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FingerTango Inc.

指尖悅動控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6860)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of FingerTango Inc. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”, “**we**”, “**our**” or “**us**”) for the six-month period ended 30 June 2022 (the “**Reporting Period**”), which was prepared in accordance with International Accounting Standard 34 “**Interim Financial Reporting**” and reviewed by the Company’s audit committee together with the management of the Company.

FINANCIAL SUMMARY

	Six months ended 30 June		
	2022	2021	Change
	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Revenue	392.8	282.0	39.3%
Gross profit	248.0	163.5	51.7%
(Loss)/profit for the period	(63.7)	45.0	(241.5%)

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Affected by factors such as the COVID-19 pandemic, the development of China's gaming market was hindered in the first half of 2022, and the sales revenue and the scale of game users showed a downward trend. In the first half of 2022, the actual sales revenue of China's gaming market was RMB147.79 billion, representing a year-on-year decrease of 1.8%, being the first year-on-year decline in recent years. The slowdown of China's mobile games development, which occupies over three quarters of China's gaming market, was particularly evident. In the first half of 2022, the actual sales revenue of mobile games market was RMB110.48 billion, representing a year-on-year decrease of 3.7%. It was mainly attributed to the number of popular new products in the gaming market has decreased, the revenue was mainly supported by the existing games, the operating costs of game enterprises continued to increase, and the willingness of users to spend was decreased under the COVID-19 pandemic.

In the first half of 2022, the revenue of Independent developed games generated from overseas market increased by 6.2% year-on-year to US\$8.99 billion, but the growth rate has declined. Under the increasingly complex and severe international environment, the resistance and risk of domestic game enterprises going overseas have increased. With the continuous deployment of international internet giants in the game industry, the competition in the overseas gaming market will also further intensify. Simulation games ("SLG") came out the top in terms of revenue in the overseas markets of independent developed games, accounted for approximately 35.8%.

In the first half of 2022, the scale of Chinese game users, especially the scale of mobile game users, has shown a downward trend, which indicates that population dividend effect from the growing users of the Chinese game industry has basically faded, and the industry may have entered the era of inventory competition. In the first half of 2022, the regulatory authorities issued further strict management measures on the protection of minors and the anti-addiction of online games, which promoted the standardized management of the game industry, and formulate the user structure more healthy and reasonable.

In the first half of 2022, there has been a distinct decrease in approvals for games with publication license, there are 105 games with publication license approved by the National Press and Publication Administration (NPPA), representing a decrease of 82.0% comparing to 582 games with publication license approved in the first half of 2021. 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 the way to reduce 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

Despite the overall decline in global economy and China's gaming market development, the Group recorded total revenue of RMB392.8 million during the Reporting Period, an increase of approximately 39.3% as compared to the corresponding period last year. Increase in revenue was mainly attributable to the combined effect of (i) successful advertising and promotion outcome of certain new games, resulting in significant increase in revenue from such new games during the Reporting Period, attributing for over 50% of total revenue during the Reporting Period; (ii) total revenue during the Reporting Period was partially offset by a natural drop of revenue from the classic games which have been in operation for years and are in their mature stage; and (iii) certain pipeline games of the Group were not launched as scheduled during the Reporting Period as we made strategic adjustment and planning in the launch of our new games.

During the Reporting Period, the loss attributable to owners of the Company recorded RMB63.7 million, as compared to a profit attributable to owners of the Company of RMB45.0 million in the corresponding period last year. The change was primarily due to the development of the COVID-19 pandemic in the People's Republic of China ("PRC") as well as the surge in selling and marketing expenses as the Group has engaged in more extensive advertising and promotion activities for certain new games during the Reporting Period, coupled with the unrecovered growth momentum of the previously stressed gaming industry resulting from the prolonged suspension of approval of online game publication.

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 games 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 games launched during the Reporting Period are still in the promotion period and the stage of incubation of player base. It is expected that the growth momentum of the new games and their contribution to the revenue of the Group would be gradually unleashed in the second half of 2022 and after.

