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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND RESIGNATION OF EXECUTIVE DIRECTOR

The Board is pleased to announce the unaudited consolidated interim results (the “**Interim Results**”) of the Group for the six months ended 30 June 2022 together with comparative figures for the corresponding period in 2021.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June		Change %
	2022	2021	
	(RMB'000)	(RMB'000)	
	(unaudited)	(unaudited)	
Revenue	74,343	51,670	43.9
Gross profit	57,206	36,165	58.2
Loss before tax	(6,947)	(6,020)	15.4
Loss for the period attributable to owners of the parent	(9,520)	(9,677)	(1.6)
Non-IFRSs Measures			
– Adjusted net loss attributable to owners of the parent	(9,450)	(8,711)	8.5

LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

– Basic & Diluted **RMB(0.01)** **RMB(0.01)**

Note:

- (1) Please refer to the section headed “Non-IFRSs measures – Adjusted net loss attributable to owners of the parent” for definition of adjusted net loss attributable to owners of the parent.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

The first half of 2022 was difficult for China's online game industry against the backdrop of recurring COVID-19 outbreaks, regulatory tightening and economic slowdown. According to the China Game Industry Report for January-June 2022 (《2022年1-6月中國遊戲產業報告》) published by the Game Publishers Association Publications Committee (GPC) of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委), China's online game industry recorded a year-over-year contraction for the first time in recent years, with total revenue declining by 1.8% to RMB147.8 billion in the first half of 2022. The number of game users also saw a slight decrease of 0.1% year-over-year to 666 million during the same period, indicating that the demographic dividend enjoyed by the industry has diminished and competition will continue to intensify.

The Company maintained stable and solid financial performance for the first half of 2022 mainly attributed to the high quality and long lifecycle of its diversified game portfolio. Total revenue for the reporting period was approximately RMB74.3 million, representing an increase of 43.9% year-over-year, primarily driven by the launch of new games in the first half of 2022 and the increase in advertising revenue contributed by existing games by virtue of their superior quality and continued popularity among users. Loss attributable to owners of the parent decreased slightly by 1.6% to RMB9.5 million from RMB9.7 million for the same period of last year.

Leveraging its established IP library, the Company is well positioned to strengthen its competitive edge in the market. In the first half of 2022, the Company launched three new games: *Mushroom Wars 2* (蘑菇戰爭2), *Dougui* (斗詭) and *Carrot Fantasy 4* (保衛蘿蔔4). In May 2022, the Company began operating *Mushroom Wars 2* (蘑菇戰爭2), developed by the Russian game studio Zillion Whales, in China. The multiple award-winning Real-Time Strategy (RTS) game is the newest title in a famous series that has been in existence for 10 years. The game's innovative gameplay and a large base of loyal users, combined with the Company's industry-leading game operation expertise, are expected to make *Mushroom Wars 2* (蘑菇戰爭2) a hit title game in the Company's portfolio.

Dougui (斗詭) is a mobile Role-Playing Game (RPG) developed by the Group and launched in May 2022. The game received a featured recommendation from the Apple China App Store and was one of the top three most downloaded free applications on its first day debut in the Store, and it went on to record over 1 million users and generate over RMB10 million in top-up spending in the first week of its launch.

Carrot Fantasy 4 (保衛蘿蔔4), a sequel to the *Carrot Fantasy* (保衛蘿蔔) game series which had over 600 million cumulative registered users as at 30 June 2022, has been a blockbuster since its launch in late-June 2022. The long-expected launch received such extensive attention that it was featured in Sina Weibo's real-time Hot Search List, which reflects real-time user-generated hashtag popularity on the social media platform. The game has consecutively ranked No. 1 on multiple game distribution channels' lists since its launch, including the Apple China App Store's Top Free List, TapTap's Popular List and Bilibili's Hot List. The Company is confident in the long-term performance prospects of *Carrot Fantasy 4* (保衛蘿蔔4).

Seizing the opportunity presented by the launch of *Carrot Fantasy 4* (保衛蘿蔔4), the Company further expanded its IP licensing efforts. In the first half of 2022, the Company signed six new licensing agreements allowing counterparties to use characters and images from the *Carrot Fantasy* (保衛蘿蔔) game series in their products or services, ranging from Gashapon products, projectors, children playground, USB flash drives, digital collections as well as charity projects.

The Company also continued to co-develop new offerings with existing licensing partners. During the reporting period, 15 new physical licensed products were launched, including creative furniture and household items, accessories of “3C” (Computer, Communication, and Consumer) products, foods and RPG board games. In addition, the Company continued to work with Baidu and Kugou Music, launching both the *Carrot Fantasy – Highlight Moment* (保衛蘿蔔 – 高光時刻) themed Baidu Input Method skin and the Kugou Music skin on 30 June 2022, the launch date of *Carrot Fantasy 4* (保衛蘿蔔4).

In addition, the Company also further increased the *Carrot Fantasy* (保衛蘿蔔) brand’s exposure through offline theme carnivals where *Carrot Fantasy* (保衛蘿蔔) themed NIU electric motorcycles and Baidu Apollo autonomous driving minibuses were exhibited. The Company’s cooperation with XPeng Motors (“**XPeng**”), a mainstream electric vehicle maker in China, also went well in the first half of 2022. The cooperation provided *Carrot Fantasy 3* (保衛蘿蔔3) exposure through some of XPeng’s automotive display and interaction systems as well as in marketing campaigns.

Outlook for 2022

The slowing growth of China’s online game industry and the evolving regulatory environment pose unprecedented challenges to the industry, but they also increase barriers to entry and incentivize high-quality game developers. The Company will adhere to its high-quality game strategy and remain focused on creating and operating games with long lifecycles. In the second half of 2022, the Company plans to launch one key new game subject to approval to be received from the governmental authority. The game is the newest sequel to the Company’s other flagship game series, *Shen Xian Dao* (神仙道), which had approximately 160 million cumulative registered users as at 30 June 2022. In addition, there are seven games in the Company’s pipeline covering a wide range of genres which are targeted to be launched in 2023 and beyond.

The second half of 2022 continues to be a key timeframe for the Company’s IP licensing activities given the launch of *Carrot Fantasy 4* (保衛蘿蔔4) at the end of the first half. The IP licensing team will mainly focus on growing the number of licensed products featuring elements of *Carrot Fantasy 4* (保衛蘿蔔4) in categories including fast-moving consumer goods, stationery and costumes. Offline theme carnivals are another major area that the Company will further explore, although progress in this area will be subject to the COVID-19 situation and government policies in response to outbreaks.

Interim Dividend

The Board did not declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

FINANCIAL REVIEW

Operating Information

The Company's Games

During the six months ended 30 June 2022, the Company continued to focus on developing high-quality games that meet the rapidly evolving demands of gamers and strengthening its game distribution capabilities. The Company successfully enlarged the user base and enhanced the recognition of its reputable IP portfolio, including *Carrot Fantasy* (保衛蘿蔔) and *Shen Xian Dao* (神仙道), which laid a solid foundation for potential sequels. During the six months ended 30 June 2022, the Company launched one RPG mobile game named *Dougui* (斗詭), a classic landscape fighting game featuring a traditional Chinese aesthetic, in May 2022, one real-time strategy game named *Mushroom Wars 2* (蘑菇戰爭2), a popular strategic yet casual tower defense mobile game with an IP history of about 10 years, in May 2022 and one casual game named *Carrot Fantasy 4* (保衛蘿蔔4) which is a sequel to one of the Company's hit titles, on 30 June 2022.

