matter.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Audit Engagement Director

Practising Certificate Number P07374

Hong Kong, 31 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	7	613,007	748,234
Cost of revenue		(252,255)	(284,238)
Gross profit		360,752	463,996
Selling and marketing expenses		(186,383)	(193,707)
Administrative expenses		(105,712)	(116,030)
Research and development expenses		(76,346)	(58,470)
Other income	8	8,328	7,961
Other losses, net	9	(532,577)	(636)
Operating (loss)/profit		(531,938)	103,114
Interest revenue	10	29,569	46,408
Lease interests		(1,173)	(311)
(Loss)/profit before income tax		(503,542)	149,211
Income tax expense	11	(13,857)	(21,572)
(Loss)/profit for the year attributable to owners of the Company	12	(517,399)	127,639
Other comprehensive expense:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(20,797)	(45,699)
Other comprehensive expense for the year, net of income tax		(20,797)	(45,699)
Total comprehensive (expense)/income for the year attributable to owners of the Company		(538,196)	81,940
(Loss)/earnings per share (RMB)	15		
— Basic		(0.2727)	0.0675
— Diluted		(0.2727)	0.0673

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property and equipment	16	9,193	7,794
Right-of-use assets	17	32,370	3,874
Intangible assets	18	18,096	5,251
Investments at fair value through profit or loss	20	119,246	67,328
Prepayments and deposits	23	12,159	21,611
Time deposits	26	—	20,000
Deferred tax assets	30	23,249	23,237
Total non-current assets		214,313	149,095
Current assets			
Trade receivables	21	76,495	53,036
Contract costs	22	33,042	32,255
Prepayments and deposits	23	25,384	88,398
Other receivables	24	97,742	407,732
Notes receivables	25	—	208,177
Investments at fair value through profit or loss	20	113,095	80,464
Restricted bank deposits	26	—	302
Time deposits	26	20,000	99,575
Bank and cash balances	26	608,041	521,549
Total current assets		973,799	1,491,488
TOTAL ASSETS		1,188,112	1,640,583
EQUITY AND LIABILITIES			
Equity			
Share capital	31	62	62
Reserves	33	894,237	1,430,638
Total equity		894,299	1,430,700

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Liabilities			
Current liabilities			
Trade payables	27	50,969	39,075
Contract liabilities	22	90,272	88,855
Accruals and other payables	28	87,557	47,713
Lease liabilities	29	7,517	3,294
Current tax liabilities		32,551	30,615
Total current liabilities		268,866	209,552
Non-current liabilities			
Lease liabilities	29	24,947	331
Total liabilities		293,813	209,883
TOTAL EQUITY AND LIABILITIES		1,188,112	1,640,583

The consolidated financial statements on pages 104 to 165 were approved and authorised for issue by the board of directors on 31 March 2022 and signed on its behalf by:

Liu Jie
Director

Zhu Yanbin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2020	62	712,720	(2)	190,341	437,467	1,340,588
Total comprehensive (expense)/ income for the year	—	—	—	(45,699)	127,639	81,940
Share-based payments (note 34)	—	—	—	9,791	—	9,791
Forfeit of RSUs (note 34)	—	—	—	(1,619)	—	(1,619)
Changes in equity for the year	—	—	—	(37,527)	127,639	90,112
At 31 December 2020	62	712,720	(2)	152,814	565,106	1,430,700
At 1 January 2021	62	712,720	(2)	152,814	565,106	1,430,700
Total comprehensive expense for the year	—	—	—	(20,797)	(517,399)	(538,196)
Share-based payments (note 34)	—	—	—	1,795	—	1,795
Changes in equity for the year	—	—	—	(19,002)	(517,399)	(536,401)
At 31 December 2021	62	712,720	(2)	133,812	47,707	894,299

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
(Loss)/profit before income tax	(503,542)	149,211
Adjustments for:		
Lease interests	1,173	311
Interest revenue	(29,569)	(46,408)
Depreciation	16,507	13,156
Amortisation of intangible assets	4,946	4,802
Loss on disposals of property and equipment	210	65
Net foreign exchange losses	148	189
Share-based payments expenses	1,795	8,172
Changes in fair value of investments at fair value through profit or loss	695	(6,024)
Loss allowance provision for trade receivables	6,420	120
Loss on written off intangible assets	502	—
Impairment on prepayments	29,749	25,357
Loss allowance provision for notes receivables	202,241	—
Loss allowance provision for other receivables	327,966	—
Provision for expected credit losses of notes and other receivables	4,022	14,041
Lease modification	(130)	—
Operating profit before changes in working capital	63,133	162,992
Change in trade receivables	(29,879)	21,939
Change in contract costs	(787)	9,871
Change in prepayments, deposits and other receivables	23,496	(235,124)
Change in trade payables	11,894	(29,968)
Change in contract liabilities	1,417	(37,762)
Change in accruals and other payables	39,888	1,551
Cash generated from/(used in) operating activities	109,162	(106,501)
Income tax paid	(11,839)	(10,554)
Interest received	14,565	39,137
Lease interests paid	(1,173)	(311)
Net cash generated from/(used in) operating activities	110,715	(78,229)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Cash flows from investing activities		
Placement of restricted bank deposits	—	(302)
Release of restricted bank deposits	302	892
Placement of time deposits	(140,000)	(139,575)
Release of time deposits	239,575	40,000
Purchases of property and equipment	(6,100)	(915)
Proceeds from disposals of property and equipment	270	23
Purchases of intangible assets	(4,590)	(1,958)
Purchases of investments at fair value through profit or loss	(274,713)	(383,000)
Settlement of investments at fair value through profit or loss	186,743	339,463
Prepayments for purchases of property and equipment and intangible assets	(2,440)	(5,886)
Proceeds from written off of prepayments for purchases of intangible assets	895	8,962
Net cash used in investing activities	(58)	(142,296)
Cash flows from financing activities		
Repayment of lease liabilities	(11,813)	(8,003)
Net cash used in financing activities	(11,813)	(8,003)
Net increase/(decrease) in cash and cash equivalents	98,844	(228,528)
Effect of foreign exchange rate changes	(12,352)	(27,885)
Cash and cash equivalents at the beginning of the year	521,549	777,962
Cash and cash equivalents at the end of the year	608,041	521,549
Analysis of cash and cash equivalents		
Bank and cash balances	608,041	521,549

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. General information

FingerTango Inc. (the “Company”) was incorporated in the Cayman Islands on 9 January 2018 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. 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 its headquarters is 3/F, Huixin Building, 1132 Zhongshan Avenue West, Tianhe District, Guangzhou, the People’s Republic of China (the “PRC”). Subsequent to the reporting period, the Company’s headquarters has been relocated to Building 5, Zone A, Huaxin Kechuang Island, No. 248 Qiaotou Street, Haizhu District, Guangzhou, the PRC with effect from 31 March 2022. 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 subsidiaries of the Company is set out in note 19 to the consolidated financial statements.