To cope with the changing environment and market conditions, the Group relies on its strong operating capability as well as keen market insight and extensive industry experience of our senior management team and responded rapidly. The strategy of upholding our persistence in the SLG game segment while broadening our game category has been successful. During the Reporting Period, advertising and promotion for certain games, namely Super Beast (「巨獸戰場」), a SLG mobile game, and Tales of Grimm (「魔鏡物語」), a card mobile games, have seen a successful outcome with monthly gross billings reaching as much as RMB38.3 million and RMB29.6 million, respectively during the Reporting Period. 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 for these classic games, such 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 67 months', 95 months' and 80 months' of operation, respectively, and has achieved a monthly gross billings of up to RMB14.7 million, RMB8.7 million and RMB11.0 million, respectively during the Reporting Period. The games in the growth stage continued to keep strong and maintained an upward momentum.

In response to the increasing unit cost and uncertain outcome of advertising and promotion activities, we have adapted and re-positioned ourselves to refine our game operations, and sought out innovative promotion channels. The prolonged suspension of approval of online game publication

and changes in regulatory environment of the Chinese gaming market has casted an impact to the growth momentum of the game industry. There has been a distinct decrease in approvals for games with publication license although the suspension had been relieved. We have acquired one new licensed games in the first half of 2022.

During the Reporting Period, we have seen increased user stickiness as the monthly active users (MAUS) and monthly paying users (MPUS) reached 2,433.0 thousand and 204.3 thousand, respectively, representing a growth of 173.4% and 147.4%, respectively, as compare with the corresponding period last year. As at 30 June 2022, the total number of accumulative registered users maintained a steady growth and reached 194.2 million, representing a 9.1% growth as compared to that of 30 June 2021. 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 the second half of 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, producing 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 constantly offer of new gameplay to extend product lifecycle are our initial intention and our advantage and development strategy. To encounter a complex and changing market environment, we will always insist on developing products with the first-class technology, optimizing game in full dimension, and extending the lifecycle of our games with the continuous enriched and enhanced player experience, thereby improving the ability on monetization and continuing to generate stable revenue for the Group.

We have conducted comprehensive tests for the new games to be launched in the second half of 2022 while optimizing the product strategies and plans. Over the years, we have accumulated an immense user database. We will continue to leverage our big data analytics ability with our proprietary multi-dimensional data analysis engine which collates and structures our data in a variety of ways for ad-hoc and real-time on-line analysis. Moreover, we will enhance gameplay strategies, characters, scenes, technical depth, and other parameters and improve cross-promotion efficacy by analyzing player demographic, gameplay preference, gaming time, level-up, in-game purchase amount and user turnover rate, etc. These initiatives are being performed to ensure sound performance after the official launch.

In the first half of 2022, the Group has strived for the sustainable development of business to build 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 well versed in and get well prepared to get things done, and through which we aspire to turn to a new chapter in the Group’s development.

Financial Performance

The following table sets forth our condensed consolidated statements of profit or loss for the six months ended 30 June 2022 and 2021, respectively:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	392,795	281,997
Cost of revenue	(144,824)	(118,485)
Gross profit	247,971	163,512
Selling and marketing expenses	(255,057)	(57,704)
Administrative expenses	(35,148)	(34,280)
Research and development expenses	(35,315)	(38,408)
Other income	4,296	4,460
Other losses, net	(90)	(3,969)
Operating (loss)/profit	(73,343)	33,611
Interest revenue	4,590	21,366
Lease interests	(742)	(308)
(Loss)/profit before income tax	(69,495)	54,669
Income tax credit/(expense)	5,800	(9,654)
(Loss)/profit for the period attributable to owners of the Company	(63,695)	45,015
Non-IFRS Measure		
Adjusted (loss)/profit for the period attributable to owners of the Company	(63,695)	46,393

Revenue

The Group's revenue in the Reporting Period was approximately RMB392.8 million, representing an increase by approximately 39.3% or RMB110.8 million as compared to the corresponding period in 2021. The increase was mainly attributable to the combined effects of (i) successful advertising and promotion outcome of certain new games, resulting in significant increase in revenue from such new games during the Reporting Period, attributing for over 50% of total revenue during the Reporting Period; (ii) total revenue during the Reporting Period was partially offset by a natural drop of revenue from the classic games which have been in operation for years and are in their mature stage; and (iii) certain pipeline games of the Group were not launched as scheduled during the Reporting Period as we made strategic adjustment and planning in the launch of our new games.