The table below presents a breakdown of revenue from game operations in absolute amounts and as a percentage of total revenue:

	For the six months ended 30 June			
	2022		2021	
	(RMB'000)	(% of Total Revenue)	(RMB'000)	(% of Total Revenue)
Game Operations				
Web games	7,004	9.4	7,135	13.8
Mobile games				
RPGs	37,156	50.0	12,468	24.1
Casual	9,655	13.0	7,516	14.5
PC games	3,131	4.2	3,869	7.5
HTML5 games	61	0.1	139	0.3
Console games	1,845	2.5	1,960	3.8
Total	58,852	79.2	33,087	64.0

Revenue contributed by game operations was approximately RMB58.9 million for the six months ended 30 June 2022, representing an increase of approximately 77.9%, compared with approximately RMB33.1 million for the corresponding period in 2021. The increase was primarily due to the launch of *Dougui* (斗詭) in May 2022.

The Company's Players

The Company assesses its operating performance using a set of key performance indicators, which include MAUs, MPUs and ARPPU. Fluctuations in operating data were primarily a result of changes in the number of players who played, downloaded (in the case of mobile games and PC games) and paid for virtual items and premium features in the games. Using these key performance indicators helps the Company monitor its ability to offer engaging online games, the popularity of its games, the monetisation potential of its player base and the degree of competition in the online game industry, and as a result, it allows the Company to continuously improve its business strategies.

As at 30 June 2022, the Company's (i) RPG mobile games and web games had approximately 230.6 million cumulative registered users, composed of approximately 173.0 million web game users and approximately 57.6 million mobile game users; (ii) casual games had approximately 658.3 million cumulative activated downloads; (iii) HTML5 games had approximately 37.9 million cumulative registered users; (iv) PC games had approximately 1.6 million cumulative copies sold; and (v) console games had approximately 366,000 cumulative copies sold. For the month of June 2022, the Company's (i) RPG mobile games and web games had approximately 0.6 million MAUs, composed of approximately 0.4 million mobile game MAUs and approximately 0.2 million web game MAUs; (ii) casual games had approximately 8.9 million MAUs; and (iii) HTML5 games had approximately 0.3 million MAUs.

The following table sets forth certain operating statistics related to the Company's business for the periods indicated:

	Six Months Ended 30 June		Change%
	2022	2021	
Average MPUs			
Web games (RPGs) (000's)	7	7	–
Mobile games (RPGs) (000's)	146	23	534.8
Casual (000's)	72	70	2.9
ARPPU			
Web games (RPGs) (RMB)	160.8	161.7	(0.6)
Mobile games (RPGs) (RMB)	42.5	91.6	(53.6)
Casual (RMB)	22.2	18.0	23.3

Note: Duplicated paying users of games published on the Company's own platforms were not eliminated during calculation.

MPUs for web games were approximately 7,000 for the six months ended 30 June 2022, which remained steady as compared with the six months ended 30 June 2021. Average MPUs for mobile RPG games increased from approximately 23,000 for the six months ended 30 June 2021 to approximately 146,000 for the six months ended 30 June 2022, primarily due to the launch of *Dougui* (斗詭) in May 2022. Average MPUs for casual games increased from approximately 70,000 for the six months ended 30 June 2021 to approximately 72,000 for the six months ended 30 June 2022, primarily due to the launch of *Carrot Fantasy 4* (保衛蘿蔔4) on 30 June 2022, which had marginal contribution to the average MPUs for the first half of 2022.

ARPPU for web games was approximately RMB160.8 for the six months ended 30 June 2022, which remained steady as compared with the six months ended 30 June 2021. ARPPU for RPG mobile games decreased from approximately RMB91.6 for the six months ended 30 June 2021 to approximately RMB42.5 for the six months ended 30 June 2022, primarily due to the launch of *Dougui* (斗詭), with lower ARPPU in the early stage of its expected lifecycle. ARPPU for casual games increased from approximately RMB18.0 for the six months ended 30 June 2021 to approximately RMB22.2 for the six months ended 30 June 2022, primarily due to the increase in ARPPU for the *Carrot Fantasy* (保衛蘿蔔) game series, which was updated frequently with new features, resulting in users being more willing to pay.

As part of its business strategy, the Company continued to launch various in-game promotions and activities, release regular updates for premium games, and offer high-quality customer service, in order to enhance in-game features and maintain user interest. The Company believes that these initiatives had a significant impact on retaining active players and expanding the active player base of the Group.

First Half of 2022 compared with First Half of 2021

The following table sets forth the Group's income statement for the six months ended 30 June 2022 compared with the six months ended 30 June 2021.

	Six Months Ended 30 June		Change %
	2022 (RMB'000)	2021 (RMB'000)	
Revenue	74,343	51,670	43.9
Cost of sales	(17,137)	(15,505)	10.5
Gross profit	57,206	36,165	58.2
Other income and gains	11,524	15,115	(23.8)
Selling and distribution expenses	(14,661)	(3,910)	275.0
Administrative expenses	(22,062)	(21,130)	4.4
Research and development costs	(36,866)	(31,352)	17.6
Finance costs	(2,105)	(1,101)	91.2
Other expenses	(230)	(164)	40.2
Share of profits/(losses) of associates	247	357	(30.8)
LOSS BEFORE TAX	(6,947)	(6,020)	15.4
Income tax expense	(826)	(2,483)	(66.7)
LOSS FOR THE PERIOD	(7,773)	(8,503)	(8.6)
Attributable to:			
Owners of the parent	(9,520)	(9,677)	(1.6)
Non-controlling interests	1,747	1,174	48.8

Revenue

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2022 and 2021:

	Six Months Ended 30 June			
	2022	2021	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(% of Total Revenue)</i>	<i>(% of Total Revenue)</i>
Game operations	58,852	33,087	79.2	64.0
Online game distribution	693	3,941	0.9	7.6
Licensing and IP-related income	1,447	5,826	1.9	11.3
Advertising revenue	11,089	8,800	14.9	17.1
Game development service income	1,922	–	2.6	–
Technical service income	340	16	0.5	–
Total	74,343	51,670	100.0	100.0

Total revenue increased by 43.9% to approximately RMB74.3 million for the six months ended 30 June 2022 from approximately RMB51.7 million for the six months ended 30 June 2021.

Revenue from game operations was approximately RMB58.9 million for the six months ended 30 June 2022, representing an increase of approximately 77.9%, compared with approximately RMB33.1 million for the six months ended 30 June 2021. The increase was primarily attributable to the launch of *Dougui* (斗詭) in May 2022, which received highly positive response from gamers.

Revenue from online game distribution decreased by approximately 82.4% to approximately RMB0.7 million for the six months ended 30 June 2022 from approximately RMB3.9 million for the six months ended 30 June 2021. The decrease was primarily attributable to the expiration of the exclusive license agreement for *Horcrux College* (魂器學院) at the end of 2021.

Licensing and IP-related income decreased by approximately 75.2% from approximately RMB5.8 million for the six months ended 31 June 2021 to approximately RMB1.4 million for the six months ended 30 June 2022. The decrease was primarily attributable to the recognition of the licensing fee of approximately RMB2.5 million for *Sprites Legend* (靈妖記－神仙道外傳) and a one-off licensing fee for a simulation game of approximately RMB2.0 million upon termination of the licensing agreement for the six months ended 30 June 2021, while no such licensing fees were recognised for the six months ended 30 June 2022.

