2019
ANNUAL REPORT

FINGER
TANGO

FingerTango Inc.
指尖悅動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6860

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Mr. ZHU Yanbin (朱炎彬) (appointed on 19 June 2019)

Mr. WANG Zaicheng (王在成)

Mr. LIU Zhanxi (劉展喜)

Independent Non-executive Directors

Mr. GUO Jingdou (郭靜鬥)

Ms. YAO Minru (姚敏茹)

Dr. LIU Jianhua (柳建華) (appointed on 13 January 2020)

AUDIT COMMITTEE

Ms. YAO Minru (姚敏茹) *(Chairperson)*

Mr. GUO Jingdou (郭靜鬥)

Dr. LIU Jianhua (柳建華)

REMUNERATION COMMITTEE

Mr. GUO Jingdou (郭靜鬥) *(Chairperson)*

Mr. ZHU Yanbin (朱炎彬)

Ms. YAO Minru (姚敏茹)

NOMINATION COMMITTEE

Mr. LIU Jie (劉傑) *(Chairperson)*

Mr. GUO Jingdou (郭靜鬥)

Ms. YAO Minru (姚敏茹)

AUTHORIZED REPRESENTATIVES

Mr. WANG Zaicheng (王在成)

Mr. WONG Yu Kit (黃儒傑)

JOINT COMPANY SECRETARIES

Mr. WANG Zaicheng (王在成)

Mr. WONG Yu Kit (黃儒傑)

LEGAL ADVISERS

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As to Cayman Islands law:

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HONG KONG SHARE REGISTRAR

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COMPANY WEBSITE

www.fingertango.com

STOCK CODE

6860

LISTING DATE

12 July 2018

Five Year Financial Summary

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December				
	2015	2016	2017	2018	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenue	275.8	984.8	1,197.2	1,085.9	1,051.1
Gross Profit	145.4	592.4	724.4	641.6	663.5
Profit for the Year	3.4	216.6	240.8	155.6	38.7
Non-IFRS Measures					
Adjusted Profit for the Year[(1)]	31.5	216.6	246.5	254.3	71.2

(1) During the Reporting Period, adjusted profit for the year excludes the impact from share-based compensation to key employees of RMB32.5 million

Condensed Consolidated Statement of Financial Position

	Year ended 31 December				
	2015	2016	2017	2018	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Non-current assets	4.9	39.5	67.9	164.7	205.1
Current assets	207.6	547.6	857.2	1,457.8	1,410.3
Current liabilities	191.3	355.9	373.1	286.9	273.5
Net current assets	16.3	191.7	484.1	1,170.9	1,136.8
Non-current liabilities	—	—	—	—	1.3
Total equity	21.1	231.2	552.0	1,335.5	1,340.6

Chairman's Statement

I am pleased to present our annual report for the year ended 31 December 2019 to the shareholders.

MARKET OVERVIEW

According to the 2019 China Gaming Industry Report jointly released by the Game Publishers Association Publications Committee (GPC) of the China Audio-video and Digital Publishing Association (中國音像與數字出版協會遊戲出版工作委員會) and International Data Company, the Chinese gaming industry maintained a steady performance and generated a total revenue of approximately RMB230.9 billion in the year of 2019, representing an increase of 7.7% as compared to the same period last year. Mobile game has retained its mainstream position in the overall online game industry cornering about two-thirds of the gaming market, with its revenue reaching RMB158.1 billion or a growth of 18.0%. In addition, mobile devices have become the first choice for leisure activities due to their portability and other conveniences, and with the development of 5G and cloud games, mobile games face a more stable market growth potential. The number of mobile game players has slightly increased by 3.2% to 620.0 million in the year of 2019.

From March to December 2018, the National Radio and Television Administration of PRC suspended the approval of online game publication. As a consequence, China's game market fluctuated, resulting in an overall decline of market performance. In addition, the change in policy has a medium-term effect on the entire game industry and the game developers.

In 2019, the National Intellectual Property Administration of PRC implemented a policy emphasizing on the strengthening of the protection of intellectual property. Efforts are put into the development of the intellectual property strategy compendium, the planning and implementation of an intellectual property protection system, improving the intellectual property laws and regulations, strengthening the protection of intellectual property source, and innovating the mechanism of protection of intellectual property. With the effective improvement of the government's comprehensive management of intellectual property rights, along with further strengthened and enhanced protection means and efficiency, the game industry has ushered in an important opportunity for innovation and development.

As gaming enterprises have deployed more resources in research and development, more advanced technologies, such as 5G, cloud gaming, VR/AR, are being used in the gaming industry. And in the future, it is expected that the gaming industry will be more affluent with new functions, gameplay and landscape brought about by these new technologies. Meanwhile, with AI, VR, cloud computing and other technologies become mature, more gaming enterprises will focus on enhancing their own hard power, as such, we expect there will be more refined games and a more regulated environment.

The segment of SLG games, which we dedicate in, has shown rapid growth in recent years. In 2019, SLG games accounted for 14.0% of the top 100 mobile games in terms of revenue in China's mobile game market, following role-playing games (54.0%). Players have showed continuous demand for SLG games.

BUSINESS REVIEW

We are a leading mobile game publisher and a pioneer in the SLG game publishing industry in China. Our outstanding ability in lengthening the lifecycle of games and enhancing the overall conversion rate differentiates us from other players in the industry. We have continued to attain the attention and favourable support of the players.

Chairman's Statement

The Group's revenue in the Reporting Period was approximately RMB1,051.1 million, representing a slight decrease of approximately 3.2% as compared to the corresponding period last year. The changes in Chinese game market and regulatory environment had led to the suspension of approval of online game publication for nine months. Certain pipeline games that had been scheduled to be launched during the Reporting Period were not launched due to underperformance of game testing results and the suspension of online game publication approval. The prolonged suspension of approval of online game publication has cast a negative impact on the growth momentum of the game industry which is yet to be recovered, leading to the lower anticipated revenue contribution from certain games launched during the Reporting Period being lower than previously expected. 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 to be launched in 2019. These included a deep optimization of playing techniques, gameplay, roles and design customizing to the players' evolving preferences to ensure their sound performance upon official launch. On the other hand, we have launched several new games in 2019 according to our business plan. These new titles 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 Company would be gradually unleashed in 2020. With the lifting of the above-mentioned suspension, we have acquired eight new licensed games since 2019 up to the date of this annual report, building substantial momentum for the Company to further publish new games and continuously create new income sources.

During the Reporting Period, the profit attributable to our shareholders was approximately RMB38.7 million, as compared to RMB155.6 million during the corresponding period last year. The decline of profit was primarily due to 1) an increase in selling and marketing expenses as the Company has engaged in more extensive advertising and promotion activities for mobile games during the Reporting Period amongst the increasingly fierce external competition environment. The unit cost of such advertising and promotion activities has also increased. Additionally, due to the lag in effect on revenue from the advertising and promotion activities, the impact of the increased sales and marketing expenses is expected to be seen over a longer period of time in the future; 2) certain pipeline games that had been scheduled to be launched during the Reporting Period were not launched due to underperformance of game testing results and the suspension of online game publication approval due to the changes in Chinese game market and regulatory environment, resulting in write-down of prepaid license fees for the these unlaunched pipeline games; and 3) the revenue contribution from certain games launched during the Reporting Period was lower than expected.

The level of game monetization has continued to reflect our strengths and keen ability. Despite a volatile game market caused by the prolonged suspension of approval of online game publication in China, the average revenue per month per paying user ("**ARPPU**") of the Company remain steady at RMB443 during the Reporting Period as compared to RMB437 for the same period last year. The total number of accumulative registered users has reached 167.7 million as at 31 December 2019, representing a 12.0% growth as compared for the same period last year. The enormous user base enables us to better understand player preferences and market changes through strong data analytics ability, so as to launch new games with higher popularity in the market, and to conduct targeted marketing with more cost-effective strategies.

The China's game market faced fluctuations in 2019 due to a lag in the effect caused by the suspension of approval of online games publication. Despite the challenging macro situation, looking back on the past twelve months, the Company was still striving for the sustainable development of business and actively laying a foundation for healthy growth in the future. We upheld our persistence in the SLG game segment while broadening our game category. Leveraging SLG's inherent advantage of long life-cycle, the Company's strong operating capability and the extensive industry experience of our senior management team, the Company has achieved sound performance throughout the Reporting Period. The strategy of upholding our persistence in the SLG game segment while broadening our game category has been successful. My Duty (「我的使命」), a SLG game, and Romance of Stars (「星辰奇緣」), a MMORPG game, are still popular after more than 37 months' and 50 months' operation, respectively,and has achieved a monthly gross billings of up to RMB36 million and RMB32 million, respectively during the Reporting Period. The games in the growth stage continued to power-up and maintained an upward momentum, those in the mature stage saw a natural drop but steady gross billings were maintained. Four titles have generated an average monthly gross billings of RMB12 million or above in the Reporting Period. We constantly launched updated versions and introduced iterative calculations and new gameplay. The games have maintained robust lifecycles and continued to generate steady revenue for us over a longer period of time.

OUTLOOK FOR 2020

Entering 2020, the rapid outbreak of coronavirus disease (the "**COVID-19 outbreak**") in different cities around the world has led to a major challenge for the global economy and has caused a short-term impact on all sectors. The Group has responded quickly with comprehensive arrangements and collaborated with regional offices, subsidiaries and joint ventures, to stand in the frontline of epidemic prevention and control. The Group will keep continuous attention on the situation, assess and react actively to its impacts on the Group's business operations. Up to the date of this annual report, the assessment is still in progress and the related financial impact on the Group could not be reasonably estimated at this stage, and will be reflected in the Group's 2020 interim and annual financial statements.

2020 is a year full of challenges and opportunities for China's game industry. In June 2019, China's Ministry of Industry and Information Technology officially issued 5G commercial licenses to major telecom operators in China, marking 2019 the first year of 5G commercial development in China. The ultra-high speed and low latency of 5G network can bring more refined gaming experience for players. In addition, the ability of 5G in handling increased synchronous connections could lead to more powerful multiplayer gameplay. On the other hand, the screen frame number of smart phones can reach super smooth 60 frames per second, while 5G network speeds up transmission with higher bandwidth and speed. Mobile games will have a new look and game experience will be enhanced when 5G has become popular along with the next generation smart phones which are equipped with a full 3D and a robust engine. Market competition is expected to become increasingly keen, however.

In the meantime, the growth that relies on the bonus of user increment will not be able to last. Companies need to create products with both cultural and commercial values and seek for new growth models in the increasingly intense market. The massive amount of mobile game users offers a large user base for mobile games. Player demands and market potential are awaiting exploration.

Moreover, it is also a challenge for mobile game developers to win users' attention. The emergence of new entertainment choices such as short online video clips has consumed some of the time formerly spent on playing games. Such a change in users' behavioral pattern has posed a bigger challenge to both the game industry and the developers.

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 producing more premium products. At the end of 2018, the National Radio and Television Administration announced the re-opening of new games publication approval with the first batch of approved games, which enormously boosted the morale of the game industry. However, due to the lagging effect of the new policy, it will take a certain time for the industry to adjust their strategies and operations before the growth impetus is in full play in future.

Adherence to and focus on long lifecycle products, the concept of continuous operation with long-term flow, and constant offer of new gameplay to extend product lifecycle — these are our initial intention and our advantage and development strategy. In the face of a complex and changing market environment, we will always insist on developing products with the first-class technology, optimizing game in full dimension, and extending the lifecycle of our games with the continuous enriched and enhanced player experience, thereby improving the ability to monetization and continuing to generate stable revenue for the Company.

We are conducting comprehensive tests for the new titles to be launched in 2020 while optimizing product launch strategies and plans. Over the years, we have accumulated an immense user database. We will continue to leverage our big data analytics ability with our proprietary multi-dimensional data analysis engine which collates and structures our data in a variety of ways for ad-hoc and real-time on-line analysis. Moreover, we will enhance gameplay strategies, characters, scenes, technical depth, and other parameters and improve cross-promotion efficacy by analyzing player demographic, gameplay preference, gaming time, level-up, in-game purchase amount and user turnover rate, etc. These initiatives are being performed to ensure sound performance after the official launch.

Looking forward, we will continue to extend our existing game portfolio and broaden our game category while focusing on the SLG game segment. We will implement the concept of premium game and strive to create high-quality games. At the same time, we will continue to optimize the game content, enhance the player experience, boost player stickiness and loyalty, and actively optimize the product launch strategy. In addition, we will continue to invest sufficient resources in our research and development and operating teams, diligently deploy overseas markets, continue to attract elite talents worldwide, expand the overseas player base, and capture huge opportunities in the market. The Company will also continue to seek synergetic merger and acquisition opportunities to accelerate business growth and breakthroughs, with the aim to further reinforce our leadership in mobile game operation.

APPRECIATION

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

LIU Jie
Chairman, Chief Executive Officer
and Executive Director

Management Discussion and Analysis

The following table sets forth our annual consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2018, respectively:

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	1,051,137	1,085,931
Cost of revenue	(387,617)	(444,306)
Gross profit	663,520	641,625
Selling and marketing expenses	(500,106)	(324,974)
Administrative expenses	(93,778)	(102,757)
Research and development expenses	(63,312)	(54,600)
Other income	12,365	6,292
Other gains, net	10,912	2,398
Operating profit	29,601	167,984
Finance income	14,442	8,647
Finance costs	(495)	—
Profit before income tax	43,548	176,631
Income tax expense	(4,836)	(21,036)
Profit for the year attributable to owners of the Company	38,712	155,595
Non-IFRS Measures		
Adjusted profit attributable to owners of the Company	71,217	254,346

Revenue

The Group's revenue in the Reporting Period was approximately RMB1,051.1 million, representing a slight decrease by approximately 3.2% or RMB34.8 million as compared to the corresponding period in 2018. The decrease was primarily due to (i) the natural drop in revenue of the classic games which have been in operation for years and are in their mature stage, and (ii) the prolonged suspension of approval of online game publication has cast a negative impact on the growth momentum of the game industry which is yet to be recovered, leading to the lower revenue contribution from certain games launched during the Reporting Period.

With respect to revenue categorized by method of publication, self-publishing revenue was approximately RMB548.8 million as compared to the corresponding period last year, representing 52.2% of the total revenue as compared to 47.9% in the corresponding period last year. Co-publishing revenue was approximately RMB502.3 million, representing 47.8% of the total revenue.

Cost of Revenue

The cost of revenue in the Reporting Period was approximately RMB387.6 million and decreased by approximately 12.8% or RMB56.7 million as compared to the corresponding period last year. It was mainly due to the decrease in platform sharing charges partially offset by the growing commissions charged by game developers.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB663.5 million, as compared to RMB641.6 million in the corresponding period last year. Gross profit margin increased from 59.1% to 63.1% as compared to the corresponding period last year, since the magnitude of the decrease in cost is larger than that of the decrease in revenue.

Other Income

During the Reporting Period, other income was approximately RMB12.4 million as compared to approximately RMB6.3 million in the corresponding period last year. The rise was mainly from the additional deduction of value-added tax and the increase in government grant recognized during the Reporting Period.

Other Gains, net

During the Reporting Period, net other gains was approximately RMB10.9 million, as compared to a gain of approximately RMB2.4 million in the corresponding period last year, primarily attributable to investment income from financial assets and foreign exchange gains.

Finance Income

During the Reporting Period, finance income was approximately RMB14.4 million, an increase of approximately 67.0% or RMB5.8 million as compared to the corresponding period last year. The increase was mainly from interest income of the short-term deposit with maturity less than 90 days.

Finance Costs

During the Reporting Period, finance costs was approximately RMB0.5 million, while finance costs was nil for the same period last year.

Selling and Marketing Expenses

The selling and marketing expenses in the Reporting Period were approximately RMB500.1 million, increased by approximately 53.9% or approximately RMB175.1 million as compared to the corresponding period last year. It constituted 47.6% of the total revenue, representing an increase from 29.9% in the corresponding period last year. The increase was primarily due to the more extensive advertising and promotion activities undertaken by the Company for mobile games during the Reporting Period in order to cope with the increasingly fierce external competition environment.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB93.8 million, as compared to approximately RMB102.8 million in the corresponding period last year. The change was primarily due to the decrease in the share-based compensation to key employees.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB63.3 million, increased by approximately 16.0% or RMB8.7 million as compared to the corresponding period last year. The rise was primarily due to the increased resources allocated to research and development of proprietary operation system as well as increased research and development personnel, resulting in an increase in employee salaries.

Income Tax Expense

The income tax expense in the Reporting Period was approximately RMB4.8 million, decreased by 77.0% or approximately RMB16.2 million as compared to the corresponding period last year. It was a consequent result of a decreased taxable income.

Profit for the Year

The profit attributable to owners of the Group in the Reporting Period was RMB38.7 million, dropped by 75.1% as compared to RMB155.6 million in the corresponding period last year, which was a consequent result of 1) an increase in selling and marketing expenses as the Company has engaged in more extensive advertising and promotion activities for mobile games during the Reporting Period in order to cope with the increasingly fierce external competition environment. Additionally, due to the lag in effect on revenue from the advertising and promotion activities, the impact of the increased sales and marketing expenses is expected to be seen over a longer period of time in the future and the unit cost of advertising and promotion activities is also rising; 2) certain pipeline games that had been scheduled to be launched during the Reporting Period were unable to be launched due to underperformance of game testing results and the suspension of online game publication approval due to the changes in Chinese game market and regulatory environment, resulting in write-down of prepaid license fees for the pipeline games which were unable to be launched during the Reporting Period; and 3) the lower revenue contribution from certain games launched during the Reporting Period.

Non-IFRS Measures — Adjusted Profit

The adjusted profit in the Reporting Period, adjusted by excluding the impact from the share-based compensation to key employees, was RMB71.2 million, decreased by 72.0% as compared to RMB254.3 million in the corresponding period last year.

The following table sets out the adjusted profit as well as the calculation process based on non-IFRS measures for the Reporting Period:

	For the year ended 31 December	
	2019	2018
	RMB' Million	RMB' Million
Profit for the year	38.7	155.6
Add:		
Share-based compensation	32.5	77.9
Listing-related expenses	—	20.8
Adjusted profit for the year	71.2	254.3

Liquidity and source of funding and borrowing

As at 31 December 2019, the Group's total cash and cash equivalents amounted to approximately RMB778.0 million, representing an increase of approximately 4.7% as compared with approximately RMB743.3 million as at 31 December 2018.

As at 31 December 2019, current assets of the Group amounted to approximately RMB1,410.3 million, including cash and cash equivalents of approximately RMB778.0 million and other current assets of approximately RMB632.3 million. Current liabilities of the Group amounted to approximately RMB273.5 million, including trade payables and contract liabilities of approximately RMB195.7 million and other current liabilities of approximately RMB77.8 million. As at 31 December 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 5.2, as compared with 5.1 as at 31 December 2018.

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 2019 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 2019, investments at fair value through profit or loss are recorded at approximately RMB103.4 million. Details of investments at fair value through profit or loss for the year ended 31 December 2019 are shown as below:

	Fair value as at 31 December 2018	Changes in fair value for the year ended 31 December 2019	Increases for the year ended 31 December 2019	Settlements for the year ended 31 December 2019	Currency exchange differences for the year ended 31 December 2019	Fair value as at 31 December 2019
			(RMB' Million)			
Investments at fair value through profit or loss						
Wealth management product Leading Global — 1 SP	309.2	4.5	–	(321.3)	7.6	–
Wealth management product Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金)	88.1	5.3	–	–	2.0	95.4
Investments in private company A	8.0	–	–	–	–	8.0
Investments in private company B	1.0	(1.0)	–	–	–	–
Investments in private company C	0.3	(0.3)	–	–	–	–
Private equity investment fund Yuedong Stable Win (悅動穩贏私募證券投資基金)	–	–	20.0	(20.0)	–	–
Structured deposit product at LUSO International Banking Ltd. (澳銀財富結構性存款產品)	–	–	10.0	(10.0)	–	–
Total	406.6	8.5	30.0	(351.3)	9.6	103.4

As at 31 December 2019, investments at fair value through profit or loss are mainly composed of investments in the wealth management product Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金) with carrying amount of approximately RMB95.4 million as at 31 December 2019, accounting for approximately 5.9% of the Group's total assets as at 31 December 2019. For details of the subscription in Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金) by the Company, please refer to the announcement of the Company dated 11 December 2018.

The performance of the investments has been closely and effectively monitored by the Company. For the year ended 31 December 2019, the returns of the Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金) were consistent with its fair value change of approximately RMB5.3 million. The Company believes that the investments in Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金) will continue to generate stable income for the Group.

Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

BUSINESS REVIEW

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

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended 31 December 2019 are set out on pages 93 to 98 of this annual report.

The Board does not recommend payment of a final dividend for the year ended 31 December 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting will be held on 10 June 2020.

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 5 June 2020 (Friday) to 10 June 2020 (Wednesday), 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 4 June 2020 (Thursday).

FINANCIAL SUMMARY

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

TAX RELIEF AND EXEMPTION

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in Note 16 to the consolidated financial statements on page 136 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2019 contained in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2019 are set out in Note 32 to the consolidated financial statements on pages 148 to 149 of this annual report.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group and of the Company during the year ended 31 December 2019 are set out in consolidated statement of changes in equity, Note 34(a) and Note 34(b) to the consolidated financial statements on pages 96, page 151 and pages 152 respectively of this annual report.

