



# 2020

## ANNUAL REPORT



**FINGER  
TANGO**

**FingerTango Inc.**  
**指尖悅動控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6860

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# Corporate Information

## DIRECTORS

### Executive Directors

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

Mr. ZHU Yanbin (朱炎彬)

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)

## 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

*As to Hong Kong law:*

**O'Melveny & Myers**

31<sup>st</sup> Floor, AIA Central

1 Connaught Road Central

Hong Kong

*As to Cayman Islands law:*

**Conyers Dill & Pearman (Cayman) Limited**

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## AUDITOR

**ZHONGHUI ANDA CPA Limited**

Unit 701, 7/F, Citicorp Centre

18 Whitfield Road

Causeway Bay

Hong Kong

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## HEADQUARTERS

3<sup>rd</sup> Floor, Huixin Building

1132 Zhongshan Avenue West

Tianhe District

Guangzhou

PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40<sup>th</sup> Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

**Conyers Trust Company (Cayman) Limited**  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HONG KONG SHARE REGISTRAR

**Computershare Hong Kong Investor Services limited**  
Shops 1712-1716  
17/F, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### PRINCIPAL BANK

**China Merchants Bank Co. Ltd.**  
Guangzhou Gaoxin Branch  
1 Huajing Road, Zhongshan Avenue  
Guangzhou  
PRC

### COMPANY WEBSITE

[www.fingertango.com](http://www.fingertango.com)

### STOCK CODE

6860

### LISTING DATE

12 July 2018

# Five Year Financial Summary

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

## Consolidated Statement of Profit or Loss

	Year ended 31 December				
	2016	2017	2018	2019	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenue	984.8	1,197.2	1,085.9	1,051.1	748.2
Gross Profit	592.4	724.4	641.6	663.5	464.0
Profit for the Year	216.6	240.8	155.6	38.7	127.6
Non-IFRS Measures					
Adjusted Profit for the Year <sup>Note</sup>	216.6	246.5	254.3	71.2	135.8

Note: During the Reporting Period, adjusted profit for the year excludes share-based compensation to key employees of RMB8.2 million (2019: RMB32.5 million) from profit for the year.

## Consolidated Statement of Financial Position

	As at 31 December				
	2016	2017	2018	2019	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Non-current assets	39.5	67.9	164.7	205.1	149.1
Current assets	547.6	857.2	1,457.8	1,410.3	1,491.5
Current liabilities	355.9	373.1	286.9	273.5	209.6
Net current assets	191.7	484.1	1,170.9	1,136.8	1,281.9
Non-current liabilities	—	—	—	1.3	0.3
Total equity	231.2	552.0	1,335.6	1,340.6	1,430.7

# Chairman's Statement

2020 was a year full of both obstacles and opportunities. The novel coronavirus (“COVID-19”) pandemic not only brought unprecedented challenges to the global economy, changed the way people work, live and play, but also resulted in hastening changes to existing industries and the formation of new business models.

In 2020, the Chinese gaming market was growing steadily. According to the 2020 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 Gamma Data (CNG), the Chinese gaming industry recorded a total revenue of approximately RMB278.69 billion in the year of 2020, representing an increase of 20.7% compared with the previous year. Mobile game has retained its mainstream position cornering about three quarters of the overall gaming market, with its revenue reaching RMB209.68 billion or a vigorous growth of 32.6%. The number of gamers reached 665 million in China at the end of 2020, of which mobile game users are 654 million, representing an increase of 4.8% compared with the previous year. In addition, it has been an industry consensus that the unit cost of game advertising and promotion activities is increasing year by year, and how to reduce the waste of resources caused by ineffective exposure and invalid clicks has become one of the market challenges that major game publishers should pay attention to.

To capture the opportunities created by the rapidly growing number of gamers and the vigorous growth of mobile game segment, and to cope with the increasing unit cost and uncertain outcome of advertising and promotion activities, the Company drew on its strong operating capability as well as keen market insight and extensive industry experience of senior management team and responded rapidly. In response to the increasing unit costs of advertising and promotion activities, we adapted and re-positioned to streamline and refine our game operations, and sought out innovative promotion channels.

Moreover, the changes in regulatory environment of the Chinese gaming market had led to the suspension of approval of online game publication for nine months in 2018. Although the above-mentioned suspension has been lifted, approvals of new game publication are greatly reduced and the Company has less access to quality games. In view of the market conditions, we have made strategic adjustment and planning in the launch of our new games, and have been conducting deep optimization customizing to the players' evolving preferences, including continuing improvements in gameplay by upgrading heroes and rolling out new in-game events was also conducted to ensure their sound performance upon official launch.

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

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

**LIU Jie**

*Chairman, Chief Executive Officer  
and Executive Director*

# Management Discussion and Analysis

## BUSINESS REVIEW

For the year of 2020, the Group recorded total revenue of RMB748.2 million, a decrease of approximately 28.8% as compared to the corresponding period last year. Revenue of the classic games which have been in operation for years and are in their mature stage saw a natural drop. On the other hand, the changes in regulatory environment of the Chinese gaming market had led to prolonged suspension of approval of online game publication, casting a negative impact on the growth momentum of the game industry which is yet to be recovered. Although the above-mentioned suspension has been lifted, approvals of new game publication are greatly reduced and the Company has less access to quality games. During the Reporting Period, certain pipeline games of the Group were not launched as scheduled due to underperformance in game testing results and the reduction in online game publication approval. In view of the market conditions, we have made strategic adjustment and planning in the launch of our new games, and have been conducting comprehensive tests for the new titles launched in 2020. Deep optimization customizing to the players' evolving preferences was also conducted to ensure their sound performance upon official launch. On the other hand, new titles launched in 2020 are still in the promotion period and the stage of incubation of player base. It is expected the growth momentum of the new games and their contribution to the revenue of the Company would be gradually unleashed in 2021. With the lifting of the above-mentioned suspension, we have acquired nine new licensed games in 2020 and as at the date of this annual report, building substantial momentum for the Company to further publish new games and continuously create new income sources.

Profit attributable to our shareholders recorded RMB127.6 million for the year of 2020, soaring 229.7% year-on-year. The increase of profit was primarily due to a decrease in selling and marketing expenses as the Company has engaged in less extensive advertising and promotion activities for classic games, which have been in operation for years and are in their mature stage during the Reporting Period.

The level of game monetization has continued to reflect our strengths and keen ability. The average revenue per month per paying user ("ARPPU") for the year of 2020 was RMB577 as compared to RMB443 for the same period last year, up by 30.2% year over year. The total number of accumulative registered users reached 175.6 million as at 31 December 2020, representing a 4.7% growth over 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.

In 2020, the COVID-19 pandemic has posed challenges across countries and industries. The lag in effect caused by the prolonged suspension of approval of online games publication has cast an impact to the growth momentum which has yet to recover. 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. 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 (星辰奇缘), a massively multiple online role-play game, are still popular after more than 49 months' and 62 months' operation, respectively, and has achieved monthly gross billings of up to RMB39 million and RMB20 million, respectively during 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.

## FINANCIAL PERFORMANCE

The following table sets forth our consolidated statements of profit or loss for the years ended 31 December 2020 and 2019, respectively:

	2020	2019
	RMB'000	RMB'000
<b>Revenue</b>	<b>748,234</b>	1,051,137
Cost of revenue	<b>(284,238)</b>	(387,617)
<b>Gross profit</b>	<b>463,996</b>	663,520
Selling and marketing expenses	<b>(193,707)</b>	(500,106)
Administrative expenses	<b>(116,030)</b>	(93,778)
Research and development expenses	<b>(58,470)</b>	(63,312)
Other income	<b>7,961</b>	12,365
Other (losses)/gains, net	<b>(636)</b>	10,912
<b>Operating profit</b>	<b>103,114</b>	29,601
Interest revenue	<b>46,408</b>	14,442
Finance costs	<b>(311)</b>	(495)
<b>Profit before income tax</b>	<b>149,211</b>	43,548
Income tax expense	<b>(21,572)</b>	(4,836)
<b>Profit for the year attributable to owners of the Company</b>	<b>127,639</b>	38,712
<b>Non-IFRS Measures</b>		
Adjusted profit attributable to owners of the Company	<b>135,811</b>	71,217



# Management Discussion and Analysis

## Revenue

The Group's revenue in the Reporting Period was approximately RMB748.2 million, representing a decrease by approximately 28.8% as compared to the corresponding period in 2019. 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, (ii) games launched during the Reporting Period are still in promotion period and yet to generate sizable income, and (iii) the suspension of approval of online games publication for a period as long as nine months in 2018 that has cast an impact to the growth momentum which has yet to recover.

With respect to revenue categorized by method of publication, self-publishing revenue was approximately RMB392.5 million, representing 52.5% of the total revenue as compared to 52.2% in the corresponding period last year. Co-publishing revenue was approximately RMB355.7 million, representing 47.5% of the total revenue.

## Cost of Revenue

The cost of revenue in the Reporting Period was approximately RMB284.2 million and decreased by approximately 26.7% as compared to the corresponding period last year. It was mainly because of the decrease in platform sharing charges, which was partially offset by the growing commissions charged by game developers.

## Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB464.0 million, as compared to RMB663.5 million in the corresponding period last year. Gross profit margin slightly decreased from 63.1% to 62.0% as compared to the corresponding period last year, since the magnitude of the decrease in revenue is larger than that of the decrease in cost of revenue.

## Other Income

During the Reporting Period, other income was approximately RMB8.0 million as compared to approximately RMB12.4 million in the corresponding period last year. It was mainly because of the decrease in government grant recognized during the Reporting Period, which was partially offset by the VAT additional deduction.

## Other Losses/Gains, net

During the Reporting Period, net other loss was approximately RMB0.6 million, as compared to a net other gain of approximately RMB10.9 million in the corresponding period last year, primarily attributable to foreign exchange losses, which were partially offset by fair value gain on investments at fair value through profit or loss during the Reporting Period.

## Finance Income, net

During the Reporting Period, net finance income, which is calculated by interest revenue less finance costs, was approximately RMB46.1 million, an increase of approximately 230.5% or RMB32.2 million as compared to the corresponding period last year. The increase was mainly from interest revenue from loans to third parties as well as interest revenue from notes receivables.

## Selling and Marketing Expenses

The selling and marketing expenses in the Reporting Period were approximately RMB193.7 million, dropped by approximately 61.3% or approximately RMB306.4 million as compared to the corresponding period last year. It constituted 25.9% of the total revenue, representing a decrease from 47.6% in the corresponding period last year. The decrease was primarily due to adjustment in game launching plan in 2020 and less extensive advertising and promotion activities for classic games which have been in operation for years and are in their mature stage during the Reporting Period.

## Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB116.0 million, as compared to approximately RMB93.8 million in the corresponding period last year. The change was primarily due to increases in provisions for losses of receivables and expenses for epidemic prevention and control during the COVID-19 outbreak.

## Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB58.5 million, decreased by approximately 7.6% or RMB4.8 million as compared to the corresponding period last year. The change was primarily due to the decrease of share-based compensation to key employees.

## Income Tax Expense

The income tax expense in the Reporting Period was approximately RMB21.6 million, increased by 346.1% or approximately RMB16.8 million as compared to the corresponding period last year. It was a consequent result of an increased taxable income.

## Profit for the Year

The profit attributable to owners of the Company in the Reporting Period was RMB127.6 million, significantly increased by 229.7% as compared to RMB38.7 million in the corresponding period last year. The increase of profit was primarily due to a decrease in selling and marketing expenses as the Group has engaged in less extensive advertising and promotion activities for classic games which have been in operation for years and are in their mature stage during the Reporting Period.

# Management Discussion and Analysis

## 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 RMB135.8 million, increased by 90.7% as compared to RMB71.2 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 years ended 31 December 2020 and 2019, respectively:

	2020	2019
	RMB Million	RMB Million
Profit for the year	127.6	38.7
Add:		
Share-based compensation	8.2	32.5
Adjusted profit	135.8	71.2

## Liquidity and source of funding and borrowing

As at 31 December 2020, current assets of the Group amounted to approximately RMB1,491.5 million, including cash and cash equivalents of approximately RMB521.5 million and other current assets of approximately RMB970.0 million. Cash and cash equivalents decreased by approximately 33.0% as compared with approximately RMB778.0 million as at 31 December 2019. Current liabilities of the Group amounted to approximately RMB209.6 million, including trade payables and contract liabilities of approximately RMB128.0 million and other current liabilities of approximately RMB81.6 million. As at 31 December 2020, the current ratio (the current assets to current liabilities ratio) of the Group was 7.1, as compared with 5.2 as at 31 December 2019.

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 2020 and the resulting gearing ratio is nil. The Group intends to finance the expansion, investments and business operations with internal resources.

## Management Discussion and Analysis

### Investments at Fair Value Through Profit or Loss

As at 31 December 2020, investments at fair value through profit or loss recorded approximately RMB147.8 million. Details of investments at fair value through profit or loss for the Reporting Period are shown as below:

	Fair value as at 31 December 2019 RMB Million	Increases for the year ended 31 December 2020 RMB Million	Changes in fair value for the year ended 31 December 2020 RMB Million	Settlements for the year ended 31 December 2020 RMB Million	Currency translation difference for the year ended 31 December 2020 RMB Million	Fair value as at 31 December 2020 RMB Million
<b>Investments at fair value through profit or loss</b>						
Wealth management product Central						
China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」)	95.4	—	0.9	(34.9)	(5.1)	56.3
Investments in private company A	8.0	—	—	—	—	8.0
Investments in private company B	—	3.0	—	—	—	3.0
Private equity investment fund						
Yuedong Stable Win (「悅動穩贏私募證券投資基金」)	—	40.0	2.1	(42.1)	—	—
Wealth management products of commercial banks placed at:						
China Guangfa Bank Co., Ltd.	—	30.0	0.3	(30.3)	—	—
Shanghai Pudong Development Bank Co., Ltd.	—	160.0	1.5	(121.2)	—	40.3
Ping An Bank Co., Ltd.	—	20.0	0.2	(20.2)	—	—
China Merchants Bank Co., Ltd.	—	50.0	0.4	(50.4)	—	—
Industrial Bank Co., Ltd.	—	80.0	0.6	(40.4)	—	40.2
<b>Total</b>	<b>103.4</b>	<b>383.0</b>	<b>6.0</b>	<b>(339.5)</b>	<b>(5.1)</b>	<b>147.8</b>

## Management Discussion and Analysis

As at 31 December 2020, investments at fair value through profit or loss of the Group are mainly composed of investments in wealth management product Central China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」) and wealth management products of commercial banks.

As at 31 December 2020, carrying amount of wealth management product Central China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」) was approximately RMB56.3 million after redemption of HK\$40.0 million (equivalent to approximately RMB34.9 million) by the Company during the Reporting Period, accounting for approximately 3.4% of the Group's total assets as at 31 December 2020. 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 terms of investments in wealth management products of commercial banks varies among different banks with maturity of less than 183 days. As at 31 December 2020, carrying amount of investments in wealth management products of commercial banks was approximately RMB80.5 million, accounting for approximately 4.9% of the Group's total assets as at 31 December 2020.