Advertising revenue increased by approximately 26.0% to approximately RMB11.1 million for the six months ended 30 June 2022, primarily due to an increase in advertising revenue contributed by *Carrot Fantasy 3* (保衛蘿蔔3), which successfully retained existing gamers and attracted new players during the period.

Game development service income was approximately RMB1.9 million for the six months ended 30 June 2022 (first half of 2021: nil), primarily due to the commissioned game development in the first half of 2022.

Technical service income increased from approximately RMB16,000 for the six months ended 30 June 2021 to approximately RMB340,000 for the six months ended 30 June 2022, primarily due to the commercial operation of the Company's game operation platform in the first half of 2022.

Cost of sales

Cost of sales increased by 10.5% to approximately RMB17.1 million for the six months ended 30 June 2022 from approximately RMB15.5 million for the six months ended 30 June 2021. The increase was mainly attributable to the increase in staff cost resulting from the increased number of personnels in preparation for the launch of new games.

Gross profit and gross profit margin

Gross profit increased by 58.2% to approximately RMB57.2 million for the six months ended 30 June 2022 from approximately RMB36.2 million for the six months ended 30 June 2021. Gross profit margin for the six months ended 30 June 2022 was 77.0%, compared with 70.0% for the corresponding period in 2021.

Other income and gains

Other income and gains decreased by approximately 23.8% from approximately RMB15.1 million for the six months ended 30 June 2021, to approximately RMB11.5 million for the six months ended 30 June 2022. The decrease was primarily due to lower investment income of approximately RMB3.6 million for the six months ended 30 June 2022, as compared to approximately RMB7.9 million for the six months ended 30 June 2021 which was primarily due to the fair value changes of the Company's financial assets at fair value through profit or loss.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 275.0% from approximately RMB3.9 million for the six months ended 30 June 2021, to approximately RMB14.7 million for the six months ended 30 June 2022. The increase was mainly attributable to an increase in promotional and advertising fees from approximately RMB2.0 million to approximately RMB7.3 million, primarily due to the increased number of promotional activities for *Dougui* (斗詭), *Carrot Fantasy 4* (保衛蘿蔔4) and *Mushroom Wars 2* (蘑菇戰爭2) which were launched in the first half of 2022. The increase was also due to an increase in channel fees from approximately RMB0.8 million for the six months ended 30 June 2021 to approximately RMB5.7 million for the six months ended 30 June 2022. The increase in channel fees was mainly due to the launch of *Dougui* (斗詭) on Apple Inc.'s App Store in May 2022 where we recognised its revenue on a gross basis and its App Store channel fees in selling and distribution expenses.

Administrative expenses

Administrative expenses were approximately RMB22.1 million for the six months ended 30 June 2022, which remained steady compared with approximately RMB21.1 million for the six months ended 30 June 2021.

R&D costs

R&D costs increased by approximately 17.6% from approximately RMB31.4 million for the six months ended 30 June 2021 to approximately RMB36.9 million for the six months ended 30 June 2022. The increase was primarily due to the establishment of a development team in late 2020, the average staff number of which was relatively lower in the early stage of its establishment in the first half of 2021.

Finance costs

Finance costs increased by approximately 91.2% from approximately RMB1.1 million for the six months ended 30 June 2021 to approximately RMB2.1 million for the six months ended 30 June 2022. The increase was primarily due to an increase in interest expenses from approximately RMB1.0 million for the six months ended 30 June 2021 to approximately RMB1.9 million for the six months ended 30 June 2022. The increase in interest expenses was due to the fact that the borrowing costs that are directly attributable to the construction of the Company's R&D centre and headquarters building in Xiamen ceased to be capitalised and started to be recognised as an expense after the construction was completed in mid-2021.

Other expenses

Other expenses were approximately RMB0.2 million for the six months ended 30 June 2022, which remained steady compared with approximately RMB0.2 million for the six months ended 30 June 2021.

Income tax expense

The income tax expense decreased by approximately 66.7% from approximately RMB2.5 million for the six months ended 30 June 2021, to approximately RMB0.8 million for the six months ended 30 June 2022. The decrease was primarily due to the recognition of deferred tax expenses based on the difference between the fair value and the book value of the investment properties for the six months ended 30 June 2021 and increase of income tax expense resulted from a reversal of deferred tax assets previously recognised from a subsidiary with deductible losses, following an internal reorganisation in the first half of 2021.

Loss for the period

As a result of the above, the loss for the period decreased by approximately 8.6% from approximately RMB8.5 million for the six months ended 30 June 2021, to approximately RMB7.8 million for the six months ended 30 June 2022. Loss attributable to owners of the parent decreased by approximately 1.6% from approximately RMB9.7 million for the six months ended 30 June 2021, to approximately RMB9.5 million for the six months ended 30 June 2022.

Non-IFRSs measures – Adjusted net loss attributable to owners of the parent

In addition to the Company's consolidated financial statements that are presented in accordance with IFRSs, Feiyu also provides further information based on the adjusted net loss attributable to owners of the parent as an additional financial measure. The Company presents this financial measure because it is used by management to evaluate financial performance by eliminating the impact of items that the Company does not consider indicative of business performance. The Company also believes that these non-IFRSs measures provide additional information to investors and others, helping them understand and evaluate the consolidated results of operations in the same manner as management, and to compare financial results across accounting periods and with those of various peer companies.

For the six months ended 30 June 2022 and 2021, the Company defined the adjusted net loss attributable to owners of the parent as net loss attributable to owners of the parent excluding share-based compensation. The term of adjusted net loss or profit attributable to owners of the parent was not defined under IFRSs. The use of adjusted net loss attributable to owners of the parent has material limitations as an analytical tool as it did not include all items that would impact net loss attributable to owners of the parent for the accounting period.

	Six Months Ended 30 June		Change %
	2022 (RMB'000)	2021 (RMB'000)	
Loss for the period attributable to owners of the parent	(9,520)	(9,677)	(1.6)
Add:			
Share-based compensation	<u>70</u>	<u>966</u>	(92.8)
Total	<u>(9,450)</u>	<u>(8,711)</u>	8.5

Financial Position

As at 30 June 2022, total equity of the Group was approximately RMB483.1 million, compared with approximately RMB493.9 million as at 31 December 2021. The decrease was mainly due to the loss of approximately RMB7.8 million recorded for the six months ended 30 June 2022.

As at 30 June 2022, the Group recorded net current assets of approximately RMB120.6 million, representing an increase of approximately 22.9% from approximately RMB98.2 million as at 31 December 2021. The increase was mainly due to an increase in receivables due from third-party game distribution platforms and payment channels as a result of the launch of new games in the first half of 2022.

Liquidity and Financial Resources

	30 June 2022 (RMB'000)	31 December 2021 (RMB'000)	Change %
Cash at bank and on hand	<u>107,771</u>	<u>126,261</u>	(14.6)
Total	<u>107,771</u>	<u>126,261</u>	(14.6)

Total cash and cash equivalents were approximately RMB107.8 million as at 30 June 2022, compared with approximately RMB126.3 million as at 31 December 2021. The decrease was primarily due to the utilisation of cash and cash equivalents for operating activities and the partial repayment of bank loans used by the Company for the construction of the Company's R&D center.