DISTRIBUTABLE RESERVES

The Company's total distributable reserves as at 31 December 2019 amounted to Nil.

BORROWINGS

As at 31 December 2019, the Company did not have any bank borrowings.

FOREIGN EXCHANGE RISK

The income of the Group was principally and mostly denominated in RMB. The Group will continue to monitor its foreign exchange risk exposure to best preserve the Group's cash value. As at 31 December 2019, the Group did not enter into any hedging transactions.

PLEDGE OF ASSETS

As at 31 December 2019, none of the Group's assets was pledged.

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

During the Reporting Period, 63,634,000 ordinary shares were repurchased, among which 50,335,000 shares were cancelled and 13,299,000 shares are not yet cancelled, respectively. Save as disclosed above, there was no other purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Reporting Period.

The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in 2019	Number of Shares purchased	Purchase price per Share		Aggregate consideration (excluding expenses) (HKD)
		Highest (HKD)	Lowest (HKD)	
January 2019	7,150,000	1.71	1.50	11,549,550.00
May 2019	30,370,000	1.58	1.39	45,235,440.00
June 2019	22,360,000	1.53	1.22	31,458,500.00
July 2019	3,754,000	1.30	1.13	4,603,050.00
Total	63,634,000			92,846,540.00

Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

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

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group did not have other plans for material investments or capital assets as of 31 December 2019.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" herein, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DISCLOSEABLE TRANSACTIONS IN RELATION TO SUBSCRIPTION OF NOTES

On 13 December 2019, the Company (as "**Subscriber**") entered into a subscription agreement with Orbitronic Global Development Co., LIMITED (as "**Issuer**"), in relation to the subscription of the secured notes due 12 December 2020 (or such other date as agreed by the Issuer and the Subscriber but in any event, no later than 31 December 2020) to be issued by the Issuer in the principal amount up to HK$250 million with coupon rate of 7% per annum payable quarterly. The subscription of notes 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. Details of the subscription have been set out in the announcement of the Company dated 13 December 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

As at the date of this annual report, there were no significant events after the Reporting Period.

USE OF PROCEEDS

Upon the Listing Date, the Company raised net proceeds (the "**Net Proceeds**") of approximately HKD967.1 million. Summary of the usages and amounts of the Net Proceeds utilised and the remaining Net Proceeds as at 31 December 2019 is set out as follows:

Intended use of the Net Proceeds	Percentage of the Net Proceeds for each intended usage	Amount of the Net Proceeds for each intended usage	Amount of the Net Proceeds utilised during the year ended 31 December 2019	Amount of the remaining Net Proceeds as at 31 December 2019
	%	HK$' Million	HK$' Million	HK$' Million
Develop game sourcing capabilities and ensure us to acquire high quality game content	35%	338.5	33.6	304.9
Establish in-house game development team	25%	241.8	–	241.8
Fund marketing and promotional activities	20%	193.4	193.4	–
Expand into overseas markets and develop overseas operation	10%	96.7	25.6	71.1
Working capital and general corporate purposes	10%	96.7	12.0	84.7
Total		967.1	264.6	702.5

Looking forward, the Company will use the Net Proceeds in accordance with its development strategies, market conditions and intended use within the next 18 months. Please refer to the section headed "Future Plan and Use of Proceeds" in the Company's prospectus dated 26 June 2018 for details of applications and expected timeline for utilising the remaining Net Proceeds.

DIRECTORS

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

Directors	Position
Mr. Liu Jie (劉傑)	Executive Director, Chairman and chief executive officer
Mr. Zhu Yanbin (朱炎彬)	Executive Director and vice president (appointed on 19 June 2019)
Mr. Wang Zaicheng (王在成)	Executive Director and joint company secretary
Mr. Liu Zhanxi (劉展喜)	Executive Director and chief financial officer
Mr. Guo Jingdou (郭靜鬥)	Independent non-executive Director
Ms. Yao Minru (姚敏茹)	Independent non-executive Director
Dr. Liu Jianhua (柳建華)	Independent non-executive Director (appointed on 13 January 2020)

Biographical details of the Directors and the senior management of the Group are set out on pages 37 to 41 in this annual report. Upon specific enquiry by the Company, there has been no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the Listing Date.

All Directors are appointed for a specific term of three years which may be extended as each Director and the Company may agree, subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. Article 84 of the Articles of Association of the Company provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of our independent non-executive Directors has signed an appointment letter with the Company for a term of three years.

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

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in this annual report and in the section headed "*Related Party Transactions*" in Note 40 to the consolidated financial statements contained in this annual report, no contract of significance was entered between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended 31 December 2019 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended 31 December 2019 or subsisted at the end of the year.

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

Save as disclosed in the section "Connected Transactions" in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2019.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 13(a) and Note 13(c) to the consolidated financial statements on pages 132 to 133 and pages 134 of this annual report.

For the year ended 31 December 2019, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2019.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2019, by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2019, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

DEED OF NON-COMPETITION

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

During the Reporting Period, no written notice of any New Opportunity (as defined in the Deed of Non-competition) had been received by the Company. The Controlling Shareholders confirmed that they have complied with the Deed of Non-competition for the year ended 31 December 2019 (the "**Confirmation**"). Upon receiving the Confirmation, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the non-competition undertakings in the Deed of Non-competition given by them.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2019.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2019.

LOAN AND GUARANTEE

During the year ended 31 December 2019, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective connected person.

RESTRICTED SHARE UNIT (THE "RSU") SCHEME

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

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

SHARE OPTION SCHEME

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

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

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (including independent non-executive Directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

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

The new Shares which may be issued by our Company upon exercise of all share options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 200,000,000 Shares, (i.e. 10% of the aggregate of the Shares in issue on the Listing Date assuming the Over-allotment Option is not exercised and approximately 10.4% of the aggregate of the Shares in issue as at the date of this annual report).

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

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

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

For the year ended 31 December 2019, no share option was granted, exercised, cancelled or lapsed since its adoption and there is no outstanding share option under the Share Option Scheme. The remaining life of the Share Option Scheme, which will expire on 18 June 2028, is approximately 8 years from the date of this annual report.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to herein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactors by Directors of the Listed Issuers (the "**Model Code**"), were as follows:

Interest in Shares or Underlying Shares of our Company

Name	Capacity/Nature of Interest	Number of shares held/interested	Approximate percentage of Interest
Mr. Liu Jie[(2)]	Interest in a controlled corporation	1,007,837,500(L)[(1)]	52.18%
Mr. Zhu Yanbin[(3)]	Interest in a controlled corporation	148,488,000(L)[(1)]	7.69%
Mr. Wang Zaicheng[(4)]	Interest in a controlled corporation	14,791,500(L)[(1)]	0.77%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) LJ Technology Holding Limited, a beneficial owner of 1,007,837,500 shares, is wholly-owned by Mr. LIU Jie. Thus, Mr. LIU Jie is deemed to be interested in the same number of Shares in which LJ Technology Holding Limited is interested by virtue of the SFO.

(3) ZYB Holding Limited, a beneficial owner of 148,488,000 shares, is wholly-owned by Mr. ZHU Yanbin. Thus, Mr. ZHU Yanbin is deemed to be interested in the same number of Shares in which ZYB Holding Limited is interested by virtue of the SFO.

(4) KW Technology Holding Limited, a beneficial owner of 14,791,500 shares, is wholly-owned by Mr. WANG Zaicheng. Thus, Mr. WANG Zaicheng is deemed to be interested in the same number of Shares in which KW Technology Holding Limited is interested by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2019, the following persons (other than the interest of the Directors or chief executives of the Company disclosed above) who had an interest or short positions in the ordinary shares and underlying shares which fall to be disclosed to the Company and Stock Exchange under the provisions of Division 2 or 3 or Part XV of the SFO which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of shares held/interested	Approximate percentage of Interest
LJ Technology Holding Limited[2]	Beneficial owner	1,007,837,500(L)[1]	52.18%
ZYB Holding Limited[3]		148,488,000(L)[1]	7.69%
KW Technology Holding Limited[4]		14,791,500(L)[1]	0.77%

Notes:

(1) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in our Shares.

(2) LJ Technology Holding Limited is wholly-owned by Mr. LIU Jie. Thus, Mr. LIU Jie is deemed to be interested in the same number of Shares in which LJ Technology Holding Limited is interested by virtue of the SFO.

(3) ZYB Holding Limited is wholly-owned by Mr. ZHU Yanbin. Thus, Mr. ZHU Yanbin is deemed to be interested in the same number of Shares in which ZYB Holding Limited is interested by virtue of the SFO.

(4) KW Technology Holding Limited is wholly-owned by Mr. WANG Zaicheng. Thus, Mr. WANG Zaicheng is deemed to be interested in the same number of Shares in which KW Technology Holding Limited is interested by virtue of the SFO.

Save as disclosed herein, our Directors are not aware of any person (other than Directors and chief executives of the Company) who have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES BY DIRECTORS

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

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2019, the percentages of purchases from the Group's largest supplier and five largest suppliers were 25.3% and 75.5%, respectively. The percentages of sales attributable to the Group's largest customer and the five largest customers were 28.9% and 83.2%, respectively.

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

EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2019, the Group had a total of 426 employees, comparing to 390 employees as at 31 December 2018. The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provides training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team and game operation team to enhance their skill and knowledge.

RETIREMENT BENEFITS SCHEME

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

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

DIVIDEND POLICY

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

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

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) the Group's expected working capital requirements and future expansion plans;

(f) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(g) any other factors that the Board deem appropriate.

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

DONATION

No donation was made by the Company during the Reporting Period (2018: Nil).

CONNECTED TRANSACTIONS

During the year ended 31 December 2019, no related party transactions disclosed in note 40 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

Contractual Arrangements

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

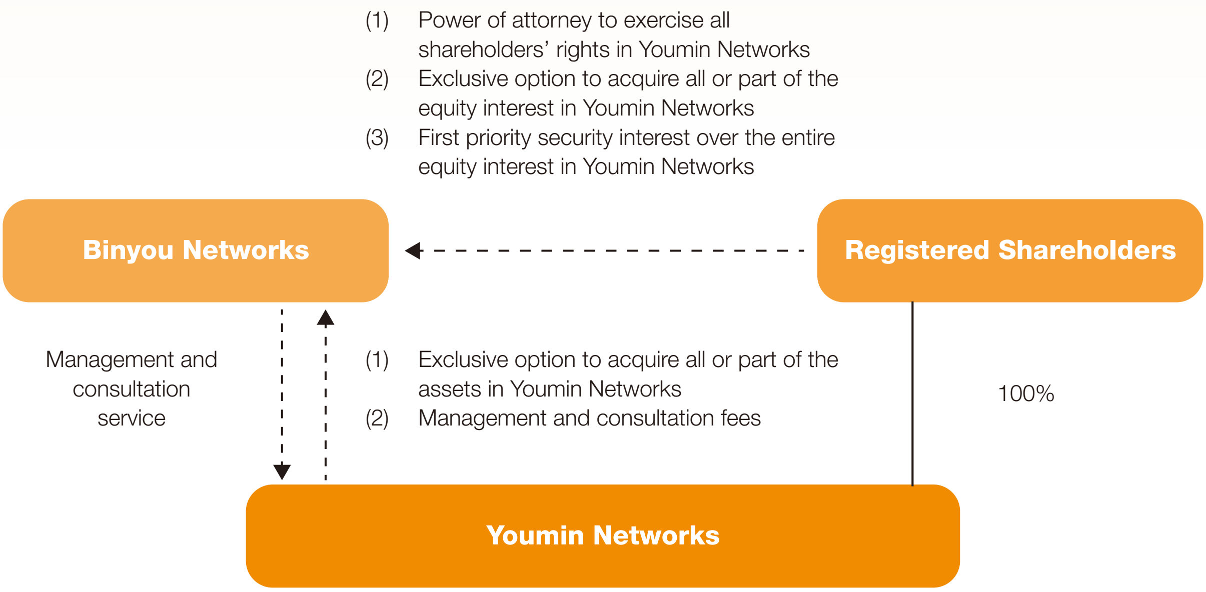
Investment activities in the PRC by foreign investors are mainly governed by the Guidance Catalog of Industries for Foreign Investment (the "**Catalog**"), which was promulgated and is amended from time to time jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民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

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

As advised by the Company's PRC legal advisers, as at 31 December 2019, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation on the Qualification Requirement, and there was no update to the Qualification Requirement.

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

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



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

The following sets out a summary of the major terms of the structured contracts under the Contractual Arrangements which were in place during the year ended 31 December 2019:

1. Exclusive Option Agreement dated 24 March 2018, pursuant to which Binyou Networks (or its designee) has an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Youmin Networks, and an irrevocable and exclusive right to purchase from Youmin Networks all or any part of its assets, at a nominal price, unless the relevant government authorities request that another amount be used as the purchase price and in which case the purchase price shall be such amount;

2. Exclusive Business Cooperation Agreement dated 24 March 2018, pursuant to which Youmin Networks agreed to engage Binyou Networks as its exclusive provider of business support, technical and consulting services, including technology services, network support and maintenance, research and development, employee training, business and management consultancy, intellectual property licensing, equipment leasing, market research and other services, in exchange for service fee;

3. Share Pledge Agreement dated 24 March 2018, pursuant to which the Registered Shareholders pledged all of their equity interests in Youmine Networks to Binyou Networks as collateral security for all of their payments due to Binyou Networks and to secure performance of all obligations of Youmin Networks and the Registered Shareholders under the Contractual Arrangements;

4. Powers of Attorney dated 24 March 2018 executed by each Registered Shareholders, appointing Binyou Networks, or any person designated by it, as its exclusive agent and attorney to act on their behalf on all matters concerning Youmin Networks and to exercise all of their rights as registered shareholders of Youmin Networks; and

5. Spouse Undertaking dated 24 March 2018 signed by the spouse of each Registered Shareholders.

During the year ended 31 December 2019, (i) there were no new contractual arrangements entered into, renewed or reproduced between the Group and the PRC Operating Entities, (ii) there were no material changes in the Contractual Arrangements or the circumstances under which they were adopted, and (iii) none of the structured contracts under the Contractual Arrangements mentioned above has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements have been removed.

Particulars of the PRC Operating Entities

Particulars of the PRC Operating Entities as at 31 December 2019 are presented as follows:

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

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

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

For the year ended 31 December 2019, the services provided by Binyou Networks to the PRC Operating Entities, including the provision of business support, technical and controlling services, amounted to approximately RMB150.6 million. The revenue and the total asset value of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB881.4 million for the year ended 31 December 2019 and approximately RMB374.5 million as at 31 December 2019, respectively.

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

Risks associated with Contractual Arrangements	Mitigation actions taken by the Group
1. Current PRC laws and regulations impose certain prohibitions on foreign ownership of companies that engage in the Internet cultural business, such as mobile game publishing. If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Company could be subject to sever consequences, including the nullification of the Contractual Arrangements and the relinquishment of its interest in our PRC Operating Entities.	Pursuant to the relevant exclusive business cooperation agreement under the Contractual Arrangements, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change of such laws, regulations or rules, the following agreements shall be applicable: If the economic interests of any party under the agreements suffer a significant adverse effect directly or indirectly due to above change of laws, regulations or rules, the agreements should continue to operate pursuant to the original terms. Each of the parties shall obtain a waiver for complying with such change or rule via all legal channels. If any adverse effect on the economic interests of any party may not be eliminated according to the relevant agreement, upon the receipt by the other parties of such notice from the affected party, all the parties shall promptly discuss and make all necessary modification to the agreements to preserve the economic interests of the affected party under the agreement.

Risks associated with Contractual Arrangements	Mitigation actions taken by the Group
2. The Contractual Arrangements may not be as effective in providing operational control as direct ownership. The PRC Operating Entities may fail to perform their obligations under our Contractual Arrangements.	According to the relevant powers of attorney, share pledge agreements and exclusive business cooperation agreements under the Contractual Arrangements, the arbitration tribunal may decide (i) compensation for the equity interests or property ownership of the PRC Operating Entities or their shareholders, or (ii) enforceable remedy or to demand bankruptcy of the PRC Operating Entities or their shareholders for relevant business or enforceable asset transfer. Any party is entitled to request a competent court to execute the arbitration award when it comes into effect.
3. The Company may lose the ability to use and enjoy assets held by its PRC Operating Entities that are material to its business operations if its PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.	Pursuant to the relevant exclusive option agreement under the Contractual Arrangements, in the event of a mandatory liquidation required by the laws of the PRC, the relevant PRC Operating Entities shall sell all of their assets and any residual interest through a non-reciprocal transfer to the extent permitted by the laws of the PRC to Binyou Networks or another qualifying entity designated by Binyou Networks, at the lowest selling price permitted by applicable laws of the PRC.
4. The ultimate shareholders of the Company's PRC Operating Entities may have conflicts of interest with them, which may materially and adversely affect its business.	The shareholders of the PRC Operating Entities have undertaken to Binyou Networks that during the period when the Contractual Arrangements remain effective, (i) unless otherwise agreed by Binyou Networks in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, be interested in, engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of the PRC Operational Entities or any of its affiliates and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Binyou Networks (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interest where Binyou Networks has the sole absolute discretion to determine whether such conflict arises, he agrees to take any appropriate actions as instructed by Binyou Networks.

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

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

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

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

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

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

Waiver from the Stock Exchange

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

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

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

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

Annual Review

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

The independent non-executive Directors have also reviewed and confirmed that:

1. the transactions carried out during the year ended 31 December 2019 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and have been operated so that the revenue generated by the PRC Contractual Entities has been mainly retained by the Group;

2. no dividends or other distributions have been made by the PRC Contractual Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

3. there was no new contract entered into, renewed or reproduced between the Group and the PRC Contractual Entities during the year ended 31 December 2019.

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2019 are set out in Note 40 to the consolidated financial statements contained herein.

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

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Corporate Governance Code during the Reporting Period.

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 42 to 51 of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDITOR

PricewaterhouseCoopers was removed as the Group's auditor and ZHONGHUI ANDA CPA Limited was appointed as the Group's auditor on 17 February 2020 by a special resolution and an ordinary resolution respectively, which were approved by the Shareholders in an extraordinary general meeting of the Company held on 17 February 2020. The consolidated financial statements for the year ended 31 December 2019 have been audited by ZHONGHUI ANDA CPA Limited, who are proposed for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Liu Jie
Chairman, Chief Executive Officer and Executive Director

Hong Kong, May, 2020

Director and Senior Management

The directors and senior management of the Company as at the date of this annual report were:

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Jie (劉傑) *(Chairman)*
Mr. ZHU Yanbin (朱炎彬) (appointed on 19 June 2019)
Mr. WANG Zaicheng (王在成)
Mr. LIU Zhanxi (劉展喜)

Independent Non-executive Directors

Ms. YAO Minru (姚敏茹)
Mr. GUO Jingdou (郭靜鬥)
Dr. LIU Jianhua (柳建華) appointed on 13 January 2020)

Under the Articles of Association of the Company, all Directors are subject to retirement and re-election by the shareholders on a rotation basis, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation, and that each Director shall be subject to retirement by rotation at least once every three years at the annual general meeting.

In accordance with Article 84(1) of the Articles of Association, Ms. Yao Minru and Mr. Guo Jingdou will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

Under the Articles of Association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election of that meeting.

In accordance with Article 83(3) of the Articles of Association, Mr. Zhu Yanbin and Dr. Liu Jianhua will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

Biographical Details of Directors

Mr. LIU Jie (劉傑), aged 38, is the co-founder of our Group and currently is a Director of the Company. Mr. Liu was appointed as Chairman, chief executive officer of the Company and has been re-designated as an executive Director on 16 March 2018. Mr. Liu has served as the president of Shanghai Youmin Networks Technology Limited since December 2013. With more than 15 years of experience in the mobile internet industry and profound expertise in user experience and traffic, Mr. Liu has been the key driver of our business strategy and achievements to date. Mr. Liu is mainly responsible for the strategic development, overall operation and management and major decision-making of our Group.

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

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

Mr. ZHU Yanbin (朱炎彬), aged 39, was appointed as an executive Director on 19 June 2019 and is the co-founder of our Group and currently is the chief operating officer of our Company, mainly responsible for business operation and development of our Group. He has joined the Group and served as the vice president of Youmin Networks since December 2013.

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

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

Mr. WANG Zaicheng (王在成), aged 41, was appointed as an executive Director on 16 March 2018 and currently is also a joint company secretary of the Company, responsible for strategic development and investor relationship management of our Group. Mr. Wang joined Shanghai Youmin Networks Technology Limited in December 2016 as the secretary to the board.

From June 2002 to December 2005, Mr. Wang served successively as an associate and a senior associate at PricewaterhouseCoopers, where Mr. Wang was principally responsible for the assurance and advisory business. From February 2006 to October 2016, Mr. Wang held various positions including internal auditor, manager, deputy general manager of overseas sales department of the operation center, chief operating officer and a director at Guangdong Jinming Machinery Co., Ltd (a company listed on Shenzhen Stock Exchange, stock code: 300281).

Mr. Wang graduated from South China University of Technology with a bachelor degree in international finance and a bachelor degree in English in July 2002.