With respect to revenue categorized by method of publication, self-publishing revenue was approximately RMB188.4 million, representing 48.0% of the total revenue as compared to 47.0% in the corresponding period last year. Co-publishing revenue surpassed self-publishing revenue and recorded approximately RMB204.4 million, representing 52.0% of the total revenue, as compared to 53.0% in the corresponding period last year.

Cost of Revenue

During the Reporting Period, the cost of revenue was approximately RMB144.8 million and increased by approximately 22.2% or RMB26.3 million as compared to the corresponding period last year. It was mainly due to the increase in platform sharing charges and commissions charged by game developers which was a consequent result of the increased total revenue of the Group.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB248.0 million, as compared to RMB163.5 million in the corresponding period last year. Gross profit margin increased from 58.0% to 63.1% as compared to the corresponding period last year, since the increase in cost is smaller than that of the increase in revenue.

Other Income

During the Reporting Period, other income was approximately RMB4.3 million as compared to approximately RMB4.5 million in the corresponding period last year. The decrease was mainly due to the decrease of government grants recognized during the Reporting Period partially offset by an increase in the additional deduction for value-added tax.

Other Losses, net

During the Reporting Period, net other loss was approximately RMB0.09 million, as compared to approximately RMB4.0 million in the corresponding period last year. The decrease was primarily attributable to net foreign exchange gain, which was partially offset by fair value changes on investments at fair value through profit or loss during the Reporting Period.

Finance Income, net

During the Reporting Period, net finance income, which is calculated by interest revenue less lease interests, was approximately RMB3.8 million as compared to RMB21.1 million in the corresponding last year. The decrease was mainly from interest revenue from loans to third parties and notes receivables.

Selling and Marketing Expenses

The selling and marketing expenses in the Reporting Period were approximately RMB255.1 million, surged by approximately 342.0% or approximately RMB197.4 million as compared to the corresponding period last year. It constituted approximately 64.9% of the total revenue, comparing to approximately 20.5% in the corresponding period last year. The increase was primarily due to extensive advertising and promotion activities for certain new games.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB35.1 million, as compared to approximately RMB34.3 million in the corresponding period last year. The change was primarily due to the increase in entertainment expenses which was partially offset by the decrease in net impairment loss of assets.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB35.3 million, decreased by approximately 8.1% or RMB3.1 million as compared to the corresponding period last year. The change was primarily attributable to the decrease in employee benefits and share-based compensation to key employees.

Income Tax credit/(expense)

The Group recorded an income tax credit of approximately RMB5.8 million for the Reporting Period as compared to an income tax expense of RMB9.7 million for the corresponding period last year. It was a consequent result of the increased contract liabilities due to the raise of revenue, which leads to the recognition of more deferred tax assets and income tax credit as well.

(Loss)/profit for the Reporting period

During the Reporting Period, the loss attributable to owners of the Company recorded RMB63.7 million, as compared to a profit attributable to owners of the Company of RMB45.0 million in the corresponding period last year. The change was primarily due to the development of the COVID-19 pandemic in the People's Republic of China ("PRC") as well as the surge in selling and marketing expenses as the Group has engaged in more extensive advertising and promotion activities for certain new games during the Reporting Period, coupled with the unrecovered growth momentum of the previously stressed gaming industry resulting from the prolonged suspension of approval of online game publication.

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 RMB63.7 million, as compared to the adjusted profit of RMB46.4 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 periods ended 30 June 2022 and 2021, respectively:

	For the six months ended	
	30 June	
	2022	2021
	RMB Million	RMB Million
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(63.7)	45.0
Add:		
Share-based compensation	—	1.4
Adjusted (loss)/profit	<u>(63.7)</u>	<u>46.4</u>

Liquidity and source of funding and borrowing

As at 30 June 2022, current assets of the Group amounted to approximately RMB995.5 million, including bank and cash balances of approximately RMB600.8 million and other current assets of approximately RMB394.7 million. Current liabilities of the Group amounted to approximately RMB356.7 million, including trade payables and contract liabilities of approximately RMB219.0 million and other current liabilities of approximately RMB137.7 million. As at 30 June 2022, the current ratio (the current assets to current liabilities ratio) of the Group was 2.8, as compared with 3.6 as at 31 December 2021.

Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. The Group does not have any bank borrowings and other debt financing obligations as at 30 June 2022 and the resulting gearing ratio is nil. The Group intends to finance the expansion, investments and business operations with internal resources.

Investments at Fair Value through Profit or Loss

As at 30 June 2022, investments at fair value through profit or loss recorded approximately RMB236.9 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 2021	Increases for the 6 months ended 30 June 2022	Changes in fair value for the 6 months ended 30 June 2022	Settlements for the 6 months ended 30 June 2022	Currency translation difference for the 6 months ended 30 June 2022	Fair value as at 30 June 2022
	RMB million (Audited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)
Investments at fair value through profit or loss						
Listed equity securities in Hong Kong	72.8	—	(7.7)	—	3.2	68.3
Wealth management product:						
Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金)	58.2	—	1.5	—	2.7	62.4
Private equity investment fund Yuedong Stable Win (悅動穩贏私募證券投資基金)	50.0	—	(0.1)	—	—	49.9
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	15.2	15.0	0.4	(15.4)	—	15.2
Industrial Bank Co. Limited	25.1	75.0	0.7	(70.7)	—	30.1
Total	232.3	90.0	(5.2)	(86.1)	5.9	236.9

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 30 June 2022, carrying amount of the investments in wealth management products of various commercial banks was approximately RMB45.3 million. For further details of certain wealth management products invested through commercial banks during the Reporting Period, please refer to the announcements of the Company dated 21 February 2022 and 31 May 2022.

FINANCIAL INFORMATION

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	392,795	281,997
Cost of revenue		(144,824)	(118,485)
Gross profit		247,971	163,512
Selling and marketing expenses		(255,057)	(57,704)
Administrative expenses		(35,148)	(34,280)
Research and development expenses		(35,315)	(38,408)
Other income		4,296	4,460
Other losses, net	5	(90)	(3,969)
Operating (loss)/profit		(73,343)	33,611
Interest revenue		4,590	21,366
Lease interests		(742)	(308)
(Loss)/profit before income tax		(69,495)	54,669
Income tax credit/(expense)	6	5,800	(9,654)
(Loss)/profit for the period attributable to owners of the Company	7	(63,695)	45,015
Other comprehensive income/(expense):			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		14,258	(8,306)
Other comprehensive income/(expense) for the period, net of income tax		14,258	(8,306)
Total comprehensive (expense)/income for the period attributable to owners of the Company		(49,437)	36,709
(Loss)/earnings per share (RMB)	9		
— Basic		(0.0335)	0.0237
— Diluted		(0.0335)	0.0237

Condensed Consolidated Statement of Financial Position

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property and equipment		13,300	9,193
Right-of-use assets		25,219	32,370
Intangible assets		20,531	18,096
Investments at fair value through profit or loss	10	123,321	119,246
Prepayments and deposits		12,944	12,159
Other receivables	12	3,276	—
Deferred tax assets		29,490	23,249
Total non-current assets		228,081	214,313
Current assets			
Trade receivables	11	111,622	76,495
Contract costs		44,958	33,042
Prepayments and deposits		25,063	25,384
Other receivables	12	99,510	97,742
Investments at fair value through profit or loss	10	113,557	113,095
Time deposits		—	20,000
Bank and cash balances		600,766	608,041
Total current assets		995,476	973,799
TOTAL ASSETS		1,223,557	1,188,112
EQUITY AND LIABILITIES			
Equity			
Share capital		62	62
Reserves		844,800	894,237
Total equity		844,862	894,299

		30 June 2022	31 December 2021
	<i>Note</i>	RMB'000 <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
Liabilities			
Current liabilities			
Trade payables	13	84,218	50,969
Contract liabilities		134,799	90,272
Accruals and other payables		102,275	87,557
Lease liabilities		7,777	7,517
Current tax liabilities		27,594	32,551
		<hr/>	<hr/>
Total current liabilities		356,663	268,866
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		22,032	24,947
		<hr/>	<hr/>
Total liabilities		378,695	293,813
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		1,223,557	1,188,112
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 Building 5, Zone A, Huaxin Kechuang Island, No. 248 Qiaotou Street, Haizhu District, Guangzhou, the People’s Republic of China (“**PRC**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

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

2. Basis of preparation

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

These condensed consolidated financial statements should be read in conjunction with the 2021 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2021.