As at 30 June 2022, approximately RMB25.6 million of financial resources (31 December 2021: RMB34.7 million) were held in deposits denominated in non-RMB currencies. The Company currently does not hedge transactions undertaken in foreign currencies, rather it manages foreign exchange exposure by limiting foreign currency exposure and constantly monitoring foreign currency levels. The Group adopts a prudent cash and financial management policy. In order to better control costs and minimise the cost of funds, the Group's treasury activities were centralised and cash was generally deposited at banks, denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

As at 30 June 2022, the Group had aggregate bank loans of approximately RMB75.0 million (31 December 2021: RMB80.0 million), of which approximately RMB10.0 million is payable within one year and approximately RMB65.0 million is payable between one and five years. The Group had lease liabilities of approximately RMB7.1 million (31 December 2021: RMB2.0 million), of which approximately RMB3.7 million is payable within one year and approximately RMB3.4 million is payable between one and five years as set out in the agreements.

As at 30 June 2022, the Group's bank loans of approximately RMB75.0 million were used by the Company for the construction of the Company's R&D center. The interest rate was approximately 5.05% and the loans were secured by the land use rights, investment properties and building on the Land.

Significant Debt Investments at Fair Value Through Other Comprehensive Income, Equity Investments Designated at Fair Value Through Other Comprehensive Income, and Financial Assets at Fair Value Through Profit or Loss

As at 30 June 2022, the Company had debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss of approximately RMB148.2 million (31 December 2021: RMB179.8 million), which represented the Company's investment in straight bonds and a bond fund issued by banks or reputable companies with coupon rates ranging from 2.25% to 4.5% per annum, and interest held by the Group in six unlisted companies and one company listed on the National Equities Exchange And Quotations of the PRC.

The principal of the debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income, and financial assets at fair value through profit or loss as at 30 June 2022 were not protected.

According to the Company's current internal investment management policies, no less than 50% of total investments can be invested in risk-free or principal protected investments, while for the remainder, up to 50% of the total investments is invested in low-risk products. The Company has a diversified investment portfolio to mitigate risks. In addition, the abovementioned investments were made in line with the Company's effective capital and investment management policies and strategies.

Performance and Future Prospect of Significant Debt Investments at Fair Value Through Other Comprehensive Income, Equity Investments Designated at Fair Value Through Other Comprehensive Income, and Financial Assets at Fair Value Through Profit or Loss

Details of the Group’s debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income, and financial assets at fair value through profit or loss as at 30 June 2022 are presented as follows:

(A) *Straight Bonds*

Name of the straight bonds	Notes	Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2022 (RMB'000)	Loss on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2022 (RMB'000)	Fair value as at 30 June 2022 (RMB'000)	Percentage of total FVOCI and FVPL Investments as at 30 June 2022	Percentage of total assets of the Group as at 30 June 2022
CHINLP Medium Term Note Programme (“CHINLP”)	2	255	(3,547)	19,661	13.3%	3.1%
POLHON Guaranteed Notes (“POLHON”)	3	362	(544)	18,181	12.3%	2.9%
NWDEVL Medium Term Note Programme (“NWDEVL”)	4	509	(2,997)	20,862	14.1%	3.3%

Notes:

1. The Group’s investment in straight bonds has been accounted for as debt investments at fair value through other comprehensive income. The fair value of the straight bonds was estimated using a discounted cash flow valuation model based on the assumptions that were supported by observable market inputs. Please refer to note 12 to the financial statements for details of the investment in straight bonds.
2. On 15 July 2021, the Group invested in a bond issued by CLP Power Hong Kong Financing Limited (“CLP Financing”) and guaranteed by CLP Power Hong Kong Limited (“CLP HK”) with a nominal amount of US\$3,500,000 at a consideration of US\$3,542,000 (equivalent to approximately RMB23.0 million). The bond has a coupon interest rate of 2.25% per annum with a maturity period of 10 years.

CLP Financing, the issuer, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of the guarantor CLP HK. CLP Financing was established to raise financing for CLP HK. The net proceeds from the issue of CHINLP will be on-lent by CLP Financing to CLP HK to be used for general corporate purposes. CLP HK, established in 1901 in Hong Kong, is one of the only two electricity providers in Hong Kong, which supplies approximately 77% of the electricity consumed in Hong Kong. CLP Holdings Limited, the parent company of CLP HK was listed on the Main Board of the Stock Exchange in 1998 with the stock code of 00002. CLP Holdings Limited, together with its subsidiaries, namely the CLP Group, is an investor and operator in the Asia-Pacific energy sector. In Hong Kong, through CLP HK, it operates a vertically-integrated electricity supply business providing a highly-reliable supply of electricity. Outside Hong Kong, CLP Group holds investments in the energy sector in Mainland China, India, Southeast Asia, Taiwan, and Australia. Its diversified portfolio of power generation assets include coal, gas, nuclear and renewables (wind, hydro, solar).

According to the interim report for the six months ended 30 June 2022 of CLP Holdings Limited, total revenue was approximately HK\$47,594 million, representing an increase of 16.9% compared with corresponding period in 2021. The net loss after tax was approximately HK\$4,954 million, mostly due to the fair value loss of energy hedging contracts in Australia of HK\$7,957 million triggered by unprecedented market volatility as well as lower earnings from its generation portfolio in Australia and continued high coal prices, despite a strong performance in Hong Kong and from the zero-emission portfolio in Mainland China. It is important to note that the fair value loss of HK\$7,957 million is an unrealised loss which will be unwound once EnergyAustralia's generating assets are available to meet the contracted supply on the contract settlement date.

The CLP Group has been resilient to survive and thrive through its 121 anniversaries. Leveraging the mutual benefit that springs from close integration of Hong Kong and Mainland, CLP Group is committed to maintaining the operational excellence of its assets to rebound from the pandemic and the Group is therefore optimistic about the future prospect of the bond CHINLP.

3. During the second half of July 2021, the Group successively invested in a bond issued by Ease Trade Global Limited ("**Ease Trade**") and guaranteed by Poly Property Group Co. Limited ("**Poly Property**") with an accumulated nominal amount of US\$2,800,000 at an accumulated consideration of US\$2,883,000 (equivalent to approximately RMB18.6 million). The bond has a coupon interest rate of 4.0% per annum with a maturity period of 5 years.

Ease Trade, the issuer, is the direct wholly owned subsidiary of the guarantor Poly Property, which is a limited liability company incorporated in Hong Kong and is listed on the Main Board of the Stock Exchange with the stock code of 00119. Poly Property, together with its subsidiaries, namely the Poly Group, is a prominent property developer in the PRC. It is principally engaged in the business of property development, investment and management. Its projects typically comprise various types of developments, including apartments, villas, offices and commercial properties. As at 31 December 2021, China Poly Group Corporation Limited, being one of the large-scale state-owned enterprises under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (SASAC), is deemed to be interested in 47.32% of the issued share capital of Poly Property under the Securities and Futures Ordinance (Cap. 571) of Hong Kong (SFO).

According to the interim results announcement of Poly Property for the six months ended 30 June 2022, Poly Property recorded a revenue of approximately HK\$22.3 billion, representing an increase of 58.2% when compared to last year. Net profit after tax amounted to HK\$1.5 billion, representing a year-on-year decrease of 16.7%. During the period, Poly Property recorded contracted sales of RMB16.5 billion despite the unfavorable market conditions. Meanwhile, Poly Property commenced construction on a total of nine new projects and acquired six new projects.

Amid adverse pandemic impacts and intense market competition, Poly Group adhered to its brand philosophy and continued to improve product quality and service standard. Therefore, the Group is optimistic about the future prospect of the bond POLHON.