In the opinion of the directors of the Company (the “Directors”), as at 31 December 2021, LJ Technology Holding Limited, a company incorporated in the British Virgin Islands (“BVI”), is the ultimate holding company; and Mr. Liu Jie is the ultimate controlling party of the Company.

2. Adoption of new and revised International Financial Reporting Standards

In the current year, 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 International Accounting Standards Board (“IASB”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s 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. Significant accounting policies

These consolidated financial statements have been prepared in accordance with IFRSs issued by IASB, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars ("HK\$"). The directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

3. Significant accounting policies (continued)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Servers and other equipment	3–5 years
Motor vehicles	4 years
Leasehold improvements	Over the shorter of estimated useful lives or remaining terms of the lease

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate of buildings is 20%–50%.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below United States dollars ("USD") 5,000 (equivalent to RMB35,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Licenses

Under certain exclusive online mobile games arrangements entered between the Group and the game developers, the Group pays upfront license fees to the game developers to obtain an exclusive right to operate the games in specified geographic areas for a certain period of time. The Group recognises the exclusive license fee as an intangible asset. The intangible asset is amortised on a straight-line basis upon the commercial launch of the related online mobile games over the shorter of the estimated economic game life and the license period of the games, which range from 2 to 10 years. The amortisation is expensed to cost of revenue.

Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 1.25 to 10 years.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. Significant accounting policies (continued)

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as under the following categories:

- Financial assets at amortised cost; and
- Investments at fair value through profit or loss.

(a) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(b) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. Significant accounting policies (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Employee benefits (continued)

(b) Pension obligations

The Group's subsidiaries incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organised by relevant government authorities in the PRC on a monthly basis. Employees of the Group in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on a fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees. The government authorities undertake to assume the retirement benefit obligations payable and other social security payables to all existing and future retired employees under these plans and the Group has no further obligation beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payment

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

Equity-settled share-based payments to directors, employees and consultants are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value of the employee services received in exchange for the grant of the share-based awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share-based awards granted:

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

3. Significant accounting policies (continued)

Share-based payment (continued)

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

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

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Significant accounting policies (continued)

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except deferred tax assets, investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

3. Significant accounting policies (continued)

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Critical judgement and key estimates

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements:

Contractual Arrangements

The Group conducts its business through Shanghai Youmin Networks Technology Limited ("Youmin Networks") and its subsidiaries (collectively referred to as the "PRC Operating Entities") in the PRC. Due to the regulatory restrictions on the foreign ownership of the publishing of mobile game business (the "Publishing Business") in the PRC, the Group does not have any equity interest in Youmin Networks. The Directors assessed whether or not the Group has control over Youmin Networks and its subsidiaries by assessing whether it has the rights to variable returns from its involvement with Youmin Networks and its subsidiaries and has the ability to affect those returns through its power over Youmin Networks and its subsidiaries. After assessment, the Directors concluded that the Group has control over Youmin Networks and its subsidiaries as a result of a series of agreements signed on 24 March 2018 (the "Contractual Arrangements") and accordingly the financial position and the operating results of Youmin Networks and its subsidiaries are included in the Group's consolidated financial statements. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Youmin Networks and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Youmin Networks and its subsidiaries. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements with Youmin Networks and its equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. Critical judgement and key estimates (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Revenue recognition

Pursuant to game publishing and operation arrangements signed between the Group and the third party game developers or third party distribution platforms ("Platforms"), the Group's responsibilities in publishing and operating the licensed or commissioned-developed games vary for each game. The determination of whether to record these revenues using gross or net basis is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor to the game developers and game players in the arrangements; (ii) has latitude in establishing the selling price of virtual items; (iii) changes the products or performs part of the services; (iv) has involvement in the determination of product and service specifications; and (v) has the rights to determine secondary Platforms and payment channels.

(b) Estimates of the playing period of paying players ("Player Relationship Period") in the Group's game publishing services

As described in note 7 to the consolidated financial statements, the Group recognises revenue from virtual items ratably over the Player Relationship Period. The determination of Player Relationship Period of each game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate.

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. Critical judgement and key estimates (continued)

Key sources of estimation uncertainty (continued)

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(e) Fair value of investments

In the absence of quoted market prices in an active market, the Directors estimate the fair value of the Group's unlisted wealth management products and private equity investments, details of which are set out in note 6 to the consolidated financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of the Group's unlisted wealth management products and private equity investments.

5. Financial risk management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are denominated in either RMB or USD. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2021, if RMB had weakened/strengthened 5% against USD with all other variables held constant, consolidated loss after income tax for the year would have been RMB22,000 lower/higher (2020: consolidated profit after income tax for the year would have been RMB1,714,000 higher/lower), arising mainly as a result of the foreign exchange gains/losses on translation of USD denominated cash and cash equivalents and receivables of the subsidiaries of the Company in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. Financial risk management (continued)

(b) Price risk

The Group's investments at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The Directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

As at 31 December 2021, if the fair value of the investments increase/decrease by 5%, loss before income tax for the year would have been RMB11,617,000 lower/higher (2020: profit before income tax for the year would have been RMB7,390,000 higher/lower), arising as a result of the fair value gain/loss of the investments.