3. Adoption of new and revised International Financial Reporting Standards

In the current period, the Company and its subsidiaries (collectively referred to as the “**Group**”) has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2022. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.

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

4. Revenue and segment information

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

	Six months ended 30 June	
	2022 <i>RMB'000</i> <i>(Unaudited)</i>	2021 <i>RMB'000</i> <i>(Unaudited)</i>
Self-publishing	188,428	132,557
Co-publishing	204,367	149,440
Total revenue	<u>392,795</u>	<u>281,997</u>

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

Over time	<u>392,795</u>	<u>281,997</u>
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No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (six months ended 30 June 2021: nil).

The following table summarises the percentage of revenue from games licensed by single game developers exceeding individually 10% of the Group's revenue during the six months ended 30 June 2022:

	Six months ended 30 June	
	2022 <i>(Unaudited)</i>	2021 <i>(Unaudited)</i>
Game developer a	49.8%	26.1%
Game developer b	21.1%	–
Game developer c	10.8%	12.1%
Game developer d	<u>10.7%</u>	<u>11.2%</u>

5. Other losses, net

	Six months ended 30 June	
	2022 <i>RMB'000</i> <i>(Unaudited)</i>	2021 <i>RMB'000</i> <i>(Unaudited)</i>
Changes in fair value of investments at fair value through profit or loss	(5,278)	(2,539)
Gain/(loss) on disposals of property and equipment	9	(24)
Net foreign exchange gains/(losses)	5,568	(731)
Others	<u>(389)</u>	<u>(675)</u>
	<u>(90)</u>	<u>(3,969)</u>

6. Income tax credit/(expense)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	(441)	(7,241)
Deferred tax	6,241	(2,413)
	<u>5,800</u>	<u>(9,654)</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 Group’s PRC subsidiaries is 25% (six months ended 30 June 2021: 25%).

Shanghai Kaixi Networks Technology Limited (“**Kaixi Networks**”) was 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.

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% (six months ended 30 June 2021: 15%) for the six months ended 30 June 2022.

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the six months ended 30 June 2022. 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 six months ended 30 June 2021.

7. (Loss)/profit for the period

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	3,291	2,860
Depreciation	7,954	7,316
Loss allowance provision for trade receivables (included in administrative expenses)	747	2,693
Reversal of impairment on prepayments for purchase of licenses and to game developers (included in administrative expenses)	—	(85)
(Reversal of provision)/provision for expected credit losses of other receivables (included in administrative expenses)	(237)	843
Staff costs including Directors’ emoluments	<u>62,614</u>	<u>58,329</u>

8. Dividend

No dividends was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2022, nor has any dividend been proposed at the end of the Reporting Period (six months ended 30 June 2021: nil).

9. (Loss)/earnings per share

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	<u>(63,695)</u>	<u>45,015</u>

	Six months ended 30 June	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	1,899,956	1,896,103
Adjustments for unvested restricted share units	<u>—</u>	<u>1,422</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u>1,899,956</u>	<u>1,897,525</u>

The effects of all potential shares are anti-dilutive for the six months ended 30 June 2022.

10. Investments at fair value through profit or loss

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
	Listed equity securities in Hong Kong	68,279
Unlisted wealth management products	157,599	148,547
Investments in private companies	<u>11,000</u>	<u>11,000</u>
Total investments at fair value through profit or loss	<u>236,878</u>	<u>232,341</u>
Analysed as:		
— Non-current assets	123,321	119,246
— Current assets	<u>113,557</u>	<u>113,095</u>
	<u>236,878</u>	<u>232,341</u>

11. Trade receivables

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 to 1 month	32,960	34,440
1 month to 3 months	51,311	35,480
3 months to 6 months	26,347	5,695
6 months to 1 year	1,004	880
	<u>111,622</u>	<u>76,495</u>