The performance of the investments has been closely and effectively monitored by the Group. For the year ended 31 December 2020, the returns of investments in wealth management product Central China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」) and wealth management products of commercial banks were consistent with its fair value gain of approximately RMB0.9 million and RMB3.0 million, respectively. The Group believes that the investments in Central China Dragon Growth Fund SP7 (「中州龍騰增長七號基金」) and wealth management products of commercial banks 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 2020.

## 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 20 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the Reporting Period by principal activities is set out in the section headed "*Management Discussion and Analysis*" in this annual report.

## BUSINESS REVIEW

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

## RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended 31 December 2020 are set out on pages 95 to 157 of this annual report.

The Board does not recommend payment of a final dividend for year ended 31 December 2020 (31 December 2019: Nil).

## CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting will be held on 10 June 2021 (Thursday) (the "**Annual General Meeting**").

For determining the eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 7 June 2021 (Monday) to 10 June 2021 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 4 June 2021 (Friday).

### 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 AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in Note 17 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 non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2020 contained in this annual report.

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2020 are set out in Note 32 to the consolidated financial statements on pages 149 to 150 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 2020 are set out in consolidated statement of changes in equity, Note 34(a) and Note 34(b) to the consolidated financial statements on pages 98, 152 and page 153, respectively of this annual report.

### DISTRIBUTABLE RESERVES

The Company's total distributable reserves as at 31 December 2020 amounted to Nil.

### BORROWINGS

As at 31 December 2020, 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 2020, the Group did not enter into any hedging transactions.

### PLEDGE OF ASSETS

As at 31 December 2020, none of the Group's assets was pledged.

### PRE-EMPTIVE RIGHTS

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

### SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

### CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.



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

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

### **DISCLOSEABLE TRANSACTIONS IN RELATION TO EXTENSION IN MATURITY DATE OF NOTES**

On 12 December 2020, the subscriber entered into the Extension Agreement with the Issuer, in relation to a six-month extension in the maturity date of the Notes. Details of the subscription have been set out in the announcement of the Company dated 12 December 2020.

### **MATERIAL EVENTS AFTER THE REPORTING PERIOD**

#### **Acquisitions of listed securities**

During the period from 10 March 2021 to 15 March 2021 (both dates inclusive), the Company acquired on the open market a total of 16,962,000 shares of China Gas Industry Investment Holdings Co. Ltd., (stock code: 1940) ("CGII") at an aggregate consideration of approximately HK\$67,876,200 (exclusive of transaction costs) at an average price of approximately HK\$4.00 per CGII share. For details of the acquisitions of listed securities, please refer to the announcement of the Company dated 15 March 2021. Save as disclosed herein, there was no other material events after the Reporting Period and up to the date of this annual report.

## USE OF PROCEEDS

Upon the listing of the Company on 12 July 2018, the Company raised net proceeds (the “**Net Proceeds**”) of approximately HK\$967.1 million. Summary of the usages and amounts of the Net Proceeds utilised and the remaining Net Proceeds as at 31 December 2020 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 HK\$' Million	Amount of the remaining Net Proceeds as at 31 December 2019 HK\$' Million	Amount of the Net Proceeds utilised during the year ended 31 December 2020 HK\$' Million	Amount of the remaining Net Proceeds as at 31 December 2020 HK\$' Million
Develop game sourcing capabilities and ensure us to acquire high quality game content	35%	338.5	304.9	5.8	299.1
Establish in-house game development team	25%	241.8	241.8	17.1	224.7
Fund marketing and promotional activities	20%	193.4	—	—	—
Expand into overseas markets and develop overseas operation	10%	96.7	71.1	4.7	66.4
Working capital and general corporate purposes	10%	96.7	84.7	15.7	69.0
<b>Total</b>	100%	967.1	702.5	43.3	659.2

Looking forward, the Company will use the Net Proceeds in accordance with its development strategies, market conditions and intended use of such proceeds. Please refer to the section headed “Future Plan and Use of Proceeds” in the Company’s prospectus dated 26 June 2018 for details of applications and expected timeline for utilising the remaining Net Proceeds.

# Directors' Report

## DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this annual report were:

Directors	Position
Mr. Liu Jie (劉傑)	Executive Director, chairman of the Board and chief executive officer
Mr. Zhu Yanbin (朱炎彬)	Executive Director and vice president
Mr. Wang Zaicheng (王在成)	Executive Director and joint company secretary
Mr. Liu Zhanxi (劉展喜)	Executive Director and chief financial officer
Ms. Yao Minru (姚敏茹)	Independent non-executive Director
Mr. Guo Jingdou (郭靜鬥)	Independent non-executive Director
Dr. Liu Jianhua (柳建華)	Independent non-executive Director

Biographical details of the Directors and the senior management of the Group are set out on pages 37 to 41 in this annual report.

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

## DIRECTORS' SERVICE CONTRACTS

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

Ms. Yao Minru and Mr. Guo Jingdou, have signed an appointment letter with the Company for a term of three years, with effect from 19 June 2018. And Mr. Liu Jianhua has signed an appointment letter with the Company for a term of three years, with effect from 13 January 2020.

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 39 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 2020 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 2020 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 2020.

### 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 14(a) and Note 14(c) to the consolidated financial statements on pages 132 to 133 and page 134 respectively of this annual report.

For the year ended 31 December 2020, 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 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2020, by our Group to or on behalf of any of the Directors.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, 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 2020 (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 2020.

### MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2020.

### LOAN AND GUARANTEE

During the year ended 31 December 2020, 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. The remaining life of the Scheme is around 7 years. 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.

## Directors' Report

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.

As at 31 December 2020, no share option was granted, exercised, cancelled or lapsed since its adoption and there is no outstanding share option under the Share Option Scheme.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to herein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### Interest in Shares or Underlying Shares of our Company

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

Notes:

- (1) The letter "L" denotes the person's long position in our Shares.
- (2) LJ Technology Holding Limited, a beneficial owner 1,007,837,500 shares, is wholly-owned by Mr. LIU Jie. Thus, Mr. LIU Jie is deemed to be interested in the same number of Shares in which LJ Technology Holding Limited is interested by virtue of the SFO.
- (3) ZYB Holding Limited, a beneficial owner 148,488,000 shares, is wholly-owned by Mr. ZHU Yanbin. Thus, Mr. ZHU Yanbin is deemed to be interested in the same number of Shares in which ZYB Holding Limited is interested by virtue of the SFO.
- (4) KW Technology Holding Limited, a beneficial owner 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 2020, 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 <sup>(2)</sup>	Beneficial owner	1,007,837,500(L) <sup>(1)</sup>	52.18%
ZYB Holding Limited <sup>(3)</sup>	Beneficial owner	148,488,000(L) <sup>(1)</sup>	7.69%
KW Technology Holding Limited <sup>(4)</sup>	Beneficial owner	14,791,500(L) <sup>(1)</sup>	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 who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option or any options which may be granted under the Share Option Scheme are not exercised), 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

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 2020, the percentages of purchases from the Group's largest supplier and five largest suppliers were 32.8% and 76.2%, respectively. The percentages of sales attributable to the Group's largest customer and the five largest customers were 43.0% and 86.7%, 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 2020, the Group had a total of 372 employees, comparing to 426 employees as at 31 December 2019. The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provides training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team and game operation team to enhance their skill and knowledge.

### RETIREMENT BENEFITS SCHEME

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

Details of the pension obligations of the Group are set out in Note 13 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

During the Reporting Period, RMB1,000,000 donation was made by the Company for epidemic prevention and control during the COVID-19 outbreak.

### CONNECTED TRANSACTIONS

During the year ended 31 December 2020, no related party transactions disclosed in note 39 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

### Contractual Arrangements

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

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

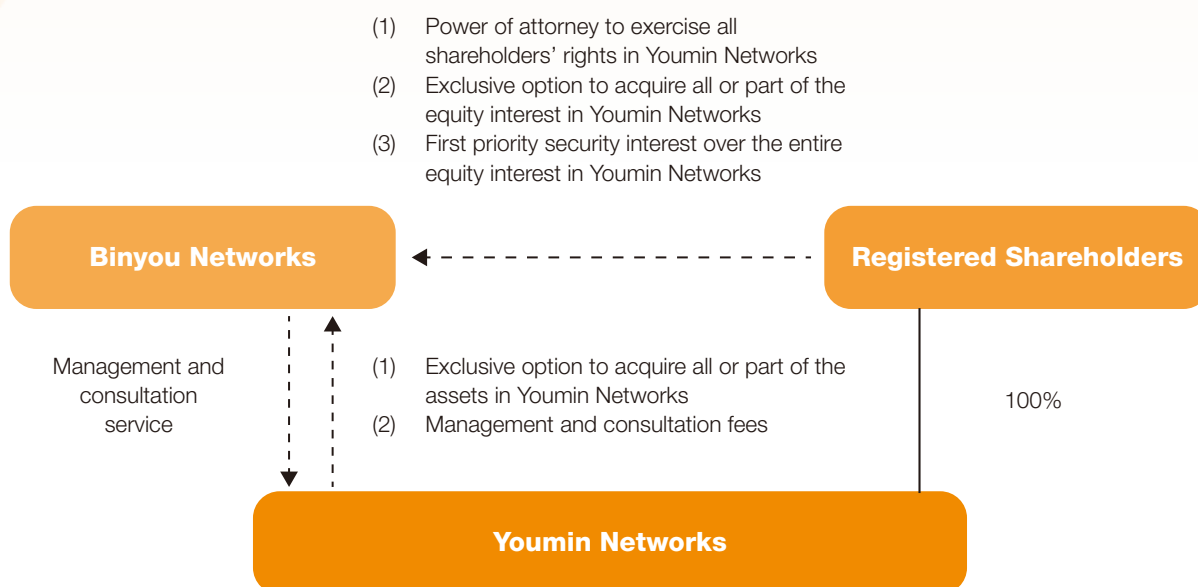
Furthermore, according to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, which were issued on 11 December 2001 by the State Council and amended on 10 September 2008 and February 6, 2016 foreign investors are not allowed to hold more than 50% of the equity interests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

As advised by the Company’s PRC legal advisers, as at 31 December 2020, 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.

## Directors' Report

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 2020:

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 Youmin Networks to Binyou Networks as collateral security for all of their payments due to Binyou Networks and to secure performance of all obligations of Youmin Networks and the Registered Shareholders under the Contractual Arrangements;

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

During the year ended 31 December 2020, (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 2020 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 2020	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

## Directors' Report

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 2020, the services provided by Binyou Networks to the PRC Operating Entities, including the provision of business support, technical and controlling services, amounted to approximately RMB236.5 million. The revenue and the total asset value of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB492.6 million for the year ended 31 December 2020 and approximately RMB225.8 million as at 31 December 2020, 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
<p>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.</p>	<p>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.</p>

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



## Directors' Report

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

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

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

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

- i. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the state, (ii) malicious collusion is conducted to damage the interest of the state, a collective unit or a third party, (iii) the contract damages the public interest, (iv) an illegitimate purpose is concealed under the guise of legitimate acts or (v) the contract violates the mandatory provisions of the laws or administrative regulations. As advised by the Company's PRC legal advisers, the relevant terms of the Contractual Arrangements do not fall within any of the aforementioned five circumstances, and in particular, would not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52 of the PRC Contract Law, and do not violate the provisions of the PRC Contract Law or the General Principles of the PRC Civil Law. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and future PRC laws and regulations, and there can be no assurance that any PRC government agency will not take a view that is contrary to or otherwise different from the above.
- ii. According to the Contractual Arrangements, when a dispute arises, any party to the agreements may submit such dispute to the China International Economic and Trade Arbitration Commission for settlement pursuant to the effective arbitration rules at that time, and the arbitration award shall be final and binding on the parties. Arbitration tribunal may decide compensation for the equity interests and property ownership of the on-shore subsidiaries, decide enforceable remedy or demand liquidation of relevant business or enforceable asset transfer. Any party is entitled to request the competent court to execute the arbitration award when it comes into effect. The courts in Hong Kong and Cayman

Islands also have the right to grant or execute awards of arbitration tribunal and make decision or execute temporary remedy on the equity interests and property ownership of the on-shore subsidiaries. However, pursuant to the laws of China, in the settlement of dispute, the arbitration tribunals shall not be entitled to grant an injunctive order to protect the property ownership or equity interests of the on-shore subsidiaries, and shall not issue a temporary or final liquidation order directly. Moreover, the interim remedies or orders granted by the off-shore courts, including Hong Kong and Cayman Islands, may not be recognised or enforced by the courts in China. Therefore, such terms in above agreements may not be enforceable under the laws of China.

### Waiver from the Stock Exchange

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

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

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

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

### Annual Review

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

## Directors' Report

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

1. the transactions carried out during the year ended 31 December 2020 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 2020.

Further, the Company's auditor, ZHONGHUI ANDA CPA Limited, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "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 2020 are set out in Note 39 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 provide that the Directors are entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duty in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director. The Company has purchased and maintained Directors' liability insurance during the year under review, which provides appropriate coverage for the Directors.

### COMPLIANCE WITH LAWS AND REGULATIONS

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

### CORPORATE GOVERNANCE

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

During the Reporting Period and up to the date of this report, the Company has complied with the applicable code provisions of the Corporate Governance Code other than the code provisions A.2.1 of the Corporate Governance Code, namely, the roles of the chairman and chief executive officer have not been separated.

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 53 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.

## Directors' Report

### SUFFICIENT PUBLIC FLOAT

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

### AUDITOR

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 years ended 31 December 2020 and 2019 have been audited by ZHONGHUI ANDA CPA Limited, who is proposed for reappointment at the forthcoming annual general meeting of the Company. The consolidated financial statements for the year ended 31 December 2018 were audited by PricewaterhouseCoopers.

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

On behalf of the Board

**Liu Jie**

*Chairman and Chief Executive Officer*

Hong Kong, 30 March 2021

# Director and Senior Management

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

## BOARD OF DIRECTORS

### Executive Directors

LIU Jie (劉傑) (*Chairman*)

ZHU Yanbin (朱炎彬)

WANG Zaicheng (王在成)

LIU Zhanxi (劉展喜)

### Independent Non-executive Directors

YAO Minru (姚敏茹)

GUO Jingdou (郭靜鬥)

LIU Jianhua (柳建華)

In accordance with Article 87 of the Articles of Association, Mr. Liu Jie, Mr. Wang Zaicheng and Mr. Liu Zhanxi will retire by rotation 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 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 40, is the co-founder of our Group and currently is Director of the Company. Mr. Liu was appointed as chairman, chief executive officer of the Company and has been re-designated as an executive Director on 16 March 2018. Mr. Liu has served as the president of Shanghai Youmin Networks Technology Limited since December 2013. With more than 16 years of experience in the mobile internet industry and profound expertise in user experience and traffic, Mr. Liu has been the key driver of our business strategy and achievements to date. Mr. Liu is mainly responsible for the strategic development, overall operation and management and major decision-making of our Group.

