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FingerTango Inc.

指尖悅動控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6860)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “**Board**”) of FingerTango Inc. (the “**Company**”) is pleased to announce that the audited consolidated results (the “**Annual Results**”) of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended 31 December 2023 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2022. The Annual Results have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and have been audited by CWK CPA Limited (“**CWK**”), the independent auditor of the Company, in accordance with International Standards on Auditing, and reviewed and approved by the Company’s audit committee together with the management of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

According to the China Gaming Industry Report for 2023 (《2023年中國遊戲產業報告》) issued by the Game Publishers Association Publications Committee (GPC) (中國音數協遊戲工委) of the China Audio-video and Digital Publishing Association (中國音像與數字出版協會) and China Game Industry Research Institute (中國遊戲產業研究院), China’s game industry saw a rebound from pressure, with a remarkable upward trend for market revenue amid the sluggish global game industry. In 2023, the actual sales revenue from China’s gaming market was Renminbi (“**RMB**”)302.96 billion, representing an increase of 13.95% year-on-year and breaking through the 300 billion mark for the first time. The actual sales revenue from China’s mobile game market, which accounting for approximately three quarters of the whole gaming market in China, was RMB226.86 billion, representing an increase of 17.5% year-on-year. The main reasons for the year-on-year increase and

new high achieved in sales revenue from China's gaming market include: 1) many negative factors during the pandemic have subsided significantly, and users' willingness and ability to consume have rebounded; 2) new game products were launched in a centralized manner and there were certain hit games, which, together with long-term operation products, supported revenue growth; and 3) the widespread use of multi-terminal publication has significantly contributed to revenue growth.

In 2023, revenue of independently developed games generated from overseas markets was US\$16.37 billion, representing a decrease of approximately 5.7% year-on-year, which reflected the difficulty of developing in overseas markets and the increase in operating costs due to factors such as turbulent international situation, fierce market competition, and changes in privacy policies. Simulation games ("SLG") came out top in terms of revenue of independently developed games generated from overseas markets, accounting for approximately 40.3%.

In 2023, the number of gamers in China reached 670 million, representing a slight increase of 0.9% year-on-year; among which, the number of mobile gamers reached approximately 660 million, representing a slight increase of 0.4% year-on-year. In 2023, the regulatory authorities continued to take strict management measures on the protection of minors and the anti-addiction work of online games, which promoted the standardized management of the game industry, effectively improved the problem of excessive gaming among minors and made the user structure more healthy and reasonable.

In 2023, there are 1,075 games with publication license approved by the National Press and Publication Administration (NPPA). The number of approvals for games with publication license was gradually normalized.

BUSINESS REVIEW

During the Reporting Period, the Group recorded total revenue of approximately RMB646.1 million, a decrease of approximately 22.4% as compared to the corresponding period of last year. Decrease in revenue was mainly attributable to (i) a natural drop of revenue from the classic games which have been in operation and are in their mature stage; (ii) certain pipeline games of the Group were not launched as scheduled during the Reporting Period as we made strategic adjustment and planning in the launch of our new games; and (iii) uncertain outcome of advertising and promotion activities.

During the Reporting Period, the Group recorded a profit of approximately RMB6.8 million, as compared to a loss of approximately RMB139.4 million in the corresponding period of last year. The change was primarily due to (i) decrease in selling and marketing expenses as we engaged in less advertising and promotion activities during the Reporting Period; and (ii) increase in other income and gains.

In view of the market conditions, we have made strategic adjustment and planning in the launch of our new games, and have been conducting comprehensive tests for the new games launched during the Reporting Period. Deep optimization customizing to the players' evolving preferences was also conducted to ensure their sound performance in the market upon official launch. On the other hand, new games launched by the Group during the Reporting Period are still in the promotion period and the stage of incubation of player base.

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

During the Reporting Period, we have seen increased user stickiness as the monthly active users (MAUs) reached 3.4 million, representing a growth of 32.3% as compared to the corresponding period of last year. As at 31 December 2023, the total number of accumulative registered users maintained a steady growth and reached 231.8 million, representing a growth of 13.5% as compared to that of 31 December 2022. The enormous user base enables us to better understand player preferences and market changes through strong data analytics ability, so as to launch new games with higher popularity in the market, and to conduct targeted marketing with more cost-effective strategies.