12. Other receivables

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Input value-added tax to be deducted	3,813	3,608
Interest receivables	23,824	24,808
Loans to third parties	392,990	382,987
Receivables from game developers	5,931	5,931
Finance lease receivables	4,117	—
Others	22,153	23,704
	<u>452,828</u>	<u>441,038</u>
Provision for expected credit losses	(350,042)	(343,296)
	<u>102,786</u>	<u>97,742</u>
Analysed as:		
— Non-current assets	3,276	—
— Current assets	99,510	97,742
	<u>102,786</u>	<u>97,742</u>

13. Trade payables

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 to 1 month	13,694	15,018
1 month to 3 months	27,853	22,540
3 months to 6 months	31,810	10,142
6 months to 1 year	7,726	594
Over 1 year	<u>3,135</u>	<u>2,675</u>
	<u>84,218</u>	<u>50,969</u>

14. Events after the Reporting Period

There were no material subsequent events during the period from 1 July 2022 to the approval date of the condensed consolidated financial statements by the board of directors on 30 August 2022.

Use of Proceeds

Upon the listing of the Company on 12 July 2018, the Company raised net proceeds (the “**Net Proceeds**”) of approximately HK\$967.1 million. Summary of the usages and amounts of the Net Proceeds utilised and the remaining Net Proceeds as at 30 June 2022 set out as follows:

Intended use of the Net Proceeds	Percentage of the Net Proceeds for each intended usage	Amount of the Net Proceeds for each intended usage	Amount of the remaining Net Proceeds as at 31 December 2021	Amount of the Net Proceeds utilised during the period ended 30 June 2022	Amount of the remaining Net Proceeds as at 30 June 2022
	<i>%</i>	<i>HK\$' Million</i>	<i>HK\$' Million</i>	<i>HK\$' Million</i>	<i>HK\$' Million</i>
Develop game sourcing capabilities and ensure us to acquire high quality game content	35%	338.5	286.0	6.6	279.4
Establish in-house game development team	25%	241.8	179.0	21.5	157.5
Fund marketing and promotional activities	20%	193.4	—	—	—
Expand into overseas markets and develop overseas operation	10%	96.7	52.1	45.7	6.4
Working capital and general corporate purposes	10%	96.7	61.7	6.3	55.4
Total	100%	967.1	578.8	80.1	498.7

The expected timeline for fully utilizing the remaining proceeds is by the year of 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.

Interim Dividend

The Board does not recommend payment of any interim dividend for the six-month period ended 30 June 2022 (30 June 2021: Nil).

Employee Remuneration and Relations

As at 30 June 2022, the Group had a total of 358 employees, comparing to 350 employees as at 30 June 2021. The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provide training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team and game operation team to enhance their skill and knowledge.

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

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

Significant Investment, Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Pledge of assets

As at 30 June 2022, none of the Group's assets was pledged.

Contingent liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities.

Acquisitions of Certain Wealth Management Products

On 21 February 2022, Shanghai Youmin Networks Technology Limited, a PRC subsidiary of the Company (“**Shanghai Youmin**”), subscribed for a wealth management product 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.

On 31 May 2022, Shanghai Youmin subscribed for a new wealth management product from Industrial Bank in the amount of RMB30,000,000. For further details, please refer to the announcement of the Company dated 31 May 2022.

The provision of Financial Assistance to Borrower A

- (i) On 7 July 2020, the Company, as lender, entered into an unsecured loan agreement A1 with Brick Heads Limited (“**Brick Heads**”), as borrower, pursuant to which the Company agreed to provide the loan A1 in the principal amount of HK\$25.0 million to Brick Heads for a term of 12 months.
- (ii) On 18 September 2020, FT Entertainment Limited (a direct wholly-owned subsidiary of the Company) (“**FT Entertainment**”), as lender, entered into an unsecured loan agreement A2 with Brick Heads, pursuant to which FT Entertainment agreed to provide the loan A2 in the principal amount of HK\$15.0 million to Brick Heads for a term of 12 months.
- (iii) On 4 March 2021, FT Entertainment, Brick Heads and RuiFu Development Co., Limited (“**RuiFu**”), as payment agent, entered into the supplemental agreement A, pursuant to which, an early partial repayment of the principal amount of the loan A2 in the sum of HK\$7.5 million was made by RuiFu for and on behalf of Brick Heads to FT Entertainment. Save as aforesaid, all other terms of the loan agreement shall remain unchanged and continue to be in full force and effect.
- (iv) On 16 March 2021, the Company, Brick Heads and RuiFu, as payment agent, entered into the supplemental agreement AA, pursuant to which, an early partial repayment of the principal amount of the loan A1 in the sum of HK\$12.5 million was made by RuiFu for and on behalf of Brick Heads to the Company. Save as aforesaid, all other terms of the loan agreement shall remain unchanged and continue to be in full force and effect.