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

## Director and Senior 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 40, was appointed as an executive Director on 19 June 2019 and is the co-founder of our Group and currently is the chief operating officer of our Company, mainly responsible for business operation and development of our Group. He has joined the Group and served as the vice president of Youmin Networks since December 2013.

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

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

**Mr. WANG Zaicheng** (王在成), aged 42, 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 42, 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 17 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.

## Director and Senior Management

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 43, 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 17 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 43, 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.



## Director and Senior Management

**Dr. LIU Jianyhua** (柳建華), aged 40, 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 three years of experience in professional accounting in relation to listed companies. Dr. Liu has served as an independent non-executive director of Guangzhou Great Power Energy & Technology Company Limited, which is listed on the ChiNext board of the Shenzhen Stock Exchange (stock code: 300438), China National Electric Apparatus Research Institute Co., Ltd., which is listed on the Shanghai Stock Exchange (stock code: 688128) and Scholar Education Group, which is listed on The Stock Exchange of Hong Kong Limited (the “**HK Stock Exchange**”) (stock code: 1769) since September 2017, April 2019 and June 2019, respectively. He is also an independent non-executive director of Guangzhou Ruoyuchen Technology Company Limited, which was delisted from the National Equities Exchange and Quotation in October 2017 and has filed its listing application to the Shenzhen Stock Exchange.

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

## 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)	43	Vice president	Strategic development and daily management
Ms. LI Nini (李妮妮)	38	Vice president	Business operation and project management

**Mr. WU Junjie** (吳俊傑), aged 43, currently is a vice president of the Company. Mr. Wu is also a vice president of the Company, mainly responsible for strategic development and daily management of our Group. Mr. Wu has served as the vice president of Shanghai Youmin Networks Technology Limited since December 2013.

## Director and Senior Management

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 38, is vice president of the Group, mainly responsible for the business operation and project management. She has served as vice president of Youmin Networks since December 2013.

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

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

# Corporate Governance Report

## OVERVIEW

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

For the year ended 31 December 2020, 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 of the Board 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 31 December 2020, 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 of the Board and chief executive officer
Zhu Yanbin (朱炎彬)	Executive Director and chief operating officer
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

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 2020, 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.

# Corporate Governance 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 2020, 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 2020 is set out below:

<b>Name of director</b>	<b>Reading materials relevant to corporate governance and regulations</b>	<b>Attending training session (s) relevant to corporate governance and regulations</b>
<b>Executive Directors</b>		
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
<b>Independent Non-executive directors</b>		
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 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 within the lodgment period. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

# Corporate Governance Report

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

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

## Emoluments of Directors and Senior Management and Five Highest Paid Individuals

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

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 14(a), 39(a) and 14(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 2020 and up to the date of this annual report, the Company held six 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.



# Corporate Governance Report

The attendance records of the Directors of the Board Meeting and annual general meeting are as follows:

Name of director	Attendance/ Number of Board Meeting(s)	Attendance/Number of Annual General Meeting(s)
<b>Executive Directors</b>		
Liu Jie (劉傑) (Chairman)	6/6	1/1
Zhu Yanbin (朱炎彬)	6/6	1/1
Wang Zaicheng (王在成)	6/6	1/1
Liu Zhanxi (劉展喜)	6/6	1/1
<b>Independent Non-executive directors</b>		
Yao Minru (姚敏茹)	6/6	1/1
Guo Jingdou (郭靜鬥)	6/6	1/1
Liu Jianhua (柳建華)	6/6	1/1

## BOARD COMMITTEES

The Company has three Board committees, namely the audit committee (the “**Audit Committee**”), the Remuneration Committee and the Nomination Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the website of the Company ([www.fingertango.com](http://www.fingertango.com)) and that of the Stock Exchange ([www.hkexnews.hk](http://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 four 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 2020, 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) (Chairperson)	4/4
Guo Jingdou (郭靜鬥)	4/4
Liu Jianhua (柳建華)	4/4

The Audit Committee is of the opinion that the Group's consolidated financial statements for the year ended 31 December 2020 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 2020.

## 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 2020 and up to the date of this annual report, two 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) (Chairperson)	2/2
Zhu Yanbin (朱炎彬)	2/2
Yao Minru (姚敏茹)	2/2

## Nomination Committee

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

# Corporate Governance Report

For the year ended 31 December 2020 and up to the date of this annual report, two meetings of the Nomination Committee was held on 28 March 2020 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) (Chairperson)	2/2
Guo Jingdou (郭靜鬥)	2/2
Yao Minru (姚敏茹)	2/2

## Corporate Governance Functions

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

## AUDITOR AND THEIR REMUNERATION

ZHONGHUI ANDA CPA Limited has been appointed as the external auditor of the Group for the financial year ended 31 December 2020. For the year ended 31 December 2020, the audit services fees paid/payable to ZHONGHUI ANDA CPA Limited for the consolidated financial statements audit service are HK\$3.7 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 FINANCIAL STATEMENTS

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

The statement of the external auditor of the Group, ZHONGHUI ANDA CPA Limited, in relation to their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 90 to 94.

### RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

# Corporate Governance Report

During the year ended 31 December 2020, 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](http://www.fingertango.com)) and the Stock Exchange ([www.hkexnews.hk](http://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 third 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 elaborates its vision and commitments for CSR.

### Reporting guideline

The Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the “**ESG 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 ESG Guide. A content index for ESG Report Guidelines compiled by referencing this Report was appended in the appendix III 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 2020 to 31 December 2020 (“**the year**” or “**reporting period**”). Unless otherwise specified, this Report covers the business of the entire Group.

### Reporting language

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

### Data source and reliability statement

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

### Confirmation and approval

This Report is confirmed by the management team and approved by the Board of Directors on 30 March 2021.

### 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](mailto:ir@fingertango.com).

## 2. AWARDS AND HONOURS

Thanks to FingerTango's outstanding business performance, emphasis on honest operation and caring about charity and public welfare, we have won numerous awards in business, contract-keeping and credit-worthiness, and social welfare this year respectively, and have received recognition and well-received from all social circles.

Awards and honours	Awarding organization
1 2020 Shanghai Top 100 Certificate	Shanghai Enterprises Confederation, Shanghai Enterprise Confederation, Liberation Daily Newspaper Group
2 2020 Shanghai Top 100 Private Service Enterprises — 75th	Shanghai Enterprises Confederation, Shanghai Enterprise Confederation, Liberation Daily Newspaper Group
3 Excellence Company Award — 3k Games	XiaoMi Games
4 Best Quickplay Game	International Masters Games Association (“IMGA”)
5 Shanghai Enterprise with Good Credit in Honoring Contracts	Shanghai Contract Credit Promotion Commission
6 Contract Credit Rating Certificate	Shanghai Contract Credit Promotion Commission
7 2020 Social Empowerment Award — Guangzhou Miyuan Network Technology Co., Ltd.	Association of Game Industry of Guangdong
8 Certificate of Appreciation	Red Cross Society of Hubei Province





## 3. SUSTAINABILITY MANAGEMENT

### 3.1 ESG Structure

FingerTango is committed to establishing a leading comprehensive service platform of mobile games in the PRC, while undertaking our corporate social responsibilities. Since 2018, we have established an ESG working team comprised of senior management 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 on a regular basis, so as to integrate ESG strategies into the Group's business operation. We regularly review the effectiveness of ESG management work and continuously optimize the ESG management system as well as ESG policies and guidelines, so as to enhance the efficiency of the Group's ESG works.

#### FingerTango ESG management structure



# Environmental, Social and Governance Report

## 3.2 Communication with Stakeholders

By maintaining close communication with stakeholders, FingerTango fully understands the expectations and demands of stakeholders to the Group's ESG matters, so as to improve the ESG management strategies and guidelines of the Group. We maintain exchanges with stakeholders from different sectors through various channels, so as to understand the ESG issues they concern about and carry out appropriate responses or actions, thereby improving the sustainability works of the Group to address their needs.

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

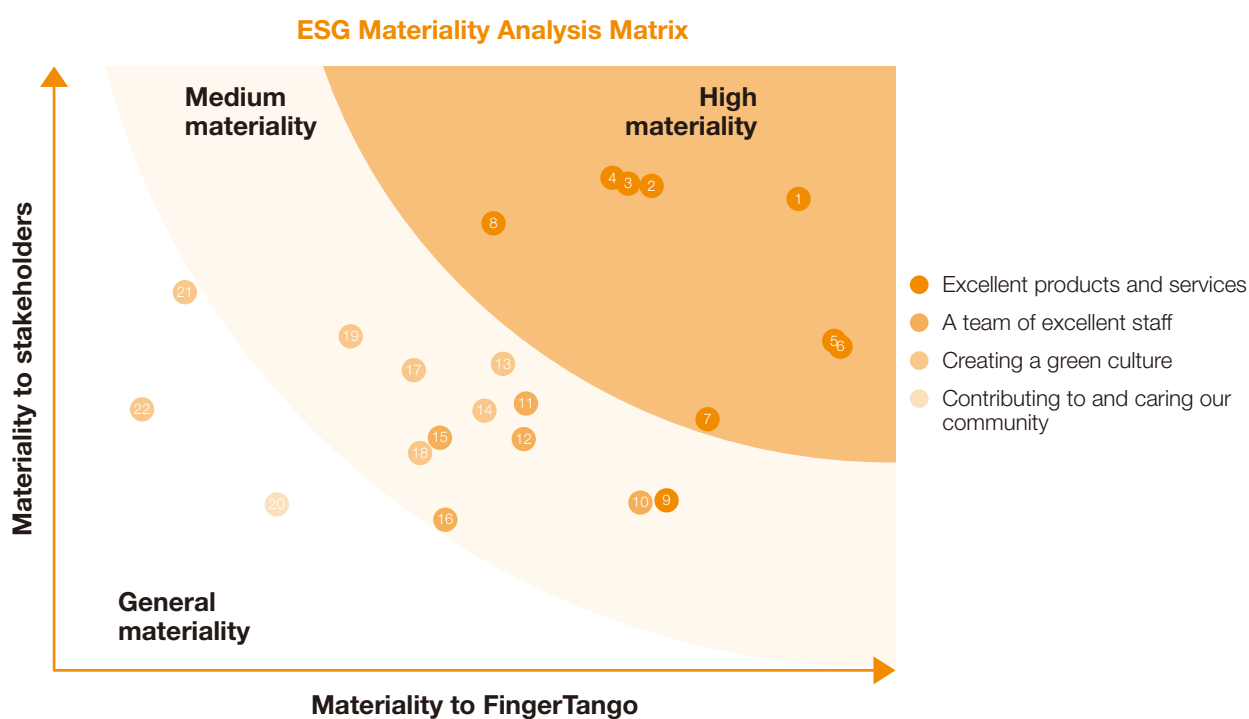
# Environmental, Social and Governance Report

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

### 3.3 Materiality Assessment

In order to determine the key areas fulfilled and disclosed in respect of ESG by the Group, FingerTango has appointed an independent consultancy firm to carry out a materiality assessment on ESG topics. Based on the results of questionnaires with internal and external stakeholders, the Group has taken into account no material change in the operating condition of our own business and the expectations and concerns collected from various communication channels with stakeholders, as well as referring to the disclosure obligations covered in the ESG Guide and the material issues in Sustainability Accounting Standards Board (SASB), we have ultimately confirmed 22 material issues for this year, including 8 with high materiality, 11 with medium materiality and 3 general materiality, the results are in line with the materiality assessment result of last year.

Below is the materiality assessment result of FingerTango of the year:



# Environmental, Social and Governance Report

## ESG materiality ranking of FingerTango for 2020

High materiality	ESG scope
1. Quality control on products and services	Excellent products and services
2. Provision of a wholesome user environment	Excellent products and services
3. Privacy protection of players	Excellent products and services
4. Player service and communication	Excellent products and services
5. Compliance operation and anti-corruption	Excellent products and services
6. Protection of intellectual property	Excellent products and services
7. Promotion and labelling of products/services	Excellent products and services
8. Product innovation	Excellent products and services
Medium materiality	ESG scope
9. Supply chain management	Excellent products and services
10. Employment rights	A team of excellent staff
11. Employee health and safety	A team of excellent staff
12. Prevention of child labor and forced labor	A team of excellent staff
13. Energy consumption and efficiency	Creating a green culture
14. Waste management	Creating a green culture
15. Employee diversity, non-discrimination and equal opportunities	A team of excellent staff
16. Staff training and development	A team of excellent staff
17. Reduction of pollutant emissions	Creating a green culture
18. Greenhouse gas emissions	Creating a green culture
19. Water resources management	Creating a green culture
General materiality	ESG scope
20. Community investment and participation	Contributing to and caring our community
21. Protection of environment and natural resources	Creating a green culture
22. Response to climate change	Creating a green culture

Based on the findings of the above materiality analysis, FingerTango confirms that the 8 issues with high materiality include 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. The ESG direction of FingerTango will be divided into four categories this year, including “Excellent products and service”, “A team of excellent staff”, “Creating a green culture” and “Contributing to and caring our community”. In this Report, we will reflect key concerns of the Group’s ESG in these four major areas this year.

## 4. EXCELLENT PRODUCTS AND SERVICES

FingerTango deeply believes that the provision of excellent products and services to customers is the foundation for the Group to increase our core competitiveness and the key to attracting and retaining customers, therefore, we continue to enhance and improve the experience of customers on our products and services.

### 4.1 Enhancing Customers' Experience

Providing players with good game experience is the core product responsibility of a leading mobile game developer, and also the key to attracting and retaining game players. FingerTango formulates the Workflow for Player Visit, which improves game experience by properly handling game abnormality, monitoring game environment, ensuring game network security, consistently strengthening technological development ability, and upgrading games to improve experience of players.

For GMs to properly handle game abnormality 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 abnormality as complained by players, communicates with the game operator or platform to resolve the abnormality 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 monitors 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, GMs will block the corresponding game account. To ensure fair play, the Group identifies and swiftly cracks 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.

### Ensuring the quality of GM services

To ensure 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.

# Environmental, Social and Governance Report

To 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 guide 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.

## Valuing customers' opinions

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

FingerTango is committed to providing excellent 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 abnormality, punishment measures, account re-charge, GM services, misconduct report and re-charge by minor. To

# Environmental, Social and Governance Report

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.

Complaint type	Quantity	
	2020	2019
Game abnormality	118	116
Punishment measures	20	28
Account re-charge	26	15
GM services	9	11
Misconduct report	4	10
Re-charge by minor	29	47
Total	206	227

The complaints we received during this year decreased by approximately 9% as compared to last year and the complaints handling ratio is 100%. We have introduced timely measures for game and service improvement to enhance the quality of games and services for the dedication to provide high quality games and services to the players.

## 4.2 Healthy and Safe Games

FingerTango is committed to providing healthy and safe games to players and adhered to the mission of “entertain lives with games”. The Group cares for customers’ physical and psychological health, regulate advertisement and promotion, strengthen healthy online game culture and perform social responsibilities. During the year, the Group did not have any sold or shipped products to be recalled due to safety and health reasons.