Mr. LIU Zhanxi (劉展喜), aged 41, was appointed as an executive Director on 16 March 2018 and currently is also the chief financial officer of the Company, responsible for strategic development and overseeing financial operations of our Group. Mr. Liu joined Shanghai Youmin Networks Technology Limited in May 2017 as the chief financial officer.

Mr. Liu has over 16 years of experience in the field of financial management. From September 2001 to September 2006, Mr. Liu successively served as an auditor and a senior auditor at Ernst & Young in China and was principally responsible for the assurance and advisory business. From September 2006 to December 2010, Mr. Liu severed as a senior consultant at Deloitte Touche Tohmatsu and was primarily responsible for financial advisory. From January 2012 to May 2017, Mr. Liu served as the deputy general manager of the finance department at YY Inc. (currently known as JOYY Inc., a company listed on NASDAQ, stock code: YY) and was mainly responsible for financial management and listing application.

Mr. Liu graduated from Guangdong University of Foreign Studies with a bachelor degree in English in June 2001. Mr. Liu has been a member of CPA Australia since July 2016.

Ms. Yao Minru (姚敏茹), aged 42, was appointed as an independent non-executive Director of the Company on 19 June 2018. Ms. Yao is primarily responsible for supervising and providing independent judgement to the Board.

Ms. Yao has over 16 years of experience in the field of audit. From October 2000 to September 2002, Ms. Yao served as a staff auditor at Ernst & Young in China. From October 2002 to April 2005, Ms. Yao served as a senior internal auditor of Amway in China. From August 2007 to February 2012, Ms. Yao served as an assurance senior at Ernst & Young in the United States. Ms. Yao joined YY Inc. (currently known as JOYY Inc., a company listed on NASDAQ, stock code: YY) as an audit manager in June 2012 and was promoted to her current position as the director of the internal control department in November 2016.

Ms. Yao graduated from Sun Yat-sen University with a bachelor degree in English in June 2000. Ms. Yao graduated from Suffolk University with a master of science in accounting in the United States in May 2007. Ms. Yao has been qualified as a licensed U.S. certified public accountant since September 2008.

Mr. GUO Jingdou (郭靜鬥), aged 42, was appointed as an independent non-executive Director of the Company on 19 June 2018. Mr. Guo is primarily responsible for supervising and providing independent judgement to the Board.

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

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

Dr. LIU Jianyhua (柳建華), aged 39, was appointed as an independent non-executive Director of the Company on 13 January 2020. Dr. Liu is primarily responsible for supervising and providing independent judgement to the Board.

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

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

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

SENIOR MANAGEMENT

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

Name	Age	Position	Roles and responsibilities
Mr. WU Junjie (吳俊傑)	42	Vice president	Strategic development and daily management
Ms. LI Nini (李妮妮)	37	Vice president	Business operation and project management

Mr. WU Junjie (吳俊傑), aged 42, currently is a vice president of the Company, mainly responsible for strategic development and daily management of our Group. Mr. Wu has served as the vice president of Shanghai Youmin Networks Technology Limited since December 2013.

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

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

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

Ms. LI Nini (李妮妮), aged 37, currently is a vice president of the Group, mainly responsible for the business operation and project management. She has served as vice president of Youmin Networks since December 2013.

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

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

Corporate Governance Report

OVERVIEW

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

For the year ended 31 December 2019, the Company has complied with all the code provisions set forth in the Corporate Governance Code, with the exception that the roles of the Chairman and the chief executive officer of our Company have not been segregated as required by code provision A.2.1. With extensive experience in the mobile internet industry and mobile game publishing industry, the Chairman 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 the 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. 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.

Board of Directors

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

As at the date of this annual report, the Board consists of seven Directors, of whom four are executive Directors and the remaining three are independent non-executive Directors. The table below sets out the roles of each member of the Board:

Directors	Position
Liu Jie (劉傑)	Executive Director, Chairman and chief executive officer
Zhu Yanbin (朱炎彬)	Executive Director and chief operating officer (appointed on 19 June 2019)
Wang Zaicheng (王在成)	Executive Director and joint company secretary
Liu Zhanxi (劉展喜)	Executive Director and chief financial officer
Yao Minru (姚敏茹)	Independent non-executive Director
Guo Jingdou (郭靜鬥)	Independent non-executive Director
Liu Jianhua (柳建華)	Independent non-executive Director (appointed on 13 January 2020)

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

The biographies of the Directors of the Company are set out on pages 37 to 40 of this annual report.

For the year ended 31 December 2019, the Board has complied with the requirements of the Listing Rules on appointment of at least three independent non-executive Directors, representing at least one-third of members of the Board and at least one of whom shall have appropriate professional qualifications, or accounting or relevant financial management expertise. The qualifications of the three independent non-executive Directors of the Company fully comply with the requirements of Rules 3.10(1) and (2) of the Listing Rules. The Board is well-balanced in structure and each of its members possesses extensive knowledge, experience and talent in relation to the business operation and development of the Company. All the Directors are well aware of their joint and several responsibilities towards the shareholders of the Company.

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

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

The Board's composition is in compliance with the requirement under Rule 3.10A of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board. The Board believes that the balance between the executive Directors and the non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the shareholders and the Group.

Confirmation of Independence of Independent Non-Executive Directors

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

Joint Company Secretaries

Mr. Wang Zaicheng and Mr. Wong Yu Kit are joint company secretaries of the Company.

For details of Mr. Wang Zaicheng, please refer to his biographical details in page 38 of this annual report.

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

For the year ended 31 December 2019, each of Mr. Wang Zaicheng and Mr. Wong Yu Kit has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Directors' Continuous Training and Development

Pursuant to code provision A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

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

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

The training record of each Director received during the year ended 31 December 2019 and up to the date of this annual report is set out below:

Name of directors	Reading materials relevant to corporate governance and regulations	Attending training session (s) relevant to corporate governance and regulations
Executive Directors		
Liu Jie (劉傑)	Y	Y
Zhu Yanbin (朱炎彬)	Y	Y
Wang Zaicheng (王在成)	Y	Y
Liu Zhanxi (劉展喜)	Y	Y
Independent Non-executive directors		
Yao Minru (姚敏茹)	Y	Y
Guo Jingdou (郭靜鬥)	Y	Y
Liu Jianhua (柳建華)	Y	Y

Appointment and Re-election of Directors

All Directors (including non-executive Directors) are appointed for a specific term of three years which may be extended as each and the Company may agree, subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. Article 84(1) of the Articles of Association of the Company provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the nomination committee of the Board (the "**Nomination Committee**") and then submitted to the Board, subject to approval by election at the general meeting.

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

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

Nomination Policy

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

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

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

Emoluments of Directors and Senior Management and Five Highest Paid Individuals

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

Emoluments of senior management shall be determined by the Board.

Details of emoluments of Directors, senior management and five highest paid individuals of the Group are set out in notes 13(a), 40(a) and 13(c) to the consolidated financial statements in this annual report, respectively.

Board Diversity Policy

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

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

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

Directors' and Senior Management's Liability Insurance

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

BOARD MEETING

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

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

For the year ended 31 December 2019 and up to the date of this annual report, the Company held seven Board meetings in total. The Company held one general meeting during the reporting period. The Company will fully comply with the requirement under the code provision A.1.1 of the Corporate Governance Code to convene Board meetings at least four times a year at approximately quarterly intervals.

The attendance records of the Directors are as follows:

Name of Director	Annual General Meeting	Board Meeting
Executive Directors		
Liu Jie (劉傑)	1/1	7/7
Zhu Yanbin (朱炎彬) (appointed on 19 June 2019)	1/1	5/7
Wang Zaicheng (王在成)	1/1	7/7
Liu Zhanxi (劉展喜)	1/1	7/7
Independent Non-executive directors		
Yao Minru (姚敏茹)	1/1	7/7
Guo Jingdou (郭靜鬥)	1/1	7/7
Liu Jianhua (柳建華) (appointed on 13 January 2020)	0/1	2/7

BOARD COMMITTEES

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

Audit Committee

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

The Audit Committee held five meetings during the Reporting Period and up to the date of this annual report to review and consider, in respect of the year ended 31 December 2019, the interim and annual financial results and reports, amendments to its terms of reference, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, removal and appointment of external auditors and engagement of non-audit services. The Audit Committee also met the external auditors once during the reporting period without the presence of the executive Directors and the management.

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

Name of Members of the Audit Committee	Attendance/Number of Meeting(s)
Yao Minru (姚敏茹) (Chairwoman)	5/5
Guo Jingdou (郭靜鬥)	5/5
Liu Jianhua (柳建華) (appointed on 13 January 2020)	2/5

The Audit Committee is of the opinion that the Group's consolidated financial statements for the year ended 31 December 2019 comply with the applicable accounting principles, standards and requirements and that adequate disclosures have been made. The Audit Committee therefore recommend for the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2019.

Remuneration Committee

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

For the year ended 31 December 2019 and up to the date of this annual report, four meetings of the Remuneration Committee were held to review the remuneration policy and structure and to make recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

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

Name of Members of the Remuneration Committee	Attendance/Number of Meeting(s)
Guo Jingdou (郭靜鬥)	4/4
Zhu Yanbin (朱炎彬) (appointed on 19 June 2019)	2/4
Yao Minru (姚敏茹)	2/4

Nomination Committee

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

For the year ended 31 December 2019 and up to the date of this annual report, four meetings of the Nomination Committee was held on 28 March 2019 to review composition and structure of the Board, evaluate the independence of the independent non-executive Directors and recommend the Board on the re-election of Directors. The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance/Number of Meeting(s)
Liu Jie (劉傑)	4/4
Guo Jingdou (郭靜鬥)	4/4
Yao Minru (姚敏茹)	2/4

Corporate Governance Functions

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDITOR AND THEIR REMUNERATION

PricewaterhouseCoopers was removed as the external auditor of the Group by the approval of the Shareholders in an extraordinary general meeting of the Company held on 17 February 2020.

ZHONGHUI ANDA CPA Limited was appointed as the external auditor of the Group for the financial year ended 31 December 2019 by the Shareholders in an extraordinary general meeting of the Company held on 17 February 2020.

For the year ended 31 December 2019, the auditing services fees paid/payable to ZHONGHUI ANDA CPA Limited for the consolidated financial statements audit service are approximately RMB3.2 million.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The statement of the external auditor of the Group, ZHONGHUI ANDA CPA Limited, in relation to their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 88 to 92.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

During the year ended 31 December 2019, the Board has reviewed the risk management and internal control system and consider them to be sound and effective. The scope of review covers key control, including the function of finance, operation and compliance control and risk management. The Board considers that the Company has substantially sufficient resource in accounting, internal audit and financial reporting, and training course and the related budget also be sufficient. The relevant review has been discussed by the management of the Company, external and internal auditor and audited by Audit Committee. The Board will review the effectiveness of the risk management and internal control system on an annual basis.

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

1. Right to Convene EGM

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

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

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

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

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

- At least 14 clear days' notice (and not less than 10 clear business days) for proposal of all other EGMs.

2. Right to Put Enquiries to the Board

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

3. Right to Put Forward Proposals at General Meetings

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

INVESTORS RELATIONS

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

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This is the second Environmental, Social and Governance ("**ESG**") report (the "**Report**") published by FingerTango Inc. and its subsidiaries (hereafter as "**FingerTango**", the "**Group**" or "**We**"), which outlines the Group's principles in fulfilling corporate social responsibility ("**CSR**") and sustainable development concept, summarises the Group's relationships with major stakeholders and shares its vision and commitments for CSR.

Reporting guideline

The Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "**Guide**") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") issued by the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The contents in the report have complied with the disclosure requirement of "comply or explain" provisions under the Guide. An index for ESG Report Guidelines compiled by referencing this Report was appended in the last chapter of the Report for quick reference.

Reporting scope

This Report elaborates the Group's overall performance in sustainable development policies and fulfilling CSR in respect of core business from 1 January 2019 to 31 December 2019 ("**the year**" or "**reporting period**"). Unless otherwise specified, this Report covers the business directly controlled by FingerTango.

Reporting language

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

Data source and reliability statement

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

Confirmation and approval

This Report is confirmed by the management team and approved by the Board of Directors on 30 March 2020.

Feedback on report

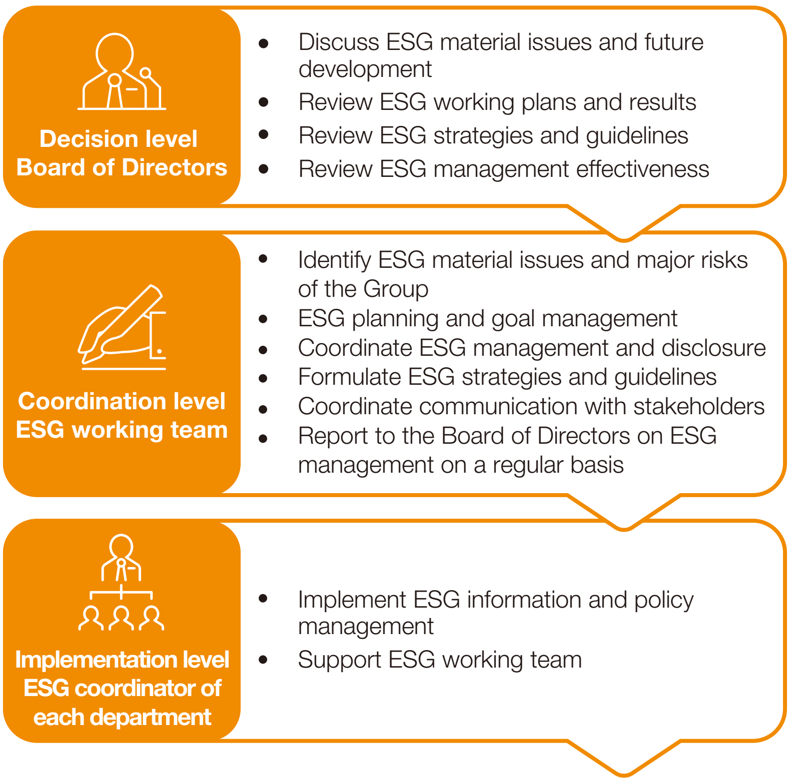
Your opinions on this Report are treasured by us. For any enquiry or recommendation, please feel free to contact us via the following email: ir@fingertango.com

2. ESG MANAGEMENT

2.1 ESG Management System

While being a leading mobile game operating platform in the PRC, FingerTango shouldered the CSR as well. We have established a ESG working team since 2018 and have been dedicated to incorporating ESG strategies into the operation of the Group. The working team consists of senior managers and representatives with sufficient ESG-related knowledge and experience, and is responsible for coordinating the ESG management work of the Group and reporting to the Board of Directors on a regular basis. We regularly review the effectiveness of ESG management work and continuously optimize the ESG management system, policies and guidelines to advance the sustainable development of the Group.

FingerTango ESG management structure



2.2 Communication with Stakeholders

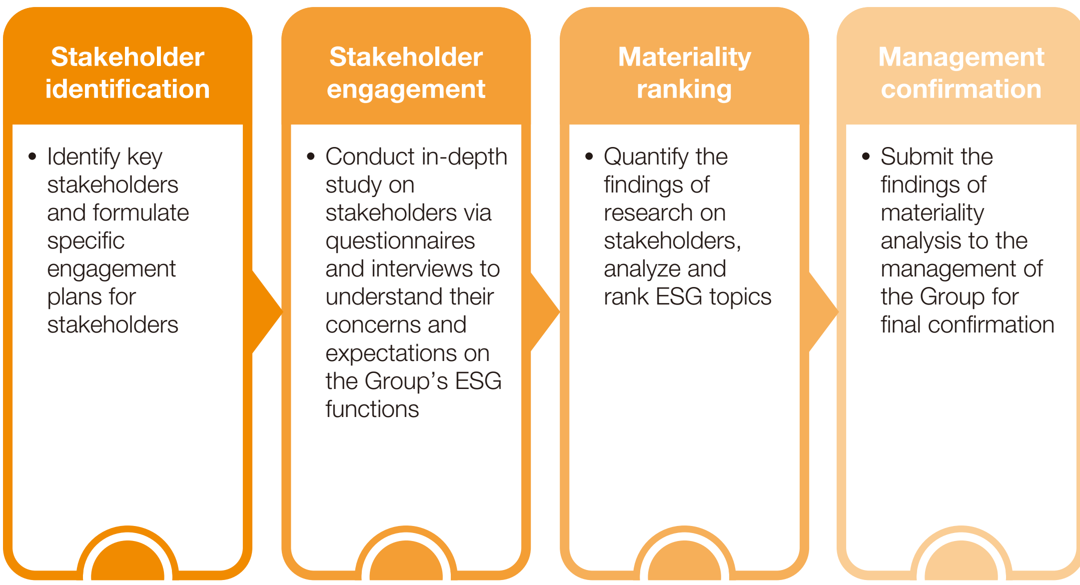
For the improvement in ESG strategy, FingerTango attaches great importance to communication with stakeholders. During the reporting period, we identified important stakeholders, including players, shareholders/investors, employees, government and regulators, business partners, suppliers and community/non-government organizations. We communicate with stakeholders from different sectors through different channels and understand their expectations and demands. We determine key ESG topics and set corresponding targets to continuously optimize the Group's sustainable development and respond to their needs.

Major stakeholders	Expectation and demand	Major channels for communication and feedback
Player	• Quality of game and operation • Privacy protection • Anti-hacking and fair play	• Online Game Master (hereafter as "**GM**") communication • Customer satisfaction survey • Social media interaction • GM hotline • Mailbox
Shareholder/investor	• Return on investment • Business growth • Timely and transparent information disclosure	• General meeting • Interim and annual reports • Results announcement • Corporate communication • Investor meeting • Company website
Employee	• Remuneration and benefit • Career development • Occupational health and safety	• Employee satisfaction survey • Channels for employee feedback • Internal interview • Employee dialogue meeting • Employee intranet
Government and regulator	• Operation compliance • Job creation • Facilitating local and industrial development	• Actively acquire industrial compliance information • Compliance report • Meeting
Business partner	• Operation compliance • Business growth	• Report • Meeting • Visit • Seminar
Supplier	• Fair and just procurement • Anti-corruption	• Supplier management procedure • Assessment on supplier/contractor • Site visit • Meeting
Community/Non-government organization	• Facilitating community development • Participating in public welfare and charity activities	• Community activity • Volunteer activity • Donation • Social media platform

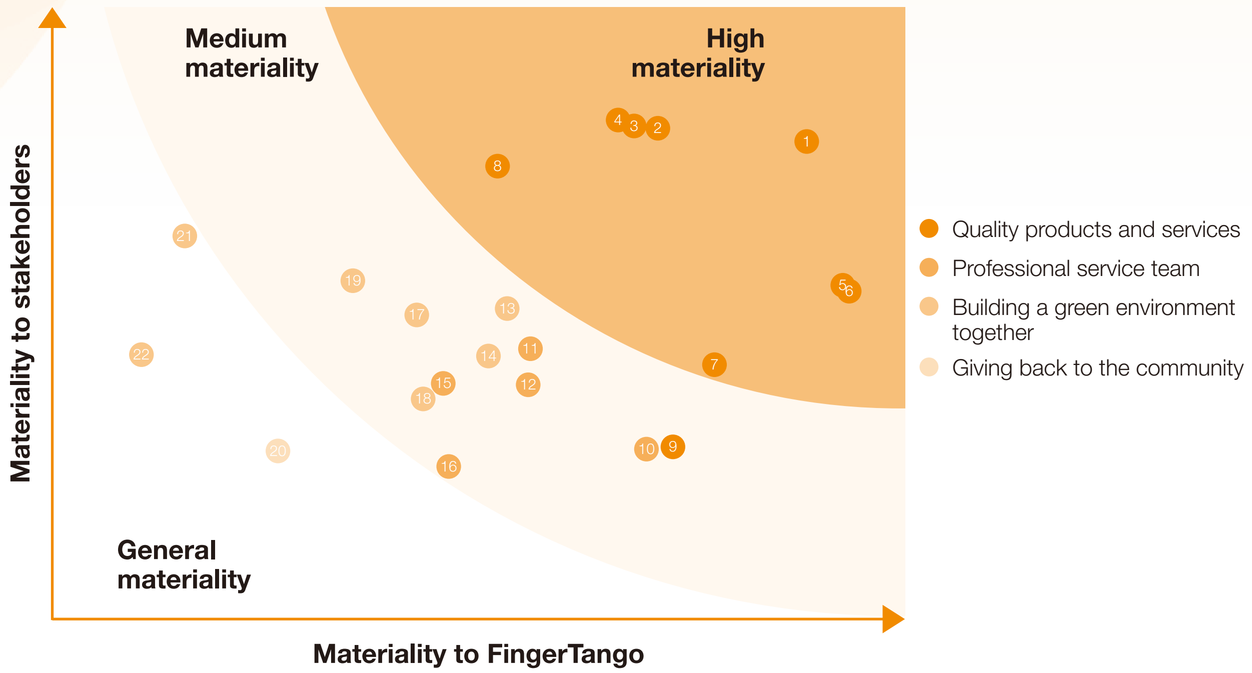
2.3 Materiality Assessment

To further confirm the key areas fulfilled and disclosed in respect of ESG and enhance the focus and response of the report, FingerTango appointed an independent consultant for a materiality assessment on ESG topics. By conducting a survey to collect the views and main concerns from different internal and external stakeholders on the Group's ESG work, the Group prioritizes ESG topics and responds to the expectation and demand from stakeholders.