4. On 15 July 2021, the Group invested in a bond issued by NWD (MTN) Limited (“**NWD**”) and guaranteed by New World Development Company Limited (“**New World**”) with a nominal amount of US\$3,500,000 at a consideration of US\$3,783,000 (equivalent to approximately RMB24.5 million). The bond has a coupon interest rate of 4.5% per annum with a maturity period of 10 years.

The issuer NWD is one of wholly owned subsidiaries of New World, the guarantor. New World is the holding company of one of the largest Hong Kong-based property developers. Established in 1970, New World was listed on the Main Board of the Stock Exchange in 1972 (Stock code: 00017) and its shares are currently a constituent stock of the Hang Seng Index. New World, together with its subsidiaries, namely New World Group is one of the major property developers in Hong Kong and is engaged in the development of residential, retail, office and hotel properties. NWS Holdings Limited, one of New World’s subsidiary, engaged in roads construction and aviation infrastructure, is also listed on the Main Board of the Stock Exchange (Stock Code:00659). New World China Land Limited, wholly-owned by New World, is one of the largest foreign property developers and investors in the PRC.

According to the interim report for the six months ended 31 December 2021 of New World Group, the net profit after tax was approximately HK\$3,467.8 million, representing an increase of 37.7% compared with corresponding period in 2020.

New World Group has adhered to its strategy of steady and healthy development and increasing its presence in Mainland China. New World Group adopts the strategy of “Seeking Success through Stability, Broadening Revenue Streams and Reducing Expenditure” as it embarks on the path towards high quality development, and creates value for its shareholders and society. Therefore, the Group is optimistic about the future prospect of the bond NWDEVL.

(B) *Perpetual Bonds*

Name of the perpetual bonds	Notes	Gain/(loss) on fair value changes recognised in consolidated statement of profit or loss for the six months ended		Fair value as at 30 June 2022 (RMB'000)	Percentage of total FVOCI and FVPL Investments as at 30 June 2022	Percentage of total assets of the Group as at 30 June 2022
		30 June 2022 (RMB'000)	30 June 2022 (RMB'000)			
CCB Life Insurance Co.Ltd 2017	2	218	180	-	-	-
Chalieco Hong Kong Corp.Ltd 2019	3	-	(38)	-	-	-
FWD Ltd 2017	4	303	-	-	-	-

Notes:

1. The Group's investment in perpetual bonds has been accounted for as financial assets at fair value through profit or loss. The fair value of the perpetual bonds was observed from Thomson Reuters Eikon system. Please refer to note 12 to the financial statements for details of the investment in perpetual bonds.
2. On 17 January 2020, the Group invested in a bond issued by CCB Life Insurance Company Limited ("**CCB Life Insurance**") with a nominal amount of US\$1,500,000 at a consideration of US\$1,547,000 (equivalent to approximately RMB10.6 million). The bond has a coupon interest rate of 4.5% per annum with the maturity date on 21 April 2077 and extendable for an additional 60 calendar years with no limit on the number of extension times at issuer's option. On 21 April 2022, the bond was fully redeemed by CCB Life Insurance at a consideration of US\$1,500,000 (equivalent to approximately RMB9.6 million) in advance.
3. On 17 January 2020, the Group invested in a senior guaranteed perpetual capital bond issued by Chalieco Hong Kong Corporation Limited. ("**Chalieco HK**") with a nominal amount of US\$1,500,000 at a consideration of US\$1,546,000 (equivalent to approximately RMB10.7 million) and a coupon interest rate of 5.0% per annum with no fixed redemption date. The bond was unconditionally and irrevocably guaranteed by China Aluminum International Engineering Corporation Limited ("**Chalieco**"), shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2068). Chalieco HK and Chalieco are subsidiaries of Aluminum Corporation of China which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. On 8 April 2022, the bond was completely sold by the Company at a consideration of US\$1,534,000 (equivalent to approximately RMB9.8 million) in advance.
4. On 2 March 2020, the Group invested in a subordinated perpetual capital bond issued by FWD LIMITED (together with its subsidiaries, "**FWD**") with a nominal amount of US\$1,500,000 at a consideration of US\$1,553,000 (equivalent to approximately RMB10.8 million). The bond has a coupon interest rate of 6.25% per annum without fixed maturity date. On 24 January 2022, the bond was fully redeemed by FWD at a consideration of US\$1,500,000 (equivalent to approximately RMB9.5 million) in advance.

(C) *Bond Fund*

Name of the bond fund	Note	Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2022 (RMB'000)	Loss on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2022 (RMB'000)	Fair value as at 30 June 2022 (RMB'000)	Percentage of total FVOCI and FVPL Investments as at 30 June 2022	Percentage of total assets of the Group as at 30 June 2022
UBS Asian Bonds Series 5 (USD)	2	211	(1,455)	7,528	5.1%	1.2%

Notes:

1. The Group's investment in bond fund, UBS Asian Bonds, has been accounted for as financial assets at fair value through profit or loss. The fair value of the bond fund represented the net asset value of the sub-fund determined by UBS Asset Management (Singapore) Ltd, as manager (the "**Manager**") in consultation with HSBC Trustee (Cayman) Limited as trustee (the "**Trustee**"). Please refer to note 12 to the financial statements for details of the UBS Asian Bonds.
2. On 23 January 2020, the Group invested in 16,000 units of the UBS (CAY) Investment Fund Series – UBS Asian Bonds Series 5 (USD) Class A-qdist (USD) Units (the "**Sub-Fund**") at the subscription price of US\$100 per unit with a consideration of US\$1,614,000 (equivalent to approximately RMB11.1 million). The Sub-Fund has a maturity period of 4.5 years and a target yield to maturity of 4.8% to 5.3% per annum, assuming no defaults and is held to maturity.

UBS (CAY) Investment Fund Series is an open-ended unit trust established under the Trusts Law (as amended) of the Cayman Islands as an umbrella fund by the Trust Deed dated 24 May 2017 between the Manager and the Trustee. The investment objective of the Sub-Fund is to achieve total return by investing primarily in a portfolio of USD-denominated fixed income securities issued by Asia Pacific ex-Japan issuers.

Pursuant to UBS (CAY) Investment Fund Series Reports and Financial Statements for the year ended 31 December 2021, the Sub-Fund recorded income of approximately USD –71 million and a decrease in net assets attributable to unitholders from operations of approximately USD 97 million, which was mainly attributable to unsatisfactory performance in Asian bonds market and a number of clients chose to reduce their positions.

The Sub-Fund in general take a buy-and-hold to maturity approach, investing in a diversified USD bond portfolio. Given the short maturity of the portfolio, it has relatively low interest risk. Besides, compared to global peers, Asian bonds usually provide higher yields with lower duration risk. Finally, it is operated by a professional Asian fixed maturity funds team consisted of managers with more than 10 years of experiences. The Manager, in general, actively monitors and reviews all the securities in the Sub-Fund's portfolio on a regular basis and takes appropriate action where necessary (including but not limited to re-investing proceeds from securities that have matured prior to the Sub-Fund's maturity date). Therefore, the Group is optimistic about the Sub-Fund operated by the Manager in the future.