For the protection of mental health of minors and prevention of minors from indulging in online games and over-consumption by minors, as well as avoiding adverse impact on normal studying, FingerTango strictly abides by regulatory requirements like the Notice on Preventing Minors from Indulging in Online Games and the Implementation Plan of Comprehensive Prevention and Control of Juvenile Myopia. We have upgraded the Software Development Kit (SDK) and we strictly abide by regulatory requirements to develop such kit and embed it with real-name authentication, real-name registration system for account

re-charging and anti-addiction system. We do 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.



The screenshot shows a mobile application interface for real-name authentication. At the top, there is a back arrow, a notification bubble with the number '1', and the title '實名登記' (Real-name Registration). Below the title, a message states: '為符合國家相關法律法規及監管要求，並保證您的個人權益，請填寫有效身份證明信息' (To comply with national laws, regulations, and supervision requirements, and to ensure your personal rights, please fill in valid identity information). There are two input fields: '身份證號' (ID Number) with the placeholder '請輸入身份證號碼' (Please enter ID number), and '真實姓名' (Real Name) with the placeholder '請輸入真實姓名' (Please enter real name). Below the fields, a note reads: '註：有效身份信息限填寫一次，提交後不可更改，請確保信息真實有效。' (Note: Valid identity information can only be filled in once, cannot be changed after submission, please ensure the information is true and effective). At the bottom, there is a large orange button labeled '確定' (Confirm).

**Real-name authentication and registration system**

To ensure a clean and healthy game communication environment, FingerTango has been filtering and screening messages, words and phrases with adverse impact according to social trends in a timely manner. The screened word library is updated monthly regularly and has been accumulated to 90,000 words. In addition, we provide 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 has formulated working regulations like the Regulations on Advertisement Content Review, so as to ensure the advertisements are in compliance with the Advertisement Law of the People's Republic of China, the Interim Measures for Online Advertisement Management and other laws and regulations. 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, so as to ensure the contents of advertisements meet the requirements. In respect of the internal review, the workflow shall be filed with the 3K Game Advertisements Audit Record. Once found inappropriate, the advertisement will be withdrawn and rectified as soon as possible. We also attach great importance to the training of business departments to enhance employees' awareness in advertisement compliance.



# Environmental, Social and Governance Report

## 4.3 Privacy and Information Safety

As a leading mobile game distributor, FingerTango endeavors to protect the personal information and other private information of every player.

The Group strictly abides by the Safety Protection of Computer Information System Regulations of the People's Republic of China, the Cybersecurity Law of the People's Republic of China, the Provisions on Technological Measures for Internet Security Protection, the Administrative Measures on Internet Information Service of the People's Republic of China, the Administrative Measures on the Security Protection of Computer Information Network with International Connections and other laws and regulations. We have formulated the 3K Game Privacy Policies as well as various information and network safety management and privacy system, in order to fully protect player privacy and account information through technology, policies and procedures. Our 3K Game Privacy Policies, which explains 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 order to be devoted to information and network safety, privacy protection and information protection, the Group has formulated relevant policies and measures, such as the Information Safety Management System, Information Safety Confidentiality System, Network Safety Management System and Information Safety Technology Protection Policies. 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. In addition, we employ external organizations for information security assessment. We passed the Grade II Protection of Information System Security. 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 IPs in the internal network. 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.

In order to protect the security of player accounts and game characters, equipment, and other virtual properties under the accounts. For account problems encountered by players, the Group has established standard procedures for retrieving accounts, retrieving passwords, unbinding mobile numbers and retrieving security locks, to safeguard account security for players. We have formulated the Explanation on 3K Game Player Data Destruction Procedure and introduced an account cancelation function on the gaming platform, so as to further enhance the security of personal information. Game players can click the "Logout account" button on the official website and cancel their accounts by following the instructions. The account logout procedure contains the following steps: verify account information, verify binded mobile number, verify player identification, review account re-charge history, logout account, and wait for review by our staff. Players can enquire the account logout progress during the cancellation process. By following above steps, users can successfully logout the account, so as to protect the safety of users' information.

## 4.4 Strict Compliant Operation

To strengthen the prevention of fraud, corruption and bribery, FingerTango has formulated the Anti-fraud, ant-corruption and anti-commercial bribery system and 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, so that the Group can have a stable operation with legal interests of the Group and shareholders are under protection.

The Group 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 our various systems and regulations. To ensure every employee clearly understands the Group's standard of honesty and integrity, we provide 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. We provide anti-fraud, legal, honesty and moral education to new employees of key positions according to actual needs. 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 our customers, suppliers, regulators and shareholders, so that every stakeholder can join us in creating a law-abiding working environment.

The Group's audit committee is our permanent anti-fraud agency responsible for receiving anti-fraud reports, investigating, reporting and providing suggestions for handling, and report to the management and the Board. 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 Company 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.

## 4.5 Protection of Intellectual Property Rights

FingerTango deeply realizes that the stable development of online games business is closely connected with the protection of intellectual property rights. We understand that the protection of intellectual property rights is crucial to the Company and also the owners of other intellectual property rights. The Group strict abides by relevant laws and regulations, such as 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 has established rigorous and comprehensive procedures for intellectual property rights protection, aiming at paying respect to the achievements of intellectual property rights owner, as well as to protect the intellectual property rights of the Company and others.

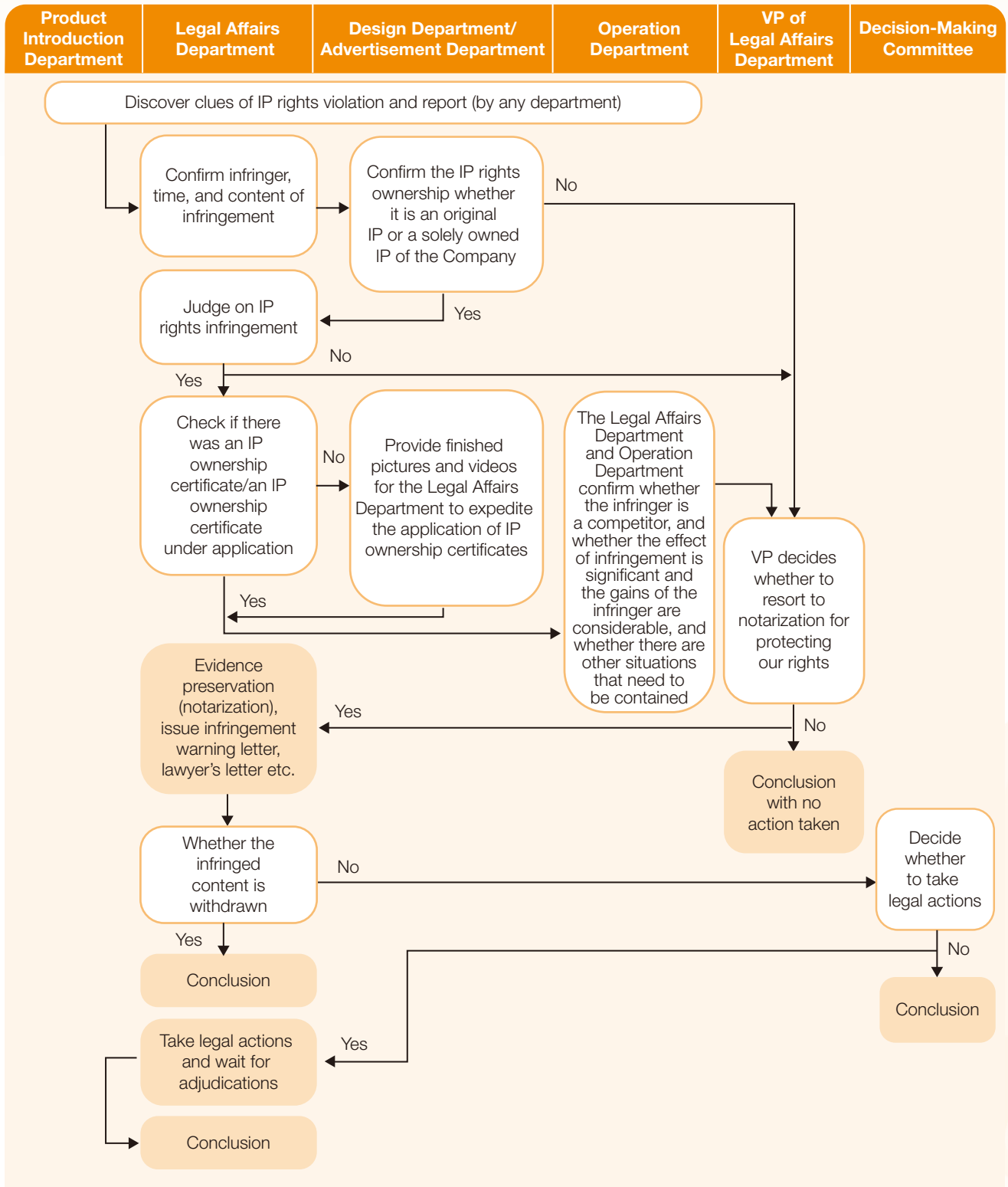
In order to protect our own intellectual rights, the Group has established intellectual property right ownership verification procedures. We require the Product Cooperation Department to provide game names within one work day upon cooperation confirmation, the Design Department to provide finished pictures and videos, and the Operation Department to provide tentative game names, backup names and other reserved names, for the Legal Affairs Department to issue intellectual property rights ownership certifications. It also requires the game designer/producer to keep the drafts and original files and all other documents generated during the design and production processes.

FingerTango has established procedures to improve the management system of intellectual property rights. Any department or employee in the Group can report to us on clues of intellectual property 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 intellectual property or a solely owned intellectual property from the Group, and determined by the Legal Affairs Department if it is an infringement. For an alleged infringement, our Intellectual Property Rights Committee preserves the right to initiate legal actions.

We deeply believe that the formulation and implementation of intellectual property rights protection measures can motivate innovation, protect the achievements of intellectual property rights owners, and turn them into real productivity. The Group will continue to endeavor to the compliance with and the protection of intellectual property rights.

# Environmental, Social and Governance Report

## Procedure of IP rights protection



# Environmental, Social and Governance Report

## 4.6 Management of Suppliers

In order to strengthen the responsible management of suppliers and dealers, we have formulated specific review and management measures for different suppliers and dealers, such as the Review and Management Measures on Art Outsourcing Suppliers. 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, (such as labor standard, health and safety, anti-corruption), and we are committed to achieving a sustainable development of supply chains together with suppliers and dealers. In principle, we review the performances of suppliers and dealers once a year and select qualified suppliers, so as to conduct classified management and update files in a timely manner. In specific situation, we will conduct half-year or quarterly review.

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

## 5. A TEAM OF EXCELLENT STAFF

FingerTango believes that talents are the most important asset of the Group, and the protection of employee rights and interests lays the foundation for our stable development. The Group continues to protect employment rights and adjusts employees' remuneration from time to time according to the market trend. With various channels to ensure the 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.

### 5.1 Safeguarding Staff's Rights

FingerTango deeply understands that the stable business development of the Group is relied on the concerted effort from the employees, an employee oriented principle to attract and retain 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. We have formulated a recruitment process system to ensure the recruitment process is fair, open and just. We set our talent recruitment workflow 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 they 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

# Environmental, Social and Governance Report

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 rest time and to protect the personal freedom of our staff, thereby eliminating all potential forced labor. The Group enters into employment contracts with its employees according to law. If the employment contract is going to be released or terminated, such as serious violation of the Company's rules and regulations, we will release or terminate the employment contract with the employee according to law.

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 by the Group.

## 5.2 Occupational Health and Safety

In order to safeguard health of employees, FingerTango strives to provide a healthy and 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. During the year, the Group did not have any material safety and health accident with work-related fatalities and no lost days due to work injury.

To ensure a safe working environment with a dedication to eliminate safety hazards in work sites, the Procedure of Security Service Works is devised 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 various 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.

To ensure food safety in staff canteens, we have devised the Code on Canteen Management to strictly control the hygiene conditions of the kitchen and. In the contracts entered into with suppliers, we specify the food quantity, temperature, quality and safety requirements in the supply contract to provide employees with health and secured meals. Where 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 as well as food safety and hygiene.

To assist the employees to cope with accidents and risks, we provide employees with comprehensive health protection, such as commercial insurance 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 Company 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.

# Environmental, Social and Governance Report

## Fully protect the health and safety of staff during the pandemic

During the COVID-19 pandemic, in order to fully protect the health and safety of staff, we have implemented a series of works for preparation for work resumption and pandemic prevention. Below are the major works for preparation for work resumption and pandemic prevention:

### Safety prevention of office areas

- Comprehensive professional sterilization of office areas
- Put pandemic prevention and disinfection supplies in public areas
- Improve daily sterilization of offices
- Guidance and trainings on the cleaners' works and awareness of pandemic prevention

### Collection and reimbursement of medical masks

- Each staff can take 1 mask daily
- Staff can buy their own masks and claims for reimbursement

### Supervision of pandemic prevention

- Assign risk management person-in-charge of pandemic prevention of each department
- Supervise the body temperature check of each department
- Check if all staff are wearing masks occasionally

### Meal arrangement

- Original meal-sharing has been changed to lunch box distribution
- Staff shall collect his/her lunch box according to time period
- Staff shall have their meals on their seats

### Promotion and guidance of safety prevention

- Promote and give guidance of safety prevention on-site and by electronic posters
- Deliver various protection requirement and precautions on returning to work

### Response to the outbreak of the pandemic

- Understand the contact details and addresses of appointed community hospitals and medical institutions in proximity
- When our staff is feeling unwell, provide and recommend medical institutions in proximity



Poster on promotion of infection protection

### 5.3 Welfare and Caring of Staff

To attract and retain outstanding talents, FingerTango has strictly complied with 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 has enacted the Employee Welfare Management System which is more beneficial than legal requirements and fulfills its legal obligations by paying pension, medical insurance, maternity insurance, work injury insurance, unemployment insurance and housing fund, and withholding individual income tax for employees. Moreover, the employees of the Group are entitled to commercial insurance coverage during employment. Employees of the Group 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 the Group cares for the employees and attach great importance to them, we distribute 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.



# Environmental, Social and Governance Report

We organize various festival and company activities each year, so as to enhance our team spirit. During the year, we have organized diversified activities, such as flea market, flower arrangement activity, Children's Day activity on 1 June and Christmas party on 25 December, the participating employees are happy and enjoy our various activities. Also, we have set up the badminton association, basketball association, ukulele association and dance association. A number of activities related to sports, music and dance are held every week, so as to let our staff maintain their physical and mental health.



Flea market



Flower arrangement activity



Badminton association



Basketball association

## 5.4 Training and Development of Talents

To train talents and facilitate the mutual growth of employees and us, FingerTango provides employees with diversified 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.

During the year, 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

## Environmental, Social and Governance Report

knowledge and skill to accommodate to the mutual growth with the business development of the Group. During the year, more than 1,000 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, Gaming Industry and Business of the Company, so as to brief the campus hires to let them 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 and introduce courses on understanding our users, so as 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 Corporate Strategic Management Practice, so as 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, so as to help broaden the perspectives of employees
Quality training course	All employees of Company	General course on quality focusing on all employees and introduce courses like Structural Expression, so as to solve the learning needs of employees on general ability and help employees to improve their workplace etiquette
Trainings for internal trainers	Internal trainers	Establish our team of internal trainers and promote experience sharing and knowledge sharing, so as to enable the talent training and innovative development of the Company

Our industry has been constantly changing, in order to improve employees' knowledge, ability and skills, and integrate their personal growth with our long term strategic development. The Company has built a large reading zone in the open office space to encourage learning and foster an excellent learning environment.