Procedures of FingerTango materiality assessment for the year:



ESG Materiality Analysis Matrix



ESG materiality ranking of FingerTango for 2019

High materiality	ESG scope
1. Quality control on products and services	Quality products and services
2. Provision of a wholesome user environment	Quality products and services
3. Privacy protection of players	Quality products and services
4. Player service and communication	Quality products and services
5. Compliance operation and anti-corruption	Quality products and services
6. Protection of intellectual property	Quality products and services
7. Promotion and labelling of products/services	Quality products and services
8. Product innovation	Quality products and services

Medium materiality		ESG scope
9.	Supply chain management	Quality products and services
10.	Employment rights	Professional service team
11.	Employee health and safety	Professional service team
12.	Prevention of child labor and forced labor	Professional service team
13.	Energy consumption and efficiency	Building a green environment together
14.	Waste management	Building a green environment together
15.	Employee diversity, non-discrimination and equal opportunities	Professional service team
16.	Staff training and development	Professional service team
17.	Reduction of pollutant emissions	Building a green environment together
18.	Greenhouse gas emissions	Building a green environment together
19.	Water resources management	Building a green environment together

General materiality		ESG scope
20.	Community investment and participation	Giving back to the community
21.	Protection of environment and natural resources	Building a green environment together
22.	Response to climate change	Building a green environment together

Based on the findings of the above materiality analysis, FingerTango notes that stakeholders are highly concerned about the quality control on products and services, provision of a wholesome user environment, privacy protection of players, player service and communication, compliance operation and anti-corruption. These areas of high materiality will be fully elaborated in this Report. The Group will incorporate these key areas in our ESG strategies and policies. In addition, the ESG of FingerTango will be divided into four categories this year, including “Quality products and service”, “Professional service team”, “Building a green environment together” and “Giving back to the community”. In this Report, we will reflect key concerns of the Group’s ESG in these four major areas this year.

3. QUALITY PRODUCTS AND SERVICES

As a leading mobile game developer, FingerTango fully understands that the provision of quality products and services is the cornerstone to enhance the Company's core competitiveness. Thus, we are dedicated to improving and optimizing players' experience from our products and services.

3.1 Quality Control on Products and Services

Quality GM services

Stringent quality control on products and services, construction of various player communication channels and paying close attention to players' feedback and comments are essential to our improvement in the quality of products and services. Thus, FingerTango has provided a series of internal and external communication channels for customers, allowing them to easily express their views via the channels of their choices. The internal channel is convenient to use and can timely handle customers' requests. The external channel is effective for supervision to a certain extent and can optimize the mechanism of customer supervision.

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

To improve the quality of GM services and effectively address players, complaints over the phone, FingerTango formulates *3K GM Telephone Complaint Reception Guidelines*. It guides the GMs on the preparation works of complaint reception and the courtesy and code of conduct during the process. To address different issues or complaints, the *Guidelines* has listed specific handling procedure and expression guidelines which guides the GMs to provide specific reply and suggestion. GMs are also required to pay close attention to the customers' words, show empathy and express sincere gratitude for players' opinions. We also require GMs to master good communication skills, and file in work orders and store the record upon receiving player feedback.

To improve the quality of GM services, the Group formulates the *Regulations on 3K GM Service Quality Inspection* to inspect, control and supervise the quality of GM services in a fair, impartial and rigorous way. The Group requires quality inspection staff to review no less than 100 online complaint communication records each day, and grades them as A+/A/B/C. Quality inspection staff are required to compile weekly and monthly analysis reports, and sub-standard GMs will be given zero mark. By stringently controlling the quality of GM services, FingerTango builds a first class professional GM service team to enhance players' experience.

Valuing customers' feedback

FingerTango is committed to providing quality products and services and value customers' feedback. We require GMs to record and report every potential complaint, which will be followed up via an interview by our staff to properly collect player opinions for game improvement. To prevent inappropriate handling of complaints and recurring complaints from players, FingerTango keeps the staff responsible for the complaint informed of the complaint handling process and result, analyzes the reasons for complaint, and consults with relevant business departments. Player complaints mainly fall into six categories: game abnormity, punishment measures, account re-charge, GM services, misconduct report and re-charge by minor. To address these complaints, FingerTango continues to improve game experience, enhance communication with players, protect player privacy, promote healthy games, discover and solve potential problems and risks of products and services, thus creating values for players with products and services in higher quality.

	Quantity	
Complaint type	**2019**	**2018**
Game abnormity	**116**	72
Punishment measures	**28**	22
Account re-charge	**15**	11
GM services	**11**	2
Misconduct report	**10**	1
Re-charge by minor*	**47**	0
Total	**227**	108

The complaint handling ratio for the year is 100%. We have introduced timely measures for game and service improvement to enhance the quality of games and services for the dedication to provide high quality games and services to the players.

* The Chinese Government has issued anti-addiction policies by the end of 2019 which regulates re-charge by minor and anti-addiction. Certain parents do not understand the specifics and filed complaints. Currently we have formulated and implemented anti-addiction measures in compliance with government requirements.

Enhancing game experience

Providing players with good game experience is the ultimate product responsibility of a mobile game developer, and also the key to attracting and retaining game players. FingerTango formulates the *Work Flow for Player Visit*, which improves game experience by properly handling game abnormity, monitoring game environment, ensuring game network security, consistently enhancing technological development ability, and upgrading games to enhance game experience.

For GMs to properly handle game abnormity in games, FingerTango abides by the *Game Work Handling Procedure of GM Customer Service Center*, ensuring clear handling rules and a refined processing manner. The GM logs into game backstage to check log information, verifies game abnormity as complained by players, communicates with the game operator or platform to resolve the abnormity and resets the backstage information. FingerTango is dedicated to safeguarding rules and orders of games, and protecting players' rights and interests in the game.

To provide smoother game experience, FingerTango formulates the *Work Flow for Player Visit* to monitor the game environment and cracks down quantity abnormality and plug-in cheating behaviors. Quantity abnormality occupies database space and imposes unnecessary server burden, severely impacting the game experience of other players. Upon verification of such behavior, our GMs will block the corresponding game account. To ensure fair play, we identify and swiftly crack down any plug-in behavior by analyzing player behaviors and collecting evidence, creating a stable and fair network environment for players to enjoy the games.

Furthermore, to support our ever-expanding product portfolio and business scope, and to develop products with better player experience, FingerTango has been building on the game pool, optimizing product launching strategies, improving our team by recruiting technological and marketing top talents and investing in resources.

3.2 Healthy Game Experience

FingerTango is committed to the mission of "entertain lives with games", and provides high quality and healthy game experience to players. We maintain stable development under the guidance of national policies, care for players' physical and psychological health, regulate advertisement and promotion, strengthen healthy online game culture and shoulder social responsibilities.

The Group actively follows up on instructions from the Ministry of Public Security of the People's Republic of China, the Ministry of Culture of the People's Republic of China, the Ministry of Industry and Information Technology of the People's Republic of China and the Ministry of Education of the People's Republic of China, and communicates closely with regulators to adapt game contents to the development needs of the times. We abide by the *Interim Measures of Online Game Management,* the *Interim Provisions on Cyber Culture Management,* the *Notice of the Ministry of Culture on Enhancing Afterwards Supervision and Strengthening Regulations of Online Games* and other laws and regulations, and have adopted a series of measures to ensure compliance.

For the protection of mental health of minors and the avoidance of adverse impact on normal studying, the National Administration of Press and Publication issued the *Notice on Preventing Minors from Indulging in Online Games* in October 2019 to curb addiction to online games and over-consumption by minors. FingerTango strictly abides by such regulation with an anti-addiction function included in all games (including real-name authentication and registration system) to regulate provision of pay service to minors. The Group does not provide paid service of games to minors under 8 years of age and regulates the single and monthly re-charge amount by minors. We also strictly control the period and duration of online game played by minors in compliance with government regulations.

Real-name authentication and registration system

To protect the physical and psychological health of game players and teenagers, FingerTango adopts a real-name registration system for account re-charging as per the *Implementation Plan of Comprehensive Prevention and Control of Juvenile Myopia* and other regulations. To ensure a clean and healthy game communication environment, we have been filtering and screening messages, words and phrases with adverse impact according to social trends in a timely manner. The screen word library has been accumulated to 90,000 words through monthly update and iteration. In addition, FingerTango provides supervision and complaint channels for game players to report misconduct, thus working together with them to ensure a healthy environment for online games.

The Group strictly abides by the *Advertisement Law of the People's Republic of China,* the *Interim Measures for Online Advertisement Management* and other laws and regulations, and formulates the *Regulations on Advertisement Content Review* and other working regulations to ensure advertisement compliance. We strictly forbid advertisements with false and exaggerated contents and misleading and false promotion. The consumers shall not be cheated and misled. Our advertisements are required to go through internal legal reviews before submitting to external regulators for further review. In respect of the internal review, the work flow shall be filed with the 3K Game Advertisements Audit Record. Once found inappropriate, the advertisement will be withdrawn and rectified as soon as possible. The Group also attaches great importance to the training of business departments to enhance employees' awareness in advertisement compliance.

3.3 Protecting Customers' Privacy

Privacy protection is vital in the big data era. FingerTango endeavors to protect players' personal information and other private information. The Group formulates *3K Game Privacy Policies* as well as various information and network safety management and privacy system to fully upgrade player privacy and account information protection through a joint measure in technologies, policies, and procedures.

FingerTango strictly abides by the *Safety Protection of Computer Information System Regulations of the People's Republic of China,* the *Cybersecurity Law of the People's Republic of China,* the *Provisions on Technological Measures for Internet Security Protection,* the *Administrative Measures on Internet Information Service of the People's Republic of China,* the *Administrative Measures on the Security Protection of Computer Information Network with International Connections* and other laws and regulations. Our *3K Game Privacy Policies*, which specifies in details the information likely to be collected, the possible use of player information, the application of Cookie and similar technologies as well as measures to protect player information, allows the customers to fully understand our protection against customer privacy and rights when using our services.

In recent years, FingerTango has increased its investment in the technology talent pool rapidly, covering the fields of information and network security, privacy protection and data protection. To reduce data leakage risks, the Group has set access authority to the internal server. We further strengthened the security precaution by only granting database access to certain approved IPs in the internal network during the year. In addition, we employ third-party organizations for information security assessment. We passed the Grade II Protection of Information System Security in 2018. FingerTango adopts a series of rigorous measures to ensure a safe network environment for players by building server fire walls, isolating servers of different business lines, controlling technical staff access, and only granting database access to approved internal network IPs. We have adopted policies to thoroughly protect the safety of information system and defend against computer virus. We also establish an anti-hacking checking system to thoroughly protect information and network safety.

FingerTango attaches great importance to the security of player accounts and game characters, equipment, and other virtual properties under the accounts. For account problems encountered by players, the Company has established standard procedures for retrieving accounts, retrieving passwords, unbinding mobile numbers and retrieving security locks, to safeguard account security for players. This year, the FingerTango game platform introduced an account cancelation function and the corresponding *Explanation on 3K Game Player Data Destruction Procedure* to further enhance the security of personal information. Game players can click the "Cancel account" button on the official website and cancel their accounts by following the instructions. The account cancelation procedure contains the following steps: verify account information, verify binded mobile number, verify player identification (upload photos of player holding ID card showing front and back sides), review account re-charge history, cancel account, and wait for review by our staff. The entire process is traceable. With all the required information, we guarantee the account cancelation process lasts less than an hour, and players will receive a SMS notification on successful account cancelation from 3K.com within 15 working days.

3.4 Corporate Governance Compliance

FingerTango advocates a corporate culture featuring honesty and integrity. We strictly abide by the *Company Law of the People's Republic of China,* the *Law of the People's Republic of China on Anti-Unfair Competition,* the *Interim Provisions on Banning Commercial Bribery* and other laws and regulations. We formulate an *Anti-fraud, ant-corruption and anti-commercial bribery system* to prevent fraud, corruption and bribery, so that we can have a stable operation with legal interests of the Group and shareholders are under protection.

FingerTango advocates a corporate culture featuring honesty and integrity. The top management insists on setting an example and becomes a good role model by complying with various systems and regulations of the Group. To ensure every employee understands our anti-corruption standard, the Group provides various forms of anti-fraud and anti-corruption training to the employees, such as employee manuals, announcements on the Company's rules and regulations, promotion and local area network, to assist employees to identify legal, honest and moral behaviors from illegal, dishonest and immoral ones. Moreover, we provide anti-fraud, legal, honesty and moral education to new employees. Apart from the stringent requirement of employee to abide the law and engage in honest and moral behaviors in the ordering course of business of the Group, the Group instills relevant messages to all of our direct and indirect stakeholders, such as the external related parties (namely customers, suppliers, regulators and shareholders), so that every stakeholder can join us in creating a law-abiding working environment.

FingerTango has established a permanent anti-fraud agency responsible for receiving ant-fraud reports, investigating, reporting and providing suggestions for handling. It is also under the supervision from the Audit Committee and the Board of Directors. We have many reporting channels, such as email, mail and complaint hotline, and report can be filed by using real name or by anonymity. We report to the management of the Group or the Board of Directors within 2 working days after receiving the report and conduct fair and just investigations according to the instruction. For substantiated cases, any person who seriously violates the Company's rules and regulations will be vacated with his/her employment contract terminated. Any person in breach of laws shall be referred to the judicial departments for legal actions.

During the reporting period, the Group was not involved in any case relating to corruption litigation, which fully reflecting the effective implementation of our anti-corruption efforts.

3.5 Respecting Intellectual Property Rights

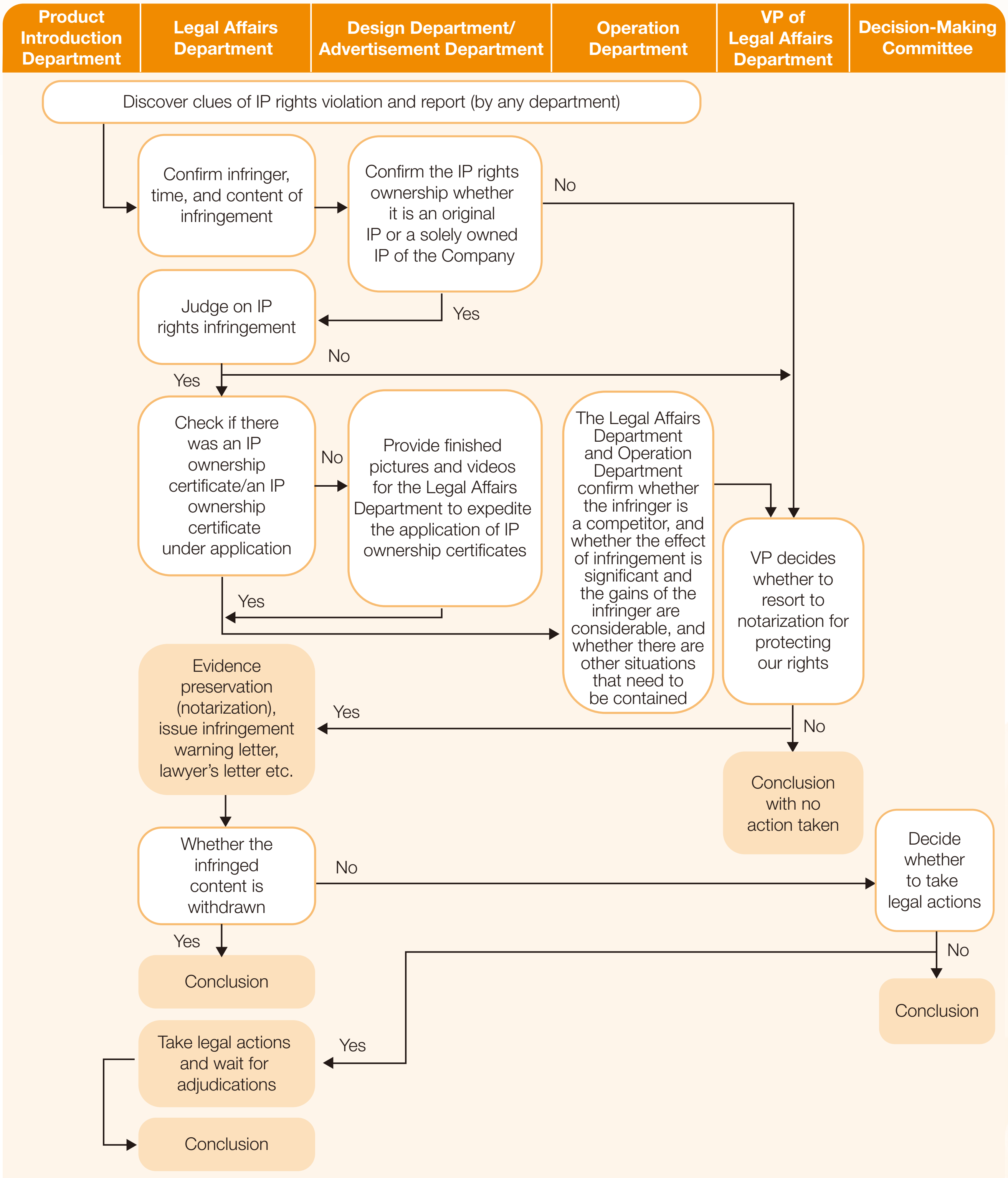
The protection of intellectual property ("**IP**") rights is essential to the stable development of online games. FingerTango fully recognizes the importance of IP rights protection to the Group and other IP right owners, and has established rigorous and comprehensive procedures for IP rights protection, aiming at paying respect to the achievements of IP rights owner. FingerTango also strict abides by the *Intellectual Property Rights Protection Law of the People's Republic of China,* the *Patent Law of the People's Republic of China* and the *Trademark Law of the* People's Republic of China and other laws, rules and regulations to protect the IP rights of the Company and others.

As the integration of creative ideas and technologies, IP rights are no doubt key elements of online games. FingerTango has established IP right ownership verification procedures that requires the Product Cooperation Department to provide game names within one work day upon cooperation confirmation, the Design Department to provide finished pictures and videos, and the Operation Department to provide tentative game names, backup names and other reserved names, for the Legal Affairs Department to issue IP rights ownership certifications. It also requires the game designer/producer to keep the drafts and original documents and all other documents generated during the design and production processes.

FingerTango has also established procedures to safeguard IP rights (shown in the figure below) and to optimize the IP rights management system. Any department or employee in FingerTango can report to the Group on clues of IP rights infringement, which will be investigated by the Legal Affairs Department, verified by the Design Department and Advertisement Department on whether it is an original IP or a solely owned IP from us, and determined by the Legal Affairs Department if it is an infringement. For an alleged infringement, the Group's Intellectual Property Rights Committee preserves the right to initiate legal actions.

FingerTango believes that the implementation of IP rights protection measures can motivate innovation, protect the achievements of IP rights owners, and turn them into real productivity. In the future, FingerTango will put more manpower and resources into the compliance with and the protection of IP rights.

Procedure of IP rights protection



3.6 Responsible Supplier Management

FingerTango attaches great importance to the responsible management of suppliers and dealers. To enhance the management of suppliers and dealers, the Group formulates specific review and management measures for different suppliers and dealers. We have different types of suppliers and dealers, including arts, advertisement media, catering, electronics products, office equipment and security service. In selecting, evaluating and managing suppliers and dealers, our review criteria include qualification, production and service scale, price level, business capability, quality of product and service as well as after-sale service capability. Apart from the above, we consider environmental and social risk factors in evaluating suppliers and dealers, and we are committed to achieving a sustainable development of supply chains together with suppliers and dealers.

During the year, we had 20 suppliers in Guangzhou, which provided us with advertisement planning services, printing services, stationeries, office supplies, catering, renovation works and air-conditioning works and etc.

4. PROFESSIONAL SERVICE TEAM

FingerTango deeply believes that talents are the most valuable asset of the Group, and the bespoke protection of employee rights and interests lays the foundation for our stable operation. We are committed to creating a fair, regulated, positive, and helpful working environment for employees, and attend to employee expectations through regular satisfaction surveys. During the year, the Group continues to protect employment rights and adjusts employees' remuneration from time to time to meet the market trend. With various channels to ensure the occupational health and safety of employees and the provision of comprehensive training and development to employees, the Company actively responds to the needs of the employees and safeguards their rights.

4.1 Safeguarding Employment Rights

FingerTango firmly understands that business development is relied on the concerted effort from the employees, an employee oriented principle to recruit talents from different industries with various professional skills and integrated qualifications and the efforts to provide them with a pleasant working environment.

