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**FingerTango Inc.**

指尖悅動控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6860)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “**Board**”) of FingerTango Inc. (the “**Company**”) is pleased to announce the audited consolidated annual results (the “**annual results**”) of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended 31 December 2021 (the “**Reporting Period**”). The annual results have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and have been audited by ZHONGHUI ANDA CPA Limited (“**ZHONGHUI ANDA**”), the independent auditor of the Company, and reviewed and approved by the Company’s audit committee together with the management of the Company.

### **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 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 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.

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

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.

## 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:

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

## ***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.

### ***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:

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

## *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.

### ***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 <i>RMB million</i>	Additions for the year ended 31 December 2021 <i>RMB million</i>	Changes in fair value for the year ended 31 December 2021 <i>RMB million</i>	Settlements for the year ended 31 December 2021 <i>RMB million</i>	Currency translation differences for the year ended 31 December 2021 <i>RMB million</i>	Fair value as at 31 December 2021 <i>RMB million</i>
<b>Investments at fair value through profit or loss</b>						
Listed equity securities in Hong Kong Wealth management product — Central China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」)	—	84.7	(10.8)	—	(1.1)	72.8
Private equity investment fund Yuedong Stable Win (「悅動穩贏私募證券投資基金」)	56.3	—	3.6	—	(1.7)	58.2
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
<b>Total</b>	<u>147.8</u>	<u>274.7</u>	<u>(0.7)</u>	<u>(186.7)</u>	<u>(2.8)</u>	<u>232.3</u>

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.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue</b>	3	<b>613,007</b>	748,234
Cost of revenue		<u>(252,255)</u>	<u>(284,238)</u>
<b>Gross profit</b>		<b>360,752</b>	463,996
Selling and marketing expenses		<b>(186,383)</b>	(193,707)
Administrative expenses		<b>(105,712)</b>	(116,030)
Research and development expenses		<b>(76,346)</b>	(58,470)
Other income		<b>8,328</b>	7,961
Other losses, net	4	<u>(532,577)</u>	<u>(636)</u>
<b>Operating (loss)/profit</b>		<b>(531,938)</b>	103,114
Interest revenue		<b>29,569</b>	46,408
Lease interests		<u>(1,173)</u>	<u>(311)</u>
<b>(Loss)/profit before income tax</b>		<b>(503,542)</b>	149,211
Income tax expense	5	<u>(13,857)</u>	<u>(21,572)</u>
<b>(Loss)/profit for the year attributable to owners of the Company</b>	6	<u>(517,399)</u>	<u>127,639</u>
<b>Other comprehensive expense:</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(20,797)</u>	<u>(45,699)</u>
<b>Other comprehensive expense for the year, net of tax</b>		<u>(20,797)</u>	<u>(45,699)</u>
<b>Total comprehensive (expense)/income for the year attributable to owners of the Company</b>		<u>(538,196)</u>	<u>81,940</u>
<b>(Loss)/earnings per share (RMB)</b>	8		
— Basic		<u>(0.2727)</u>	<u>0.0675</u>
— Diluted		<u>(0.2727)</u>	<u>0.0673</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		<b>9,193</b>	7,794
Right-of-use assets		<b>32,370</b>	3,874
Intangible assets		<b>18,096</b>	5,251
Investments at fair value through profit or loss	9	<b>119,246</b>	67,328
Prepayments and deposits		<b>12,159</b>	21,611
Time deposits		<b>—</b>	20,000
Deferred tax assets		<b>23,249</b>	23,237
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>214,313</b>	149,095
		<hr/>	<hr/>
<b>Current assets</b>			
Trade receivables	10	<b>76,495</b>	53,036
Contract costs		<b>33,042</b>	32,255
Prepayments and deposits		<b>25,384</b>	88,398
Other receivables	11	<b>97,742</b>	407,732
Notes receivables	12	<b>—</b>	208,177
Investments at fair value through profit or loss	9	<b>113,095</b>	80,464
Restricted bank deposits		<b>—</b>	302
Time deposits		<b>20,000</b>	99,575
Bank and cash balances		<b>608,041</b>	521,549
		<hr/>	<hr/>
<b>Total current assets</b>		<b>973,799</b>	1,491,488
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>1,188,112</b>	1,640,583
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	<b>62</b>	62
Reserves		<b>894,237</b>	1,430,638
		<hr/>	<hr/>
<b>Total equity</b>		<b>894,299</b>	1,430,700
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	13	<b>50,969</b>	39,075
Contract liabilities		<b>90,272</b>	88,855
Accruals and other payables		<b>87,557</b>	47,713
Lease liabilities		<b>7,517</b>	3,294
Current tax liabilities		<b>32,551</b>	30,615
		<u>268,866</u>	<u>209,552</u>
<b>Total current liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>24,947</b>	331
		<u>24,947</u>	<u>331</u>
<b>Total liabilities</b>			
		<u>293,813</u>	<u>209,883</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			
		<u>1,188,112</u>	<u>1,640,583</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2021

### 1. GENERAL INFORMATION

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 30 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 principal operating subsidiaries of the Company are the development, operation and publishing of mobile game business in the PRC.

In the opinion of the directors of the Company (the "Directors"), as at 31 December 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.