OUTLOOK FOR 2024

The current approval policy of online game publication and increasingly strict license censorship for games launched in China will result in a more regulated game industry. Specifically, the limitation on approval has driven game developers and operators to be more innovative, producing more premium products. Due to the lagging effect of policies, it will take a certain time for the game industry to adjust their strategies and operations before the growth momentum is gradually unleashed in future.

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

In 2024, we will continue to implement our business strategy of strengthening our game sourcing capabilities and expanding our game portfolio. We will continue to (i) identify and evaluate opportunities to invest in third-party game developers, so as to obtain the right of first refusal on games developed by such game developers; and (ii) acquire rights to develop games based on popular or mainstream contents licensed from third parties.

We are in discussions with potential partners regarding investment opportunities and access to game contents.

We are conducting comprehensive tests for the new games to be launched in 2024 while optimizing product launch strategies and plans. Over the years, we have accumulated an immense user database. We will continue to leverage our big data analytics ability with our proprietary multi-dimensional data analysis engine which collates and structures our data in a variety of ways for ad-hoc analysis and real-time on-line analysis. Moreover, we will enhance gameplay strategies, characters, scenes, technical depth, and other parameters and improve cross-promotion efficacy by analyzing player demographic, gameplay preference, gaming time, level-up, in-game purchase amount and user turnover rate, etc. These initiatives are being performed to ensure sound performance of our games in the market upon official launch.

In the past year, the Group was striving for the sustainable development of business and actively laying a foundation for healthy growth in the future despite the challenges. Looking ahead, we will continue to extend our existing game portfolio and broaden our game category while focusing on the SLG game segment. We will implement the concept of “Premium Game” and strive to create high-quality games. While adhering to the original aspirations with commitment, ambition and perseverance, we will also continue to stride forward against adversity, be so deeply versed and accumulated as to be able to present it with ease, and through which we aspire to turn to a new chapter in the Group’s development.

FINANCIAL PERFORMANCE

Revenue

During the Reporting Period, the Group recorded total revenue of approximately RMB646.1 million, a decrease of approximately 22.4% as compared to the corresponding period of last year. Decrease in revenue was mainly attributable to (i) a natural drop of revenue from the classic games which have been in operation and are in their mature stage; (ii) certain pipeline games of the Group were not launched as scheduled during the Reporting Period as we made strategic adjustment and planning in the launch of our new games; and (iii) uncertain outcome of advertising and promotion activities.

With respect to revenue categorized by method of publication, self-publishing revenue was approximately RMB328.1 million, representing approximately 50.8% of the total revenue. Co-publishing revenue was approximately RMB318.0 million, representing approximately 49.2% of the total revenue.

Cost of Revenue

The cost of revenue in the Reporting Period was approximately RMB274.2 million and decreased by approximately 9.4% or approximately RMB28.5 million as compared to the corresponding period of last year. It was mainly because the decrease in platform sharing charges and the commissions charged by game developers as total revenue in the Reporting Period decreased.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB371.9 million, as compared to approximately RMB529.8 million in the corresponding period of last year. Gross profit margin decreased from approximately 63.6% to approximately 57.6% as compared to the corresponding period of last year, since the magnitude of the decrease in cost is smaller than that of the decrease in revenue.

Selling and Marketing Expenses

The selling and marketing expenses in the Reporting Period were approximately RMB305.7 million, decreased by approximately 25.2% or approximately RMB102.9 million as compared to the corresponding period of last year. It constituted approximately 47.3% of the total revenue, comparing to approximately 49.1% in the corresponding period of last year. The decrease was primarily due to less advertising and promotion activities for certain games.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB51.6 million, representing a decrease of approximately 29.7% or approximately RMB21.9 million as compared to the corresponding period of last year. The change was primarily due to decrease in employee benefit expenses and bad debt loss.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB70.9 million, decreased by approximately 9.5% or approximately RMB7.5 million as compared to the corresponding period of last year. The decrease was primarily attributable to the decrease in employee benefit expenses.