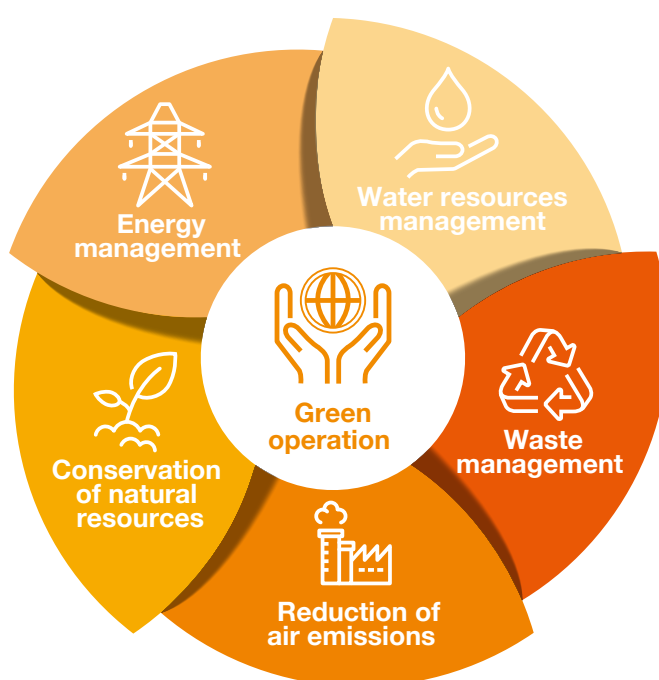
The Group adheres to employment based on merit and has established the Employee Promotion and Remuneration Management Measures and the Rank Promotion Flow to encourage our employees to improve their professional skills and working performance continuously. By allocating talents to suitable posts through 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.

## 6. CREATING A GREEN CULTURE

While expanding our business, the Group also attaches great importance to sustainable development of the environment. By practicing green operation, we enhance the Group's performance in terms of environmental protection and minimize the impact on the environment from our daily business operation. Engaging in the mobile game industry, the environmental impact is relatively lower because there is no industrial gas emission, wastewater, or waste generated in the ordinary course of business of the Group, the main effects come from the consumption of electricity, office materials, household water, and office and household wastes. We have strictly abided 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.

### 6.1 Promoting Green Operation

For implementing green operation in our offices, we strive to implement various environmental protection policies 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. In order to strengthen energy saving and reduced emission, we formulate the FingerTango Office Energy Conservation Guidelines and teach the concepts and measures of saving electricity, water and office supplies to 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 are listed below.



# Environmental, Social and Governance Report

## Energy management

FingerTango conducts its business operations mainly in the office. To save energy, we attach great importance to the energy usage in our offices.

### *Lighting system and other electronic equipment*

- Use highly energy efficient LED lights in all of our office areas and employ lighting time control devices
- Employ sensor-controlled lighting devices in areas of low usage, such as staircases and washrooms
- Cultivate the habit of turning off the lighting system and other electronic equipment when leaving the office. 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

### *Air-conditioning system*

- The indoor air-conditioning temperature is maintained at an appropriate level of 25–26°C
- Turn off the air-conditioning system when leaving the office
- Clean filters and fan-coils on a regular basis to enhance the energy efficiency of the air-conditioners
- Check the air-conditioning system to reduce the possibility of refrigerant leakage
- To reduce the demand for air-conditioning, employees are allowed to dress casually for work on Fridays, as far as practicable

<b>Electricity purchased</b>	<b>Unit</b>	<b>2020</b>
Electricity purchased	kWh	<b>370,302.00</b>
Electricity purchased intensity (per square metre)	kWh/square metre	<b>57.98</b>
Electricity purchased intensity (per employee)	kWh/employee	<b>995.44</b>

# Environmental, Social and Governance Report

## Water resources management

To reduce water resources consumption, we have implemented various water saving measures. We have no difficulty in securing appropriate sources of domestic water.

- Post 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
- Use environmentally friendly and energy-saving toilets with highly efficient pressurised flushing technology. With the usage of innovative large flush valves, we can ensure the flushing effect while conserving water
- 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.

Water resources consumption	Unit	2020
Total water consumption	Cubic metre	2,256.00
Total water consumption intensity (per employee)	Cubic metre/employee	6.06

## Waste management

The Group has formulated the Waste Management Approach & Handling Procedure to strengthen waste management and regulate waste treatment, so as to reduce waste. We classify the recyclable materials, hazardous wastes, food waste and other wastes will be sent to professional third-party for treatment. We support reutilisation through recycling and have set up collection boxes of recyclable materials and collection points of waste batteries. We send obsolete computers or other electronics wastes to qualified companies to handle, so as to recycle.

To reduce the generation of wastes, we have adopted following waste and paper management measures:

- 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
- Make use of the blank side of paper after single-sided printing for copying
- Reuse office stationery items. For example, we replace the ball pen refills for reusing ball pens, and reuse envelopes as far as possible

# Environmental, Social and Governance Report

- Use recyclable toner cartridge and ink cartridge
- Use cleanable meal plates in our canteen, which will be washed and sterilized for reuse to reduce consumption of disposable meal boxes and tableware



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	2020
<b>Non-hazardous waste</b>		
Total non-hazardous waste	kg	160.00
Non-hazardous waste intensity (per employee)	kg/employee	0.43
Total non-hazardous waste recycled	kg	80.00
<b>Hazardous waste</b>		
Light tubes	kg	26.25
Battery	kg	4.00
Cartridge	piece	10
Scrap IT equipment	piece	110

# Environmental, Social and Governance Report

## Reducing air emissions

Our main source of air pollution comes from vehicles of the Group. In order to reduce air pollution effectively, we have adopted the following measures:

- Conduct maintenance to the vehicles
- Regular checking to the vehicles and pump up the tires
- Make sure to switch off the engine when idling
- Encourage employees to travel by public transport and share vehicle

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

Emissions type	Unit	2020
Nitrogen oxides (NO <sub>x</sub> )	kg	113.15
Sulphur oxides (SO <sub>x</sub> )	kg	0.12
Particulate matter (PM)	kg	10.54

## Conserving natural resources

To protect natural resources and reduce wastage, we have adopted the following measures:

- Use CFCC (China Forest Certification Council) and PEFC (Programme for the Endorsement of Forest Certification Schemes) certified paper to ensure the source of our paper is sustainable forest and renewable and controllable resources
- Provide new employees with environmentally-friendly bags and cups for personal use
- Promote to reduce consumption of disposable plastic bags and paper cups in office or on business trip

## 6.2 Management of Greenhouse Gas Emissions

Climate change is an environmental issue highly valued around the globe. In order to act in concert with the national strategies of tackling climate change, FingerTango has carried out various measures on reducing greenhouse gas (“GHG”) emissions, such as energy conservation, so as to help mitigate climate change.

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

GHG emissions performance	Unit	2020
<b>GHG emissions</b>		
Direct GHG emissions (scope 1)	tonnes CO <sub>2</sub> equivalent	187.53
Indirect GHG emissions (scope 2)	tonnes CO <sub>2</sub> equivalent	225.92
Total GHG emissions (scope 1 and 2)	tonnes CO <sub>2</sub> equivalent	413.45
<b>GHG emissions intensity</b>		
GHG emissions intensity (per square metre)	tonnes CO <sub>2</sub> equivalent/square metre	0.065
GHG emissions intensity (per employee)	tonnes CO <sub>2</sub> equivalent/employee	1.11

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.

After inspection, the GHG emissions of the Group can be classified into direct emissions (Scope 1) and indirect emissions (Scope 2). 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).

## 7. CONTRIBUTING TO AND CARING OUR COMMUNITY

While developing our business, FingerTango has been committed to developing our social services and contributing our corporate efforts, so as to fulfill the Group’s social responsibilities through social welfare and charity and volunteer activities. During the year, the Group continued to devote to promoting social welfare and charity and had donated near RMB1.2 million to the pandemic-stricken areas during the COVID-19 outbreak, so as to provide support to battle the pandemic.

During the reporting period, the Group contributed RMB3.26 million in total to charity services, representing a substantial increase of near 15 times as compared to last year, showing our determination to contribute our corporate power to care the community.



# Environmental, Social and Governance Report

## 7.1 Enthusiastic in Public Welfare

To further invest in social welfare and charity, we established Guangzhou Shiguang Community Foundation (廣州市拾光公益基金會) and continued to help poor households and donated materials to the students in need.

### Case: Establishment of Guangzhou Shiguang Community Foundation (廣州市拾光公益基金會)

During the year, Fingertango established Guangzhou Shiguang Community Foundation (廣州市拾光公益基金會) (the "Foundation") and has donated RMB2 million to the Foundation. Leveraging on this Foundation, we can organize more social welfare and charity activities, so as to promote the spirit of doing charity, well demonstrate the traditional virtues of the Chinese nation of alleviating poverty and help the community to civilize in a modernized way. We use our corporate power to attract the public to dedicate to charitable activities and volunteer to participate.

### Case: Organizing the charitable party construction activities in Fengning

On 20-23 August 2020, under the strong support from the Guangzhou Committee of China Democratic National Construction Association (中國民主建國會會員) and the Government of Fengning County, our Foundation visited Guangyihao (廣義號) of Wanshengyongxiang (萬勝永鄉) in Fengning to visit 21 poor households. We delivered food and other materials as well as daily essentials to them. Also, we donated RMB200,000 to Wanshengyongxiang (萬勝永鄉) in Fengning, Hebei Province in 22 October for the construction of cement road project of Guangyihao (廣義號) of Xinfangcun (辛房村), one of the most beautiful rural villages.



### Case: Donation of 1,000 schoolbags to Yunnan Diqing Dexin County No. 2 Primary School (雲南省迪慶州德欽縣第二小學)

During the year, FingerTango has donated 1,000 schoolbags for students and 1,000 files to Yunnan Diqing Dexin County No. 2 Primary School (雲南省迪慶州德欽縣第二小學) and distributed the materials all students from primary one to six.

## 7.2 Tackling the Pandemic Together

To help the community tackle the COVID-19 pandemic, we have made donations to infected areas and hospitals as well as donating masks and meals to the frontline of pandemic prevention, so as to contribute to the battle of pandemic prevention and control with the frontline of pandemic prevention.

### Donation to the Red Cross Society of Hubei Province

- On 26 January 2020, we donated RMB1 million to the Red Cross Society of Hubei Province which was designated to 3 appointed hospital in Hubei for the pandemic treatment.

### Donation to the Guangdong General Hospital

- Staff of the Group actively responded to our call and raised RMB151,600 in total and donated to the Guangdong General Hospital and is used for the tackling of COVID-19 pandemic and its treatment for the Jingzhou medical team dispatched to Hubei.

### Donation of medical surgical masks

- On 27 January 2020, we donated 8,000 medical surgical masks to the frontline of pandemic prevention

### Donation to the fund of meals

- On 24 March 2020, we donated RMB20,000 to the fund of meals for the frontline of pandemic prevention, which was used to buy meals for the frontline sanitation workers in the community



Donation of 8,000 medical surgical masks to the frontline of epidemic prevention

# Appendix 1 ESG Related Laws, Regulations, and Policies

FingerTango 2020 ESG related laws, regulations, and policies

ESG aspect	External laws and regulations	Internal policies
A1 Emissions	<i>National Catalogue of Hazardous Wastes Regulations on the Administration of Domestic Waste Classification in Guangzhou Administrative Measures for Urban Domestic Garbage</i>	<i>Waste Management Approach &amp; Handling Procedure FingerTango Office Energy Conservation Guidelines</i>
A2 Use of resources	<i>Energy Conservation Law of the People's Republic of China Water Pollution Prevention &amp; Control Law of the People's Republic of China</i>	<i>FingerTango Office Energy Conservation Guidelines 3K Games Security Service Workflow</i>
A3 Environment and natural resources	<i>Environment Protection Law of the People's Republic of China Energy Conservation Law of the People's Republic of China</i>	<i>FingerTango Office Energy Conservation Guidelines Explanation on Wastes Management Procedure</i>
B1 Employment	<i>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</i>	<i>Employee Welfare Management System Employee Promotion and Remuneration Management Measures Welfare Costs Adjustment Plan</i>
B2 Health and safety	<i>Employment Injury Insurance Provisions of the People's Republic of China Supervision and Management Regulations on Work Space Occupational Sanitation Fire Control Law of the People's Republic of China</i>	<i>Employee Welfare Management System</i>
B3 Development and training	<i>Labor Law of the People's Republic of China</i>	<i>3K Employee Training Agreement 2020 3K Social Recruitment Integration Plan 2020 3K Campus Recruitment Foster Plan 2020 3K Academy – Certified Internal Trainer Training Programme</i>
B4 Labor standards	<i>Law of the People's Republic of China on the Protection of Minors Provisions on Prohibition of Child Labor</i>	<i>The Group recruits university and college graduates and people with work experiences, and confirms their age by checking their IDs during onboarding, preventing child labor from the beginning.</i>

## Appendix 1 ESG Related Laws, Regulations, and Policies

### FingerTango 2020 ESG related laws, regulations, and policies

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

# Appendix 2 Sustainable Development Data Statements

Environmental performance <sup>1</sup>	Unit	2020	2019
<b>Air Emissions<sup>2</sup></b>			
Nitrogen oxides (NO <sub>x</sub> )	kg	113.15	155.87
Sulfur oxides (SO <sub>x</sub> )	kg	0.12	0.16
Particulate matter (PM)	kg	10.54	14.51
<b>GHG Emissions</b>			
Direct GHG emissions (Scope 1)	tonnes CO <sub>2</sub> equivalent	187.53	155.86
Indirect GHG emissions (Scope 2)	tonnes CO <sub>2</sub> equivalent	225.92	277.46
Total GHG emissions (Scope 1 and 2)	tonnes CO <sub>2</sub> equivalent	413.45	433.32
<b>GHG Emissions Intensity</b>			
GHG Emissions Intensity (per square metre)	tonnes CO <sub>2</sub> equivalent/square metre	0.065	0.068
GHG Emissions Intensity (per employee)	tonnes CO <sub>2</sub> equivalent/employee	1.11	1.16
<b>Energy Consumption</b>			
Total energy consumption	kWh	443,964.55	618,169.44
Energy consumption intensity (per employee)	kWh/employee	1,193.45	1,464.86
Total electricity purchased	kWh	370,302.00	518,725.00
Total electricity purchased intensity (per square metre)	kWh/square metre	57.98	74.87
Total electricity purchased intensity (per employee)	kWh/employee	995.44	1,229.21
Gasoline consumption	litre	8,000.00	10,800.00
<b>Water Consumption</b>			
Total water consumption	cubic metre	2,256.00	2,435.00
Total water consumption intensity (per employee)	cubic metre/employee	6.06	5.77
<b>Non-Hazardous Waste</b>			
Total non-hazardous waste	kg	160.00	200.00
Non-hazardous waste intensity (per employee)	kg/employee	0.43	0.47
Total non-hazardous waste recycled	kg	80.00	120.00
<b>Hazardous Waste</b>			
Fluorescent tube	kg	26.25	15.00
Used battery	kg	4.00	4.50
Toner cartridge	piece	10	9
Scrap IT equipment	piece	110	100
<b>Used Materials</b>			
Refrigerants	kg	116.00	88.55
Paper consumption	kg	655.00	752.50
Paper consumption intensity (per employee)	kg/employee	1.76	1.78