(c) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables, and investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on bank and cash balances and investments at fair value through profit or loss are limited because the counterparties are reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

Trade receivables are due from Platforms and payment channels in cooperation with the Group. If the strategic relationship with the Platforms and payment channels is terminated or scaled-back; or if the Platforms and payment channels alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's game publishing receivables might be adversely affected in terms of recoverability. To minimise this risk, the Group maintains frequent communications with the Platforms and payment channels to ensure the effective credit control. In view of the history of cooperation with the Platforms and payment channels and the sound collection history of receivables due from them, the Directors believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the Platforms and payment channels is low.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

5. Financial risk management (continued)

(c) Credit risk (continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

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For the year ended 31 December 2021

5. Financial risk management (continued)

(c) Credit risk (continued)

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12-month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
At 31 December 2021			
Trade payables	50,969	—	—
Accruals and other payables	46,766	—	—
Lease liabilities	7,519	7,273	21,711
	105,254	7,273	21,711
At 31 December 2020			
Trade payables	39,075	—	—
Accruals and other payables	8,655	—	—
Lease liabilities	3,348	378	—
	51,078	378	—

5. Financial risk management (continued)

(e) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group's bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

(f) Categories of financial instruments at 31 December

	2021	2020
	RMB'000	RMB'000
Financial assets:		
Investments at fair value through profit or loss	232,341	147,792
Financial assets at amortised cost (including cash and cash equivalents)	802,815	1,307,418
Financial liabilities:		
Financial liabilities at amortised cost	97,735	47,730

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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For the year ended 31 December 2021

6. Fair value measurements (continued)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December

Fair value measurements using:

Description	Level 1 RMB'000	Level 3 RMB'000	Total 2021 RMB'000
Recurring fair value measurements:			
Investments at fair value through profit or loss			
– Listed equity securities in Hong Kong	72,794	–	72,794
– Unlisted wealth management products	–	148,547	148,547
– Private equity investments	–	11,000	11,000
Total recurring fair value measurements	72,794	159,547	232,341

Fair value measurements using:

Description	Level 1 RMB'000	Level 3 RMB'000	Total 2020 RMB'000
Recurring fair value measurements:			
Investments at fair value through profit or loss			
– Unlisted wealth management products	–	136,792	136,792
– Private equity investments	–	11,000	11,000
Total recurring fair value measurements	–	147,792	147,792

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For the year ended 31 December 2021

6. Fair value measurements (continued)

- (b) Reconciliation of assets and liabilities measured at fair value based on level 3

Description	Investments at fair value through profit or loss	
	2021	2020
	RMB'000	RMB'000
At 1 January	147,792	103,351
Total gains or losses recognised in profit or loss (#)	10,156	6,024
Additions	190,000	383,000
Settlements	(186,743)	(339,463)
Currency translation differences	(1,658)	(5,120)
At 31 December	159,547	147,792
(#) Include gains or losses for assets held at the end of the reporting period	8,314	1,339

The total gains or losses recognised in profit or loss including those for assets held at the end of the reporting period are presented in other losses, net in the consolidated statement of profit or loss and other comprehensive income.

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of the reporting period

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the board of directors (the "Board") for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board at least twice a year.

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

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For the year ended 31 December 2021

6. Fair value measurements (continued)

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of the reporting period (continued)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2021
					RMB'000
<i>Investments at fair value through profit or loss</i>					
Unlisted wealth management products (note)	Market comparable approach	Dealer quotes for similar instruments	up to 5%	Increase	148,547
	Discounted cash flow	Estimated return	3.9%–4.0%	Increase	
Private equity investments	Discounted cash flow	Weighted average cost of capital	40%	Decrease	11,000
		Long-term revenue growth rate	36.6%–39.9%	Increase	
		Discount for lack of marketability	20%	Decrease	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. Fair value measurements (continued)

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of the reporting period (continued)

Level 3 fair value measurements (continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value of inputs for increase	Fair value 2020
RMB'000					
<i>Investments at fair value through profit or loss</i>					
Unlisted wealth management products (note)	Market comparable approach	Dealer quotes for similar instruments	up to 5%	Increase	136,792
	Discounted cash flow	Estimated return	3.4%–3.6%	Increase	
Private equity investments	Discounted cash flow	Weighted average cost of capital	40%	Decrease	11,000
		Long-term revenue growth rate	32.8%–37.8%	Increase	
		Discount for lack of marketability	20%	Decrease	

Note: The fair value of certain unlisted wealth management product as at 31 December 2021 has been arrived at on the basis of a valuation carried out on those dates by Ravia Global Appraisal Advisory Limited (2020: Ravia Global Appraisal Advisory Limited), an independent qualified professional valuer not connected to the Group.

There were no changes in the valuation techniques used.

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7. 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.

	2021	2020
	RMB'000	RMB'000
Self-publishing	318,998	392,488
Co-publishing	294,009	355,746
Total revenue	613,007	748,234
Disaggregation of revenue from contracts with customers:		
<u>Timing of revenue recognition</u>		
Over time	613,007	748,234

Game publishing service revenue

The Group is a publisher of online mobile games developed by third party game developers or its own through commissioned development arrangements. The Group licenses online games from game developers and earns game publishing service revenue by publishing them to the game players through Platforms, include commissioned development arrangements. The Group licenses online games from game developers and major online platforms and application stores (installed in mobile telecommunications devices), and its self-operated platform. The games licensed to the Group are operated under a free-to-play model whereby game players can play the games free of charge and are charged for the purchase of virtual items via payment channels, such as the various mobile carriers and third-party internet payment systems (collectively referred to as "payment channels").

(i) Principal-Agent consideration

Third party developed games

Proceeds earned from selling game tokens and other virtual items are shared between the Group and game developers, with the amount payable to game developers generally calculated based on face value of game tokens or other virtual items determined by game developers, after deducting certain deductible fees and multiplied by a predetermined percentage for each game. The deductible fees are predetermined and negotiated game by game, including the fees to be shared with the Platforms and payment handling costs charged by the payment channels.

7. Revenue and segment information (continued)

Game publishing service revenue (continued)

(i) Principal-Agent consideration (continued)

Third party developed games (continued)

With respect to the Group's licensed games, the game developers have the primary responsibilities for the hosting and maintenance of the game servers and providing the game content to the game players and have the right to determine the pricing of in-game virtual items and the specification, modification or any update of the game themselves or as proposed by the Group. The Group's responsibilities to the game developers are publishing, providing payment solution, market promotion service, customer service and maintaining the access portal network. Both the game developers and the Group have responsibilities to ensure the game players can continue to gain access to the mobile game to get the games experience and benefit after the sale of the virtual items. Therefore, the Group's service obligations as a publisher to the game developers are also directly linked to each user's engagement. The Group views both game developers and game players to be its customers. The Group considers for each sharing of payment made by the game player, it has implied obligation to maintain the access portal network for certain period for the game player to access to the game. Accordingly, the Group records the game publishing service revenue from in-game payments for these licensed games, net of amounts paid to game developers and recognised the revenue over the Player Relationship Period as detailed in note 7(ii) to the consolidated financial statements.