Other Income, Gains and Losses

During the Reporting Period, the Group recorded other income and gains of approximately RMB63.1 million as compared to other losses of approximately RMB106.0 million in the corresponding period of last year. It was mainly attributable to the increase in fair value on investments at fair value through profit or loss and reversal of loss allowance for certain other receivables during the Reporting Period.

Finance Income, net

During the Reporting Period, net finance income (interest revenue less lease interests) was approximately RMB8.1 million, as compare to approximately RMB7.6 million in the corresponding period of last year. The changes was mainly from interest income from other receivables of third parties.

Income Tax Expenses

Income tax expenses recorded approximately RMB8.2 million during the Reporting Period, comparing to approximately RMB10.4 million for the corresponding period last year. It was a consequent result of reduced taxable income.

Profit/(Loss) for the Year

During the Reporting Period, the Group recorded a profit of approximately RMB6.8 million, as compared to a loss of approximately RMB139.4 million in the corresponding period last year. The change was primarily due to (i) decrease in selling and marketing expenses as we engaged in less advertising and promotion activities during the Reporting Period; and (ii) increase in other income and gains.

Liquidity and Source of Funding and Borrowing

As at 31 December 2023, current assets of the Group amounted to approximately RMB825.1 million, including bank and cash balances of approximately RMB534.5 million and other current assets of approximately RMB290.6 million. Bank and cash balances decreased by 21.7% as compared with RMB682.8 million as at 31 December 2022. Current liabilities of the Group amounted to approximately RMB212.4 million, including trade payables and contract liabilities of approximately RMB111.5 million and other current liabilities of approximately RMB100.9 million. As at 31 December 2023, the current ratio (the current assets to current liabilities ratio) of the Group was 3.9, as compared with 3.5 as at 31 December 2022.

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 2023 and the resulting gearing ratio is nil. The Group intends to finance the expansion, investments and business operations with internal resources.

Investments at Fair Value through Profit or Loss

As at 31 December 2023, investments at fair value through profit or loss recorded approximately RMB258.7 million. Details of investments at fair value through profit or loss for the years ended 31 December 2023 are shown as below:

	Fair value as at 31 December 2022 RMB million	Increases for the year ended 31 December 2023 RMB million	Changes in fair value for the year ended 31 December 2023 RMB million	Settlements for the year ended 31 December 2023 RMB million	Currency translation difference for the year ended 31 December 2023 RMB million	Fair value as at 31 December 2023 RMB million
Investments at fair value through profit or loss						
Listed equity securities in Hong Kong [#]	15.6	—	7.2	—	0.3	23.1
Wealth management product:						
Central China Dragon Growth Fund SP7 (中州龍騰增長七號基金)	63.4	—	10.4	—	1.8	75.6
Private equity investment fund Boniu Yuedong (博牛悅動專享私募證券投資基金)	—	40.0	—	—	—	40.0
Investments in private company A	8.0	—	(8.0)	—	—	—
Investments in private company B	0.1	—	(0.1)	—	—	—
Non-capital protected wealth management products (非保本理財產品)						
Placed on:						
Shanghai Pudong Development Bank Co., Ltd.	30.0	150.0	—	(150.0)	—	30.0
Industrial Bank Co., Ltd.	—	120.0	—	(90.0)	—	30.0
China Guangfa Bank Co., Ltd.*	—	90.0	—	(60.0)	—	30.0
CMB Financial Management Co., Ltd.*	30.2	—	(0.2)	(30.0)	—	—
BOCOM Wealth Management Co., Ltd.	—	120.0	—	(90.0)	—	30.0
Total	147.3	520.0	9.3	(420.0)	2.1	258.7