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

2 Air emissions from the company vehicles.

## Appendix 2 Sustainable Development Data Statements

Social performance	Unit	2020	2019
Total employees	no. of people	372	422
<b>Total Employees (by Gender)</b>			
Total female employees	no. of people	120	149
Total male employees	no. of people	252	273
<b>Total Employees (by Age Group)</b>			
Below 30	no. of people	254	318
30–50	no. of people	118	104
Above 50	no. of people	0	0
<b>Total Employees (by Employee Category)</b>			
Full-time development/R&D	no. of people	191	204
Full-time operation	no. of people	108	139
Full-time supporting department	no. of people	73	79
<b>Total Employees (by Geographical Region)</b>			
Employees in East China	no. of people	2	37
Employees in South China	no. of people	370	383
Employees in Hong Kong, Macau and Taiwan	no. of people	0	2
<b>Employee Turnover Rate<sup>3</sup> (by Gender)</b>			
Female	percentage	11.7%	13.0%
Male	percentage	27.8%	30.6%
<b>Employee Turnover Rate<sup>3</sup> (by Age Group)</b>			
Below 30	percentage	32.7%	40.5%
30–50	percentage	6.8%	3.1%
Above 50	percentage	0%	0%
<b>Employee Turnover Rate<sup>3</sup> (by Geographical Region)</b>			
Employees in East China	percentage	5.7%	2.1%
Employees in South China	percentage	33.8%	41.4%
Employees in Hong Kong, Macau and Taiwan	percentage	0%	0%
<b>Percentage of Trained Employees<sup>4</sup> (by Gender)</b>			
Female	percentage	36.5%	44.7%
Male	percentage	63.5%	55.3%

3 Calculation method: Number of employees lost ÷ (Number of employees lost + number of employees at the end of the year) × 100%.

4 The calculation of percentage of trained employees has been updated in 2019: Number of employees of such training type ÷ number of total trained employees.

## Appendix 2 Sustainable Development Data Statements

Social performance	Unit	2020	2019
<b>Percentage of Trained Employees<sup>4,5</sup> (by Employee Category)</b>			
Full-time development/R&D	percentage	39.6%	48.4%
Full-time operation	percentage	39.0%	20.1%
Full-time supporting department	percentage	21.3%	31.6%
<b>Average Training Hours for Each Employee (by Gender)</b>			
Female	hours	9.3	8.5
Male	hours	14.5	13.6
<b>Average Training Hours for Each Employee (by Employee Category)</b>			
Full-time development/R&D	hours	10.2	13.3
Full-time operation	hours	13.5	18.9
Full-time supporting department	hours	11.7	16.0
<b>Occupational Health and Safety</b>			
<b>Work-related Injuries and Fatalities of Directly Employed Workers</b>			
Number of work-related fatalities	no. of people	0	0
Lost days due to work injury	days	0	10
<b>Anti-corruption</b>			
Number of concluded cases regarding corrupt practices brought against the Group or employee	no. of cases	0	0
<b>Community Investment</b>			
Public service investment	RMB	3,262,000	218,987
Total number of participations for employees participating in public service activities <sup>6</sup>	no. of participations	244	208

5 There may be a slight discrepancy between the sum of individual items and the total as shown in the tables owing to rounding.

6 The data of 2020 included employees participating in public service activities and donations.

# Appendix 3 Content Index of Hong Kong Stock Exchange ESG Guide

Description of indicator		Related chapter	
<b>A. Environmental Area</b>			
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.	6. Creating a Green Culture
	A1.1	Types of emissions and relevant emission data.	6.1 Promoting Green Operation Appendix 2 Sustainable Development Data Statements
	A1.2	Total greenhouse gas emissions and density.	6.2 Management of Greenhouse Gas Emissions Appendix 2 Sustainable Development Data Statements
	A1.3	Total hazardous waste produced and density.	6.1 Promoting Green Operation Appendix 2 Sustainable Development Data Statements
	A1.4	Total non-hazardous waste produced and density.	6.1 Promoting Green Operation Appendix 2 Sustainable Development Data Statements
	A1.5	Describe the measures to reduce emissions and the results.	6. Creating a Green Culture
	A1.6	Describe the method of handling hazardous and non-hazardous wastes, reduction initiatives and results achieved.	6.1 Promoting Green Operation
A2: Use of resources	General disclosure	Policies on the efficient use of resources (including energy, water and other raw materials).	6.1 Promoting Green Operation
	A2.1	Total consumption of direct and/or indirect energy (e.g. electricity, gas and oil) classified by type and density.	6.1 Promoting Green Operation Appendix 2 Sustainable Development Data Statements
	A2.2	Total water consumption and density.	6.1 Promoting Green Operation Appendix 2 Sustainable Development Data Statements
	A2.3	Describe the plan of energy use efficiency and the results.	6.1 Promoting Green Operation
	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.	6.1 Promoting Green Operation
	A2.5	Total amount of packaging materials used for finished goods and amount of per production unit.	Not Applicable



## Appendix 3 Content Index of Hong Kong Stock Exchange ESG Guide

Description of indicator		Related chapter
A3: Environment and natural resources	General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.
	A3.1	Describe the significant impacts of activities on the environment and natural resources and the actions taken to manage them.
<b>B. Social Area</b>		
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.
	B1.1	Total number of employees by gender, employment type, age group and geographical region.
	B1.2	Employee turnover rate by gender, age group and geographical region.
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.
	B2.1	Number and rate of work-related fatalities.
	B2.2	Lost days due to work injury.
	B2.3	Describe occupational health and safety measures adopted, how they are implemented and monitored.
B3: Development and training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.
	B3.1	Percentage of trained employees classified by gender and employee category.
	B3.2	Average training hours per employee classified by gender and employee category.
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.
	B4.1	Describe measures to review employment practices to avoid child and forced labor.
	B4.2	Describe steps taken to eliminate such practices when discovered.

## Appendix 3 Content Index of Hong Kong Stock Exchange ESG Guide

Description of indicator		Related chapter	
B5: Supply chain management	General disclosure	Policies on managing environmental and social risks of the supply chain.	4.6 Management of Suppliers
	B5.1	Number of suppliers by geographical region.	4.6 Management of Suppliers
	B5.2	Describe the practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4.6 Management of Suppliers
B6: Product responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4. Excellent Products and Services
	B6.1	Percentage of sold or shipped products to be recalled due to safety and health reasons.	4.2 Healthy and Safe Games
	B6.2	Number of received complaints about products and services and the methods of dealing with the complaints.	4.1 Enhancing Customers' Experience
	B6.3	Describe the practices related to the maintenance and protection of intellectual property rights.	4.5 Protection of Intellectual Property Rights
	B6.4	Describe the quality assurance process and recall procedures.	4.1 Enhancing Customers' Experience
	B6.5	Describe consumer data security and privacy policy, and related implementation and monitoring methods.	4.3 Privacy and Information Safety
B7: Anticorruption	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.	4.4 Strict Compliant Operation
	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.	4.4 Strict Compliant Operation
B8: Community investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Contributing to and Caring Our Community
	B8.1	Focus areas of contribution.	7. Contributing to and Caring Our Community
	B8.2	Resources contributed to the focus area.	7. Contributing to and Caring Our Community Appendix 2 Sustainable Development Data Statements

# Independent Auditor's Report



To the Shareholders of FingerTango Inc.

*(Incorporated in the 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 95 to 157, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

### 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 2020, the Group's revenue from game publishing amounted to RMB748,234,000. The balance of contract liabilities amounted to RMB88,855,000 as at 31 December 2020.

During the year ended 31 December 2020, the commissions charged by platforms and game programmers (where the Group is the game owner) amounted to RMB205,299,000 and RMB45,942,000 respectively. The balance of contract costs amounted to RMB32,255,000 as at 31 December 2020.

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;

# Independent Auditor's Report

## 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 25 and 26 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 RMB407,732,000 and RMB208,177,000 as at 31 December 2020 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 21 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 RMB147,792,000 as at 31 December 2020 is material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

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

We consider that the Group's fair value measurement of 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.

## Independent Auditor's Report

### 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 HKSAAs 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, 30 March 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	7	<b>748,234</b>	1,051,137
Cost of revenue		<b>(284,238)</b>	(387,617)
<b>Gross profit</b>		<b>463,996</b>	663,520
Selling and marketing expenses		<b>(193,707)</b>	(500,106)
Administrative expenses		<b>(116,030)</b>	(93,778)
Research and development expenses		<b>(58,470)</b>	(63,312)
Other income	8	<b>7,961</b>	12,365
Other (losses)/gains, net	9	<b>(636)</b>	10,912
<b>Operating profit</b>		<b>103,114</b>	29,601
Interest revenue	10	<b>46,408</b>	14,442
Finance costs	11	<b>(311)</b>	(495)
<b>Profit before income tax</b>		<b>149,211</b>	43,548
Income tax expense	12	<b>(21,572)</b>	(4,836)
<b>Profit for the year attributable to owners of the Company</b>	13	<b>127,639</b>	38,712
<b>Other comprehensive (expense)/income:</b>			
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)
Income tax on item that will not be reclassified to profit or loss		—	300
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		<b>(45,699)</b>	16,712
<b>Other comprehensive (expense)/income for the year, net of income tax</b>		<b>(45,699)</b>	15,812
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>81,940</b>	54,524
<b>Earnings per share (RMB)</b>	16		
— Basic		<b>0.0675</b>	0.0204
— Diluted		<b>0.0673</b>	0.0202



# Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	17	7,794	10,158
Right-of-use assets	18	3,874	8,262
Intangible assets	19	5,251	8,095
Investments at fair value through profit or loss	21	67,328	103,351
Prepayments and deposits	24	21,611	27,070
Time deposits	27	20,000	20,000
Deferred tax assets	31	23,237	28,156
<b>Total non-current assets</b>		<b>149,095</b>	205,092
<b>Current assets</b>			
Trade receivables	22	53,036	75,095
Contract costs	23	32,255	42,126
Prepayments and deposits	24	88,398	132,833
Other receivables	25	407,732	157,416
Notes receivables	26	208,177	223,950
Investments at fair value through profit or loss	21	80,464	—
Restricted bank deposits	27	302	892
Time deposits	27	99,575	—
Bank and cash balances	27	521,549	777,962
<b>Total current assets</b>		<b>1,491,488</b>	1,410,274
<b>TOTAL ASSETS</b>		<b>1,640,583</b>	1,615,366
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	32	62	62
Reserves	34	1,430,638	1,340,526
<b>Total equity</b>		<b>1,430,700</b>	1,340,588

# Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	28	39,075	69,043
Contract liabilities	23	88,855	126,617
Accruals and other payables	29	47,713	46,227
Lease liabilities	30	3,294	7,124
Current tax liabilities		30,615	24,516
<b>Total current liabilities</b>		<b>209,552</b>	273,527
<b>Non-current liabilities</b>			
Lease liabilities	30	331	1,251
<b>Total liabilities</b>		<b>209,883</b>	274,778
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,640,583</b>	1,615,366

The consolidated financial statements on pages 95 to 157 were approved and authorised for issue by the board of directors on 30 March 2021 and signed on its behalf by:

**Liu Jie**  
Director

**Liu Zhanxi**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company					
	Share capital	Shares held			Retained profits	Total
		Share premium	for RSU Scheme	Reserves		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2019</b>	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)	(3)	(81,970)	—	—	—	(81,973)
Share-based payments (note 35)	—	—	—	33,498	—	33,498
Forfeit of RSUs	—	—	—	(993)	—	(993)
<b>Changes in equity for the year</b>	(3)	(81,970)	—	48,317	38,712	5,056
<b>At 31 December 2019</b>	62	712,720	(2)	190,341	437,467	1,340,588
<b>At 1 January 2020</b>	62	712,720	(2)	190,341	437,467	1,340,588
Total comprehensive (expense)/income for the year	—	—	—	(45,699)	127,639	81,940
Share-based payments (note 35)	—	—	—	9,791	—	9,791
Forfeit of RSUs	—	—	—	(1,619)	—	(1,619)
<b>Changes in equity for the year</b>	—	—	—	(37,527)	127,639	90,112
<b>At 31 December 2020</b>	<b>62</b>	<b>712,720</b>	<b>(2)</b>	<b>152,814</b>	<b>565,106</b>	<b>1,430,700</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	149,211	43,548
Adjustments for:		
Finance costs	311	495
Interest revenue	(46,408)	(14,442)
Depreciation	13,156	13,827
Amortisation of intangible assets	4,802	2,911
Loss on disposals of property and equipment	65	74
Net foreign exchange losses/(gains)	189	(547)
Share-based payments expenses	8,172	32,505
Changes in fair value of investments at fair value through profit or loss	(6,024)	(8,451)
Loss allowance provision for trade receivables	120	860
Impairment loss on intangible assets	—	890
Impairment loss on prepayments	25,357	17,557
Provision for expected credit losses of notes and other receivables	14,041	—
Operating profit before changes in working capital	162,992	89,227
Change in trade receivables	21,939	87,988
Change in contract costs	9,871	17,854
Change in prepayments, deposits and other receivables	(235,124)	(329,853)
Change in trade payables	(29,968)	3,815
Change in contract liabilities	(37,762)	(18,372)
Change in accruals and other payables	1,551	4,425
Cash used in operating activities	(106,501)	(144,916)
Income tax paid	(10,554)	(15,174)
Interest received	39,137	13,944
Lease interests paid	(311)	(495)
<b>Net cash used in operating activities</b>	<b>(78,229)</b>	<b>(146,641)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
<b>Cash flows from investing activities</b>		
Placement of restricted bank deposits	(302)	(892)
Release of restricted bank deposits	892	—
Placement of time deposits	(139,575)	(30,000)
Release of time deposits	40,000	10,000
Purchases of property and equipment	(915)	(5,020)
Proceeds from disposals of property and equipment	23	168
Purchases of intangible assets	(1,958)	(6,280)
Purchases of investments at fair value through profit or loss	(383,000)	(30,000)
Settlement of investments at fair value through profit or loss	339,463	351,333
Prepayments for purchases of property and equipment and intangible assets	(5,886)	(25,260)
Proceeds from written off of prepayments for purchases of intangible assets	8,962	—
<b>Net cash (used in)/generated from investing activities</b>	<b>(142,296)</b>	<b>264,049</b>
<b>Cash flows from financing activities</b>		
Repayment of lease liabilities	(8,003)	(7,911)
Payments for repurchase of ordinary shares	—	(81,973)
<b>Net cash used in financing activities</b>	<b>(8,003)</b>	<b>(89,884)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(228,528)</b>	<b>27,524</b>
Effect of foreign exchange rate changes	(27,885)	7,147
Cash and cash equivalents at the beginning of the year	777,962	743,291
<b>Cash and cash equivalents at the end of the year</b>	<b>521,549</b>	<b>777,962</b>
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	521,549	777,962

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 1. General information

FingerTango Inc. (the “Company”) was incorporated in the Cayman Islands on 9 January 2018 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is 40/F, Sunlight Tower, 248 Queen’s Road East, Wanchai, Hong Kong. Subsequent to the end of the reporting period, its principal place of business in Hong Kong has been updated to 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong on 8 March 2021. The address of its headquarters is 3/F, Huixin Building, 1132 Zhongshan Avenue West, Tianhe District, Guangzhou, the People’s Republic of China (the “PRC”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of the subsidiaries of the Company is set out in note 20 to the consolidated financial statements.