The Company received a request from Brick Heads in relation to the settlement of the outstanding amount under Loan A1. After further negotiations, on 29 July 2022, the Company and Brick Heads entered into the Settlement Agreement A1 for the settlement of the payment obligations and liabilities of Brick Heads under the Loan Agreement A1.

As at the date of this announcement, the aggregate outstanding amounts under loan A1 amounted to approximately HK\$13.9 million, being the sum of the outstanding principal amount of HK\$12.5 million and all the interests and default interests accrued on loan A1 up to the date of this announcement of approximately HK\$1.4 million.

FT Entertainment received a request from Brick Heads in relation to the settlement of the outstanding amount under loan A2. After further negotiations, on 29 July 2022, FT Entertainment and Brick Heads entered into the settlement agreement A2 for the settlement of the payment obligations and liabilities of Brick Heads under the loan agreement A2.

As at 30 August 2022, a partial repayment of the principal amount of the loan A2 in the sum of approximately HK\$1.2 million was made by Mr. CHEN Yibin (shareholder of Brick Heads) for and on behalf of Brick Heads to FT Entertainment. As at the date of this announcement, the aggregate outstanding amounts under loan A2 amounted to approximately HK\$7.0 million, being the sum of the outstanding principal amount of approximately HK\$6.3 million and all the interest and default interest accrued on loan A2 up to the date of this announcement of approximately of HK\$0.7 million.

For further details, please refer to the announcement of the Company dated 29 July 2022.

The Provision of Financial Assistance to Borrower B

- (i) On 18 May 2020, the Company, as lender, entered into an unsecured loan agreement B with Sze Ka Ho, an individual and independent third party of the Company (“**Mr. Sze**”), pursuant to which the Company agreed to provide the loan B in the principal amount of HK\$27.0 million to Mr. Sze for a term of 6 months.
- (ii) On 18 November 2020, the Company and Mr. Sze entered into the supplemental agreement B, pursuant to which, the maturity date of the loan agreement B was extended to a date falling 12 months from the drawdown date of loan B, i.e. 18 May 2021. Save as aforesaid, all other terms of the loan Agreement B shall remain unchanged and continue to be in full force and effect.

As at the date of this announcement, the aggregate outstanding amounts under loan B amounted to approximately HK\$27.2 million being the sum of the outstanding principal amount of HK\$18.9 million and all the interest and default interest accrued on loan B up to the date of this announcement of approximately HK\$8.3 million. Following the default in repayment of loan B, actions have been taken by the Company to recover the aggregate outstanding amounts under loan B, including but not limited to legal actions and negotiations with Mr. Sze in relation to the repayment schedule.

For further details, please refer to the announcement of the Company dated 29 July 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 during the Reporting Period and up to the date of this announcement.

Material events after the Reporting Period

As at the date of this announcement, there were no material events after the Reporting Period.

Impact of the Covid-19 Pandemic

Up to the date of this announcement, the COVID-19 pandemic is still not deracinated. There might be rebounds of the COVID-19 pandemic from time to time, which might cause the reduction of travels and consumption of the people in some local parts of the PRC for a period of time. We believe that the impact of the COVID-19 pandemic rebounds in the future will not last as long as it did in the past years. We are monitoring closely the development of the pandemic situations and taking appropriate measures to minimize its impact to our business.

Compliance with the Corporate Governance Code

During the Reporting Period and up to the date of this announcement, the Company has complied with all the code provisions set forth in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, except for the following deviation of the CG Code which is explained below:

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.

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 interim results for the Reporting Period is unaudited, The Audit Committee has reviewed (together with the management of the Company) the Company’s unaudited condensed consolidated interim results for the Reporting Period and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

Publication of the Interim Results and Interim Report

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.fingertango.com). The Group's 2022 interim report will be despatched to shareholders and will be published on the aforementioned websites on or before the end of September 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, 30 August 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.