[#] Listed equity securities in Hong Kong primarily included (i) 16,962,000 shares of China Gas Industry Investment Holdings Co. Ltd. (Stock Code: 1940) (“CGII Shares”) acquired on the open market. For further details of the acquisitions of CGII Shares, please refer to the announcement of the Company dated 15 March 2021; and (ii) 8,706,500 shares of New Sparkle Roll International Group Limited (Stock Code: 970) acquired on the open market.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3	646,101	832,510
Cost of revenue		<u>(274,154)</u>	<u>(302,678)</u>
Gross profit		371,947	529,832
Selling and marketing expenses		(305,690)	(408,605)
Administrative expenses		(51,638)	(73,495)
Research and development expenses		(70,910)	(78,367)
Other income, gains and losses	4	<u>63,137</u>	<u>(105,983)</u>
Operating profit/(loss)		6,846	(136,618)
Interest revenue		9,256	9,056
Lease interests		<u>(1,121)</u>	<u>(1,418)</u>
Profit/(loss) before income tax		14,981	(128,980)
Income tax expense	5	<u>(8,207)</u>	<u>(10,374)</u>
Profit/(loss) for the year attributable to owners of the Company	6	<u>6,774</u>	<u>(139,354)</u>
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>1,150</u>	<u>22,865</u>
Other comprehensive income for the year, net of income tax		<u>1,150</u>	<u>22,865</u>
Total comprehensive income/(expense) for the year attributable to owners of the Company		<u><u>7,924</u></u>	<u><u>(116,489)</u></u>
Profit/(loss) per share (RMB)	8		
— Basic		<u><u>0.0036</u></u>	<u><u>(0.0733)</u></u>
— Diluted		<u><u>0.0036</u></u>	<u><u>(0.0733)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment		12,331	12,998
Right-of-use assets		16,025	22,242
Intangible assets		12,748	15,970
Investments at fair value through profit or loss	9	115,501	71,457
Prepayments and deposits	11	10,450	4,923
Other receivables	12	2,377	2,841
Deferred tax assets		17,389	18,681
Total non-current assets		186,821	149,112
Current assets			
Trade receivables	10	80,684	67,238
Contract costs		20,312	24,646
Prepayments and deposits	11	25,146	24,811
Other receivables	12	21,267	29,594
Investments at fair value through profit or loss	9	143,155	75,846
Restricted bank deposits		—	2,213
Bank and cash balances		534,516	682,799
Total current assets		825,080	907,147
TOTAL ASSETS		1,011,901	1,056,259
EQUITY AND LIABILITIES			
Equity			
Share capital	14	62	62
Reserves		785,672	777,748
Total equity		785,734	777,810

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Liabilities			
Current liabilities			
Trade payables	13	44,765	61,408
Contract liabilities		66,769	69,642
Accruals and other payables		65,937	89,480
Lease liabilities		6,416	7,486
Current tax liabilities		28,498	31,353
		<hr/>	<hr/>
Total current liabilities		212,385	259,369
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		13,782	19,080
		<hr/>	<hr/>
Total liabilities		226,167	278,449
		<hr/> <hr/>	<hr/> <hr/>
TOTAL EQUITY AND LIABILITIES		1,011,901	1,056,259
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 Room 1602, 16/F., Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong. The address of its headquarters is Building 5, Zone A, Huaxin Kechuang Island, No. 248 Qiaotou Street, Haizhu District, Guangzhou, the People’s Republic of China (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 principal operating subsidiaries of the Company are the development, operation and publishing of mobile game business in the PRC.

In the opinion of the directors of the Company (the “**Directors**”), as at 31 December 2023, LJ Technology Holding Limited, a company incorporated in the British Virgin Islands (“**BVI**”), is the ultimate holding company; and Mr. Liu Jie is the ultimate controlling party of the Company.

These financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all other amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Self-publishing	328,088	397,399
Co-publishing	318,013	435,111
Total revenue	<u>646,101</u>	<u>832,510</u>

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

Over time	<u>646,101</u>	<u>832,510</u>
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Revenue from major customers:

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (2022: 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 2023:

	2023	2022
Game developer a	72.4%	51.8%
Game developer b	#	20.7%

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

4. OTHER INCOME, GAINS AND LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government grants	3,502	6,579
Changes in fair value on investments at fair value through profit or loss	9,385	(61,000)
Net foreign exchange gains	3,243	683
Reversal of loss allowance (provision) for other receivables (note)	44,788	(51,570)
Others	2,219	(675)
	<u>63,137</u>	<u>(105,983)</u>

Note:

The reversal of loss allowance for other receivables was derived from (i) the repayment of principal amount of loans to third parties, including, the amount of approximately RMB11.1 million from Mosman King Limited, the amount of approximately RMB13.1 million from Brick Heads Limited and the amount of approximately RMB17.1 million from Mr. Sze Ka Ho; and (ii) the repayment of interest receivables of loans to third parties, including, the amount of approximately RMB1.65 million from Mosman King Limited, the amount of approximately RMB0.85 million from Brick Heads Limited and the amount of approximately RMB1.4 million from Mr. Sze Ka Ho.

5. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax — PRC Enterprise Income Tax (“EIT”) and other jurisdictions	6,915	5,806
Deferred tax	1,292	4,568
	<u>8,207</u>	<u>10,374</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Company in the PRC is 25% (2022: 25%).

Shanghai Kaixi Networks Technology Limited (“Kaixi Networks”) and Shanghai Fenyou Networks Technology Limited (“Shanghai Fenyou”), subsidiaries of the Company, were accredited as “Software Enterprise” under the relevant PRC laws and regulations. Kaixi Networks and Shanghai Fenyou are exempted from EIT for two years, followed by 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

Kaixi Networks started to enjoy the 0% preferential tax rate for two years beginning from year 2021, followed by 50% reduction in the applicable tax rates for the next three years, since it has made profit in year 2021.

Shanghai Fenyou started to enjoy the 0% preferential tax rate for two years beginning from year 2023, followed by 50% reduction in the applicable tax rates for the next three years.

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 2023. Accordingly, the applicable tax rate was 15% (2022: 15%) for the year ended 31 December 2023.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. PROFIT/(LOSS) FOR THE YEAR

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Amortisation of licenses (included in cost of revenue)	3,000	4,152
Amortisation of other intangible assets (included in administrative expenses)	1,463	1,417
Depreciation of property and equipment	4,526	5,354
Depreciation of right-of-use assets	6,590	5,321
Research and development expenditure	70,910	78,367
Auditor's remuneration		
— Audit services	2,609	3,165
— Non-audit services	202	201
	<u>2,811</u>	<u>3,366</u>
Loss on written off intangible assets (included in cost of revenue)	—	2,335
Reversal of loss allowance provision for trade receivables (included in administrative expenses)	(2,094)	(3,827)
(Reversal of) impairment on prepayments (included in administrative expenses)	(943)	7,564
(Reversal of) loss allowance provision for other receivables	(44,788)	50,901
Staff costs including Directors' emoluments		
— Wages, salaries and bonuses	91,245	103,286
— Pension costs — defined contribution plans	4,968	5,084
— Social security costs, housing benefits and other employee benefits	6,822	9,509
	<u>103,035</u>	<u>117,879</u>

7. DIVIDEND

No dividends was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2023, nor has any dividend been proposed at the end of the reporting period (2022: nil).

8. PROFIT/(LOSS) PER SHARE

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit/(loss)		
Profit/(loss) for the purpose of calculating basic and diluted loss per share	<u>6,774</u>	<u>(139,354)</u>
	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>1,899,956</u>	<u>1,899,956</u>

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Listed equity securities in Hong Kong	23,155	15,632
Unlisted wealth management products	235,501	123,638
Investments in private companies	<u>—</u>	<u>8,033</u>
Total investments at fair value through profit or loss	<u>258,656</u>	<u>147,303</u>
Analysed as:		
Non-current assets	115,501	71,457
Current assets	<u>143,155</u>	<u>75,846</u>
	<u>258,656</u>	<u>147,303</u>

10. 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.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	81,997	70,645
Provision for loss allowance	(1,313)	(3,407)
	<hr/>	<hr/>
Carrying amount	<u>80,684</u>	<u>67,238</u>

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 1 month	26,978	25,995
1 month to 3 months	45,283	35,240
3 months to 6 months	7,469	5,292
6 months to 1 year	954	711
	<hr/>	<hr/>
	<u>80,684</u>	<u>67,238</u>

11. PREPAYMENTS AND DEPOSITS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Included in non-current assets		
Prepayments for purchase of licenses	29,561	25,004
Rental deposits and others	1,723	1,697
	<u>31,284</u>	<u>26,701</u>
Provision for impairment	(20,834)	(21,778)
	<u>10,450</u>	<u>4,923</u>
Included in current assets		
Prepayments for promotion expenses	54,968	54,623
Prepayments to game developers	14,287	17,582
Prepayments to game design	32	13
Rental deposits and others	841	804
	<u>70,128</u>	<u>73,022</u>
Provision for impairment	(44,982)	(48,211)
	<u>25,146</u>	<u>24,811</u>

12. OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Input value-added tax to be deducted	3,541	3,163
Interest receivables	20,311	23,264
Loans to third parties (<i>note</i>)	361,514	397,894
Receivables from game developers	5,931	5,931
Finance lease receivables	3,485	3,702
Others	10,027	19,639
	<hr/>	<hr/>
	404,809	453,593
Provision for expected credit losses	(381,165)	(421,158)
	<hr/>	<hr/>
	23,644	32,435
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Non-current assets	2,377	2,841
Current assets	21,267	29,594
	<hr/>	<hr/>
	23,644	32,435
	<hr/> <hr/>	<hr/> <hr/>

Note: The balance comprises loans to third parties bearing interest ranging from 3% to 12% (2022: 3% to 12%) per annum (“**p.a.**”). Loans to third parties of RMB90,620,000 (2022: RMB89,330,000) are guaranteed by certain shares held by third parties. All of the loans are expected to be recovered within one year.

13. TRADE PAYABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 1 month	12,160	10,582
1 month to 3 months	23,143	23,962
3 months to 6 months	6,980	15,952
6 months to 1 year	1,187	6,443
Over 1 year	1,295	4,469
	<hr/>	<hr/>
	44,765	61,408
	<hr/> <hr/>	<hr/> <hr/>

14. SHARE CAPITAL

	Number of ordinary shares '000	Amount USD'000
Authorised: Ordinary shares of USD0.000005 (2022: USD0.000005) each At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>10,000,000</u>	<u>50</u>
	Number of ordinary shares '000	Amount RMB'000
Issued and fully paid: Ordinary shares of USD0.000005 (2022: USD0.000005) each At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>1,931,387</u>	<u>62</u>

OTHER INFORMATION

USE OF PROCEEDS

The net proceeds at approximately HK\$967.1 million (the “**Net Proceeds**”) received from the listing of the Company on 12 July 2018 (the “**Listing Date**”) was used and are proposed to be used in a manner consistent with that disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 June 2018. Since the Listing Date and up to 31 December 2023, the utilization of the net proceeds and remaining balance (approximately HK\$401.5 million) are set out below:

	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 2022 HK\$ million	Amount of Net Proceeds utilised during the year ended 31 December 2023 HK\$ million	Amount of the remaining Net Proceeds as at 31 December 2023 HK\$ million
Intended use of the Net Proceeds					
Develop game sourcing capabilities and ensure us to acquire high quality game content	35%	338.5	279.6	(6.1)	273.5
Establish in-house game development team	25%	241.8	139.9	(50.5)	89.4
Fund marketing and promotional activities	20%	193.4	—	—	—
Expand into overseas markets and develop overseas operation	10%	96.7	—	—	—
Working capital and general corporate purposes	10%	96.7	52.7	(14.1)	38.6
Total	100%	967.1	472.2	(70.7)	401.5

The expected timeline for fully utilizing the remaining proceeds is by 2024 and it was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2023 (31 December 2022: Nil).

ANNUAL GENERAL MEETING

The annual general meeting will be held on Friday, 21 June 2024 (the “**Annual General Meeting**”). A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 17 June 2024.

EMPLOYEE REMUNERATION

As at 31 December 2023, the Group had a total of 301 employees, comparing to 361 employees as at 31 December 2022. The total staff costs (including fees, salaries and other allowance for both Directors and other staff) for the Reporting Period were approximately RMB103.0 million (2022: approximately RMB117.9 million). The Group provides employees with competitive remuneration and benefits, and the Group’s remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provide training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team and game operation team to enhance their skill and knowledge.