The Group published games on its self-operated platform and via cooperation with the Platforms, under which the Group is responsible for determining the Platforms and payment channels, and providing customer services as well as marketing activities. For games self-operated by the Group, payment channels are responsible for payment collections. For games cooperated with the Platforms, the Platforms are responsible for distribution, platform maintenance, paying player authentication and payment collections related to the games.

As the Group is solely responsible for identifying, contracting with and maintaining the relationships of the Platforms and payment channels, commission fees payable to the Platforms and payment channels are included in cost of revenues and presented on a gross basis. The Group considers it is the primary obligor to the game developers for the reasons identified above as it has been given latitude by the game developers in selecting different Platforms and payment channels for its services to the game developers.

Different from the above analysis, for games cooperated with Apple App, the game developers are fully aware of Apple App's roles and responsibilities. The Group considered that Apple App and itself provide services to the game developers together, as the Group does not have the latitude in selecting and negotiating with Apple App and does not have the primary responsibility to game developers for the service provided by them. Commissions charged by Apple App are deducted from revenue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. Revenue and segment information (continued)

Game publishing service revenue (continued)

(i) Principal-Agent consideration (continued)

Commissioned-developed games

The Group commissioned third-party game programmers to develop mobile games based on the Group's instruction. Under the game development and operation arrangement, the Group owns the commissioned-developed games' copyrights and other intellectual property, and takes primary responsibilities of game development and game operation, including designing, development, and updating of the games including the game content, as well as the pricing of virtual items, providing on-going updates of new contents and bug fixing, determining the Platforms and payment channels, and providing customer services. Under this type of agreement, the Group considers itself the principal in this arrangement to the game players. Accordingly, the Group records the online game revenue from these games on a gross basis. Commission fees payable to the game programmers and the Platforms, and payment handling costs charged by payment channels are recorded as cost of revenue.

(ii) Timing of revenue recognition

Third party developed games

As detailed in note 7(i) to the consolidated financial statements, the Group has a continuing implied obligation to game developers and game players, therefore, for the purposes of determining when services have been provided to the respective players, the Group estimates the Player Relationship Period on a game-by-game basis and re-assesses such periods monthly. Revenues of game publishing service are recognised ratably over the Player Relationship Period for a specific game. If there are insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games developed by third-party developers until the new game establishes its own patterns and history. The Group considers the games profile, target audience, and its appeal to players of different demographics groups in estimating the Player Relationship Period.

Commissioned-developed games

Revenue of commissioned-developed games are recognised ratably over the Player Relationship Period or as the consumable virtual items are consumed.

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, the Group recognises revenue from both durable and consumable virtual items for that game ratably over the Player Relationship Period, which is similar to the policy for timing of revenue recognition of third party developed games.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. Revenue and segment information (continued)

Revenue from major customers:

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (2020: 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 2021:

	2021	2020
Game developer a	37.8%	43.0%
Game developer b	16.5%	16.6%
Game developer c	15.8%	16.3%
Game developer d	15.2%	*

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

8. Other income

	2021	2020
	RMB'000	RMB'000
Government grants	8,328	7,957
Others	—	4
	8,328	7,961

9. Other losses, net

	2021	2020
	RMB'000	RMB'000
Changes in fair value of investments at fair value through profit or loss	(695)	6,024
Loss on disposals of property and equipment	(210)	(65)
Net foreign exchange losses	(1,560)	(6,458)
Loss allowance provision for notes receivables	(202,241)	—
Loss allowance provision for other receivables	(327,966)	—
Others	95	(137)
	(532,577)	(636)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. Interest revenue

	2021	2020
	RMB'000	RMB'000
Interest revenue from bank balances	10,395	13,508
Interest revenue from loans to third parties	12,671	17,404
Interest revenue from notes receivables	6,503	15,496
	29,569	46,408

11. Income tax expense

	2021	2020
	RMB'000	RMB'000
Current tax — PRC Enterprise Income Tax (“EIT”) and other jurisdictions	13,869	16,653
Deferred tax (note 30)	(12)	4,919
	13,857	21,572

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% (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 EIT for two years, followed by 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

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

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 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% (2020: 15%) for the year ended 31 December 2021.

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11. Income tax expense (continued)

Hong Kong Profits Tax has been provided at the rate of 8.25% on estimated assessable profits up to HK\$2,000,000 and 16.5% on any part of estimated assessable profits over HK\$2,000,000 for the years ended 31 December 2021 and 2020.

The reconciliation between the income tax expense and the product of (loss)/profit before income tax multiplied by the weighted average tax rate of the consolidated companies is as follows:

	2021 RMB'000	2020 RMB'000
(Loss)/profit before income tax	(503,542)	149,211
Tax at the weighted average tax rate	(83,663)	36,026
Tax effect of expenses not deductible for tax purpose	106,068	7,441
Tax effect of utilisation of tax losses not previously recognised	(4,109)	—
Tax effect of tax losses not recognised	7,544	9,792
Preferential tax rates applicable to certain subsidiaries of the Company	(11,983)	(31,687)
Income tax expense	13,857	21,572

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For the year ended 31 December 2021

12. (Loss)/Profit for the year

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

	2021 RMB'000	2020 RMB'000
Amortisation of licenses (included in cost of revenue)	4,494	4,663
Amortisation of other intangible assets (included in administrative expenses)	452	139
Depreciation	16,507	13,156
Directors' emoluments (note 13)		
— As Directors	984	1,348
— For management	4,204	5,514
	5,188	6,862
Research and development expenditure	76,346	58,470
Auditor's remuneration		
— Audit services	3,070	3,214
— Non-audit services	195	680
	3,265	3,894
Loss on written off intangible assets (included in cost of revenue)	502	—
Loss allowance provision for trade receivables (included in administrative expenses)	6,420	120
Impairment on prepayments for purchase of licenses, promotion expenses and to game developers (included in administrative expenses)	29,749	25,357
Provision for expected credit losses of notes and other receivables (included in administrative expenses)	4,022	14,041
Staff costs including Directors' emoluments		
— Wages, salaries and bonuses	101,803	87,258
— Pension costs — defined contribution plans	3,309	863
— Social security costs, housing benefits and other employee benefits	8,762	8,865
— Share-based payments expenses	1,795	8,172
	115,669	105,158

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. Directors' and chief executive's emoluments and five highest paid employees

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments for the year, disclosed pursuant to the applicable Listing Rules, is as follows:

Name of directors	2021					Total RMB'000
	Fees RMB'000	Salaries RMB'000	Pension costs – defined contribution plans RMB'000	Social security costs, housing benefits and other employee benefits RMB'000		
Executive directors:						
Mr. Liu Jie (note (ii))	199	1,844	36	46		2,125
Mr. Zhu Yanbin	199	1,578	36	46		1,859
Mr. Wang Zaicheng (note (iii))	82	327	14	19		442
Mr. Liu Zhanxi (note (iii))	82	225	14	19		340
Independent non-executive directors:						
Mr. Guo Jingdou	166	–	–	–		166
Dr. Liu Jianhua	166	–	–	–		166
Ms. Yao Minru (note (iv))	90	–	–	–		90
	984	3,974	100	130		5,188

Notes to the Consolidated Financial Statements

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13. Directors' and chief executive's emoluments and five highest paid employees (continued)

(a) Directors' and chief executive's emoluments (continued)

Directors' and chief executive's emoluments for the year, disclosed pursuant to the applicable Listing Rules, is as follows: (continued)

Name of directors	2020					
	Fees RMB'000	Salaries RMB'000	Pension costs — defined contribution plans RMB'000	Social security costs, housing benefits and other employee benefits RMB'000	Share-based payments expenses RMB'000 (note (i))	Total RMB'000
Executive directors:						
Mr. Liu Jie (note (ii))	208	1,291	3	38	—	1,540
Mr. Zhu Yanbin	208	1,076	3	38	—	1,325
Mr. Wang Zaicheng (note (iii))	208	1,176	3	38	553	1,978
Mr. Liu Zhanxi (note (iii))	208	701	3	38	553	1,503
Independent non-executive directors:						
Mr. Guo Jingdou	174	—	—	—	—	174
Dr. Liu Jianhua	168	—	—	—	—	168
Ms. Yao Minru (note (iv))	174	—	—	—	—	174
	1,348	4,244	12	152	1,106	6,862

Notes:

- (i) Share-based payments expenses are related with the RSUs granted to certain directors, which are vested during the year. The estimated money value of vested RSUs is calculated as the difference between the market price of the shares on the day of vesting and the price paid, if any, for the shares.
- (ii) Mr. Liu Jie is the chief executive officer of the Company.
- (iii) Resigned on 28 May 2021.
- (iv) Resigned on 13 July 2021.

There was no arrangement under which a director or the chief executive waived or agreed to waive any emoluments during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. Directors' and chief executive's emoluments and five highest paid employees (continued)

(b) Directors' material interests in transactions, arrangements or contracts

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2021 (2020: nil).

(c) Five highest paid employees

The five highest paid employees of the Group during the year included 2 (2020: 3) Directors whose emoluments are set out in note 13(a) to the consolidated financial statements. Details of the emoluments for the year of the remaining 3 (2020: 2) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses	3,526	1,778
Pension costs — defined contribution plans	109	5
Social security costs, housing benefits and other employee benefits	138	76
Share-based payments expenses	1,620	5,727
	5,393	7,586

The number of the highest paid employees who are not the Directors and whose emoluments falls within the following bands:

	Number of individuals	
	2021	2020
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$3,000,001 to HK\$3,500,000	1	—
HK\$6,500,001 to HK\$7,000,000	—	1
	3	2

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14. Dividend

No dividends was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed at the end of the reporting period (2020: nil).

15. (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	2021	2020
	RMB'000	RMB'000
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted		
(loss)/earnings per share	(517,399)	127,639

	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating		
basic (loss)/earnings per share	1,897,479	1,889,823
Adjustments for unvested RSUs	—	6,480
Weighted average number of ordinary shares for the purpose of calculating		
diluted (loss)/earnings per share	1,897,479	1,896,303

The effects of all potential shares are anti-dilutive for the year ended 31 December 2021.

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For the year ended 31 December 2021

16. Property and equipment

	Servers and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost				
At 1 January 2020	8,474	9,766	5,013	23,253
Additions	1,033	1,818	299	3,150
Disposals	(688)	—	—	(688)
At 31 December 2020 and 1 January 2021	8,819	11,584	5,312	25,715
Additions	843	300	4,957	6,100
Disposals	(1,126)	(398)	—	(1,524)
At 31 December 2021	8,536	11,486	10,269	30,291
Accumulated depreciation				
At 1 January 2020	4,000	5,515	3,580	13,095
Charge for the year	2,205	2,393	828	5,426
Disposals	(600)	—	—	(600)
At 31 December 2020 and 1 January 2021	5,605	7,908	4,408	17,921
Charge for the year	1,912	1,720	589	4,221
Disposals	(887)	(157)	—	(1,044)
At 31 December 2021	6,630	9,471	4,997	21,098
Carrying amount				
At 31 December 2021	1,906	2,015	5,272	9,193
At 31 December 2020	3,214	3,676	904	7,794

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17. Leases and right-of-use assets

Disclosures of lease-related items:

At 31 December	2021 RMB'000	2020 RMB'000
Right-of-use assets		
– Buildings	32,370	3,874
Lease commitments of short-term leases	2	–
Lease commitments of leases not yet commenced (other than short-term leases)	–	5,047
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	7,519	3,348
– Between 1 and 2 years	7,273	378
– Between 2 and 5 years	21,711	–
	36,503	3,726
Year ended 31 December	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets	12,286	7,730
Lease interests	1,173	311
Expenses related to short-term leases	95	918
Total cash outflow for leases	13,081	9,232
Additions to right-of-use assets	41,185	4,751
Early termination of right-of-use assets	403	1,409

Lease agreements are typically made for fixed periods of two to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. Intangible assets

	Licenses RMB'000	Others RMB'000	Total RMB'000
Cost			
At 1 January 2020	17,056	1,399	18,455
Additions	1,887	71	1,958
Written off	(1,262)	—	(1,262)
At 31 December 2020 and 1 January 2021	17,681	1,470	19,151
Additions	16,538	1,760	18,298
Written off	(8,019)	—	(8,019)
Exchange difference	—	(8)	(8)
At 31 December 2021	26,200	3,222	29,422
Accumulated amortisation			
At 1 January 2020	10,176	184	10,360
Amortisation for the year	4,663	139	4,802
Written off	(1,262)	—	(1,262)
At 31 December 2020 and 1 January 2021	13,577	323	13,900
Amortisation for the year	4,494	452	4,946
Written off	(7,517)	—	(7,517)
Exchange difference	—	(3)	(3)
At 31 December 2021	10,554	772	11,326
Carrying amount			
At 31 December 2021	15,646	2,450	18,096
At 31 December 2020	4,104	1,147	5,251