In the opinion of the directors of the Company (the “Directors”), as at 31 December 2020, LJ Technology Holding Limited, a company incorporated in the British Virgin Islands (“BVI”), is the ultimate holding company; and Mr. Liu Jie is the ultimate controlling party of the Company.

## 2. Adoption of new and revised International Financial Reporting Standards

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Significant accounting policies

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

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

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

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

### Consolidation

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

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

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

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

## 3. Significant accounting policies (continued)

### Foreign currency translation

#### (a) Functional and presentation currency

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

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

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

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

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

#### (c) Translation on consolidation

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Significant accounting policies (continued)

### Property and equipment

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

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

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

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

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

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

### Leases

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

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

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

## 3. Significant accounting policies (continued)

### Research and development expenditure

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

### Licenses

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

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Significant accounting policies (continued)

### Financial assets

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

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

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

#### (a) Financial assets at amortised cost

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

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

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

#### (b) Investments at fair value through profit or loss

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

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

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Significant accounting policies (continued)

### Share-based payment (continued)

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

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

### Government grants

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

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

### Taxation

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

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

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

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

## 3. Significant accounting policies (continued)

### Taxation (continued)

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

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

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

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

### Segment reporting

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Significant accounting policies (continued)

### Events after the reporting period

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

## 4. Critical judgement and key estimates

### Critical judgement in applying accounting policies

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

#### **Contractual Arrangements**

The Group conducts its business through Shanghai Youmin Networks Technology Limited 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 judgement and key estimates (continued)

### Key sources of estimation uncertainty

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

#### (a) Revenue recognition

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

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

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

#### (c) Income taxes

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. Critical judgement and key estimates (continued)

### Key sources of estimation uncertainty (continued)

#### (d) Impairment loss for bad and doubtful debts

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

#### (e) Fair value of investments

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

## 5. Financial risk management

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

### (a) Foreign currency risk

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

As at 31 December 2020, if RMB had weakened/strengthened 5% against USD with all other variables held constant, consolidated profit after income tax for the year would have been RMB1,714,000 (2019: RMB3,844,000) higher/lower, arising mainly as a result of the foreign exchange gains/losses on translation of USD denominated cash and cash equivalents and receivables of the subsidiaries of the Company in the PRC.

## 5. Financial risk management (continued)

### (b) Price risk

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

As at 31 December 2020, if the fair value of the investments increase/decrease by 5%, profit before income tax for the year would have been RMB7,390,000 (2019: RMB5,168,000) higher/lower, arising as a result of the fair value gain/loss of the investments.

### (c) Credit risk

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5. Financial risk management (continued)

### (c) Credit risk (continued)

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5. Financial risk management (continued)

### (c) Credit risk (continued)

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

### (d) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000
<b>At 31 December 2020</b>		
Trade payables	39,075	—
Accruals and other payables	8,655	—
Lease liabilities	3,348	378
	<b>51,078</b>	<b>378</b>
<b>At 31 December 2019</b>		
Trade payables	69,043	—
Accruals and other payables	10,806	—
Lease liabilities	7,211	1,405
	<b>87,060</b>	<b>1,405</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5. Financial risk management (continued)

### (e) Interest rate risk

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

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

### (f) Categories of financial instruments at 31 December

	2020	2019
	RMB'000	RMB'000
<b>Financial assets:</b>		
Investments at fair value through profit or loss	147,792	103,351
Financial assets at amortised cost (including cash and cash equivalents)	1,307,418	1,250,959
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	47,730	79,849

### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 6. Fair value measurements (continued)

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

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

Fair value measurements using level 3:

Description	2020 RMB'000	2019 RMB'000
<b>Recurring fair value measurements:</b>		
Investments at fair value through profit or loss		
– Unlisted wealth management products	136,792	95,321
– Private equity investments	11,000	8,030
	<b>147,792</b>	<b>103,351</b>

(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
At 1 January 2020	103,351
Total gains or losses recognised	
– in profit or loss (#)	6,024
– in other comprehensive income	–
Additions	383,000
Settlements	(339,463)
Currency translation differences	(5,120)
At 31 December 2020	147,792
(#) Include gains or losses for assets held at the end of the reporting period	1,339

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 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 the end of the reporting period	4,955	—	4,955

The total gains or losses recognised in other comprehensive income are presented in equity investments 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 the end of the reporting period are presented in other losses/gains, net in the consolidated statement of profit or loss and other comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 2020

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

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

### Level 3 fair value measurements

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 2020 (continued)

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

Note: The fair value of certain unlisted wealth management product as at 31 December 2020 has been arrived at on the basis of a valuation carried out on those dates by Ravia Global Appraisal Advisory Limited (2019: Ravia Global Appraisal Advisory Limited), an independent qualified professional valuer not connected to the Group.

There were no changes in the valuation techniques used.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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.

	2020	2019
	RMB'000	RMB'000
Self-publishing	392,488	548,785
Co-publishing	355,746	502,352
<b>Total revenue</b>	<b>748,234</b>	<b>1,051,137</b>
<b>Disaggregation of revenue from contracts with customers:</b>		
<u>Timing of revenue recognition</u>		
Over time	748,234	1,051,137

### Game publishing service revenue

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

#### (i) Principal-Agent consideration

##### Third party developed games

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 7. Revenue and segment information (continued)

### Game publishing service revenue (continued)

#### (i) Principal-Agent consideration (continued)

##### Third party developed games (continued)

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

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

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

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

## 7. Revenue and segment information (continued)

### Game publishing service revenue (continued)

#### (i) Principal-Agent consideration (continued)

##### Commissioned-developed games

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

#### (ii) Timing of revenue recognition

##### Third party developed games

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

##### Commissioned-developed games

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 7. Revenue and segment information (continued)

### Revenue from major customers:

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (2019: 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 2020:

	2020	2019
Game developer a	43.0%	28.9%
Game developer b	16.6%	18.6%
Game developer c	16.3%	20.2%

## 8. Other income

	2020 RMB'000	2019 RMB'000
Government grants	7,957	12,249
Others	4	116
	7,961	12,365

## 9. Other (losses)/gains, net

	2020 RMB'000	2019 RMB'000
Changes in fair value of investments at fair value through profit or loss	6,024	8,451
Loss on disposals of property and equipment	(65)	(74)
Net foreign exchange (losses)/gains	(6,458)	2,535
Others	(137)	—
	(636)	10,912

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 10. Interest revenue

	2020	2019
	RMB'000	RMB'000
Interest revenue from bank balances	13,508	13,944
Interest revenue from loans to third parties	17,404	498
Interest revenue from notes receivables	15,496	—
	46,408	14,442

## 11. Finance costs

	2020	2019
	RMB'000	RMB'000
Lease interests	311	495

## 12. Income tax expense

	2020	2019
	RMB'000	RMB'000
Current tax — PRC Enterprise Income Tax (“EIT”) and other jurisdictions	16,653	5,363
Deferred tax (note 31)	4,919	(527)
	21,572	4,836

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Company in the PRC is 25% (2019: 25%).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 12. Income tax expense (continued)

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 50% reduction in the applicable tax rates for the next three years from year 2019, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

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

Guangzhou Miyuan Networks Technology Co., Limited (“Miyuan Networks”) was qualified as “High and New Technology Enterprises” under the EIT Law since year 2016. Accordingly, it was entitled to a preferential tax rate of 15% for a 3-year period. Miyuan Networks was re-entitled as “High and New Technology Enterprises” under the EIT Law in year 2019. Accordingly, the applicable tax rate was 15% for the year ended 31 December 2020.

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

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:

	2020	2019
	RMB'000	RMB'000
Profit before income tax	149,211	43,548
Tax at the weighted average tax rate	36,026	10,092
Tax effect of expenses not deductible for tax purpose	7,441	11,305
Tax effect of tax losses not recognised	9,792	3,848
Preferential tax rates applicable to certain subsidiaries of the Company	(31,687)	(20,409)
Income tax expense	21,572	4,836

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 13. Profit for the year

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

	2020	2019
	RMB'000	RMB'000
Amortisation of licenses (included in cost of revenue)	4,663	2,760
Amortisation of other intangible assets (included in administrative expenses)	139	151
Depreciation	13,156	13,827
Directors' emoluments (note 14)		
— As Directors	1,348	1,382
— For management	5,514	12,112
	<b>6,862</b>	13,494
Loss on disposals of property and equipment	65	74
Research and development expenses	58,470	63,312
Auditor's remuneration		
— Audit services	3,214	3,190
— Non-audit services	680	—
	<b>3,894</b>	3,190
Impairment on intangible assets (included in cost of revenue)	—	890
Loss allowance provision for trade receivables (included in administrative expenses)	120	860
Impairment on prepayments for purchase of licenses and to game developers (included in administrative expenses)	25,357	17,557
Provision for expected credit losses of notes and other receivables (included in administrative expenses)	14,041	—
Staff costs including Directors' emoluments		
— Wages, salaries and bonuses	87,258	75,607
— Pension costs — defined contribution plans	863	5,367
— Social security costs, housing benefits and other employee benefits	8,865	9,820
— Share-based payments expenses	8,172	32,505
	<b>105,158</b>	123,299

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

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

Notes:

- (i) Share-based payments expenses are related with the RSUs granted to certain directors, which are vested during the year. The estimated money value of vested RSUs is calculated as the difference between the market price of the shares on the day of vesting and the price paid, if any, for the shares.
- (ii) Mr. Liu Jie is the chief executive officer of the Company.
- (iii) Appointed on 19 June 2019.
- (iv) Appointed on 13 January 2020.
- (v) Resigned on 19 June 2019.
- (vi) Resigned on 12 December 2019.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 14. 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 2020 (2019: nil).

### (c) Five highest paid employees

The five highest paid employees of the Group during the year included 3 (2019: 2) Directors whose emoluments are set out in note 14(a) to the consolidated financial statements. Details of the emoluments for the year of the remaining 2 (2019: 3) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	1,778	2,210
Pension costs — defined contribution plans	5	98
Social security costs, housing benefits and other employee benefits	76	125
Share-based payments expenses	5,727	15,657
	<b>7,586</b>	<b>18,090</b>

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

	Number of individuals	
	2020	2019
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$3,500,001 to HK\$4,000,000	—	2
HK\$6,500,001 to HK\$7,000,000	1	—
HK\$13,000,001 to HK\$13,500,000	—	1
	<b>2</b>	<b>3</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 15. Dividend

No dividends was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed at the end of the reporting period (2019: nil).

## 16. Earnings per share

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

	2020	2019
	RMB'000	RMB'000
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	127,639	38,712
	2020	2019
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,889,823,001	1,897,892,453
Adjustments for unvested RSUs	6,479,985	16,992,572
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,896,302,986	1,914,885,025



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 17. Property and equipment

	Servers and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>Cost</b>				
At 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 and 1 January 2020	<b>8,474</b>	<b>9,766</b>	<b>5,013</b>	<b>23,253</b>
Additions	<b>1,033</b>	<b>1,818</b>	<b>299</b>	<b>3,150</b>
Disposals	<b>(688)</b>	<b>—</b>	<b>—</b>	<b>(688)</b>
At 31 December 2020	<b>8,819</b>	<b>11,584</b>	<b>5,312</b>	<b>25,715</b>
<b>Accumulated depreciation</b>				
At 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 and 1 January 2020	<b>4,000</b>	<b>5,515</b>	<b>3,580</b>	<b>13,095</b>
Charge for the year	<b>2,205</b>	<b>2,393</b>	<b>828</b>	<b>5,426</b>
Disposals	<b>(600)</b>	<b>—</b>	<b>—</b>	<b>(600)</b>
At 31 December 2020	<b>5,605</b>	<b>7,908</b>	<b>4,408</b>	<b>17,921</b>
<b>Carrying amount</b>				
<b>At 31 December 2020</b>	<b>3,214</b>	<b>3,676</b>	<b>904</b>	<b>7,794</b>
At 31 December 2019	4,474	4,251	1,433	10,158

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 18. Leases and right-of-use assets

Disclosures of lease-related items:

At 31 December	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
— Buildings	3,874	8,262
Lease commitments of leases not yet commenced (other than short-term leases)	5,047	—
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Less than 1 year	3,348	7,211
— Between 1 and 2 years	378	1,405
	3,726	8,616
Year ended 31 December	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	7,730	8,024
Lease interests	311	495
Expenses related to short-term leases	918	513
Total cash outflow for leases	9,232	8,919
Additions to right-of-use assets	4,751	6,998

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 19. Intangible assets

	Licenses RMB'000	Others RMB'000	Total RMB'000
<b>Cost</b>			
At 1 January 2019	11,259	916	12,175
Additions	5,797	483	6,280
At 31 December 2019 and 1 January 2020	<b>17,056</b>	<b>1,399</b>	<b>18,455</b>
Additions	<b>1,887</b>	<b>71</b>	<b>1,958</b>
Written off	<b>(1,262)</b>	<b>—</b>	<b>(1,262)</b>
At 31 December 2020	<b>17,681</b>	<b>1,470</b>	<b>19,151</b>
<b>Accumulated amortisation and impairment losses</b>			
At 1 January 2019	6,526	33	6,559
Amortisation for the year	2,760	151	2,911
Impairment	890	—	890
At 31 December 2019 and 1 January 2020	<b>10,176</b>	<b>184</b>	<b>10,360</b>
Amortisation for the year	<b>4,663</b>	<b>139</b>	<b>4,802</b>
Written off	<b>(1,262)</b>	<b>—</b>	<b>(1,262)</b>
At 31 December 2020	<b>13,577</b>	<b>323</b>	<b>13,900</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>4,104</b>	<b>1,147</b>	<b>5,251</b>
At 31 December 2019	6,880	1,215	8,095

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 20. Subsidiaries

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

Particulars of the principal subsidiaries of the Company as at 31 December 2020 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up/ registered capital	Percentage of ownership interest/voting power/profit sharing		Principal activities
			2020 and 2019		
			Direct	Indirect	
FT Entertainment Limited	BVI	USD100	100%	—	Investment holding
Finger Tango Interactive (HK) Limited	Hong Kong	HK\$10	—	100%	Investment holding
Binyou Networks	The PRC	RMB15,000,000	—	100%	Technical support and development services
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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 20. Subsidiaries (continued)

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

Pursuant to the Contractual Arrangements among Binyou Networks, 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.