The Group strictly abides by *the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China*, other labor laws and regulations as well as local employment policies. To regulate the recruitment workflow, we have formulated a recruitment process system to ensure the recruitment process is fair, open and just. We set our talent recruitment requirements according to the annual and quarterly human resources planning. We recruit through different recruitment and headhunting channels with fair recruitment process of written tests and interviews to select and recruit talents. The successful applicants have to provide identification documents, academic certificates and resumes. We conduct background checks on successful applicants to ensure the applicants meet the vacancy requirement and curb the possibility of child labor. We compile an employee handbook to optimize the human resources management system and regulate the management efforts on employees, attendance, salary performance, training and development as well as rewards and penalties system, so as to ensure fairness and impartiality in employee assessment, promotion, development and benefit package, compliance to equal opportunities and prevent any discrimination based on gender, region, nationality and religion. The Group implements a flexible working system, arranging specific working hours according to the situation of different positions. This serves to provide our staff with sufficient free time and space and to protect the personal freedom of our staff, thereby eliminating all potential forced labor.

During the year, the Group was not involved in any irregularity case relating to the employment of child labor or forced labor, which fully reflecting the efficacy of safeguarding employment rights.

4.2 Employee Remuneration and Benefit

To attract and retain talents, FingerTango has established a remuneration and benefit system better than statutory requirements and has enacted the *Employee Welfare Management System* based on *the Labor Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Tax Law of the People's Republic of China*, and other laws and regulations. The Group fulfills its legal obligations by paying pension, medical insurance, maternity insurance, work injury insurance, unemployment insurance and housing fund, and withholding individual income tax for employees. Moreover, the employees of the Group are entitled to commercial insurance coverage during employment. Employees of FingerTango are entitled to paid public holidays, paid annual leave, sick leave, wedding leave, prenatal check leave, maternity leave, breastfeed leave, paternity leave and funeral leave. For those who cannot enjoy statutory rest day due to the arrangement of the Company, overtime wages will be given for works during holidays according to the law.

To express that we care for the employees and attach great importance to them, the Group distributes gifts or cash for festivals, birthdays, and weddings for benediction, and funerals for condolences. The Group serves the employees with work meals and afternoon teas during working days for regular diets.

Moreover, we organize various festival and company activities to enhance the employees' health and the team spirit of employees. During the year, we organized Girls' Day activity on 7 March, Children's Day activity on 1 June, Mid-Autumn activity on 11 September, Programmer Activity Day on 24 October and Christmas Day activity on 25 December, allowing employees of both sexes with different family needs to enjoy the activities and benefits.

Girls' Day Activity on 7 March

Children's Day Activity on 1 June

Mid-Autumn Activity on 11 September

Christmas Day Activity on 25 December

4.3 Employee Health and Safety

FingerTango safeguards health of employees and strives to provide a safe working environment. We strictly abide by *the Provisions on the Supervision and Management of Occupational Health at Work Sites, the Industrial Injury Insurance Regulations of People's Republic of China, the Fire Protection Law of the People's Republic of China* and other rules and regulations.

To ensure a safe working environment with a dedication to eliminate safety hazards in work sites, we have devised *the Procedure of Security Service Works* with the security company to ensure the electricity safety via patrol checks on air-conditioners, lighting equipment, and other electrical switches, and the interior temperature of the server room, and the fire protection safety via regular inspections on fire escape of office floors, and timely report and replacement of expired fire equipment. We remind employees with safety signs and internal safety communications of personal safety at all times in the office area, external activities, and during festival and holidays.

We arrange annual body check for employees to eliminate health hazards and ensure they are healthy. We are committed to creating a healthy and pleasant working environment, and have adopted a series of measures to encourage regular exercises to prevent shoulder and neck strain due to prolonged sitting. Such measures include providing employees with ergonomic office desks and chairs, providing gym room with complete facilities, and organizing weekly sports activities such as badminton, basketball and football.

The Group carefully selects food suppliers to ensure food safety in staff canteens, specifies the food quantity, temperature, quality and safety requirements in the supply contract to provide our employees with health and secured meals. Where our employees complain against the quality of meals, the Group will demand for rectification, and will change the suppliers if they fail to satisfy our employees.

To assist the employees to identify and cope with accidents and risks, we provide employees with comprehensive health protection, such as commercial insurance, annual body check and two days of paid sick leave per month listed on the *Employee Welfare Management System*, to cover disease prevention, accidents, vital diseases, illness and death, and in-hospital treatment. The Group has also spared a specific budget to assist employees injured during the office hour to access medical treatment in a timely manner and apply for work injury compensation subsequently so that any injured employee can receive proper treatment.

In 2019, the Group did not have any material safety and health accident with work-related fatalities.

4.4 Valuing Talent Development

To train talents and facilitate the mutual growth of employees and the Company, FingerTango provides employees with various types of induction training and customized on-job training, and enhances employees' training, knowledge, working and management ability and professional quality, so as to achieve a "win-win" situation for the mutual growth of employees and the Company.

In 2019, we customized specific training projects for the needs of social hires, campus hires, all employees of the Company and management cadres, so that employees at different levels can receive proper training to enhance professional knowledge and skill to accommodate to the mutual growth with the business development of the Group. During the year, more than 1,400 people have received our staff training. The average satisfaction percentage of the trained employee is 94%. The main training projects during the year are as follow:

Training project	Training target	Brief introduction of training content
Social hire training project	Social hires	Regular training focusing on social hires and studying of *Corporate Culture* and *Rules and Regulations* with the aim to help social hires quickly understand the culture, rules and regulations of the Company
Campus hire training project	Campus hires	Major project focusing on campus hires and studying of *Corporate Culture, Rules and Regulations* and business foundation course with the aim to help campus hires quickly complete the transition from students to employees and integrate into the Company
Business training project	All employees of Company	Business training focusing on all employees with courses such as *Introductory Skills on Operation* with the aim to help employees know more business and master business knowledge for personal advancement
Management training project	Management cadres	Management study course focusing on mid-level and senior management with course such as *Human Resources Management for Non-human Resources Manager* with the aim to help the management master the essential management knowledge, concepts, approaches and tools for personal advancement in management capability
3K TALK Project	All employees of Company	Sharing of views focusing on all employees with the aim to provide employees with a multi-dimensional display and learning platform to facilitate creativity and the sharing of knowledge among employees

Due to the short iteration cycle of the game industry, FingerTango strives to improve employee knowledge, ability and skills, and integrate their personal growth with our long term strategic development. We have built a large reading zone in the open office space to encourage learning and foster an excellent learning environment.

The Group believes in employment based on merit. We have established *the Employee Promotion and Remuneration Management Measures* and *the Rank Promotion Flow* to allocate talents to suitable posts through an appropriate rotation and promotion mechanism. Employees with outstanding performance will have opportunities for salary increase and promotion after the review by the Promotion Committee. By integrating individual performance, corporate interests and remuneration, the remuneration system can be assured with internal rationality whereas the initiative and creativity of employees can be fully enhanced.

5. BUILDING A GREEN ENVIRONMENT TOGETHER

While expanding the game business, FingerTango also attaches great importance to sustainable development. By optimizing the environmental management system, we enhance the Group's performance in terms of environmental protection and alleviate the negative impact on the environment from our daily business operation. The environmental impact of our operation mainly comes from the consumption of electricity, office materials, household water, and office and household wastes. There is no industrial gas emission, wastewater, or waste generated in the ordinary course of business of the Group. We strictly abide by environmental protection rules and regulations, such as the *Environment Protection Law of the People's Republic of China,* the *Law of the People's Republic of China on Prevention and Control of Water Pollution* and the *Energy Conservation Law of the People's Republic of China*. During the year, FingerTango committed no environmental irregularity of significant impact.

5.1 Promoting Energy Saving and Carbon Reduction

Climate change is an environmental protection topic that every country in the world continues to concern. In response to the *2019 China's Policies and Actions for Addressing Climate Change Report* issued in November 2019 and to align with the national climate change strategy, FingerTango implements carbon emissions reduction and low carbon operation to alleviate climate change. After taking reference from the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), this Report clearly discloses and compares the greenhouse gas (GHG) emissions and energy consumption; and we strive to reduce the Group's carbon footprint during operation to promote low carbon operation.

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

GHG emissions performance	Unit	2019
GHG emissions		
Direct GHG emissions (scope 1)	tonnes CO_2 equivalent	156
Indirect GHG emissions (scope 2)	tonnes CO_2 equivalent	277
Other indirect GHG emissions (scope 3)	tonnes CO_2 equivalent	31
Total GHG emissions (scope 1, 2 & 3)	tonnes CO_2 equivalent	464
GHG emissions intensity		
Per square metre (scope 1, 2 & 3)	tonnes CO_2 equivalent/square metre	0.07
Per employee (scope 1, 2 & 3)	tonnes CO_2 equivalent/employee	1.10

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

Scope 2: Indirect GHG emissions generated by electricity generation, heating and cooling or steam purchased by the Group.

Scope 3: Emission includes GHG emissions indirectly generated by sources that are not owned or directly controlled by the Group but related to the Group's business activities.

After inspection, the GHG emissions of the Group can be classified into direct emissions (Scope 1) and indirect emissions (Scope 2 and Scope 3). GHG emissions of each scope came from the gasoline and refrigerant consumption by vehicles of the Group (Scope 1), electricity consumption during operation (Scope 2), air travel by employees, waste disposal and paper consumption (Scope 3), respectively. In 2019, the total GHG emissions were 464 tonnes Co_2 equivalent and the GHG emissions per employee were 1.10 tonnes CO_2 equivalent.

To alleviate climate change and reduce carbon emissions, FingerTango strives to achieve low carbon operation and introduces a series of carbon reduction measures. We use video conferencing and telephone conferencing to the greatest extent to reduce non-essential overseas business trips. We also take direct flights for inevitable business trips.

5.2 Green Operation Practice

For the construction of a green office, FingerTango strives to protect the environment in the areas of energy management, water resources management, waste management, reduction of air pollution and conservation of natural resources so as to minimise the impact to the environment and natural resources. FingerTango also formulates the *FingerTango Office Energy Conservation Guidelines*. We promote the concepts of saving electricity, water and office supplies among the staff from all departments so as to enhance their awareness, concept and practice of energy saving. This serves to minimise our impact on the environment and natural resources. The environmental protection measures for achieving green operation and green office are listed below.

Energy management

The Group conducts its business mainly in the office. To save energy and reduce energy consumption, we attach great importance to the energy usage of the office. All of our office areas use highly energy efficient LED lights and employ lighting time control devices. We employ sensor-controlled lighting and air-conditioning devices in areas of low usage, such as staircases and washrooms. Employees are maintaining a good habit of switching off lights, air-conditioners and computers. Employees and security officers conduct daily checking on the status of such devices. During renovation, we install more glass for fitting out to enhance daylighting and reduce the use of lighting fixture.

The Group adopts energy saving measures regarding air-conditioning. The indoor air-conditioning temperature is maintained at an appropriate level of 25–26°C. We clean filters and fan-coils on a regular basis to enhance the energy efficiency of the air-conditioners. To reduce the demand for air-conditioning, employees are allowed to dress casually for work on Fridays, as far as practicable.

Electricity purchased	Unit	2019
Electricity purchased	kWh	518,725
Electricity purchased intensity (per square metre)	kWh/square metre	74.87
Electricity purchased intensity (per employee)	kWh/employee	1,229.21

Water resources management

To reduce water resources consumption, the Group posts water saving labels in pantries and washrooms to remind employees to conserve water, control water flow and turn off the tap after use to eliminate prolonged water flow. We use environmentally friendly and energy-saving toilets with highly efficient pressurised flushing technology. With the usage of innovative large flush valves, the flushing is more efficient and focuses on the new water conserving concept. Where there is any leakage and dripping of water, employees are encouraged to inform the Administration Department for repairing by technicians as to reduce water wastage. We have no difficulty in securing appropriate sources of domestic water.

Water resources consumption		2019
Total water consumption	Cubic metre	2,435
Total water consumption intensity (per square metre)	Cubic metre/square metre	0.35
Total water consumption intensity (per employee)	Cubic metre/employee	5.77

Waste management

For the effective reduction of paper consumption, FingerTango strives to update and improve the electronic OA system to make use of network sharing, to circulate documents via emails, Wechat and QQ, so as to enhance office efficiency and achieve a paperless office. Where copying and printing of documents becomes necessary, the two-sided option will be applied. We also make use of the blank side of paper after single-sided printing for copying. We reuse office stationery items. For example, we replace the ball pen refills for reusing ball pens, and reuse envelopes as far as possible. For general waste, the Group adopts waste classification practice to support recycling and reuse, collect points are installed in the office for the collection of recyclable waste and waste batteries. The Group uses cleanable meal plates in our canteen, which will be washed and sterilized for reuse to reduce consumption of disposable meal boxes and tableware. Food waste will be sent to professional third-party for treatment. We also cooperate with electronic company to recycle obsolete computers or other electronics products.

Recyclable collection box in the office

Guangzhou domestic waste classification and disposal guide

During the year, waste production of the Group is as follows:

Waste	Unit	2019
Non-hazardous waste		
Production of non-hazardous waste	kg	200
Recycling of non-hazardous waste	kg	120
Hazardous waste		
Light tubes	kg	15
Cartridge	Piece	9
Battery	kg	4.5
Scrap IT equipment	Piece	100

Reducing air pollution

Our main source of air pollution comes from vehicles of the Group. We conduct maintenance and regular checking to the vehicles, pump up the tires and switch off the engine when idling. Moreover, we encourage employees to travel by public transport and share vehicle so as to reduce air pollutants efficiently.

During the year, the types and data of the limited air emissions from vehicles of the Group are as follows:

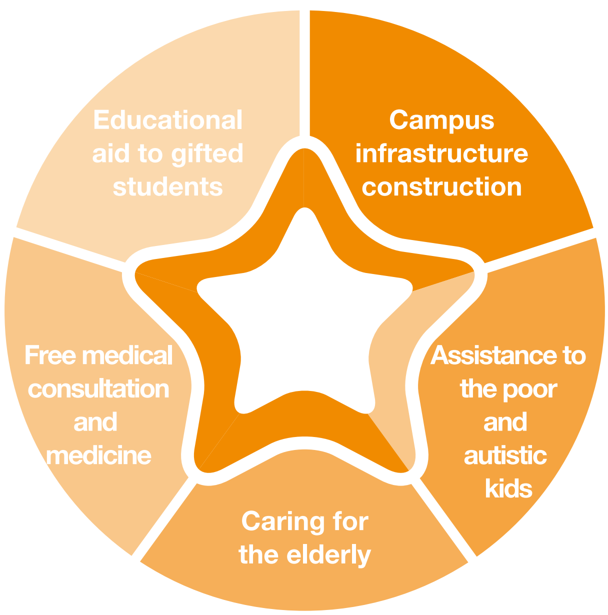
Emissions type	Unit	2019
Nitrogen oxides (NO_x)	kg	156
Sulphur oxides (SO_x)	kg	0.16
Particulate matter (PM)	kg	15

Conserving natural resources

To conserve natural resources and reduce wastage, the Group uses CFCC (China Forest Certification Council) and PEFC-certified paper to ensure the source of our paper is sustainable forest and renewable and controllable resources. We provide new employees with environmentally-friendly bags and cups for personal use to reduce consumption of disposable plastic bags and paper cups in office or on business trip.

6. GIVING BACK TO THE COMMUNITY

As a responsible and leading mobile game company, FingerTango has been actively fulfilling its CSR with a dedication to promote charity and encourage employees to participate in caring activities for the community. In 2019, we formulated the 3K Public Welfare Programs Series in 2019, comprising 5 major aspects, namely educational aid to gifted students, campus infrastructure construction, assistance to the poor and autistic kids, caring for the elderly and free medical consultation and medicine. These moves serve to facilitate the development of youths, take care of the disadvantaged and promote the health of citizens.



During the reporting period, the Group contributed nearly RMB220,000 to charity services, representing a substantial increase of approximately 2.5 times as compared to last year. 208 employees participated in charity activities.

Educational aid to gifted students

On 22–25 August 2019, in cooperation with the Women's Federation of Leizhou of Zhanjiang (湛江市雷州市婦女聯合會), the Association for the Promotion of Education of Orphans of Guangdong (廣東公益恤孤助學促進會) and the E Arts Creative College (E藝術創想學院), we organized summer camp activities for students, including visits to the Guangdong Science Center, the Metro Museum and Guangzhou Zoo, as well as painting and music courses.

Summer camp activities for students

On 29 May 2019, FingerTango held a staff service event at a garden party of local primary schools in Baide Town of Huaiji (懷集百德鎮), assisting in the organization of a poetry recitation competition and the June 1st garden activities.

Garden party of local primary schools in Baide Town of Huaiji

Campus infrastructure construction

By donating materials, such as classroom chairs, fans, educational supplies etc., and building functional areas for direct drinking water, sports grounds and integrated reading rooms, FingerTango assisted schools in improving teaching conditions, including computers and teaching aids, and supporting campus infrastructure construction.

Campus infrastructure construction

Assistance to the poor and autistic kids

FingerTango started the “Town and village pairing” charity campaign by visiting Deqin County of Shangri-La City in Yunnan Province for a four-day charity service trip on 21 September 2019 and purchased 1,200 catty of honey totaling RMB300,000 to assist beekeepers broadening their sales channel and increase their income.

“Town and village pairing” charity activity in Deqin County

On 27 September 2019, we participated in a charity walk, "Admire your motherland — Tianhe Charity run", and organized a charity donation. All registration fees and proceeds from the charity sale were donated to the Association of Autistic Children Guangzhou (廣州市孤獨症兒童服務協會) for the benefit of autistic kids, with the aim to raise awareness of autism and support the healthy growth of autistic kids.

Charity event for autistic kids

Caring for the elderly

From 31 July to 3 August 2019, we launched a caring project for veterans in 14 towns and villages in Rucheng County of Chenzhou City in Hunan Province (湖南省郴州市汝城縣), showing our care and love for a total of 126 veterans who served in wars.

Caring for 126 veterans who served in wars

Free medical consultation and medicine

On 21 July 2019, FingerTango and the Health Bureau of Lechang City (樂昌市衛生健康局) jointly held a free medical service event in rural areas to provide free medical consultation to the elderly so as to improve their health conditions.

Free medical consultation for the elderly

Free medical service and medicine to rural areas

Appendix 1 ESG Related Laws, Regulations, and Policies

FingerTango 2019 ESG related laws, regulations, and policies

ESG aspect	External laws and regulations	Internal policies
A1 Emissions	*National Catalogue of Hazardous Wastes* *Municipal Household Wastes Management Measures* *Guangzhou Household Wastes Classification and Management Provision*	*Waste Management Approach & Handling Procedure* *FingerTango Office Energy Conservation Guidelines*
A2 Use of resources	*Energy Conservation Law of the People's Republic of China* *Water Pollution Prevention & Control Law of the People's Republic of China*	*FingerTango Office Energy Conservation Guidelines* *3K Games Security Service Work Flow*
A3 Environment and natural resources	*Environment Protection Law of the People's Republic of China* *Energy Conservation Law of the People's Republic of China*	*FingerTango Office Energy Conservation Guidelines* *Explanation on Wastes Management Procedure*
B1 Employment	*Labor Law of the People's Republic of China* *Labor Contract Law of the People's Republic of China* *Tax Law of the People's Republic of China* *Social Insurance Law of the People's Republic of China* *Regulations on Unemployment Insurance* *Tentative Measures for Corporate Employee Maternity Insurance* *Regulations on Management of Housing Fund*	*Employee Welfare Management System* *Employee Promotion and Remuneration Management Measures* *Welfare Costs Adjustment Plan*
B2 Health and safety	*Employment Injury Insurance Provisions of the People's Republic of China* *Supervision and Management Regulations on Work Space Occupational Sanitation* *Fire Control Law of the People's Republic of China*	*Employee Welfare Management System* *Procedure of Security Services Works*
B3 Development and training	*Labor Law of the People's Republic of China*	*3K Employee Training Agreement* *2018 3K Social Recruitment Integration Plan* *2018 3K Campus Recruitment Foster Plan*
B4 Labor standards	*Law of the People's Republic of China on the Protection of Minors* *Provisions on Prohibition of Child Labor*	The Group recruits university and college graduates and people with work experiences, and confirms their age by checking their IDs during onboarding, preventing child labor from the beginning.