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

PLEDGE OF ASSETS

As at 31 December 2023, none of the Group's assets was pledged.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

1. As at the date of this announcement, the Company has subscribed for the wealth management products after the Reporting Period as below:
 - (a) On 24 January 2024, Shanghai Youmin Networks Technology Limited* (上海遊民網絡科技有限公司) (“**Shanghai Youmin**”) subscribed for a wealth management product “SPD Wealth Management No. 87 JiJiXin Closed-end Wealth Management Product” managed by SPD Wealth Management Co., Ltd. in the amount of RMB30,000,000 for 106 days with the expected annualised rate of return range of 2.80% to 3.05% per annum. For further details, please refer to the announcement of the Company dated 24 January 2024;
 - (b) On 6 February 2024, Shanghai Youmin subscribed for a wealth management product “Wealth Management Product WenXiangGuShou Daily-opened Selection of BOCOM Wealth Management with 180-day holding period” distributed by China Merchants Bank Co., Ltd. in the amount of RMB30,000,000 for 180 days with the expected annualised rate of return range of 2.90% to 3.50% per annum. For further details, please refer to the announcement of the Company dated 6 February 2024;
 - (c) On 6 February 2024, Shanghai Youmin subscribed for a wealth management product “XingFuTianLi (3 Months) Guaranteed Fixed Return Wealth Investment Product No. 1 of CGB Wealth Management” managed by CGB Wealth Management Co., Ltd. in the amount of RMB30,000,000 for at least three months with the expected annualised rate of return at 3.00% per annum. For further details, please refer to the announcement of the Company dated 6 February 2024;

- (d) On 27 February 2024, Shanghai Youmin subscribed for a wealth management product “CIB Wealth Management Golden Snowball Steady Profit Net Worth Wealth Management Product No. 1, Series A” issued by CIB Wealth Management Co., Ltd.* (興銀理財有限責任公司) in the amount of RMB30,000,000 for 90 days with the expected annualised rate of return at 2.70% to 3.56% per annum. For further details, please refer to the announcement of the Company dated 27 February 2024.
2. Reference is made to the announcement of the Company dated 29 July 2022. On 18 May 2020, the Company, as lender, entered into the loan agreement (the “**Loan Agreement**”) with Mr. Sze Ka Ho (“**Mr. Sze**”), pursuant to which the Company agreed to provide the loan in the principal amount of HK\$27,000,000 (the “**Loan**”) to Mr. Sze for a term of 6 months. On 18 November 2020, the Company and Mr. Sze entered into the supplemental agreement, pursuant to which, the maturity date of the Loan Agreement was extended to 18 May 2021. As at the date of the announcement on 29 July 2022, the aggregate outstanding amounts under the Loan amounted to HK\$27,168,979, being the sum of the outstanding principal amount of HK\$18,900,000 and all the interest and default interest accrued on the Loan up to the date of the announcement on 29 July 2022 of HK\$8,268,979.

Between June and August 2023, the Company experienced significant changes in its Board composition. The new Board is determined and committed to recovering the outstanding loans. In August 2023, the Company engaged a Hong Kong legal firm to initiate legal proceedings for loan recovery. After extensive efforts and communication by the new Board, several discussions were held with Mr. Sze with a view to reach a comprehensive settlement.

On 12 October 2023, the Company and Mr. Sze entered into a deed of settlement, wherein Mr. Sze agreed to settle a liquidated sum payable immediately in the sum of HK\$27,367,497 (the “**Outstanding Sum**”) which being the sum of the outstanding principal amount of HK\$18,900,000 and the interest accrued on the Loan for the period from 18 May 2020 to 10 August 2023 of HK\$8,467,497. During the Reporting Period, the Company recognized HK\$20,500,000 (approximately RMB18.5 million) as a reversal of loss allowance for other receivables. As of January 2024, the Outstanding Sum has been settled in full.

SPECIFIC INDEPENDENT INVESTIGATION AND REVIEW

The Company experienced significant changes in its Board members between June and August 2023. In order to demonstrate the Company's commitment to ensuring the effectiveness of its internal control, the new Board is not only responsible for maintaining sound and effective internal controls to safeguard shareholders' investments and the Company's assets as required by the Listing Rules but also intends to engage a professional firm to conduct an investigation and independent review on certain specific internal control matters.

On 6 October 2023, the Company was served with a petition (the "**Petition**") from the Securities and Futures Commission ("**SFC**"), the details of which is disclosed in the announcement of the Company dated 8 October 2023. In the Petition, the SFC seeks, inter alia, that the Company shall appoint an external auditor (after consultation with the SFC) to review and prepare a report on its internal control procedures. The Petition will be heard at the High Court of Hong Kong on 23 May 2024.

