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Feiyu Technology International Company Ltd.

飛魚科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1022)

**MAJOR TRANSACTION
WITHDRAWAL OF LIFE INSURANCE POLICIES**

The Board hereby announces that on 28 August 2020 (after trading hours), the Board has approved and submitted the relevant forms to Manulife for the Withdrawal by the Company, as the policyholder and beneficiary, of the Life Insurance Policies at the Surrender Value (after deduction of any policy debt and Surrender Charge by Manulife), which is receivable in cash on settlement.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 25% but is less than 75%, the Withdrawal constituted a major transaction of the Company and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Board is aware that the Surrender Value could vary upon the effective date of the Withdrawal. Therefore, the actual applicable percentage ratios in respect of the Withdrawal could vary based on the Surrender Value as at the effective date of the Withdrawal. The Company will ensure that the highest applicable percentage ratio in respect of the Withdrawal as at the effective date is less than 75%, otherwise the Company will seek necessary further approval from the Shareholders in accordance with the Listing Rules.

THE EGM

The EGM will be convened to consider and, if thought fit, approve the Withdrawal.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting in respect of any resolution for the approval of the Withdrawal at the EGM.

A circular containing, among other things, further information relating to the Withdrawal and other information as required to be disclosed under the Listing Rules, together with the notice of the EGM, will be despatched to the Shareholders on or before 30 September 2020, which is more than 15 business days from the date of this announcement, as additional time is required for the preparation of certain information to be included in the circular.

Shareholders and potential investors of the Company should note that the Withdrawal is subject to the approval of the Shareholders. As the Withdrawal may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

WITHDRAWAL OF THE LIFE INSURANCE POLICIES

The Board hereby announces that on 28 August 2020 (after trading hours), the Board has approved and submitted the relevant forms to Manulife for the Withdrawal by the Company, as the policyholder and beneficiary, of the Life Insurance Policies at the Surrender Value (after deduction of any policy debt and Surrender Charge by Manulife), which is receivable in cash on settlement.

The Surrender Value represented the cash value of the Life Insurance Policies, which is determined by the insurance premium of each Insurance Policy plus the accumulated interest earned and minus the insurance costs.

As at the date of this announcement, the Surrender Value of the Life Insurance Policies amounted to an aggregate of US\$14.4 million (equivalent to approximately RMB99.4 million).

As the Withdrawal will take effect on a date to be mutually agreed between Manulife and the Company, after all surrender requirements are received in good order by the Company to Manulife, and conditional upon approval in respect of the Withdrawal from the Shareholders having been obtained, the Surrender Value may vary upon the effective date of the Withdrawal.

INFORMATION ABOUT THE LIFE INSURANCE POLICIES

On 13 August 2015, the Group entered into the Life Insurance Policies with Manulife to insure certain members of the key management of the Group as follows:

Name of insured person	Position held in the Company
Mr. YAO Jianjun	Chairman, Chief Executive Officer and executive Director
Mr. CHEN Jianyu	President and executive Director
Mr. BI Lin	Vice President and executive Director
Mr. LIN Zhibin	Vice President and executive Director
Mr. LIN Jiabin	Vice President and executive Director
Mr. SUN Zhiyan	the then executive Director and Chief Technology Officer (<i>resigned on 10 November 2017</i>)
Mr. CHEUNG Man Yu	the then Chief Financial Officer (<i>resigned on 27 September 2018</i>)

Under these policies, the Company is the beneficiary and policyholder. The Company has paid out the total insurance premium with an aggregate amount of approximately US\$14.5 million (equivalent to approximately RMB89.0 million as at the inception date) at the inception of the insurance. The Company can terminate the policies at any time and receive amounts based on the Surrender Value. In addition, if the withdrawal is made between the first and tenth policy years, there is a Surrender Charge by Manulife.

Manulife declared a guaranteed interest of 3.9% per annum plus a premium determined by it on the outstanding Surrender Value of the contract for the first three years. Commencing from the fourth year, the guaranteed interest rate has been reduced to 2% per annum.