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19. Subsidiaries

The amounts due from and to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries of the Company as at 31 December 2021 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up/ registered capital	Percentage of ownership interest/voting power/profit sharing		Principal activities
			2021 and 2020		
			Direct	Indirect	
FT Entertainment Limited	BVI	USD100	100%	—	Investment holding
Finger Tango Interactive (HK) Limited	Hong Kong	HK\$10	—	100%	Investment holding
Binyou Networks	The PRC	RMB15,000,000	—	100%	Technical support and development services
Youmin Networks	The PRC	RMB19,267,015	—	100%	Internet culture operations
Shanghai Binjie Networks Technology Limited	The PRC	RMB10,000,000	—	100%	Internet culture operations
Guangzhou Langxianjing Networks Technology Co., Limited	The PRC	RMB1,000,000	—	100%	Internet culture operations
Shanghai Feimiao Networks Technology Co., Limited	The PRC	RMB10,000,000	—	100%	Internet and software technology development and service
Shanghai Yiguo Network Technology Co., Limited	The PRC	RMB10,000,000	—	100%	Internet and software technology development and service
Shanghai Langxianjing Network Technology Co., Limited	The PRC	RMB10,000,000	—	100%	Internet and software technology development and service
Shanghai Kaixi Networks Technology Co., Limited	The PRC	RMB10,000,000	—	100%	Internet and software technology development and service

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19. Subsidiaries (continued)

The English names of certain subsidiaries of the Company referred herein represent the management's best efforts in translating the Chinese name of these companies as no English names have been registered.

Pursuant to the Contractual Arrangements among Binyou Networks, Youmin Networks and its legally registered equity holders, Binyou Networks acquired effective control over the financial and operational policies of Youmin Networks and its subsidiaries and became entitled to the entire economic benefits generated by the PRC Operating Entities. Accordingly, Youmin Networks and its subsidiaries were accounted for as subsidiaries of Binyou Networks and the Reorganisation was completed.

Binyou Networks is a wholly-owned foreign enterprise established in the PRC.

20. Investments at fair value through profit or loss

	2021 RMB'000	2020 RMB'000
Listed equity securities in Hong Kong	72,794	—
Unlisted wealth management products	148,547	136,792
Investments in private companies	11,000	11,000
Total investments at fair value through profit or loss	232,341	147,792
Analysed as:		
Non-current assets	119,246	67,328
Current assets	113,095	80,464
	232,341	147,792

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21. Trade receivables

Trade receivables are primarily due from Platforms and payment channels, which collect the proceeds from sales of in-game virtual items on the Group's behalf. The credit terms of trade receivables agreed with Platforms and payment channels generally range from 30 to 90 days and 0 to 30 days respectively.

	2021	2020
	RMB'000	RMB'000
Trade receivables	83,729	53,850
Provision for loss allowance	(7,234)	(814)
Carrying amount	76,495	53,036

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

	2021	2020
	RMB'000	RMB'000
0 to 1 month	34,440	23,291
1 month to 3 months	35,480	20,771
3 months to 6 months	5,695	8,819
6 months to 1 year	880	155
	76,495	53,036

Reconciliation of loss allowance for trade receivables:

	2021	2020
	RMB'000	RMB'000
At 1 January	814	860
Increase in loss allowance for the year	6,420	120
Amounts written off	—	(166)
At 31 December	7,234	814

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21. Trade receivables (continued)

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Within 30 days past due	31–60 days past due	61–120 days past due	Over 120 days past due	Total
At 31 December 2021						
Weighted average expected loss rate	0%	0%	0%	0%	88%	
Receivable amount (RMB'000)	43,743	21,149	5,344	5,294	8,199	83,729
Loss allowance (RMB'000)	—	—	—	—	7,234	7,234
At 31 December 2020						
Weighted average expected loss rate	0%	0%	0%	0%	46%	
Receivable amount (RMB'000)	25,656	11,140	7,638	7,653	1,763	53,850
Loss allowance (RMB'000)	—	—	—	—	814	814

22. Contract costs and liabilities

Disclosures of revenue-related items:

At 31 December	2021 RMB'000	2020 RMB'000
Contract costs — costs to obtain contracts for game publishing	33,042	32,255

At	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Contract liabilities — game publishing	90,272	88,855	126,617
Contract receivables (included in trade receivables)	76,495	53,036	75,095

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22. Contract costs and liabilities (continued)

	2021	2020
	RMB'000	RMB'000
Transaction prices allocated to performance obligations unsatisfied at the end of the year and expected to be recognised as revenue in the year ended 31 December:		
– 2021	N/A	88,855
– 2022	90,272	–
	90,272	88,855

Year ended 31 December	2021	2020
	RMB'000	RMB'000
Revenue recognised in the year that was included in contract liabilities at the beginning of the year	88,855	126,617

Significant changes in contract liabilities during the year:

	2021	2020
	RMB'000	RMB'000
Increase due to operations in the year	504,591	600,442
Transfer of contract liabilities to revenue	(503,174)	(638,204)

A contract liability primarily consists of the unamortised revenue from sales of virtual items for mobile games, where there is still an implied obligation to be fulfilled by the Group over time.

Costs to obtain contracts, mainly related to contract acquisition costs, which primarily consist of unamortised commissions charged by the Platforms and third party game programmers are capitalised as contract costs and amortised over the Player Relationship Period because the Group expects to recover these costs. Capitalised contract costs are amortised to profit or loss when the related revenue is recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. Prepayments and deposits

	2021	2020
	RMB'000	RMB'000
Included in non-current assets		
Prepayments for purchase of licenses	22,174	39,552
Rental deposits and others	3,672	1,360
	25,846	40,912
Provision for impairment	(13,687)	(19,301)
	12,159	21,611
Included in current assets		
Prepayments for promotion expenses	49,194	55,149
Prepayments to game developers	18,553	18,878
Prepayments to game design	1,142	30,384
Rental deposits and others	2,517	605
	71,406	105,016
Provision for impairment	(46,022)	(16,618)
	25,384	88,398

Reconciliation of provision for impairment:

	2021	2020
	RMB'000	RMB'000
At 1 January	35,919	23,123
Increase in impairment loss for the year	29,749	25,357
Amounts written off	(5,615)	(12,561)
Exchange differences	(344)	—
At 31 December	59,709	35,919

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

24. Other receivables

	2021	2020
	RMB'000	RMB'000
Input value-added tax to be deducted	3,608	4,918
Interest receivables	24,808	10,247
Loans to third parties (note)	382,987	381,738
Receivables from game developers	5,931	8,275
Others	23,704	13,956
	441,038	419,134
Provision for expected credit losses	(343,296)	(11,402)
	97,742	407,732

Note: The balance comprises loans to third parties bearing interest ranging from 3% to 12% (2020: 3% to 15%) per annum. Loans to third parties of RMB81,760,000 (2020: RMB84,160,000) are guaranteed by certain shares held by third parties. All of the loans are expected to be recovered within one year.