In this regard, the Company has engaged Moore Advisory Services Limited to conduct an independent investigation and review involving (a) assessment of the effectiveness of the Group's internal control procedures related to (i) the investment process over subscription of wealth management products and (ii) the lending process; and (b) identification of any deficiencies or weaknesses in the Company's due diligence processes, operational procedures, and internal control systems. The findings of such investigation and review will assist the Company to identify any deficiency(ies) in its loans or investment approval procedures and internal control system and undertake corresponding improvements.

EVENT OF DEFAULT OF NOTES OF THE ISSUER

The Company subscribed secured notes in the principal amount of HK\$250,000,000 (the "**Notes**") issued by Orbitronic Global Development Co., Limited (the "**Issuer**") on 13 December 2019, the maturity date of the Notes was extended from 12 December 2020 to 12 June 2021. For details, please refer to the announcements of the Company dated 13 December 2019, 12 December 2020 and 22 June 2021 respectively. As at the date of this announcement, the Issuer failed to repay the principal amount of the Notes together with the accrued interests on the Notes to the Company and such sums remained outstanding.

The Company underwent significant changes in the composition of its Board members between June to August 2023. The new Board is determined and committed to recover the outstanding Notes. In August 2023, the Company engaged a Hong Kong legal firm to issue a demand letter, accompanied by a draft writ of summons to the Issuer. Thereafter the Company and the Issuer engaged in discussions for the recovery process. Following the extensive efforts and communication by the new Board, discussions were held with Issuer regarding a settlement process.

In October 2023, the Company, the Issuer, and the sole shareholder of the Issue entered into a deed of supplemental agreement (the “**Supplemental Agreement**”). Pursuant to the Supplemental Agreement, the said sole shareholder of the Issuer further agrees to pledge the 10,000 shares of the Issuer (representing 100% of the shares of the Issuer) as the further collateral for the Notes and the Company shall be entitled to immediate appointment of a receiver (the “**Receiver**”) for all or any part of the collateral under the Notes. In November 2023, the Company appointed the receiver in order to better safeguard the collateral and the Company’s interest in the Issuer. In February 2024, the Issuer further created a charge over trade and other receivables in favor of the Company, which was registered under the Company Ordinance. The Board is confident in achieving a positive outcome in the ongoing recovery process.

The Company will make further announcement(s) as necessary to keep Shareholders informed of any material developments regarding the matters mentioned above.

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 (which has been re-numbered as Appendix C3 with effect from 31 December 2023) of the Listing Rules as its code of conduct for Directors’ securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code during the Reporting Period and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all the code provisions set forth in the section headed “Part 1 — Mandatory disclosure requirements” and the applicable code provisions set out in the section headed “Part 2 — Principles of good corporate governance, code provisions and recommended best practices” of Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 (which has been re-numbered as Appendix C1 with effect from 31 December 2023) to the Listing Rules, except for the following deviation from the provision C.2.1 of the CG Code which is explained below:

According to provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Liu Jie (“**Mr. Liu**”) is our chairman and chief executive officer with extensive experience in the mobile internet industry and mobile game publishing industry. Mr. Liu is responsible for the strategic development, overall operation and management and major decision-making of our Group and is instrumental to our growth and business expansion since our establishment in 2013.

Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and visionary individuals. Our Board currently comprises two executive Directors (including Mr. Liu) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation.

SCOPE OF WORK OF CWK

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this annual results announcement have been agreed by the Group's auditors, CWK CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CWK in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CWK on this annual results announcement.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee comprises three members, namely, Mr. Chow Wing Yiu (the Chairman), Mr. Jiang Huihui and Mr. Shin Ho Chuen, all being independent non-executive Directors of the Company with appropriate professional qualification under Rule 3.10(2) of the Listing Rules.

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

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.fingertango.com). The Group's 2023 annual report will be dispatched to shareholders and will be published on the aforementioned websites in due course.

APPRECIATION

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

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

Guangzhou, the People's Republic of China, 28 March 2024

As at the date of this announcement, the Board comprises Mr. LIU Jie and Dr. CHAN Man Fung as executive Directors and Mr. CHOW Wing Yiu, Mr. JIANG Huihui and Mr. SHIN Ho Chuen as independent non-executive Directors.

* *For identification purpose only*