Appendix 1 ESG Related Laws, Regulations, and Policies

FingerTango 2019 ESG related laws, regulations, and policies

ESG aspect	External laws and regulations	Internal policies
B5 Supply chain management	*Company Law of the People's Republic of China* *Contract Law of the People's Republic of China*	*Anti-Fraud, Anti-Corruption and Anti-Commercial Bribery System* We have considered environmental and social risk factors in our contracts with suppliers of meals, electronics, office equipment and security service.
B6 Product responsibility	*Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers* *Regulation on Internet Information Service of the People's Republic of China* *Interim Provisions on Cyber Culture Management* *Interim Measures of Online Game Management* *Advertisement Law of the People's Republic of China* *Interim Measures for Online Advertisement Management* *Product Quality Law of the People's Republic of China* *Provisions on Publication Administration* *Notice on Mobile Game Publication Service Management* *Regulations on Online Publication Service Administration* *Trademark Law of the People's Republic of China* *Measures for the Administration of Telecommunications Business Licensing* *Notice of the Ministry of Culture on Enhancing Afterwards Supervision and Strengthening Regulations of Online Games* *Regulations on Internet Player Account Name Administration* *Cybersecurity Law of the People's Republic of China* *Intellectual Property Rights Protection Law of the People's Republic of China* *Notice on Preventing Minors from Indulging in Online Games* *Implementation Plan of Comprehensive Prevention and Control of Juvenile Myopia*	*3K Games Privacy Policies* *Regulations on Advertisement Content Review* *Regulations on Quality Inspection Works (2018 version)* *3K GM Telephone Complaint Reception Guidelines* *Explanation on 3K Game User Data Destruction Procedure* *Work Flow for Player Visit (2018 version) (generic version)* *Game Work Sheet Handling Procedure of GM Customer Service Center (2018 version)* *Regulations on Daily Monitoring Works (2018 version)* *Player Group Works Guidelines* *Community Monitoring Work Regulations*

Appendix 1 ESG Related Laws, Regulations, and Policies

FingerTango 2019 ESG related laws, regulations, and policies

ESG aspect	External laws and regulations	Internal policies
B7 Anti-corruption	*Law of the People's Republic of China on Anti-Unfair Competition* *Interim Provisions on Banning Commercial Bribery* *Company Law of the People's Republic of China*	*Anti-Fraud, Anti-Corruption and Anti-Commercial Bribery System* All employees have received anti-corruption training.
B8 Community investment	*Charity Law of the People's Republic of China*	*3K Public Welfare Programs Series in 2019*

Appendix 2 Sustainable Development Data Statements

Environmental performance	Unit	2018^	2019^
GHG Emissions			
Direct GHG emissions (Scope 1)	tonnes CO_2 equivalent	–	**156**
Indirect GHG emissions (Scope 2)	tonnes CO_2 equivalent	–	**277**
Other indirect GHG emissions (Scope 3)	tonnes CO_2 equivalent	–	**31**
Total GHG emissions (Scope 1, 2 & 3)	tonnes CO_2 equivalent	229	**464**
GHG Emissions Intensity			
Per square metre (Scope 1, 2 & 3)	tonnes CO_2 equivalent/square metre	–	**0.07**
Per employee (Scope 1, 2 & 3)	tonnes CO_2 equivalent/employee	0.59	**1.10**
Energy Consumption			
Total energy consumption	MWh	352	**618**
Total energy consumption intensity (per employee)	kWh/employee	921	**1,465**
Total electricity purchased	kWh	351,495	**581,725**
Total electricity purchased intensity (per employee)	kWh/employee	–	**1,229.21**
Gasoline consumption	litre	11,742	**10,800**
Water Consumption			
Total water consumption	cubic metre	2,035	**2,435**
Total water consumption intensity (per employee)	cubic metre/employee	5	**5.77**
Non-Hazardous Waste			
Total non-hazardous waste	kg	224	**200**
Non-hazardous waste intensity (per employee)	kg/employee	–	**0.47**
Total non-hazardous waste recycled	kg	–	**120**
Hazardous Waste			
Fluorescent tube	kg	16	**15**
Toner cartridge	Piece	18	**9**
Used battery	kg	3.6	**4.5**
Scrap IT equipment	Piece	24	**100**
Paper Consumption			
Paper consumption	kg	–	**753**
Paper consumption intensity (per employee)	kg/employee	–	**1.78**

^ The reporting scope of the environmental category in 2019 has expanded. The reporting scope includes the Group's offices in Shanghai and Guangzhou. Therefore, the environmental area data in 2018 is for reference only.

Social performance	Unit	2018	2019
Total employees	no. of people	389	422
Total Employees (by Gender)			
Total female employees	no. of people	145	149
Total male employees	no. of people	244	273
Total Employees (by Age Group)			
Below 30	no. of people	334	318
30–50	no. of people	55	104
Above 50	no. of people	0	0
Total Employees (by Employment Category)			
Full-time development/R&D	no. of people	187	204
Full-time operation	no. of people	99	139
Full-time supporting department	no. of people	103	79
Total Employees (by Geographical Region)			
Employees in East China	no. of people	388	37
Employees in South China	no. of people		383
Employees in Hong Kong, Macau and Taiwan regions, China	no. of people	1	2
Employee Turnover Rate (by Gender)			
Female	percentage	–	13%
Male	percentage	–	31%
Employee Turnover Rate (by Age Group)			
Below 30	percentage	–	41%
30–50	percentage	–	3%
Above 50	percentage	–	0%
Employee Turnover Rate (by Geographical Region)			
Employees in East China	percentage	–	2%
Employees in South China	percentage	–	41%
Employees in Hong Kong, Macau and Taiwan regions, China	percentage	–	0%
Percentage of Trained Employees (by Gender)			
Female	percentage	39%	73%
Male	percentage	61%	50%
Percentage of Trained Employees (By Employee Type)			
Full-time development/R&D	percentage	19%	58%
Full-time operation	percentage	39%	35%
Full-time supporting department	percentage	42%	98%

Appendix 2 Sustainable Development Data Statements

Social performance	Unit	2018	2019
Average Training Hours for Each Employee (by Gender)			
Female	hours	4.4	8.5
Male	hours	3.8	13.6
Average Training Hours for Each Employee (By job type)			
Full-time development/R&D	hours	14.3	13.3
Full-time operation	hours	1.7	18.9
Full-time supporting department	hours	1.4	16.0
Occupational Health and Safety			
Work-related Injuries and Fatalities of Directly Employed Workers			
Number of work-related fatalities	no. of people	0	0
Injury cases	days	5	10
Anti-corruption			
Number of concluded cases regarding corrupt practices brought against the Group or employee	no. of cases	0	0
Community Investment			
Public service investment	RMB	87,892	218,987
Total number of participations for employees participating in public service activities	no. of participations	105	208

Appendix 3 Index of Hong Kong Stock Exchange ESG Guidelines

Description of indicator			Related chapter
A. Environmental Area			
A1: Emissions	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5. Building a Green Environment Together
	A1.1	Types of emissions and relevant data.	5.2 Green Operation Practice
	A1.2	Total greenhouse gas emissions and density.	5.1 Promoting Energy Saving and Carbon Reduction Appendix 2 Sustainable Development Data Statements
	A1.3	Total hazardous wastes produced and density.	5.2 Green Operation Practice Appendix 2 Sustainable Development Data Statements
	A1.4	Total non-hazardous wastes produced and density.	5.2 Green Operation Practice Appendix 2 Sustainable Development Data Statements
	A1.5	Describe the measures to reduce emissions and the results.	5. Building a Green Environment Together
	A1.6	Describe the method of handling hazardous and non-hazardous wastes, reduction initiatives and results achieved.	5.2 Green Operation Practice
A2: Use of resources	General disclosure	Policies on the efficient use of resources (including energy, water and other raw materials).	5.2 Green Operation Practice
	A2.1	Total consumption of direct and/or indirect energy (e.g. electricity, gas and oil) classified by type and density.	5.2 Green Operation Practice Appendix 2 Sustainable Development Data Statements
	A2.2	Total water consumption and density.	5.2 Green Operation Practice Appendix 2 Sustainable Development Data Statements
	A2.3	Describe the plan of energy use efficiency and the results.	5.2 Green Operation Practice
	A2.4	Describes if there is any problem in seeking for the applicable water source, and the plan of improving the water use efficiency, and the results.	5.2 Green Operation Practice
	A2.5	Total amount of packaging materials used for finished goods and amount of per production unit.	Not Applicable
A3: Environment and natural resources	General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	5. Building a Green Environment Together
	A3.1	Describe the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5. Building a Green Environment Together

Appendix 3 Index of Hong Kong Stock Exchange ESG Guidelines

Description of indicator			Related chapter
B. Social Area			
B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	4. Professional Service Team
	B1.1	Total number of employees by gender, employment type, age group and geographical region.	Appendix 2 Sustainable Development Data Statements
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 2 Sustainable Development Data Statements
B2: Health and safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.3 Employee Health and Safety
	B2.1	Number and rate of work-related fatalities.	Appendix 2 Sustainable Development Data Statements
	B2.2	Lost days due to work injury.	Appendix 2 Sustainable Development Data Statements
	B2.3	Describe occupational health and safety measures adopted, how they are implemented and monitored.	4.3 Employee Health and Safety
B3: Development and training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.4 Valuing Talent Development
	B3.1	Percentage of trained employees classified by gender and employee category.	Appendix 2 Sustainable Development Data Statements
	B3.2	Average training hours per employee classified by gender and employee category.	Appendix 2 Sustainable Development Data Statements
B4: Labor standards	B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	4.1 Safeguarding Employment Rights
	B4.1	Describe measures to review employment practices to avoid child and forced labor.	4.1 Safeguarding Employment Rights
	B4.2	Describe steps taken to eliminate such practices when discovered.	4.1 Safeguarding Employment Rights
B5: Supply chain management	General disclosure	Policies on managing environmental and social risks of the supply chain.	3.6 Responsible Supplier Management
	B5.1	Number of suppliers by geographical region.	3.6 Responsible Supplier Management
	B5.2	Describe the practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.6 Responsible Supplier Management

Appendix 3 Index of Hong Kong Stock Exchange ESG Guidelines

Description of indicator			Related chapter
B6: Product responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3. Quality Products and Services
	B6.1	Percentage of sold or shipped products to be recalled due to safety and health reasons.	Not Applicable
	B6.2	Number of received complaints about products and services and the methods of dealing with the complaints.	3.1 Quality Control on Products and Services
	B6.3	Describe the practices related to the maintenance and protection of intellectual property rights.	3.5 Respecting Intellectual Property Rights
	B6.4	Describe the quality assurance process and recall procedures.	3.1 Quality Control on Products and Services
	B6.5	Describe consumer data security and privacy policy, and related implementation and monitoring methods.	3.3 Protecting Customers' Privacy
B7: Anti-corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.4 Corporate Governance Compliance
	B7.1	Number of concluded cases regarding corrupt practices brought against the issuer or its employees during the reporting period.	Appendix 2 Sustainable Development Data Statements
	B7.2	Describe the preventive measures and reporting procedures, and related implementation and monitoring methods.	3.4 Corporate Governance Compliance
B8: Community investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Giving Back to the Community
	B8.1	Focus areas of contribution.	6. Giving Back to the Community
	B8.2	Resources contributed to the focus area.	6. Giving Back to the Community Appendix 2 Sustainable Development Data Statements

Independent Auditor's Report

中汇
ZHONGHUI

To the Shareholders of FingerTango Inc.
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of FingerTango Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 93 to 158, which comprise the consolidated statement of financial position as at 31 December 2019, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue and cost of revenue

Refer to Note 7 to the consolidated financial statements.

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

Key Audit Matters (continued)

Revenue and cost of revenue (continued)

During the year ended 31 December 2019, the Group's revenue from game publishing amounted to RMB1,051,137,000. The balance of contract liabilities amounted to RMB126,617,000 as at 31 December 2019.

During the year ended 31 December 2019, the commissions charged by platforms and game programmers (where the Group is the game owner) amounted to RMB312,032,000 and RMB44,630,000 respectively. The balance of contract costs amounted to RMB42,126,000 as at 31 December 2019.

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

Our audit procedures included, among others:

— Understanding and evaluating the key internal controls in relation to the assessment of the Player Relationship Period;

— On a sample basis, validating key internal controls in respect of the assessment of the Player Relationship Period, including management's review and approval of (i) determination of the estimated Player Relationship Period of new games; and (ii) changes in the estimated Player Relationship Period of existing games based on periodic reassessment on any indications triggering such changes;

— Validating the data generated from the Group's information system used for the assessment of the Player Relationship Period, including testing the information technology general controls and verifying the data integrity;

— Evaluating the reasonableness of key assumptions applied in the determination of Player Relationship Period by comparing the Group's game profile with existing games category and assessing the variation on profile of target audience and players of different demographics groups;

— Testing the accuracy of revenue and cost of revenue by confirming the sales proceeds amount with the platforms, testing the reconciliation between cash received and sales proceeds, and checking the commission percentage charged by platforms and third party game programmers to the contract, on a sample basis;

— Testing the result of Player Relationship Period by reperforming the computation, on a sample basis;

— Comparing the current Player Relationship Period with the results of prior years to assess the reasonableness of the original estimation, on a sample basis;

Key Audit Matters (continued)

Revenue and cost of revenue (continued)

— Comparing the newly launched games with existing game profile and assessing the reasonableness of the Player Relationship Period by comparing it with the results of similar types of games, on a sample basis; and

— Recalculating revenue and contract liabilities, cost of revenue and contract costs based on the respective Player Relationship Period of each game on a sample basis.

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

Other receivables and notes receivables

Refer to Notes 21 and 22 to the consolidated financial statements.

The Group tested the amounts of other receivables and notes receivables for impairment. This impairment test is significant to our audit because the balances of other receivables and notes receivables of RMB157,416,000 and RMB223,950,000 as at 31 December 2019 are material to the consolidated financial statements respectively. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit limits and credit periods to debtors;

— Assessing the Group's relationship and transaction history with the debtors;

— Evaluating the Group's impairment assessment;

— Assessing ageing of the debts;

— Assessing creditworthiness of the debtors;

— Checking subsequent settlements from the debtors;

— Assessing the value of the collateral for the debts; and

— Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for other receivables and notes receivables are supported by the available evidence.

Key Audit Matters (continued)

Investments at fair value through profit or loss

Refer to Note 24 to the consolidated financial statements.

The Group measured its investments at fair value through profit or loss with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investments at fair value through profit or loss of RMB103,351,000 as at 31 December 2019 are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the competence, independence and integrity of the external valuer engaged by client;

— Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

— Checking key assumptions and input data in the valuation model to supporting evidence;

— Checking arithmetical accuracy of the valuation model; and

— Assessing the disclosure of the fair value measurement in the consolidated financial statements.

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

Other Information in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

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

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Yeung Hong Chun
Audit Engagement Director
Practising Certificate Number P07374

Hong Kong, 11 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	7	1,051,137	1,085,931
Cost of revenue		(387,617)	(444,306)
Gross profit		663,520	641,625
Selling and marketing expenses		(500,106)	(324,974)
Administrative expenses		(93,778)	(102,757)
Research and development expenses		(63,312)	(54,600)
Other income	8	12,365	6,292
Other gains, net	9	10,912	2,398
Operating profit		29,601	167,984
Finance income	10	14,442	8,647
Finance costs	10	(495)	—
Profit before income tax		43,548	176,631
Income tax expense	11	(4,836)	(21,036)
Profit for the year attributable to owners of the Company	12	38,712	155,595
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		(1,200)	(10,000)
Income tax on item that will not be reclassified to profit or loss		300	2,500
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		16,712	26,575
Other comprehensive income for the year, net of tax		15,812	19,075
Total comprehensive income for the year attributable to owners of the Company		54,524	174,670
Earnings per share (RMB)	15		
— Basic		0.0204	0.0932
— Diluted		0.0202	0.0928

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property and equipment	16	10,158	11,752
Right-of-use assets	17	8,262	—
Intangible assets	18	8,095	5,616
Prepayments and deposits	20	27,070	21,402
Equity investments at fair value through other comprehensive income	23	—	1,200
Investments at fair value through profit or loss	24	103,351	97,368
Deferred tax assets	31	28,156	27,329
Time deposits	25	20,000	—
		205,092	164,667
Current assets			
Trade receivables	26	75,095	163,760
Contract costs	27	42,126	59,980
Prepayments and deposits	20	132,833	81,431
Other receivables	21	157,416	100,062
Notes receivables	22	223,950	—
Investments at fair value through profit or loss	24	—	309,233
Restricted bank deposits	25	892	—
Bank and cash balances	25	777,962	743,291
		1,410,274	1,457,757
Total assets		1,615,366	1,622,424
EQUITY AND LIABILITIES			
Equity			
Share capital	32	62	65
Reserves	34	1,340,526	1,335,467
Total equity		1,340,588	1,335,532

	Notes	2019 RMB'000	2018 RMB'000
Liabilities			
Current liabilities			
Trade payables	28	69,043	65,228
Contract liabilities	27	126,617	144,989
Accruals and other payables	29	46,227	42,348
Lease liabilities	30	7,124	—
Current tax liabilities		24,516	34,327
		273,527	286,892
Non-current liabilities			
Lease liabilities	30	1,251	—
Total liabilities		274,778	286,892
Total equity and liabilities		1,615,366	1,622,424

The consolidated financial statements on pages 93 to 158 were approved and authorised for issue by the Board of Directors on 11 May 2020 and signed on its behalf by:

Liu Jie
Director

Liu Zhanxi
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	—	—	—	195,525	356,466	551,991
Total comprehensive income for the year	—	—	—	19,075	155,595	174,670
Issue of ordinary shares (notes 32(a), (d) and (e))	65	822,189	—	—	—	822,254
Repurchase and cancellation of ordinary shares (note 32(f))	—	(27,499)	—	—	—	(27,499)
Ordinary shares allotted and issued for RSU Scheme (note 34(c)(iii))	—	—	(2)	2	—	—
Repurchase of shares from Strategy Investors (note 34(c)(v))	—	—	—	(150,510)	(113,306)	(263,816)
Share-based payments (note 35)	—	—	—	77,932	—	77,932
Changes in equity for the year	65	794,690	(2)	(53,501)	42,289	783,541
At 31 December 2018	65	794,690	(2)	142,024	398,755	1,335,532
At 1 January 2019	65	794,690	(2)	142,024	398,755	1,335,532
Total comprehensive income for the year	—	—	—	15,812	38,712	54,524
Repurchase and cancellation of ordinary shares (note 32(f))	(3)	(81,970)	—	—	—	(81,973)
Share-based payments (note 35)	—	—	—	33,498	—	33,498
Forfeit of RSUs	—	—	—	(993)	—	(993)
Changes in equity for the year	(3)	(81,970)	—	48,317	38,712	5,056
At 31 December 2019	**62**	**712,720**	**(2)**	**190,341**	**437,467**	**1,340,588**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Profit before income tax	43,548	176,631
Adjustments for:		
Finance costs	495	—
Finance income	(14,442)	(8,647)
Depreciation	13,827	3,767
Amortisation of intangible assets	2,911	2,306
Loss on disposals of property and equipment	74	—
Net foreign exchange (gains)/losses	(547)	1,893
Equity-settled share-based payments	32,505	77,932
Changes in fair value of investments at fair value through profit or loss	(8,451)	(3,008)
Loss allowance provision for trade receivables	860	158
Impairment loss on intangible assets	890	—
Impairment loss on prepayments	17,557	7,453
Operating profit before changes in working capital	89,227	258,485
Change in trade receivables	87,988	(6,191)
Change in contract costs	17,854	10,421
Change in prepayments, deposits and other receivables	(329,853)	(40,899)
Change in trade payables	3,815	(37,012)
Change in contract liabilities	(18,372)	(29,784)
Change in accruals and other payables	4,425	(12,176)
Cash (used in)/generated from operating activities	(144,916)	142,844
Income tax paid	(15,174)	(14,787)
Interest received	13,944	8,223
Lease interests paid	(495)	—
Net cash (used in)/generated from operating activities	(146,641)	136,280

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Cash flows from investing activities		
Increase in restricted bank deposits	(892)	—
Addition of time deposits	(30,000)	—
Release of time deposits	10,000	—
Purchases of property and equipment	(5,020)	(6,238)
Purchases of intangible assets	(6,280)	(3,122)
Prepayments for purchases of property and equipment and intangible assets	(25,260)	(12,787)
Proceeds from disposals of property and equipment	168	—
Purchases of equity investments at fair value through other comprehensive income	—	(10,000)
Purchases of investments at fair value through profit or loss	(30,000)	(397,639)
Prepayments for purchases of investments at fair value through profit or loss	—	(87,925)
Settlement of investments at fair value through profit or loss	351,333	—
Net cash generated from/(used in) investing activities	264,049	(517,711)
Cash flows from financing activities		
Repayment of lease liabilities	(7,911)	—
Proceeds from issue of ordinary shares relating to the initial public offering	—	879,957
Payments for issuance costs of ordinary shares relating to the initial public offering	—	(57,751)
Payments for repurchase of ordinary shares	(81,973)	(27,499)
Share repurchase from Strategy Investors	—	(263,816)
Net cash (used in)/generated from financing activities	(89,884)	530,891
Net increase in cash and cash equivalents	27,524	149,460
Effect of foreign exchange rate changes	7,147	20,070
Cash and cash equivalents at beginning of the year	743,291	573,761
Cash and cash equivalents at end of the year	777,962	743,291
Analysis of cash and cash equivalents		
Bank and cash balances	777,962	743,291

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong. The address of the headquarters is 3/F, Huixin Building, 1132 Zhongshan Avenue West, Tianhe District, Guangzhou, the People's Republic of China ("PRC"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the consolidated financial statements.

In the opinion of the directors of the Company (the "Directors"), as at 31 December 2019, LJ Technology Holding Limited, a company incorporated in the British Virgin Islands ("BVI"), is the ultimate holding company; and Mr. Liu Jie is the ultimate controlling party of the Company.

2. Adoption of new and revised International Financial Reporting Standards

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

The Group has adopted IFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

2. Adoption of new and revised International Financial Reporting Standards (continued)

(a) Adjustments recognised on adoption of IFRS 16

	RMB'000
Operating lease commitments disclosed at 31 December 2018	5,911
Discounted using the lessee's incremental borrowing rate of 4.75% p.a. at the date of initial application	5,491
Less: short-term leases recognised on a straight-line basis as expense	(513)
Add: adjustments as a result of a different treatment of extension options	4,310
Lease liabilities recognised at 1 January 2019	9,288
Of which are:	
Current lease liabilities	6,116
Non-current lease liabilities	3,172
	9,288

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 January 2019.