There has been no interest income recognised in the consolidated statement of profit or loss of the Group before the Company terminates the Life Insurance Policies. The investment in Life Insurance Policies had been accounted for as debt investment at fair value through profit or loss in the Company's audited consolidated financial statement for the year ended 31 December 2019 and the accumulated interests earned were reflected in the changes in fair value of the Life Insurance Policies.

Details of the Life Insurance Policies from the audited consolidated financial statements of the Group for the two financial years ended 31 December 2018 and 2019 are presented as follows:

	For the year ended 31 December	
	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Gain on fair value changes recognised in consolidated statement of profit or loss	6,960	4,154
	As at 31 December	
	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Fair Value	94,823	98,977

As at the date of this announcement, the unaudited fair value of the Life Insurance Policies was approximately RMB99.4 million.

INFORMATION ABOUT THE GROUP

The principal activity of the Group is the development and operation of mobile games, web games and personal computer games, with a strategic focus on mobile games.

INFORMATION ABOUT MANULIFE

Manulife, a company incorporated in Canada with limited liability, is a wholly-owned subsidiary of Manulife Financial Corporation, a company listed on the Stock Exchange (Stock Code: 945), and is financial services company that offers a diverse range of financial protection products and wealth management services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Manulife and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL EFFECTS AND USE OF PROCEEDS OF THE WITHDRAWAL

For illustrative purpose, based on the Surrender Value as at the date of this announcement of US\$14.4 million (equivalent to approximately RMB99.4 million) and the fair value of the Life Insurance Policies as at 31 December 2019, the Group currently expects to realise an investment income of approximately US\$245,000 from the Withdrawal before deduction of transaction costs and taxation. It should be noted that the actual gain or loss on the Withdrawal to be recognised by the Group will depend on the Surrender Value as at the effective date of the Withdrawal.

It is expected that the net proceeds from the Withdrawal will be used for general working capital, repayment of the bank loan which was secured by the Life Insurance Policies as a financial leverage for the Life Insurance Policies and for new investment when opportunities arise.

REASONS FOR AND BENEFITS OF THE WITHDRAWAL

Taking into account that (i) certain insured persons under the Life Insurance Policies are no longer key management of the Group; and (ii) the Life Insurance Policies are nearly breakeven, after due and careful consideration by the Board, it is considered that the Company shall maintain a higher cash balance for general working capital under the economic downturn in the PRC induced by the COVID-19.

Therefore, the Directors consider that the Withdrawal provides the Group with a good opportunity to generate cash inflow to the Group for its general working capital and/or for other investment opportunities.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Withdrawal are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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The Board is aware that the Surrender Value could upon the effective date of the Withdrawal. Therefore, the actual applicable percentage ratios in respect of the Withdrawal could vary based on the Surrender Value at the effective date of the Withdrawal. The Company will ensure that the highest applicable percentage ratio in respect of the Withdrawal at the effective date is less than 75%, otherwise the Company will seek necessary further approval from the Shareholders in accordance with the Listing Rules.

THE EGM

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DEFINITIONS

“Board”	the board of Directors
“Company”	Feiyu Technology International Company Ltd., a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1022)
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting to be convened by the Company to consider and, if thought fit, approve the Withdrawal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Life Insurance Policies”, each an “Insurance Policy”	the life insurance policies taken out by the Company with Manulife on 13 August 2015 to insure certain members of the key management of the Group then
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manulife”	the Bermuda branch of The Manufacturers Life Insurance Company

“PRC”	the People’s Republic of China which, for the purpose of this announcement and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Surrender Charge”	a specified amount of surrender charge by Manulife in the event that the Withdrawal is made between the first and tenth policy years
“Surrender Value”	the cash value available to the policyholder on the surrender of the Life Insurance Policies
“Withdrawal”	withdrawal the Life Insurance Policies at the request of the Company
“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this announcement, the translation of USD into RMB is calculated based on the exchange rate of approximately US\$1.00 to RMB6.8891 for illustration purpose.

By Order of the Board
Feiyu Technology International Company Ltd.
YAO Jianjun
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises Messrs. YAO Jianjun, CHEN Jianyu, BI Lin, LIN Jiabin and LIN Zhibin, as executive Directors; and Ms. LIU Qianli, and Messrs. LAI Xiaoling and MA Suen Yee Andrew, as independent non-executive Directors.