Reconciliation of provision for expected credit losses:

	2021	2020
	RMB'000	RMB'000
At 1 January	11,402	—
Increase in provision for expected credit losses for the year	331,988	11,747
Exchange differences	(94)	(345)
At 31 December	343,296	11,402

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. 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”).

	2021	2020
	RMB'000	RMB'000
Notes receivables	204,400	210,400
Provision for expected credit losses	(204,400)	(2,223)
Carrying amount	—	208,177

Reconciliation of provision for expected credit losses:

	2021	2020
	RMB'000	RMB'000
At 1 January	2,223	—
Increase in provision for expected credit losses for the year	202,241	2,294
Exchange differences	(64)	(71)
At 31 December	204,400	2,223

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 report.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. Notes receivables (continued)

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. On 16 March 2022, the Company has issued a letter of request for payment through legal counsel to the Issuer.

26. Restricted bank deposits, time deposits and bank and cash balances

The Group's bank deposits represented deposits to banks. The deposits are in USD, HK\$ and RMB and at fixed interest rates from 3.45% to 4.18% (2020: 1.6% to 4.18%) per annum and therefore are subject to foreign currency risk and fair value interest rate risk.

As at 31 December 2021, the bank and cash balances of the Group denominated in RMB amounted to RMB538,018,000 (2020: RMB438,288,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

27. Trade payables

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

	2021 RMB'000	2020 RMB'000
0 to 1 month	15,018	11,006
1 month to 3 months	22,540	18,202
3 months to 6 months	10,142	7,680
6 months to 1 year	594	1,579
Over 1 year	2,675	608
	50,969	39,075

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28. Accruals and other payables

	2021	2020
	RMB'000	RMB'000
Salary and staff welfare payables	37,097	35,672
Other tax payables	3,694	3,386
Promotion fee payables	36,099	2,321
Others	10,667	6,334
	87,557	47,713

29. Lease liabilities

	Lease payments		Present value of lease payments	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	7,519	3,348	7,517	3,294
Over one year but within five years	28,984	378	24,947	331
	36,503	3,726		
Less: Future finance charge	(4,039)	(101)		
Present value of lease liabilities	32,464	3,625	32,464	3,625
Less: Amount due for settlement within 12 months (shown under current liabilities)			(7,517)	(3,294)
Amount due for settlement after 12 months			24,947	331

As at 31 December 2021, the average effective borrowing rate was 4.75% (2020: 4.75%) per annum. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group:

	Contract costs RMB'000	Contract liabilities RMB'000	Provisions and others RMB'000	Total RMB'000
At 1 January 2020	(10,258)	30,945	7,469	28,156
Credit/(charge) to profit or loss	2,352	(9,119)	1,848	(4,919)
At 31 December 2020 and 1 January 2021	(7,906)	21,826	9,317	23,237
(Charge)/credit to profit or loss	(261)	388	(115)	12
At 31 December 2021	(8,167)	22,214	9,202	23,249

The following is the analysis of the deferred tax assets (after offset) for consolidated statement of financial position purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax liabilities	(8,167)	(7,906)
Deferred tax assets	31,416	31,143
Deferred tax assets (after offset)	23,249	23,237

At the end of the reporting period, the Group did not recognise deferred tax assets of RMB17,243,000 (2020: RMB14,242,000) in respect of losses amounting to RMB68,970,000 (2020: RMB56,969,000) that can be carried forward against future taxable income. These tax losses will expire in year 2022 to 2026 (2020: 2021 to 2025).

Notes to the Consolidated Financial Statements

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31. Share capital

	Number of ordinary shares '000	Amount USD'000
Authorised: Ordinary shares of USD0.000005 (2020: USD0.000005) each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000	50

	Number of ordinary shares '000	Amount RMB'000
Issued and fully paid: Ordinary shares of USD0.000005 (2020: USD0.000005) each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,931,387	62

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.

Notes to the Consolidated Financial Statements

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32. Statement of financial position of the Company

	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	147,828	556,802
Investments at fair value through profit or loss	58,246	56,328
Total non-current assets	206,074	613,130
Current assets		
Prepayments, deposits and other receivables	66,210	138,926
Notes receivables	—	208,177
Investments at fair value through profit or loss	72,794	—
Amounts due from subsidiaries	169,457	216,503
Bank and cash balances	47,619	101,359
Total current assets	356,080	664,965
TOTAL ASSETS	562,154	1,278,095
EQUITY AND LIABILITIES		
Equity		
Share capital	62	62
Reserves	546,194	1,264,405
Total equity	546,256	1,264,467
Liabilities		
Current liabilities		
Accruals and other payables	3,815	2,773
Amounts due to subsidiaries	8,860	8,860
Current tax liabilities	3,223	1,995
Total liabilities	15,898	13,628
TOTAL EQUITY AND LIABILITIES	562,154	1,278,095

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

33. Reserves

(a) The Group

	Share-based payments reserve RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000	Equity investments revaluation reserve RMB'000	Total RMB'000
At 1 January 2020	138,551	16,903	43,287	(8,400)	190,341
Currency translation difference	—	—	(45,699)	—	(45,699)
Share-based payments (note 34)	9,791	—	—	—	9,791
Forfeit of RSUs (note 34)	(1,619)	—	—	—	(1,619)
At 31 December 2020	146,723	16,903	(2,412)	(8,400)	152,814
At 1 January 2021	146,723	16,903	(2,412)	(8,400)	152,814
Currency translation difference	—	—	(20,797)	—	(20,797)
Share-based payments (note 34)	1,795	—	—	—	1,795
At 31 December 2021	148,518	16,903	(23,209)	(8,400)	133,812