(D) *Unlisted Equity Investments*

Company Name	Notes	Percentage of Shareholdings as at 30 June 2022	(Loss)/gain on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2022 (RMB'000)	Fair value as at 30 June 2022 (RMB'000)	Percentage of total FVOCI and FVPL investments as at 30 June 2022	Percentage of the total assets of the Group as at 30 June 2022
Xiamen eName Technology Co., Ltd. ("eName")	2	2%	(2,546)	19,746	13.3%	3.1%
Xiamen Relian Tianxia Technology Co., Ltd. ("Xiamen Relian")	3	10%	(1,722)	3,594	2.4%	0.6%
Others	4	–	24	2,318	1.5%	0.4%

Notes:

1. The Group's unlisted equity investments have been accounted for as equity investments designated at fair value through other comprehensive income. The fair value of the unlisted equity investments was assessed by management or employed by other available methods.
2. eName is a company listed on China New Third Board (Stock Code: 838413) principally engaged in domain related businesses and providing domain registration, transfer and transaction services for internet customers. It is a well-known domain service provider in China.

Pursuant to eName's annual report for the year ended 31 December 2021, eName recorded revenue of approximately RMB139.3 million, representing a decrease of 21.5% compared with the corresponding period in 2020, and net profit attributable to the shareholders of approximately RMB0.9 million, compared with RMB3.9 million for the year ended 31 December 2020. The abovementioned decrease was mainly attributable to eName ceased to control one of its holding subsidiaries, therefore the subsidiary together with its wholly-owned subsidiaries were no longer absorbed into consolidated statements.

eName has established a leading position in the domain transaction and service industry through mature technical support, convenient transaction procedure and humanized service management. eName adhered to expand its domain name business and it has actively increased promotional efforts and successfully maintained its transactions despite of the gloomy industry environment. The Group is therefore optimistic about the domain service market in China and the performance of eName in the future.

3. Xiamen Relian is an unlisted company which principally engaged in the sale of merchandise through intelligent vending machines in hotels and is managed by an experienced technical team.

Pursuant to Xiamen Relian's financial statements for the six months ended 30 June 2022, Xiamen Relian recorded revenue of approximately RMB0.3 million and net loss after tax of approximately RMB0.8 million. With the growing normalisation of COVID-19 epidemic, the hotel industry is still not fully recovered in the first half of 2022. Xiamen Relian therefore maintained current scale of operation, instead of large-scale expansion.

In view that the growing demand for intelligent vending machines from the retail industry will offer immense growth opportunities and that intelligent vending machines could also be expected to form an extensive sales and distribution network to reach intelligent products consumers, the Group considers that the future business prospect of Xiamen Relian is positive.

- Others comprised two unlisted limited liability companies and none of these investments accounted for more than 0.4% of the total assets of the Group as at 30 June 2022.

(E) Unlisted Debt Investments

Company Name	Notes	Percentage of Shareholdings as at 30 June 2022	Gain on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2022 (RMB'000)	Fair value as at 30 June 2022 (RMB'000)	Percentage of total FVOCI and FVPL investments as at 30 June 2022	Percentage of the total assets of the Group as at 30 June 2022
Future Capital Discovery Fund II, L.P. ("Future Capital")	2	1.8797%	4,565	50,501	34.1%	8.0%
Others	3	-	10	5,778	3.9%	0.9%

Notes:

- The Group's unlisted debt investments have been accounted for as financial assets at fair value through profit or loss. The fair value of the unlisted debt investments was assessed by management or employed by other available methods.
- Future Capital is an unlisted limited partnership principally engaged in investment in companies which are primarily in the sectors of intelligent system, auto system and information technology to achieve earnings in the form of medium to long term capital appreciation. The aggregate investment cost of the investment in Future Capital was USD1,452,197.91.

Pursuant to Future Capital's financial statements for the six months ended 30 June 2022, Future Capital recorded income of approximately US\$1,280 and net increase in partners' capital resulting from operations of approximately US\$51.1 million. The substantial increase in partners' capital resulting from operations was primarily due to an increase in fair value changes on two of Future Capital's investments. Future Capital expected to realise its investments at a later stage in order to enjoy a higher capital appreciation.

The Group believes that Future Capital has sufficient capital and is managed by an experienced management team and the sectors it invests in have positive future and its future business prospect is positive and is expected to grow continuously.

- Others comprised two unlisted debt investments and none of these investments accounted for more than 0.5% of the total assets of the Group as at 30 June 2022.

There was no impairment made for any investments in debt instruments for the six months ended 30 June 2022. Investments in equity instruments did not involve any separate impairment accounting under IFRS 9 – Financial Instruments.

Other significant investments held, significant acquisitions and disposal of subsidiaries, associates and joint ventures and future plans for material investments or capital assets

Save as disclosed in this announcement, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022. Except for those disclosed in this announcement, there was no plan authorised by the Board for other significant investments or acquisitions of major capital assets or other businesses in the first half of 2022. However, the Group will continue to identify new opportunities for business development.

Gearing ratio

The Group's gearing ratio, which is calculated based on total liabilities divided by total assets, was 23.8% as at 30 June 2022 and 26.1% as at 31 December 2021.

Capital expenditures

The Group's capital expenditures for the six months ended 30 June 2022 and 2021:

	Six Months Ended 30 June		Change %
	2022 <i>(RMB'000)</i>	2021 <i>(RMB'000)</i>	
Property, plant and equipment	2,572	447	475.4
Construction in progress	–	17,252	(100.0)
Total	<u>2,572</u>	<u>17,699</u>	(85.5)

Capital expenditures consisted of property, plant and equipment and construction in progress, of which the former include but are not limited to office equipment, company vehicles for employees' use and leasehold improvements. The total capital expenditures for the six months ended 30 June 2022 were approximately RMB2.6 million, compared with RMB17.7 million for the six months ended 30 June 2021, representing a decrease of approximately 85.5%. During the six months ended 30 June 2021, there were capital expenditures of approximately RMB17.3 million for the construction of the Company's R&D centre and headquarters building in Xiamen. Since the construction was completed in mid-2021, there were no such construction costs for the six months ended 30 June 2022. The decrease in total capital expenditures was partially offset by the increase in leasehold improvements for our offices.

Pledge of Assets

As at 30 June 2022, bank loans of approximately RMB75.0 million (under a loan facility of up to RMB120.0 million) were used for the construction of the Company's R&D center. The bank loans were secured by the land use rights, investment properties and building on the Land with a total carrying value of approximately RMB248.0 million.

Contingent liabilities and guarantees

As at 30 June 2022, the Company did not have any unrecorded significant contingent liabilities, guarantees or any litigation with claims made against it.

Use of Net Proceeds from Subscription of New Shares by THL H Limited

Net proceeds of the Subscription by Tencent (through its wholly-owned subsidiary named THL H Limited) in 2021 were approximately HK\$119.1 million after deducting the relevant expenses of the Subscription.

As at 30 June 2022, the utilisation of and expected timeline for the intended use of the net proceeds from the Subscription are as follows:

	Intended use of net proceeds (HKD million)	Actual use of net proceeds up to 30 June 2022 (HKD million)	Unutilised net proceeds up to 30 June 2022 (HKD million)	Expected timeline for intended use of the net proceeds
Supporting new product development	119.1	62.7	25.3	By 30 June 2023
Attracting suitable personnel		10.1		
Increase the publishing and marketing budget		21.0		
Total	119.1	93.8	25.3	

During the six months ended 30 June 2022, the net proceeds from the Subscription were utilised, or were proposed to be utilised, according to the intentions previously disclosed by the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Company had 451 full-time employees, the majority of whom were based in Xiamen, Fujian Province of the PRC. The following table sets forth the number of employees categorised by function as at 30 June 2022:

	Number of Employees	% of Total
Development	284	63.0
Operations	79	17.5
Administration	73	16.2
Sales and marketing	15	3.3
Total	451	100.0

The remuneration of the Group's employees is determined based on their performance, experience, competence and market comparables. Their remuneration package includes salaries, bonuses related to the Group's performance, allowances, equity settled share-based payments and state-managed retirement benefit schemes for employees in the PRC. The Company also provides customised training to its staff to enhance their technical and product knowledge.