The change in accounting policy increase right-of-use assets and lease liabilities by RMB9,288,000 on 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

— the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

— reliance on previous assessments on whether leases are onerous;

— the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. Adoption of new and revised International Financial Reporting Standards (continued)

(a) Adjustments recognised on adoption of IFRS 16 (continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

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

3. Significant accounting policies

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

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

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

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

Consolidation

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

3. Significant accounting policies (continued)

Consolidation (continued)

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

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

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

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

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

3. Significant accounting policies (continued)

Foreign currency translation (continued)

(c) Translation on consolidation

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

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange reserve.

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

Property and equipment

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

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

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

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

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

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

3. Significant accounting policies (continued)

Leases

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

Buildings	50%

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

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

Research and development expenditure

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

Licenses

Under certain exclusive online mobile games arrangements entered between the Group and the game developers, the Group pays upfront license fees to the game developers to obtain an exclusive right to operate the games in specified geographic areas for a certain period of time. The Group recognises the exclusive license fee as an intangible asset. The intangible asset is amortised on a straight-line basis upon the commercial launch of the related online mobile games over the shorter of the estimated economic game life and the license period of the games, which range from 2 to 5 years. The amortisation is expensed to cost of revenue.

Computer software

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

3. Significant accounting policies (continued)

Recognition and derecognition of financial instruments

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

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

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

Financial assets

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

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

— Financial assets at amortised cost;

— Equity investments at fair value through other comprehensive income; and

— Investments at fair value through profit or loss.

3. Significant accounting policies (continued)

Financial assets (continued)

(a) Financial assets at amortised cost

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

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(b) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

(c) Investments at fair value through profit or loss

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

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

3. Significant accounting policies (continued)

Loss allowances for expected credit losses

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

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

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Trade and other payables

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

3. Significant accounting policies (continued)

Equity instruments

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

Revenue from contracts with customers

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

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

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

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

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

3. Significant accounting policies (continued)

Employee benefits (continued)

(b) Pension obligations

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

(c) Termination benefits

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

Share-based payment

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

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

— including any market performance conditions;

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

— including the impact of any non-vesting conditions.

3. Significant accounting policies (continued)

Share-based payment (continued)

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

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

Government grants

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

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

Taxation

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

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

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

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

3. Significant accounting policies (continued)

Taxation (continued)

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

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

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

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

Segment reporting

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

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

3. Significant accounting policies (continued)

Related parties

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

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

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

3. Significant accounting policies (continued)

Impairment of assets

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

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

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

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

Provisions and contingent liabilities

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

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

3. Significant accounting policies (continued)

Events after the reporting period

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

4. Critical judgements and key estimates

Critical judgements in applying accounting policies

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

Contractual Arrangements

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

4. Critical judgements and key estimates (continued)

Key sources of estimation uncertainty

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

(a) Revenue recognition

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

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

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

(c) Income taxes

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

4. Critical judgements and key estimates (continued)

Key sources of estimation uncertainty (continued)

(d) Fair value of investments

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

5. Financial risk management

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

(a) Foreign currency risk

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

At 31 December 2019, if RMB had weakened/strengthened 5% against USD with all other variables held constant, consolidated profit after tax for the year would have been RMB3,844,000 (2018: RMB5,110,000) higher/lower, arising mainly as a result of the foreign exchange gains/losses on translation of USD denominated cash and cash equivalents and receivables of the Group's companies in the PRC.

(b) Price risk

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

At 31 December 2019, if the fair value of the investments increase/decrease by 5%, profit before tax and other comprehensive income for the year would have been RMB5,168,000 (2018: RMB20,330,000) and nil (2018: RMB60,000) higher/lower respectively, arising as a result of the fair value gain/loss of the investments.

5. Financial risk management (continued)

(c) Credit risk

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

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

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

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

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

— internal credit rating;

— external credit rating (if available);

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

— actual or expected significant changes in the operating results of the borrower;

— significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

5. Financial risk management (continued)

(c) Credit risk (continued)

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

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

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

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

All of these loans are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Group's financial liabilities are due within one year.

(e) Interest rate risk

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

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

5. Financial risk management (continued)

(f) Categories of financial instruments at 31 December

	2019 RMB'000	2018 RMB'000
Financial assets:		
Investments at fair value through profit or loss:		
Designated as such upon initial recognition	103,351	406,601
Equity investments at fair value through other comprehensive income	–	1,200
Financial assets at amortised cost (including cash and cash equivalents)	1,250,959	1,011,789
Financial liabilities:		
Financial liabilities at amortised cost	79,849	77,895

(g) Fair values

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

6. Fair value measurements

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

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

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

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

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

6. Fair value measurements (continued)

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

Description	Fair value measurements using: Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total 2019 RMB'000
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Unlisted wealth management products	**—**	**—**	**95,321**	**95,321**
Private equity investments	**—**	**—**	**8,030**	**8,030**
Total recurring fair value measurements	**—**	**—**	**103,351**	**103,351**

Description	Fair value measurements using: Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total 2018 RMB'000
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Unlisted wealth management products	—	—	397,301	397,301
Private equity investments	—	—	9,300	9,300
	—	—	406,601	406,601
Equity investments at fair value through other comprehensive income				
Private equity investments	—	—	1,200	1,200
Total recurring fair value measurements	—	—	407,801	407,801

6. Fair value measurements (continued)

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

Description	Investments at fair value through profit or loss RMB'000	Equity investments at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2019	406,601	1,200	407,801
Total gains or losses recognised			
in profit or loss (#)	8,451	–	8,451
in other comprehensive income	–	(1,200)	(1,200)
Additions	30,000	–	30,000
Settlements	(351,333)	–	(351,333)
Currency translation differences	9,632	–	9,632
At 31 December 2019	103,351	–	103,351
(#) Include gains or losses for assets held at end of reporting period	4,955	–	4,955

6. Fair value measurements (continued)

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

Description	Investments at fair value through profit or loss RMB'000	Equity investments at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2018	—	11,200	11,200
Total gains or losses recognised			
in profit or loss (#)	3,008	—	3,008
in other comprehensive income	—	(10,000)	(10,000)
Additions	397,789	—	397,789
Currency translation differences	5,804	—	5,804
At 31 December 2018	406,601	1,200	407,801
(#) Include gains or losses for assets held at end of reporting period	3,008	—	3,008

The total gains or losses recognised in other comprehensive income are presented in investment valuation reserve in the consolidated statement of profit or loss and other comprehensive income.

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

6. Fair value measurements (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019:

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

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

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 RMB'000
Unlisted wealth management products (note)	Market comparable approach	Dealer quotes for similar instruments	up to 5%	Increase	95,321
Private equity investments classified as investments at fair value through profit or loss	Discounted cash flow	Weighted average cost of capital	40%	Decrease	8,030
		Long-term revenue growth rate	31.3%	Increase	
		Discount for lack of marketability	20%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	40%	Decrease	–
		Long-term revenue growth rate	14.6%	Increase	
		Discount for lack of marketability	20%	Decrease	

6. Fair value measurements (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019: (continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2018 RMB'000
Unlisted wealth management products (note)	Market comparable approach	Dealer quotes for similar instruments	1.5%—5%	Increase	397,301
Private equity investments classified as investments at fair value through profit or loss	Discounted cash flow	Weighted average cost of capital	40%	Decrease	9,300
		Long-term revenue growth rate	31.3%	Increase	
		Discount for lack of marketability	20%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	40%	Decrease	1,200
		Long-term revenue growth rate	14.6%	Increase	
		Discount for lack of marketability	20%	Decrease	

Note:

The fair value of unlisted wealth management products as at 31 December 2019 has been arrived at on the basis of a valuation carried out on those dates by Ravia Global Appraisal Advisory Limited (2018: Ravia Global Appraisal Advisory Limited), an independent qualified professional valuer not connected to the Group.

7. Revenue and segment information

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

	2019 **RMB'000**	2018 RMB'000
Self-publishing	**548,785**	520,640
Co-publishing	**502,352**	565,291
Total revenue	**1,051,137**	1,085,931
Disaggregation of revenue from contracts with customers:		
Timing of revenue recognition		
Over time	**1,051,137**	1,085,931

Game publishing service revenue

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

7. Revenue and segment information (continued)

Game publishing service revenue (continued)

(i) Principal-Agent consideration

Third party developed games

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

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

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

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

7. Revenue and segment information (continued)

Game publishing service revenue (continued)

(i) Principal-Agent consideration (continued)

Third party developed games (continued)

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

Commissioned-developed games

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

(ii) Timing of revenue recognition

Third party developed games

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

7. Revenue and segment information (continued)

Game publishing service revenue (continued)

(ii) Timing of revenue recognition (continued)

Commissioned-developed games

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

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

Revenue from major customers:

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (2018: 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 2019.

	2019	2018
Game developer a	28.9%	22.3%
Game developer b	20.2%	15.8%
Game developer c	18.6%	29.1%
Game developer d	*	10.9%

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

8. Other income

	2019 RMB'000	2018 RMB'000
Government grants	12,249	6,292
Others	116	—
	12,365	6,292

9. Other gains, net

	2019 RMB'000	2018 RMB'000
Loss on disposals of property and equipment	(74)	—
Changes in fair value of investments at fair value through profit or loss	8,451	3,008
Net foreign exchange gains/(losses)	2,535	(465)
Others	—	(145)
	10,912	2,398

10. Finance income/finance costs

	2019 RMB'000	2018 RMB'000
Finance income		
Finance income from bank balances	13,944	8,647
Finance income from loan to a third party	498	—
	14,442	8,647
Finance costs		
Lease interests	495	—

11. Income tax expense

	2019 RMB'000	2018 RMB'000
Current tax — PRC Enterprise Income Tax ("EIT")	5,363	17,343
Deferred tax (note 31)	(527)	3,693
	4,836	21,036

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong during that year (2018: nil).

11. Income tax expense (continued)

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% (2018: 25%).

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

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

Guangzhou Miyuan Networks Technology Co., Limited ("Miyuan Networks") was qualified as "High and New Technology Enterprises" under the EIT Law since year 2016. Accordingly, it was entitled to a preferential income tax rate of 15% for a 3-year period. Miyuan Networks was re-entitled as "High and New Technology Enterprises" under the ELT Law in 2019. Accordingly, the applicable tax rate was 15% for the year ended 31 December 2019.

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

	2019 RMB'000	2018 RMB'000
Profit before income tax	43,548	176,631
Tax at the weighted average tax rate	10,092	45,207
Tax effect of expenses not deductible for tax purpose	11,305	14,039
Tax effect of tax losses not recognised	3,848	476
Preferential income tax rates applicable to certain subsidiaries	(20,409)	(38,686)
Income tax expense	4,836	21,036

12. Profit for the year

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

	2019 RMB'000	2018 RMB'000
Amortisation of licenses (included in cost of revenue)	2,760	2,273
Amortisation of other intangible assets (included in administrative expenses)	151	33
Depreciation	13,827	3,767
Directors' emoluments (note 13)		
— As Directors	1,382	684
— For management	12,112	20,622
	13,494	21,306
Loss on disposals of property and equipment	74	—
Research and development expenses	63,312	54,600
Auditor's remuneration		
— Audit services	3,190	3,000
— Non-audit services	—	210
	3,190	3,210
Loss allowance provision for trade receivables	860	158
Impairment on intangible assets (included in cost of revenue)	890	—
Impairment loss on prepayments for purchase of licenses and to game developers (included in administrative expenses)	17,557	7,453
Staff costs including directors' emoluments		
— Wages, salaries and bonuses	75,607	59,304
— Pension costs — defined contribution plans	5,367	4,578
— Social security costs, housing benefits and other employee benefits	9,820	9,117
— Equity-settled share-based payments	32,505	77,932
	123,299	150,931

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

(a) Directors' and chief executive's emoluments

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

	2019					
Name of directors	Fees RMB'000	Salaries RMB'000	Social security costs, housing benefits and other employee benefits RMB'000	Pension cost — defined contribution plans RMB'000	Share-based payments RMB'000 (note (i))	Total RMB'000
Executive directors:						
Mr. Liu Jie (note (ii))	213	981	42	33	–	1,269
Mr. Wu Junjie (note (iii))	98	861	42	33	–	1,034
Mr. Wang Zaicheng	213	1,101	42	33	3,554	4,943
Mr. Liu Zhanxi	213	825	42	33	3,554	4,667
Mr. Zhu Yanbin (note (iv))	114	861	42	33	–	1,050
Independent non-executive directors (note (vi))**:**						
Mr. Guo Jingdou	177	–	–	–	–	177
Ms. Yao Minru	177	–	–	–	–	177
Mr. Du Geyang (note (v))	177	–	–	–	–	177
	1,382	4,629	210	165	7,108	13,494

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

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

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

	2018					
Name of directors	Fees RMB'000	Salaries RMB'000	Social security costs, housing benefits and other employee benefits RMB'000	Pension cost — defined contribution plans RMB'000	Share-based payments RMB'000 (note (i))	Total RMB'000
Executive directors:						
Mr. Liu Jie (note (ii))	105	846	39	32	—	1,022
Mr. Wu Junjie (note (iii))	105	780	39	32	—	956
Mr. Wang Zaicheng	105	1,031	39	32	8,325	9,532
Mr. Liu Zhanxi	105	1,031	39	32	8,325	9,532
Independent non-executive directors (note (vi))**:**						
Mr. Guo Jingdou	88	—	—	—	—	88
Ms. Yao Minru	88	—	—	—	—	88
Mr. Du Geyang (note (v))	88	—	—	—	—	88
	684	3,688	156	128	16,650	21,306

Notes:

(i) Share-based payments are related with the RSUs granted to certain directors, which are vested during the year. The estimated money value of vested RSUs is calculated as the difference between the market price of the shares on the day of vesting and the price paid, if any, for the shares.

(ii) Mr. Liu Jie is the Chief Executive Officer of the Company.

(iii) Resigned on 19 June 2019.

(iv) Appointed on 19 June 2019.

(v) Resigned on 12 December 2019.

(vi) Dr. Liu Jianhua has been appointed as an independent non-executive director at 13 January 2020.

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

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

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

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2019 (2018: nil).

(c) Five highest paid employees

The five highest paid employees of the Group during the year included 2 directors (2018: 2 directors) whose remuneration are set out in note 13(a) above. Details of the remuneration for the year of the remaining 3 (2018: 3) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses	2,210	1,976
Pension costs — defined contribution plans	98	96
Social security costs, housing benefits and other employee benefits	164	116
Equity-settled share-based payments	15,657	8,325
	18,129	10,513

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

	Number of individuals	
	2019	2018
HK$3,500,001 to HK$4,000,000	2	1
HK$4,000,001 to HK$4,500,000	—	2
HK$13,000,001 to HK$13,500,000	1	—
	3	3

14. Dividend

No dividends was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed at the end of the reporting period (2018: nil).

15. Earnings per share

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

	2019 RMB'000	2018 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	38,712	155,595

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	1,897,892,453	1,670,276,028
Adjustments for unvested RSUs	16,992,572	6,592,598
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,914,885,025	1,676,868,626

Note: The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with a reorganisation (the "Reorganisation").

16. Property and equipment

	Servers and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost				
At 1 January 2018	3,196	7,178	2,968	13,342
Additions	2,513	2,309	1,416	6,238
At 31 December 2018 and 1 January 2019	5,709	9,487	4,384	19,580
Additions	4,112	279	629	5,020
Disposals	(1,347)	—	—	(1,347)
At 31 December 2019	8,474	9,766	5,013	23,253
Accumulated depreciation				
At 1 January 2018	1,600	1,595	866	4,061
Charge for the year	1,069	1,891	807	3,767
At 31 December 2018 and 1 January 2019	2,669	3,486	1,673	7,828
Charge for the year	1,867	2,029	1,907	5,803
Disposals	(536)	—	—	(536)
At 31 December 2019	4,000	5,515	3,580	13,095
Carrying amount				
At 31 December 2019	**4,474**	**4,251**	**1,433**	**10,158**
At 31 December 2018	3,040	6,001	2,711	11,752

17. Leases and right-of-use assets

Disclosures of lease-related items:

At 31 December	2019 RMB'000	2018 RMB'000
Right-of-use assets		
— Buildings	8,262	—
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Less than 1 year	7,211	—
— Between 1 and 2 years	1,405	—
	8,616	—

Year ended 31 December	2019 RMB'000	2018 RMB'000
Depreciation charge of right-of-use assets		
— Buildings	8,024	—
Lease interests	495	—
Expenses related to short-term leases	513	—
Total cash outflow for leases	8,919	—
Additions to right-of-use assets	6,998	—

The Group leases various buildings. Lease agreements are typically made for fixed periods of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

18. Intangible assets

	Licenses RMB'000	Others RMB'000	Total RMB'000
Cost			
At 1 January 2018	5,751	—	5,751
Additions	5,508	916	6,424
At 31 December 2018 and 1 January 2019	11,259	916	12,175
Additions	5,797	483	6,280
At 31 December 2019	17,056	1,399	18,455
Accumulated amortisation and impairment losses			
At 1 January 2018	4,253	—	4,253
Amortisation for the year	2,273	33	2,306
At 31 December 2018 and 1 January 2019	6,526	33	6,559
Amortisation for the year	2,760	151	2,911
Impairment	890	—	890
At 31 December 2019	10,176	184	10,360
Carrying amount			
At 31 December 2019	**6,880**	**1,215**	**8,095**
At 31 December 2018	4,733	883	5,616

19. Subsidiaries

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

Particulars of the Group's principal subsidiaries as at 31 December 2019 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing 2019 and 2018		Principal activities
			Direct	Indirect	
FT Entertainment Limited	BVI	USD100	100%	—	Investment holding
Finger Tango Interactive (HK) Limited	Hong Kong	HK$100	—	100%	Investment holding
Binyou Networks	The PRC	RMB15,000,000	—	100%	Technical support and development services
Shanghai Youmin Networks Technology Limited	The PRC	RMB19,267,015	—	100%	Internet culture operations
Shanghai Binjie Networks Technology Limited	The PRC	RMB10,000,000	—	100%	Internet culture operations
Guangzhou Langxianjing Networks Technology Co., Limited	The PRC	RMB1,000,000	—	100%	Internet culture operations
Shanghai Feimiao Networks Technology Co., Limited	The PRC	RMB10,000,000	—	100%	Internet and software technology development and service
Shanghai Yiguo Network Technology Co., Limited	The PRC	RMB10,000,000	—	100%	Internet and software technology development and service
Shanghai Langxianjing Network Technology Co., Limited	The PRC	RMB10,000,000	—	100%	Internet and software technology development and service

19. Subsidiaries (continued)

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

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

20. Prepayments and deposits

	2019 RMB'000	2018 RMB'000
Included in non-current assets		
Prepayments for purchase of licenses	47,488	25,852
Rental and other deposits	1,856	1,116
	49,344	26,968
Less: provision for impairment	(22,274)	(5,566)
	27,070	21,402
Included in current assets		
Prepayments for promotion expenses	52,559	48,390
Prepayments to game developers	29,036	28,073
Prepayments for investments	47,166	—
Rental and other deposits	4,921	6,855
	133,682	83,318
Less: provision for impairment	(849)	(1,887)
	132,833	81,431

20. Prepayments and deposits (continued)

Reconciliation of provision for impairment:

	2019 RMB'000	2018 RMB'000
At 1 January	7,453	—
Increase in impairment loss for the year	17,557	7,453
Amounts written off	(1,887)	—
At 31 December	23,123	7,453

21. Other receivables

	2019 RMB'000	2018 RMB'000
Input value-added tax to be deducted	11,133	3,295
Interest receivables	3,260	—
Loans to third parties (note)	36,728	—
Receivables from settlement of investments at fair value through profit or loss	89,580	87,925
Others	16,715	8,842
	157,416	100,062

Note:

The balance comprises loans to third parties bearing interest ranging from 0% to 12% p.a.. All of the loans are expected to be recovered within one year.

22. 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% p.a. and it is matured within 1 year.

23. Equity investments at fair value through other comprehensive income

	2019 RMB'000	2018 RMB'000
Unlisted equity securities, analysed as non-current assets	–	1,200

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

24. Investments at fair value through profit or loss

	2019 RMB'000	2018 RMB'000
Unlisted wealth management products	95,321	397,301
Investments in private companies	8,030	9,300
	103,351	406,601
Analysed as:		
Non-current assets	103,351	97,368
Current assets	–	309,233
	103,351	406,601

25. Time deposits, restricted bank deposits and bank and cash balances

The Group's bank deposits represented deposits to banks. The deposits are in USD, HK$ and RMB and at fixed interest rates from 1.65% to 4.18% (2018: nil) p.a. and therefore are subject to foreign currency risk and fair value interest rate risk.