(b) The Company

	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2020	712,720	(2)	581,775	1,404	1,295,897
Total comprehensive (expense)/income for the year	—	—	(46,283)	6,619	(39,664)
Share-based payments	—	—	9,791	—	9,791
Forfeit of RSUs	—	—	(1,619)	—	(1,619)
At 31 December 2020	712,720	(2)	543,664	8,023	1,264,405
At 1 January 2021	712,720	(2)	543,664	8,023	1,264,405
Total comprehensive expense for the year	—	—	(431,061)	(288,945)	(720,006)
Share-based payments	—	—	1,795	—	1,795
At 31 December 2021	712,720	(2)	114,398	(280,922)	546,194

Notes to the Consolidated Financial Statements

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33. Reserves (continued)

(c) Nature and purpose of reserves of the Group and the Company

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options and unvested RSUs granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

(iii) Shares held for the RSU Scheme

The Company adopted the RSU Scheme to award shares to qualified grantees. Super Fleets Limited was set up as a special vehicle for the purpose of holding the ordinary shares allotted and issued by the Company.

(iv) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the Articles of Association of subsidiaries located in the PRC, it is required to appropriate 10% of the annual statutory net profits after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital. As at 31 December 2017, the balance of the statutory surplus reserve fund of all profitable subsidiaries had reached 50% of the share capital. The Group did not make any further appropriation for the years ended 31 December 2021 and 2020.

33. Reserves (continued)

(c) Nature and purpose of reserves of the Group and the Company (continued)

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies in note 3 to the consolidated financial statements.

(vi) Equity investments revaluation reserve

The equity investments revaluation reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3 to the consolidated financial statements.

34. Share-based payments transactions

On 28 February 2018, the Company's shareholders approved the establishment of the RSU Scheme and the Company appointed The Core Trust Company Limited as the trustee to assist with the administration of the RSU Scheme. Under the RSU Scheme, the maximum number of shares which may be granted is 75,000,000. No RSUs were granted to employees of the Group during the year ended 31 December 2021 (2020: nil).

Movements in the number of award shares during the respective years are as follows:

	2021		2020	
	Number of RSUs '000	Weighted average fair value RMB	Number of RSUs '000	Weighted average fair value RMB
At 1 January	4,293	2.11	20,668	2.13
Forfeited during the year	—	—	(767)	2.11
Vested during the year	(4,293)	2.11	(15,608)	2.13
At 31 December	—	—	4,293	2.11

For the year ended 31 December 2021, the Group recognised share-based payments expenses of RMB1,795,000 (2020: RMB8,172,000), which has been charged to the consolidated statement of profit or loss and other comprehensive income.

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35. Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Lease liabilities	
	2021	2020
	RMB'000	RMB'000
At 1 January	3,625	8,375
Changes in cash flows	(11,813)	(8,003)
Non-cash changes		
— Additions	41,185	4,751
— Disposals	(533)	(1,498)
At 31 December	32,464	3,625

36. Contingent liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: nil).

37. Capital commitments

The Group's capital commitments at the end of the reporting period are as follows:

	2021	2020
	RMB'000	RMB'000
Intangible assets		
— Contracted but not provided for	13,800	19,757

38. Related party transactions

(a) Key management personnel compensations

The compensations paid or payable to key management personnel (including Directors, chief executive officer and other senior executives) for employee services are as follows:

	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses	8,307	8,753
Pension costs — defined contribution plans	210	19
Social security costs, housing benefits and other employee benefits	268	264
Share-based payments expenses	1,620	5,973
	10,405	15,009

- (b) The Company granted 18,000,000 RSUs to 2 Directors on 22 March 2018. 50% of the RSUs was vested on 12 July 2018 and the remaining 50% of the RSUs would be vested over a two-year period, with one-half of the awards vesting annually at fair value of RMB2.19 per share.

39. Litigation

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 alleged claims against the Company for the sum of HK\$250,000,000 pursuant to a subscription agreement entered into between the Plaintiff and the Company on or around 16 July 2018 (the “Subscription Agreement”) and the damages for alleged breach of the Subscription Agreement by the Company’s failure to transfer the sum of HK\$250,000,000 to the Plaintiff in accordance with the Subscription Agreement, together with interest, costs and further or other relief. The Company is currently seeking legal advice regarding the relevant proceedings, and has filed a defence on 8 November 2021. For further details, please refer to the announcement of the Company dated 17 June 2021.

40. Events after the reporting period

On 21 February 2022, Youmin Networks subscribed for wealth management products from CIB Wealth Management Co., Limited, in the amount of RMB45,000,000. For further details, please refer to the announcement of the Company dated 22 February 2022.

41. Approval of consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

Glossary

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

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS(s)”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standard Board
“KW Technology”	KW Technology Holding Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Wang Zaicheng
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	The date which dealings in Shares first commence on the Stock Exchange, i.e. 12 July 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LJ Technology”	LJ Technology Holding Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Liu Jie
“LNN Holding”	LNN Holding Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Ms. Li Nini
“Prospectus”	the prospectus dated 12 July 2018 issued by the Company
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Registered Shareholders”	direct shareholders of Youmin Networks, being Mr. Liu Jie, Mr. Zhu Yanbin, Mr. Wu Junjie, Zhuhai Sangu and Zhuhai Jugu
“Reporting Period”	for the year ended 31 December 2021
“RSU(s)”	restricted share units or any one of them
“RUS Scheme”	The RSU scheme approved and conditionally adopted by the Shareholders on 28 February 2018, the principal terms of which are set out in “Statutory and General Information — D. RSU Scheme and Share Option Scheme — 1. RUS Scheme” in Appendix IV to the Prospectus

Glossary

“Securities and Future Ordinance” or “SFO”	the Securities and Futures Ordinance of Hong Kong (chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.000005 each
“Shareholder(s)”	holder(s) of our Share(s)
“Share Option Scheme”	the share option scheme adopted by our Company on 19 June 2018 which complies with the provisions of Chapter 17 of the Listing Rules
“SLG”	simulation games, which are generally designed to closely simulate aspects of a real or fictional reality
“Youmin Networks”	Shanghai Youmin Networks Technology Limited (上海遊民網絡科技有限公 司), a limited liability company incorporated under the laws of the PRC on 3 December 2013 and one of our PRC Operating Entities
“ZYB Holding”	ZBY Holing Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Zhu Yanbin