## 21. Investments at fair value through profit or loss

	2020 RMB'000	2019 RMB'000
Unlisted wealth management products	136,792	95,321
Investments in private companies	11,000	8,030
Total investments at fair value through profit or loss	147,792	103,351
Analysed as:		
Non-current assets	67,328	103,351
Current assets	80,464	—
	147,792	103,351

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 22. 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.

	2020	2019
	RMB'000	RMB'000
Trade receivables	53,850	75,955
Provision for loss allowance	(814)	(860)
Carrying amount	53,036	75,095

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

	2020	2019
	RMB'000	RMB'000
0 to 1 month	23,291	31,834
1 month to 3 months	20,771	36,742
3 months to 6 months	8,819	6,323
6 months to 1 year	155	196
	53,036	75,095

Reconciliation of loss allowance for trade receivables:

	2020	2019
	RMB'000	RMB'000
At 1 January	860	3,942
Increase in loss allowance for the year	120	860
Amounts written off	(166)	(3,942)
At 31 December	814	860

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 22. 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
<b>At 31 December 2020</b>						
Weighted average expected loss rate	0%	0%	0%	0%	46%	
Receivable amount (RMB'000)	25,656	11,140	7,638	7,653	1,763	53,850
Loss allowance (RMB'000)	—	—	—	—	814	814
<b>At 31 December 2019</b>						
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

### 23. Contract costs and liabilities

Disclosures of revenue-related items:

At 31 December	2020 RMB'000	2019 RMB'000
Contract costs — costs to obtain contracts for game publishing	32,255	42,126

At	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Contract liabilities — game publishing	88,855	126,617	144,989
Contract receivables (included in trade receivables)	53,036	75,095	163,760

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 23. Contract costs and liabilities (continued)

	2020	2019
	RMB'000	RMB'000
Transaction prices allocated to performance obligations unsatisfied at the end of the year and expected to be recognised as revenue in the year ended 31 December:		
– 2020	N/A	126,617
– 2021	88,855	–
	88,855	126,617

Year ended 31 December	2020	2019
	RMB'000	RMB'000
Revenue recognised in the year that was included in contract liabilities at the beginning of the year	126,617	144,989

Significant changes in contract liabilities during the year:

	2020	2019
	RMB'000	RMB'000
Increase due to operations in the year	600,442	872,059
Transfer of contract liabilities to revenue	(638,204)	(890,431)

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 24. Prepayments and deposits

	2020	2019
	RMB'000	RMB'000
<b>Included in non-current assets</b>		
Prepayments for purchase of licenses	39,552	47,488
Rental and other deposits	1,360	1,856
	40,912	49,344
Less: provision for impairment	(19,301)	(22,274)
	21,611	27,070
<b>Included in current assets</b>		
Prepayments for promotion expenses	55,149	52,559
Prepayments to game developers	18,878	29,036
Prepayments to game design	30,384	—
Prepayments for investments	—	47,166
Rental and other deposits	605	4,921
	105,016	133,682
Less: provision for impairment	(16,618)	(849)
	88,398	132,833

Reconciliation of provision for impairment:

	2020	2019
	RMB'000	RMB'000
At 1 January	23,123	7,453
Increase in impairment loss for the year	25,357	17,557
Amounts written off	(12,561)	(1,887)
At 31 December	35,919	23,123

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 25. Other receivables

	2020	2019
	RMB'000	RMB'000
Input value-added tax to be deducted	4,918	11,133
Interest receivables	10,247	3,260
Loans to third parties (note)	381,738	126,308
Receivables from game developers	8,275	—
Others	13,956	16,715
	<b>419,134</b>	157,416
Less: provision for expected credit losses	<b>(11,402)</b>	—
	<b>407,732</b>	157,416

Note: The balance comprises loans to third parties bearing interest ranging from 3% to 15% (2019: 0% to 12%) per annum. Loans to third parties of RMB84,160,000 are guaranteed by certain shares held by third parties. All of the loans are expected to be recovered within one year.

Reconciliation of provision for expected credit losses:

	RMB'000
At 1 January 2019, 31 December 2019 and 1 January 2020	—
Increase in provision for expected credit losses for the year	11,747
Exchange differences	(345)
<b>At 31 December 2020</b>	<b>11,402</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 26. Notes receivables

Notes receivables is secured by way of a charge on receivables owed to a third party and trade receivables owed to a company incorporated in Hong Kong with limited liability which is ultimately controlled by the shareholder of the third party. The interest rate is 7% per annum and it is matured within 1 year.

	2020	2019
	RMB'000	RMB'000
Notes receivables	210,400	223,950
Less: provision for expected credit losses	(2,223)	—
Carrying amount	208,177	223,950

Reconciliation of provision for expected credit losses:

	RMB'000
At 1 January 2019, 31 December 2019 and 1 January 2020	—
Increase in provision for expected credit losses for the year	2,294
Exchange differences	(71)
<b>At 31 December 2020</b>	<b>2,223</b>

## 27. Restricted bank deposits, time deposits and bank and cash balances

The Group's bank deposits represented deposits to banks. The deposits are in USD, HK\$ and RMB and at fixed interest rates from 1.6% to 4.18% (2019: from 1.65% to 4.18%) per annum and therefore are subject to foreign currency risk and fair value interest rate risk.

As at 31 December 2020, the bank and cash balances of the Group denominated in RMB amounted to RMB438,288,000 (2019: RMB382,070,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 28. Trade payables

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

	2020 RMB'000	2019 RMB'000
0 to 1 month	11,006	14,773
1 month to 3 months	18,202	30,382
3 months to 6 months	7,680	21,575
6 months to 1 year	1,579	1,996
Over 1 year	608	317
	<b>39,075</b>	<b>69,043</b>

## 29. Accruals and other payables

	2020 RMB'000	2019 RMB'000
Salary and staff welfare payables	35,672	32,606
Other tax payables	3,386	2,815
Promotion fee payables	2,321	3,970
Others	6,334	6,836
	<b>47,713</b>	<b>46,227</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 30. Lease liabilities

	Lease payments		Present value of lease payments	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	3,348	7,211	3,294	7,124
Over one year but within five years	378	1,405	331	1,251
	<b>3,726</b>	8,616	<b>3,625</b>	8,375
Less: Future finance charge	(101)	(241)		
Present value of lease liabilities	<b>3,625</b>	8,375		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,294)	(7,124)
Amount due for settlement after 12 months			<b>331</b>	1,251

As at 31 December 2020, the average effective borrowing rate was 4.75% (2019: 4.75%) per annum. 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	Contract liabilities	Provisions and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 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 and 1 January 2020	<b>(10,258)</b>	<b>30,945</b>	<b>7,469</b>	<b>28,156</b>
Credit/(charge) to profit or loss	<b>2,352</b>	<b>(9,119)</b>	<b>1,848</b>	<b>(4,919)</b>
<b>At 31 December 2020</b>	<b>(7,906)</b>	<b>21,826</b>	<b>9,317</b>	<b>23,237</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 31. Deferred tax (continued)

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

	2020 RMB'000	2019 RMB'000
Deferred tax liabilities	(7,906)	(10,258)
Deferred tax assets	31,143	38,414
Deferred tax assets (after offset)	23,237	28,156

At the end of the reporting period, the Group did not recognise deferred tax assets of RMB14,242,000 (2019: RMB4,810,000) in respect of losses amounting to RMB56,969,000 (2019: RMB19,238,000) that can be carried forward against future taxable income. These tax losses will expire in year 2021 to 2025 (2019: 2020 to 2024).

## 32. Share capital

	Number of ordinary shares '000	Amount USD'000
<b>Authorised:</b> Ordinary shares of USD0.000005 (2019: USD0.000005) each		
<b>At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020</b>	<b>10,000,000</b>	<b>50</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 32. Share capital (continued)

	Number of ordinary shares '000	Amount RMB'000
<b>Issued and fully paid:</b>		
Ordinary shares of USD0.000005 (2019: USD0.000005) each		
At 1 January 2019	1,990,082	65
Repurchase and cancellation of ordinary shares (note)	(58,695)	(3)
<b>At 31 December 2019, 1 January 2020 and 31 December 2020</b>	<b>1,931,387</b>	<b>62</b>

Note: 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 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 shares at an average price of HK\$1.47 for an aggregate consideration of HK\$93,398,000 (equivalent to RMB81,973,000) under this share repurchase plan, among which 50,335,000 shares had been cancelled and 13,299,000 shares are not cancelled.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stakeholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital) by regularly reviewing the capital structure. As a part of this review, the Directors consider the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In the opinion of the Directors, the Group's capital risk is low.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 33. Statement of financial position of the Company

	2020	2019
	RMB'000	RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	556,802	549,293
Investments at fair value through profit or loss	56,328	95,321
<b>Total non-current assets</b>	<b>613,130</b>	644,614
<b>Current assets</b>		
Prepayments, deposits and other receivables	138,926	134,221
Notes receivables	208,177	223,950
Amounts due from subsidiaries	216,503	197,532
Bank and cash balances	101,359	104,502
<b>Total current assets</b>	<b>664,965</b>	660,205
<b>TOTAL ASSETS</b>	<b>1,278,095</b>	1,304,819
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	62	62
Reserves	1,264,405	1,295,897
<b>Total equity</b>	<b>1,264,467</b>	1,295,959
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accruals and other payables	2,773	—
Amounts due to subsidiaries	8,860	8,860
Current tax liabilities	1,995	—
<b>Total liabilities</b>	<b>13,628</b>	8,860
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,278,095</b>	1,304,819



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34. Reserves

### (a) The Group

	Share- based payments reserve RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000	Equity investments revaluation reserve RMB'000	Total RMB'000
At 1 January 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
At 1 January 2020	138,551	16,903	43,287	(8,400)	190,341
Currency translation difference	—	—	(45,699)	—	(45,699)
Share-based payments (note 35)	9,791	—	—	—	9,791
Forfeit of RSUs	(1,619)	—	—	—	(1,619)
At 31 December 2020	146,723	16,903	(2,412)	(8,400)	152,814

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34. Reserves (continued)

### (b) The Company

	Share premium	Shares held for RSU Scheme	Reserves	(Accumulated losses)/ profits retained	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	(81,970)	—	—	—	(81,970)
Share-based payments	—	—	33,498	—	33,498
Forfeit of RSUs	—	—	(993)	—	(993)
At 31 December 2019	712,720	(2)	581,775	1,404	1,295,897
At 1 January 2020	<b>712,720</b>	<b>(2)</b>	<b>581,775</b>	<b>1,404</b>	<b>1,295,897</b>
Total comprehensive (expense)/income for the year	—	—	(46,283)	6,619	(39,664)
Share-based payments	—	—	9,791	—	9,791
Forfeit of RSUs	—	—	(1,619)	—	(1,619)
At 31 December 2020	<b>712,720</b>	<b>(2)</b>	<b>543,664</b>	<b>8,023</b>	<b>1,264,405</b>

### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34. Reserves (continued)

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

#### (ii) Share-based payments reserve

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

#### (iii) Shares held for the RSU Scheme

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

#### (iv) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the Articles of Association of subsidiaries located in the PRC, it is required to appropriate 10% of the annual statutory net profits after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital. As at 31 December 2017, the balance of the statutory surplus reserve fund of all profitable subsidiaries had reached 50% of the share capital. The Group did not make any further appropriation for the years ended 31 December 2020 and 2019.

#### (v) Foreign currency translation reserve

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

#### (vi) Equity investments revaluation reserve

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 35. Share-based payments transactions

On 28 February 2018, the Company's shareholders approved the establishment of the RSU Scheme and the Company appointed The Core Trust Company Limited as the trustee to assist with the administration of the RSU Scheme. Under the RSU Scheme, the maximum number of shares which may be granted is 75,000,000. No RSUs were granted to employees of the Group during the year ended 31 December 2020 (2019: nil).

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

	2020		2019	
	Number of RSUs	Weighted average fair value RMB	Number of RSUs	Weighted average fair value RMB
At 1 January	20,668,023	2.13	39,782,376	2.13
Forfeited during the year	(766,666)	2.11	(1,730,220)	2.15
Vested during the year	(15,608,023)	2.13	(17,384,133)	2.13
At 31 December	4,293,334	2.11	20,668,023	2.13

For the year ended 31 December 2020, the Group recognised share-based payments expenses of RMB8,172,000 (2019: RMB32,505,000), which has been charged to the consolidated statement of profit or loss and other comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 2019	9,288
Changes in cash flows	(7,911)
Non-cash changes	
— Additions	6,998
At 31 December 2019 and 1 January 2020	<b>8,375</b>
Changes in cash flows	<b>(8,003)</b>
Non-cash changes	
— Additions	<b>4,751</b>
— Disposals	<b>(1,498)</b>
<b>At 31 December 2020</b>	<b>3,625</b>

## 37. Contingent liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: nil).

## 38. Capital commitments

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

	2020 RMB'000	2019 RMB'000
Intangible assets		
— Contracted but not provided for	<b>19,757</b>	13,087

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 39. Related party transactions

### (a) Key management personnel compensations

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

	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	8,753	7,727
Pension costs — defined contribution plans	19	229
Social security costs, housing benefits and other employee benefits	264	292
Share-based payments expenses	5,973	18,026
	<b>15,009</b>	<b>26,274</b>

- (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.

## 40. Events after the reporting period

During the period from 10 March 2021 to 15 March 2021 (both dates inclusive), the Group acquired on the open market a total of 16,962,000 ordinary shares ("CGII Shares") of China Gas Industry Investment Holdings Co. Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange at an aggregate consideration of approximately HK\$67,876,200 (exclusive of transaction costs) at an average price of approximately HK\$4.00 per CGII Share. For details of the acquisitions of listed securities, please refer to the announcement of the Company dated 15 March 2021.

## 41. Approval of consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2021.

# Glossary

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

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS(s)”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standard Board
“KW Technology”	KW Technology Holding Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Wang Zaicheng
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	The date which dealings in Shares first commence on the Stock Exchange, i.e. 12 July 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LJ Technology”	LJ Technology Holding Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Mr. Liu Jie
“LNN Holding”	LNN Holding Limited, an exempted company incorporated in the BVI on 8 January 2018 with limited liability, which was established and wholly-owned by Ms. Li Nini
“Prospectus”	the prospectus dated 12 July 2018 issued by the Company
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Registered Shareholders”	direct shareholders of Youmin Networks, being Mr. Liu Jie, Mr. Zhu Yanbin, Mr. Wu Junjie, Zhuhai Sangu and Zhuhai Jugu
“Reporting Period”	for the year ended 31 December 2020
“RSU(s)”	restricted share units or any one of them
“RUS Scheme”	The RSU scheme approved and conditionally adopted by the Shareholders on 28 February 2018, the principal terms of which are set out in “Statutory and General Information — D. RSU Scheme and Share Option Scheme — 1. RUS Scheme” in Appendix IV to the Prospectus



## Glossary

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