As at 31 December 2019, the bank and cash balances of the Group denominated in RMB amounted to RMB382,070,000 (2018: RMB300,064,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

26. Trade receivables

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

	2019 RMB'000	2018 RMB'000
Trade receivables	75,955	167,702
Provision for loss allowance	(860)	(3,942)
Carrying amount	75,095	163,760

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

	2019 RMB'000	2018 RMB'000
0 to 1 month	31,834	61,224
1 month to 3 months	36,742	76,372
3 months to 6 months	6,323	22,189
6 months to 1 year	196	3,970
Over 1 year	—	5
	75,095	163,760

Reconciliation of loss allowance for trade receivables:

	2019 RMB'000	2018 RMB'000
At 1 January	3,942	3,784
Increase in loss allowance for the year	860	158
Amounts written off	(3,942)	—
At 31 December	860	3,942

26. Trade receivables (continued)

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

	Current	Within 30 days past due	31–60 days past due	61–120 days past due	Over 120 days past due	Total
At 31 December 2019						
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**58%**	
Receivable amount (RMB'000)	**38,695**	**22,592**	**7,967**	**5,224**	**1,477**	**75,955**
Loss allowance (RMB'000)	**—**	**—**	**—**	**—**	**860**	**860**
At 31 December 2018						
Weighted average expected loss rate	0%	0%	0%	0%	37%	
Receivable amount (RMB'000)	73,309	38,959	27,365	17,537	10,532	167,702
Loss allowance (RMB'000)	—	—	—	—	3,942	3,942

27. Contract costs and liabilities

Disclosures of revenue-related items:

As at 31 December	2019 RMB'000	2018 RMB'000
Contract costs — costs to obtain contracts for game publishing	**42,126**	59,980

As at	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Contract liabilities — game publishing	**126,617**	144,989	174,757
Contract receivables (included in trade receivables)	**75,095**	163,760	157,715

27. Contract costs and liabilities (continued)

	2019 RMB'000	2018 RMB'000
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:		
— 2019	N/A	144,989
— 2020	126,617	—
	126,617	144,989

Year ended 31 December	2019 RMB'000	2018 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	144,989	174,757

Significant changes in contract liabilities during the year:

	2019 RMB'000	2018 RMB'000
Increase due to operations in the year	872,059	843,573
Transfer of contract liabilities to revenue	(890,431)	(873,341)

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

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

28. Trade payables

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

	2019 RMB'000	2018 RMB'000
0 to 1 month	14,773	20,486
1 month to 3 months	30,382	28,695
3 months to 6 months	21,575	15,827
6 months to 1 year	1,996	200
Over 1 year	317	20
	69,043	65,228

29. Accruals and other payables

	2019 RMB'000	2018 RMB'000
Salary and staff welfare payables	32,606	25,655
Other tax payables	2,815	4,026
Promotion fee payables	3,970	3,070
License fee payables	—	2,500
Listing expenses payables	—	1,297
Others	6,836	5,800
	46,227	42,348

30. Lease liabilities

	Lease payments		Present value of lease payments	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**7,211**	—	**7,124**	—
Over one year but within five years	**1,405**	—	**1,251**	—
	8,616	—	**8,375**	—
Less: Future finance charge	**(241)**	—		
Present value of lease liabilities	**8,375**	—		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(7,124)**	—
			1,251	—

At 31 December 2019, the average effective borrowing rate was 4.75% (2018: nil) p.a.. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

31. Deferred tax

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

	Contract costs RMB'000	Contract liabilities RMB'000	Provisions and others RMB'000	Total RMB'000
At 1 January 2018	(17,599)	43,689	2,432	28,522
Credit/(charge) to profit or loss	2,730	(7,725)	1,302	(3,693)
Credit to other comprehensive income	—	—	2,500	2,500
At 31 December 2018 and 1 January 2019	(14,869)	35,964	6,234	27,329
Credit/(charge) to profit or loss	4,611	(5,019)	935	527
Credit to other comprehensive income	—	—	300	300
At 31 December 2019	**(10,258)**	**30,945**	**7,469**	**28,156**

31. Deferred tax (continued)

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

	2019 RMB'000	2018 RMB'000
Deferred tax liabilities	(10,258)	(14,869)
Deferred tax assets	38,414	42,198
Deferred tax assets (after offset)	28,156	27,329

At the end of the reporting period, the Group did not recognise deferred tax assets of RMB4,810,000 (2018: RMB1,351,000) in respect of losses amounting to RMB19,238,000 (2018: RMB5,404,000) that can be carried forward against future taxable income. These tax losses will expire in 2020 to 2024.

32. Share capital

	Notes	Number of ordinary shares '000	Amount USD'000
Authorised:			
Ordinary shares as at 31 December 2019 of USD0.000005 (as at 31 December 2018: USD0.000005) each			
At date of incorporation	(a)	1,000,000	50
Share sub-division	(c)	9,000,000	—
At 31 December 2018, 1 January 2019 and 31 December 2019		**10,000,000**	**50**

32. Share capital (continued)

	Notes	Number of ordinary shares '000	Amount RMB'000
Issued and fully paid:			
Ordinary shares as at 31 December 2019 of USD0.000005 (as at 31 December 2018: USD0.000005) each			
At date of incorporation	(a)	95,000	32
Issue of ordinary shares on 16 March 2018	(b)	5,000	—
Share sub-division	(c)	900,000	—
Issue of ordinary shares on 22 March 2018	(d)	500,000	16
Issue of new ordinary shares upon the initial public offering on the Main Board of the Stock Exchange ("IPO")	(e)	500,000	17
Repurchase and cancellation of ordinary shares	(f)	(9,918)	—
At 31 December 2018 and 1 January 2019		1,990,082	65
Repurchase and cancellation of ordinary shares	(f)	(58,695)	(3)
At 31 December 2019		**1,931,387**	**62**

Notes:

(a) The Company was incorporated on 9 January 2018 with an authorised share capital of USD50,000 divided into 1,000,000,000 ordinary shares of USD0.00005 each. On the same date, 95,000,000 ordinary shares were issued at par value.

(b) On 28 February 2018, the Company's shareholders approved and adopted a RSU Scheme and the Company has appointed Core Trust Company Limited as the trustee (the "Trustee") to assist with the administration of the RSU Scheme and Super Fleets Limited, a wholly-owned subsidiary of the Trustee, as nominee (the "Nominee"). On 16 March 2018, the Board of the Company approved a new issuance of 5,000,000 ordinary shares to Super Fleets Limited.

(c) On 22 March 2018, each share of USD0.00005 was sub-divided into 10 shares of a par value of USD0.000005 each. Upon completion of the sub-division, the Company's authorised and issued ordinary shares are 10,000,000,000 shares and 1,000,000,000 shares, respectively.

(d) On 22 March 2018, the Company allotted and issued 500,000,000 ordinary shares to the then existing shareholders at par value. Upon completion of the allotment and issuance, the Company's issued shares increased to 1,500,000,000, of which 75,000,000 shares held by Super Fleets Limited were treasury shares and 1,425,000,000 shares were outstanding ordinary shares.

(e) Upon completion of IPO, the Company issued 500,000,000 new ordinary shares for cash consideration of HK$2.07 each, and raised gross proceeds of HK$1,035,000,000 (equivalent to RMB879,957,000). Share capital increased by RMB17,000 and share premium arising from the issuance was RMB822,189,000, net of the share issuance costs. The share issuance costs mainly included underwriting commissions, lawyers' fees, reporting accountant's fees and other related costs which were incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB57,751,000 were treated as a deduction against the share premium.

(f) The Company's general meeting approved a share repurchase plan on 19 June 2018, pursuant to which the Company is allowed to repurchase a maximum of 200,000,000 ordinary shares, being 10% of the total number of issued shares immediately after the listing of the Company's shares on the Main Board of the Stock Exchange. On 12 November 2018, the board of the Company announced to exercise its power to repurchase the Company's shares via on-market transaction. For the year ended 31 December 2019, the Company repurchased an aggregate of 63,634,000 (2018: 18,278,000) shares at an average price of HK$1.47 (2018: HK$1.71) for an aggregate consideration of HK$93,398,000 (equivalent to RMB81,973,000) (2018: HK$31,165,000 (equivalent to RMB27,499,000)) under this share repurchase plan, among which 50,335,000 (2018: 18,278,000) shares had been cancelled and 13,299,000 (2018: nil) shares are not cancelled.

33. Statement of financial position of the Company

	2019 RMB'000	2018 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	549,293	2,313,061
Investments at fair value through profit or loss	95,321	88,068
	644,614	2,401,129
Current assets		
Prepayments, deposits and other receivables	134,221	87,925
Notes receivables	223,950	—
Investments at fair value through profit or loss	—	309,233
Amounts due from subsidiaries	197,532	4,883
Bank and cash balances	104,502	336,112
	660,205	738,153
Total assets	1,304,819	3,139,282
EQUITY AND LIABILITIES		
Equity		
Share capital	62	65
Reserves	1,295,897	3,130,357
Total equity	1,295,959	3,130,422
Liabilities		
Current liabilities		
Amounts due to subsidiaries	8,860	8,860
Total liabilities	8,860	8,860
Total equity and liabilities	1,304,819	3,139,282

34. Reserves

(a) Group

	Share-based payments reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Foreign currency translation reserve RMB'000	Equity investments revaluation reserve RMB'000	Total RMB'000
At 1 January 2018	28,112	16,903	150,510	–	–	195,525
Changes in fair value of equity investments at fair value through other comprehensive income	–	–	–	–	(10,000)	(10,000)
Tax effect on changes in fair value of investments at fair value through other comprehensive income	–	–	–	–	2,500	2,500
Currency translation difference	–	–	–	26,575	–	26,575
Ordinary shares allotted and issued for RSU Scheme (note 34(c)(iii))	2	–	–	–	–	2
Repurchase of shares from Strategy Investors (note 34(c)(v))	–	–	(150,510)	–	–	(150,510)
Share-based payments (note 35)	77,932	–	–	–	–	77,932
At 31 December 2018	106,046	16,903	–	26,575	(7,500)	142,024
At 1 January 2019	106,046	16,903	–	26,575	(7,500)	142,024
Changes in fair value of equity investments at fair value through other comprehensive income	–	–	–	–	(1,200)	(1,200)
Tax effect on changes in fair value of investments at fair value through other comprehensive income	–	–	–	–	300	300
Currency translation difference	–	–	–	16,712	–	16,712
Share-based payments (note 35)	33,498	–	–	–	–	33,498
Forfeit of RSUs	(993)	–	–	–	–	(993)
At 31 December 2019	**138,551**	**16,903**	**–**	**43,287**	**(8,400)**	**190,341**

34. Reserves (continued)

(b) Company

	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 9 January 2018 (incorporation date)	—	—	—	—	—
Total comprehensive expense for the period	—	—	(1,851,944)	(542)	(1,852,486)
Issue of ordinary shares (notes 32(a), (d) and (e))	822,189	—	—	—	822,189
Repurchase and cancellation of ordinary shares (note 32(f))	(27,499)	—	—	—	(27,499)
Ordinary shares allotted and issued for RSU Scheme (note 34(c)(iii))	—	(2)	2	—	—
Share-based payments (note 35)	—	—	77,932	—	77,932
Shareholders' contribution arising from the Reorganisation (note (i))	—	—	4,110,221	—	4,110,221
At 31 December 2018	794,690	(2)	2,336,211	(542)	3,130,357
At 1 January 2019	794,690	(2)	2,336,211	(542)	3,130,357
Total comprehensive (expense)/income for the year	—	—	(1,786,941)	1,946	(1,784,995)
Repurchase and cancellation of ordinary shares (note 32(f))	(81,970)	—	—	—	(81,970)
Share-based payments (note 35)	—	—	33,498	—	33,498
Forfeit of RSUs	—	—	(993)	—	(993)
At 31 December 2019	**712,720**	**(2)**	**581,775**	**1,404**	**1,295,897**

Note:

(i) As part of the Reorganisation, the Company acquired interests in subsidiaries and assets and liabilities related to the Publishing Business from their registered equity holders. The fair value of shares issued to the equity holders is recorded as other reserve.

34. Reserves (continued)

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

(i) Share premium

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

(ii) Share-based payments reserve

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

(iii) Shares held for the RSU Scheme

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

(iv) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the Articles of Association of subsidiaries located in mainland China, it is required to appropriate 10% of the annual statutory net profits after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital. As at 31 December 2017, the balance of the statutory surplus reserve fund of all profitable subsidiaries had reached 50% of the share capital. The Group did not make any further appropriation for the years of 2018 and 2019.

34. Reserves (continued)

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

(v) Other reserve

On 12 January 2017, pursuant to a share purchase agreement entered into among Shanghai Youmin Networks Technology Limited and its then equity holders, and Mr. Cai Wenhang and his investment vehicle, Zhuhai Aotuo Investment Centre LLP (collectively the "Strategy Investors"), the Strategy Investors subscribed for 4.5% newly issued paid-up capital of Shanghai Youmin Networks Technology Limited at a cash consideration of RMB135,000,000. In the meantime, Mr. Liu Jie transferred 3.5% of his equity interest in Shanghai Youmin Networks Technology Limited to the Strategy Investors at a cash consideration of RMB105,000,000.

In January 2018, Shanghai Youmin Networks Technology Limited repurchased from the Strategy Investors in respect of their equity interests in Shanghai Youmin Networks Technology Limited at a cash consideration of RMB263,816,000 in aggregate. Accordingly, RMB150,510,000 recognised as other reserves previously was transferred out and the difference amounting to RMB113,306,000 was charged against the retained earnings.

(vi) Foreign currency translation reserve

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

(vii) Equity investments revaluation reserve

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

35. Share-based payments transactions

On 28 February 2018, the Company's shareholders approved the establishment of the RSU Scheme and the Company appointed Core Trust Company Limited as the trustee to assist with the administration of the RSU Scheme. Under the RSU Scheme, the maximum number of shares which may be granted is 75,000,000. During the year ended 31 December 2018, the Company granted 59,364,752 RSUs to certain directors, employees and consultants of the Group (collectively, the "Grantees") pursuant to the RSU Scheme, of which 36,000,000 shares were granted before 12 July 2018 and 23,364,752 shares were granted on or after 12 July 2018.

35. Share-based payments transactions (continued)

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

	2019		2018	
	Number of RSUs	Weighted average fair value RMB	Number of RSUs	Weighted average fair value RMB
At 1 January	39,782,376	2.13	—	—
Granted during the year (note (i))	—	—	59,364,752	2.12
Forfeited during the year	(1,730,220)	2.15	—	—
Vested during the year	(17,384,133)	2.13	(19,582,376)	2.11
At 31 December	20,668,023	2.13	39,782,376	2.13

Note:

(i) On 22 March 2018, the Company granted 36,000,000 RSUs to two directors and certain management. The awards include both service and performance conditions as below:

(a) For vesting schedule of the RSUs granted to the two directors, 50% of the RSUs were vested on 12 July 2018, which is defined as performance condition for vesting, and the remaining 50% would be vested over a two-year period, with one-half of the awards vesting annually; and

(b) For vesting schedule of the RSUs granted to certain management, one-third of the RSUs were vested on 12 July 2018, and the remaining two-thirds would be vested over a two-year period, with one-half of the awards vesting annually.

The fair value of the RSUs granted was calculated using discounted cash flow method under income approach. Key assumptions are set as follows:

Discount rate	15%
Terminal growth rate	3%

35. Share-based payments transactions (continued)

Note: (continued)

On 12 July 2018, the Company granted 11,564,752 RSUs to certain employees and consultants. The awards include both service and performance conditions as below:

(a) For vesting schedule of the RSUs granted to certain employees and consultants, 50% of the RSUs were vested on 12 July 2018, and the remaining 50% would be vested over a two-year period, with one-half of the awards vesting annually; and

(b) For vesting schedule of the RSUs granted to certain employee, 30% of the RSUs were vested on 9 April 2019, and the remaining 70% would be vested over a two-year period, with 30% of the awards vesting on 9 April 2020 and 40% of the awards vesting on 9 April 2021.

The fair value of the RSUs granted was determined based on the market price of the Company's shares at grant date.

On 1 September 2018, the Company granted 11,800,000 RSUs to certain newly joined employees. One-third of the RSUs were vested on 1 September 2019, and the remaining two-thirds would be vested over a two-year period, with one-half of the awards vesting annually.

The fair value of the RSUs granted was determined based on the market price of the Company's shares at grant date.

For the year ended 31 December 2019, the Group recognised share-based payments of RMB32,505,000 (2018: RMB77,932,000), which has been charged to the consolidated statement of profit or loss and other comprehensive income.

36. Changes in liabilities arising from financing activities

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

	Lease liabilities RMB'000
At 1 January 2018 and 31 December 2018	—
Effect of changes in accounting policies	9,288
At 1 January 2019	9,288
Changes in cash flows	(7,911)
Non-cash changes	
— Additions	6,998
At 31 December 2019	**8,375**

37. Contingent liabilities

As at 31 December 2019, the Group and the Company did not have any significant contingent liabilities (2018: nil).

38. Capital commitments

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

	2019	2018
	RMB'000	RMB'000
Intangible assets		
Contracted but not provided for	**13,087**	18,750

39. Lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018
	RMB'000
Within one year	5,570
In the second to fifth years inclusive	341
	5,911

Operating lease payments represents rentals payable by the Group for certain of its offices. Leases are negotiated and rentals are fixed over 2 to 3 years and do not include contingent rentals.

40. Related party transactions

(a) Key management personnel compensations

The compensations paid or payable to key management personnel (including Directors, Chief Executive Officer and other senior executives) for employee services are shown below:

	2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses	6,872	5,981
Pension costs — defined contribution plans	197	193
Social security costs, housing benefits and other employee benefits	250	233
Share-based compensation	7,108	16,650
	14,427	23,057

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

41. Events after the reporting period

There were no material subsequent events during the period from 1 January 2020 to the approval date of these financial statements by the Board of Directors on 11 May 2020.

42. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 11 May 2020.

Glossary

"Annual General Meeting"	the annual general meeting of the Company to be convened and held at 3/F, Huixin Building, No. 1132 Zhongshan Avenue West, Tianhe District, Guangzhou, PRC on Wednesday, 10 June 2020
"ARPPU"	average revenue per monthly paying user, calculated by dividing total revenue during certain period by the number of average MPUs during the same period; average MPUs is the average of the aggregate number of paying users for our games in each month during a certain period
"Articles" or "Articles of Association"	the second amended and restated Articles of Association of the Company adopted on 19 June 2018 with effect from 12 July 2018
"Audit Committee"	the audit committee of the Board
"Auditor"	ZHONGHUI ANDA CPA Limited, the auditor of the Company
"Binyou Networks"	Shanghai Binyou Networks Technology Limited (上海繽遊網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on 16 March 2018 and a wholly-owned subsidiary of our Company
"Board"	the board of Directors of the Company
"Cayman Islands"	the Cayman Islands
"Chairman"	Chairman of the Board
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company", "the Company", "we" or "us"	FingerTango Inc. (指尖悅動控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 9 January 2018
"Contractual Arrangement(s)"	the series of contractual arrangements entered into by, among others, Binyou Networks, the Registered Shareholders and Youmin Networks, details of which are set out in the section headed "Contractual Arrangements" in the Prospectus
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Group" or "the Group"	our Company, its subsidiaries and the PRC Operating Entities
"Hong Kong dollar(s)", "HK dollar(s)" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS(s)"	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standard Board
"KW Technology"	KW Technology Holding Limited, an exempted company incorporated in the British Virgin Islands on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Wang Zaicheng
"Listing"	the listing of the Shares on the main board of the Stock Exchange

Glossary

"Listing Date"	The date which dealings in Shares first commence on the Stock Exchange (i.e. 12 July 2018)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LJ Technology"	LJ Technology Holding Limited, an exempted company incorporated in the British Virgin Islands on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Liu Jie
"LNN Holding"	LNN Holding Limited, an exempted company incorporated in the British Virgin Islands on 8 January 2018 with limited liability, which was established and wholly-owned by Ms. Li Nini
"Prospectus"	the prospectus dated 12 July 2018 issued by the Company
"Registered Shareholders"	direct shareholders of Youmin Networks, being Mr. Liu Jie, Mr. Zhu Yanbin, Mr. Wu Junjie, Zhuhai Sangu Limited Partnership and Zhuhai Jugu Limited Partnership
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"Reporting Period"	the period for the year ended 31 December 2019
"RSU(s)"	restricted share units or any one of them
"RSU Scheme"	The RSU scheme approved and conditionally adopted by the Shareholders on 28 February 2018, the principal terms of which are set out in "Statutory and General Information — D. RSU Scheme and Share Option Scheme — 1. RSU Scheme" in Appendix IV to the Prospectus
"SFO"	the Securities and Futures Ordinance of Hong Kong (chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Zhijianyuedong"	Shanghai Zhijianyuedong Technology Limited (上海指尖悅動科技有限公司), a limited liability company incorporated under the laws of the PRC on 6 September 2019 and one of our PRC Operating entities
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.000005 each
"Shareholder(s)"	holder(s) of our Share(s)
"Share Option Scheme"	the share option scheme adopted by our Company on 19 June 2018 which complies with the provisions of Chapter 17 of the Listing Rules
"SLG"	simulation games, which are generally designed to closely simulate aspects of a real or fictional reality
"Youmin Networks"	Shanghai Youmin Networks Technology Limited (上海遊民網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on 3 December 2013 and one of our PRC Operating Entities
"ZYB Holding"	ZBY Holding Limited, an exempted company incorporated in the British Virgin Islands on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Zhu Yanbin