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

### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised IFRSs issued by International Accounting Standards Board ("IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

### 3. REVENUE AND SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as its executive directors, who review the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. The Group's long-lived assets are substantially located in the PRC and substantially all of the Group's revenues are derived from the PRC. Therefore, no geographical segments are presented.

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

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	<u>15.8%</u>	<u>16.3%</u>

#### 4. OTHER LOSSES, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Changes in fair value on 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	<u>95</u>	<u>(137)</u>
	<u>(532,577)</u>	<u>(636)</u>

#### 5. INCOME TAX EXPENSE

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Company in the PRC is 25% (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 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.

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.

## 6. (LOSS)/PROFIT FOR THE YEAR

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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		
— As Directors	984	1,348
— For management	4,204	5,514
	<u>5,188</u>	<u>6,862</u>
Research and development expenditure	76,346	58,470
Auditor's remuneration		
— Audit services	3,070	3,214
— Non-audit services	195	680
	<u>3,265</u>	<u>3,894</u>
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
	<u>115,669</u>	<u>105,158</u>

## 7. 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).

## 8. (LOSS)/EARNINGS PER SHARE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	<u>(517,399)</u>	<u>127,639</u>
	2021 <i>'000</i>	2020 <i>'000</i>
<b>Number of shares</b>		
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	<u>—</u>	<u>6,480</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u>1,897,479</u>	<u>1,896,303</u>

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

## 9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

## 10. TRADE RECEIVABLES

Trade receivables are primarily due from third party distribution platforms (“**Platforms**”) and payment channels, which collect the proceeds from sales of in-game virtual items on the Group’s behalf. The credit terms of trade receivables agreed with Platforms and payment channels generally range from 30 to 90 days and 0 to 30 days respectively.

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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
	<u>76,495</u>	<u>53,036</u>

## 11. OTHER RECEIVABLES

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

*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.

## 12. 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 <i>RMB'000</i>	2020 <i>RMB'000</i>
Notes receivables	204,400	210,400
Provision for expected credit losses	<u>(204,400)</u>	<u>(2,223)</u>
Carrying amount	<u>—</u>	<u>208,177</u>

As disclosed in the announcement of the Company dated 22 June 2021, the issuer of the notes receivables, Orbitronic Global Development Co., Limited (the “**Issuer**”), failed to repay the principal amount of the notes receivables together with the accrued interests on the notes receivables to the Company on Extended Maturity Date and such sums remained outstanding as at the date of this announcement.

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

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

The Board is also in the process of assessing the financial impact of the Event of Default on the Group and will use its best endeavours and take all possible actions to seek recovery from the Issuer of the principal amount of the notes receivables and interests accrued thereon. On 16 March 2022, the Company has issued a letter of request for payment through legal counsel to the Issuer.

### 13. TRADE PAYABLES

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

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

### 14. SHARE CAPITAL

	<b>Number of ordinary shares '000</b>	<b>Amount USD'000</b>
Authorised: Ordinary shares of USD0.000005 (2020: USD0.000005) each <b>At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021</b>	<b>10,000,000</b>	<b>50</b>
	<b>Number of ordinary shares '000</b>	<b>Amount RMB'000</b>
Issued and fully paid: Ordinary shares of USD0.000005 (2020: USD0.000005) each <b>At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021</b>	<b>1,931,387</b>	<b>62</b>

### 15. 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.

## EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Group:

### “Qualified Opinion

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.

#### 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 allowances 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 allowances provisions are properly recorded in the consolidated financial statements.”

## OTHER INFORMATION

### 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
<b>Total</b>	<b>100%</b>	<b>967.1</b>	<b>659.2</b>	<b>(80.4)</b>	<b>578.8</b>

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.

### FINAL DIVIDEND

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

### ANNUAL GENERAL MEETING

The annual general meeting will be held on Thursday, 30 June 2022 (the “**Annual General Meeting**”). A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the listing of securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 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 registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 24 June 2022.

## **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 provide training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team and game operation team to enhance their skill and knowledge.

## **ACQUISITIONS OF LISTED SECURITIES 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.

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

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

## **SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

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

## **PLEDGE OF ASSETS**

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

## **CONTINGENT LIABILITIES**

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

## LITIGATIONS

### *Writ of Summons received by the Company*

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

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

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

The Board is also in the process of assessing the financial impact of the Event of Default on the Group and will use its best endeavours and take all possible actions to seek recovery from the Issuer of the principal amount of the Notes and interests accrued thereon. On 16 March 2022, the Company has issued a letter of request for payment through legal counsel to the Issuer.

## **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.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **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 the Board meeting held at 31 March 2022 approving this annual results announcement 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.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

From the Listing Date to the date of this announcement, the Company has complied with all the code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, except for the following 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**") 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.

## **SCOPE OF WORK OF ZHONGHUI ANDA**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this annual results announcement have been agreed

by the Group’s auditors, ZHONGHUI ANDA, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2021. The work performed by ZHONGHUI ANDA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA on this annual results announcement.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee comprises three members, namely, 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 qualification under Rule 3.10(2) of the Listing Rules.

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

## **PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) as well as the website of the Company ([www.fingertango.com](http://www.fingertango.com)). The Group’s 2021 annual report will be dispatched to shareholders and will be published on the aforementioned websites in April 2022.

## **APPRECIATION**

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

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

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

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