The remuneration of Directors and members of senior management is determined on the basis of each individual's responsibilities, qualifications, position, experience, performance, seniority and time devoted to the Group's business. They receive compensation in the form of salaries, bonuses, share options, RSUs, and other allowances and benefits-in-kind, including the Company's contribution to their pension scheme on their behalf. The remuneration policy of the Directors and the senior management is reviewed by the Remuneration Committee and approved by the Board.

In addition, the Group has currently adopted the Post-IPO Share Option Scheme and RSU Plan II as long-term incentive schemes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	74,343	51,670
Cost of sales		<u>(17,137)</u>	<u>(15,505)</u>
Gross profit		57,206	36,165
Other income and gains	4	11,524	15,115
Selling and distribution expenses		(14,661)	(3,910)
Administrative expenses		(22,062)	(21,130)
Research and development costs		(36,866)	(31,352)
Finance costs		(2,105)	(1,101)
Other expenses		(230)	(164)
Share of profits and losses of associates		<u>247</u>	<u>357</u>
LOSS BEFORE TAX	5	(6,947)	(6,020)
Income tax expense	6	<u>(826)</u>	<u>(2,483)</u>
LOSS FOR THE PERIOD		<u>(7,773)</u>	<u>(8,503)</u>
Attributable to:			
Owners of the parent		(9,520)	(9,677)
Non-controlling interests		<u>1,747</u>	<u>1,174</u>
		<u>(7,773)</u>	<u>(8,503)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic & Diluted		<u>RMB(0.01)</u>	<u>RMB(0.01)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
LOSS FOR THE PERIOD	(7,773)	(8,503)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	(7,088)	(8,073)
Exchange differences:		
Exchange differences on translation of foreign operations	7,681	(1,918)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	593	(9,991)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(4,244)	(4,477)
Income tax effect	584	587
	(3,660)	(3,890)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Transfer of property, plant and equipment and land use right to investment properties:		
Revaluation gains	–	887
Income tax effect	–	(222)
	–	665
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(3,660)	(3,225)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(3,067)	(13,216)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(10,840)	(21,719)
Attributable to:		
Owners of the parent	(12,589)	(22,893)
Non-controlling interests	1,749	1,174
	(10,840)	(21,719)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		61,074	60,272
Investment properties		158,989	158,531
Right-of-use assets		39,829	34,946
Goodwill	9	11,427	11,427
Other intangible assets		774	879
Investment in associates		10,403	10,455
Prepayments, other receivables and other assets	11	18,647	24,592
Equity investments designated at fair value through other comprehensive income	12	25,658	29,902
Debt investments at fair value through other comprehensive income	12	58,704	63,069
Financial assets at fair value through profit or loss	12	63,807	86,781
Deferred tax assets		704	692
Total non-current assets		450,016	481,546
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	10	39,494	26,623
Prepayments, other receivables and other assets	11	24,016	20,931
Cash and cash equivalents		107,771	126,261
Other current assets		12,491	13,139
Total current assets		183,772	186,954
CURRENT LIABILITIES			
Other payables and accruals		40,911	65,908
Interest-bearing bank loans		10,000	10,000
Lease liabilities		3,723	1,646
Tax payable		2,154	1,996
Contract liabilities		6,367	9,251
Total current liabilities		63,155	88,801
NET CURRENT ASSETS		120,617	98,153
TOTAL ASSETS LESS CURRENT LIABILITIES		570,633	579,699

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	65,000	70,000
Lease liabilities	3,383	318
Deferred tax liabilities	1,239	1,134
Contract liabilities	17,874	14,340
	<hr/>	<hr/>
Total non-current liabilities	87,496	85,792
	<hr/>	<hr/>
Net assets	483,137	493,907
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	1	1
Share premium	597,945	597,945
Reserves	(116,745)	(104,226)
	<hr/>	<hr/>
	481,201	493,720
	<hr/>	<hr/>
Non-controlling interests	1,936	187
	<hr/>	<hr/>
Total equity	483,137	493,907
	<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2022

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 6 March 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at the offices of Conyers Trust Company (Cayman) Ltd. at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Group is principally engaged in the operation and development of web and mobile games in Mainland China. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Ltd. (the “Stock Exchange”) on 5 December 2014.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT INFORMATION

Information about geographical areas

Since no revenue or operating profit from transactions with a single geographical area other than Mainland China accounted for 10% or more of the Group and all of the Group's identifiable non-current assets were located in Mainland China, no geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

4. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Online web and mobile games	44,227	19,743
Single-player games	14,625	13,344
	<hr/>	<hr/>
Game operations	58,852	33,087
– Gross basis	18,100	4,338
– Net basis	40,752	28,749
Online game distribution	693	3,941
Licensing income	945	5,622
Advertising revenue	11,089	8,800
Sale of goods	502	204
Technical service income	340	16
Game Development service income	1,922	–
	<hr/>	<hr/>
	74,343	51,670
	<hr/>	<hr/>
Timing of revenue recognition		
Services transferred over time	2,867	3,635
Services and goods transferred at a point of time	71,476	48,035
	<hr/>	<hr/>
Total revenue from contracts with customers	74,343	51,670
	<hr/>	<hr/>
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government grants	2,590	1,701
Interest income	1,778	1,505
Gross rental income from investment property operating leases	2,915	1,699
	<hr/>	<hr/>
	7,283	4,905
	<hr/>	<hr/>
Gains		
Fair value gains, net:		
– Financial assets	3,605	7,891
Fair value gains on investment properties	458	2,109
Other gains	178	210
	<hr/>	<hr/>
	11,524	15,115
	<hr/>	<hr/>

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Channel costs	5,687	768
Rental fee	1,702	1,723
Depreciation of property, plant and equipment	1,768	1,652
Depreciation of right-of-use assets	2,814	1,736
Amortisation of other intangible assets	116	113
Advertising expenses	7,253	2,024
Outsource fee	3,204	2,393
Auditor's remuneration	550	550
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	51,243	45,282
Pension scheme contributions	3,929	3,413
Equity-settled share-based payment expenses	70	966
	55,242	49,661
Fair value gains, net:		
Financial assets	(3,605)	(7,891)
Interest income	(1,778)	(1,505)
Government grants	(2,590)	(1,701)
Exchange difference, net	(164)	122

6. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Xiamen Yidou and Xiamen Youli, which was certified as High and New Technology Enterprise ("HNTE") and entitled to a preferential income tax rate of 15% from 2021 to 2024. Xiamen Feixin, Kailuo Tianxia, Xiamen Xiyu and Xiamen Guangling were certified HNTE and entitled to a preferential income tax rate of 15% from 2019 to 2022.

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax	150	115
Deferred tax	676	2,368
Total tax charge for the period	826	2,483

7. DIVIDEND

The Board does not recommend the payment of an interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,718,826,062 (for the six months ended 30 June 2021: 1,598,886,001) in issue during the period, as adjusted to reflect the share issuance during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the impact of the share option outstanding had an anti-dilution effect in the basic loss per share amounts presented.

9. GOODWILL

RMB'000

At 30 June 2022 and 31 December 2021:

Cost	432,278
Accumulated impairment	<u>(420,851)</u>
Net carrying amount	<u>11,427</u>

10. ACCOUNTS RECEIVABLE AND RECEIVABLES DUE FROM THIRD-PARTY GAME DISTRIBUTION PLATFORMS AND PAYMENT CHANNELS

The Group's credit terms with customers generally range from one month to four months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its receivable balances. These receivables are non-interest-bearing.

An ageing analysis of the receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Within 3 months	<u>39,494</u>	<u>26,623</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's accounts receivable and receivables due from third-party game distribution platforms and payment channels using a provision matrix:

As at 30 June 2022

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount (RMB'000)	39,494	–	–	–	39,494
Expected credit losses (RMB'000)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

As at 31 December 2021

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount (RMB'000)	26,623	–	–	–	26,623
Expected credit losses (RMB'000)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current		
Prepayments	12,746	12,510
Prepaid land lease payments related deposits	1,605	1,605
Other receivables	11,901	18,082
	<u>26,252</u>	<u>32,197</u>
Impairment allowance	(7,605)	(7,605)
	<u>18,647</u>	<u>24,592</u>
Current		
Prepayments	7,989	7,877
Deposits	3,295	3,874
Investment property rental income	4,260	2,875
Capitalized fulfilment	220	–
Other receivables	21,876	19,349
	<u>37,640</u>	<u>33,975</u>
Impairment allowance	(13,624)	(13,044)
	<u>24,016</u>	<u>20,931</u>

12. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Debt investments at fair value through other comprehensive income			
Straight bond	(1)	<u>58,704</u>	<u>63,069</u>
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value	(2)	<u>25,658</u>	<u>29,902</u>
Financial assets at fair value through profit or loss			
Unlisted debt investments, at fair value	(3)	56,279	49,125
Bond fund	(4)	7,528	8,631
Perpetual bonds	(5)	<u>–</u>	<u>29,025</u>
		<u>63,807</u>	<u>86,781</u>

- (1) On 23 June 2017, the Group invested in a bond issued by Huarong Finance 2017 Co., Ltd. with a nominal amount of US\$3,000,000 at a consideration of US\$3,142,000 (equivalent to approximately RMB21.4 million). The bond has a coupon interest rate of 4.75% per annum with a maturity period of 10 years. On 16 December 2021, the bond with an aggregate nominal amount of US\$3,000,000 was fully redeemed by Huarong Finance 2017 Co., Ltd. in advance at an aggregated consideration of US\$3,135,000 (equivalent to approximately RMB20.0 million).

On 15 July 2021, the Group invested in a bond issued by CLP Power Hong Kong Financing Limited with a nominal amount of US\$3,500,000 at a consideration of US\$3,542,000 (equivalent to approximately RMB23.0 million). The bond has a coupon interest rate of 2.25% per annum with a maturity period of 10 years.

During the second half of July 2021, the Group successively invested in a bond issued by Ease Trade Global Limited with an accumulated nominal amount of US\$2,800,000 at an accumulated consideration of US\$2,883,000 (equivalent to approximately RMB18.6 million). The bond has a coupon interest rate of 4.0% per annum with a maturity period of 5 years.

On 15 July 2021, the Group invested in a bond issued by New World Development Company Limited with a nominal amount of US\$3,500,000 at a consideration of US\$3,783,000 (equivalent to approximately RMB24.5 million). The bond has a coupon interest rate of 4.5% per annum with a maturity period of 10 years.

Debt investments at fair value through other comprehensive income are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

- (2) The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature, which represented equity investments in one company listed on the National Equities Exchange And Quotations of the PRC, and three unlisted entities incorporated in the PRC and Singapore.
- (3) The above unlisted debt investments represented the investments in two unlisted limited partnerships, and one unlisted entity incorporated in the Cayman Islands.
- (4) In January 2020, the Group invested in a bond fund issued by UBS (CAY) Fund Series with a nominal amount of US\$1,600,000 and with income stream from a diversified portfolio at a consideration of US\$1,614,000 (equivalent to approximately RMB11.1 million).
- (5) On 17 January 2020, the Group invested in a perpetual bond issued by CCB Life Insurance Company Limited with a nominal amount of US\$1,500,000 and a coupon interest rate of 4.5% per annum at a consideration of US\$1,547,000 (equivalent to approximately RMB10.6 million). On 21 April 2022, the bond was fully redeemed by CCB Life Insurance at a consideration of US\$1,500,000 (equivalent to approximately RMB9.6 million) in advance.

On 17 January 2020, the Group invested in a perpetual bond issued by Chalieco Hong Kong Corporation Limited with a nominal amount of US\$1,500,000 and a coupon interest rate of 5.0% per annum at a consideration of US\$1,546,000 (equivalent to approximately RMB10.7 million). On 8 April 2022, the bond was completely sold by the Company at a consideration of US\$1,534,000 (equivalent to approximately RMB9.8 million) in advance.

On 2 March 2020, the Group invested in a perpetual bond issued by FWD Limited with a nominal amount of US\$1,500,000 and a coupon interest rate of 6.25% per annum at a consideration of US\$1,553,000 (equivalent to approximately RMB10.8 million). On 24 January 2022, the bond was fully redeemed by FWD at a consideration of US\$1,500,000 (equivalent to approximately RMB9.5 million) in advance.

OTHER INFORMATION AND CORPORATE GOVERNMENT HIGHLIGHTS

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

During the six months ended 30 June 2022, neither the Company, its subsidiaries nor any of the PRC Operating Entities had purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Company established the Audit Committee on 17 November 2014 with written terms of reference adopted in compliance with the CG Code and the terms of reference was amended on 28 December 2015 and 27 December 2018, respectively. As at the date of this announcement, the Audit Committee comprises Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. MA Suen Yee Andrew, all of whom are independent non-executive Directors.

The Audit Committee, together with the Board and the auditors of the Company, has reviewed the accounting standards and practices adopted by the Group and the unaudited consolidated interim results of the Company for the six months ended 30 June 2022.

Compliance with the CG Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Save as disclosed below, the Company has complied with all applicable code provisions under the CG Code for the six months ended 30 June 2022.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. YAO Jianjun serves as the Chairman and Chief Executive Officer of the Company. In view of Mr. YAO Jianjun's extensive experience in the industry, personal profile and role in the Group and its historical development, the Board believes that it is appropriate and beneficial to the business prospects of the Group that Mr. YAO Jianjun act as both Chairman and Chief Executive Officer. Furthermore, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. YAO Jianjun should help to provide strong and consistent leadership, allowing the Company to more effectively plan and implement business decisions and strategies. Besides, all major decisions have been made in consultation with members of the Board, which comprises experienced and high caliber individuals, appropriate Board committees, as well as the senior management team. The Board is, therefore, of the view that there are adequate checks and balances in place. Nevertheless, the Board will continue to monitor and review the Company's current structure and make necessary changes at an appropriate time.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with Model Code

The Company has adopted the Model Code for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2022.

Senior management, executives and staff who, because of their work at the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2022.

Publication of the Interim Results Announcement and 2022 Interim Report

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.feiyuhk.com), and the 2022 interim report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the abovementioned websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to its shareholders, the management team, employees, business partners and customers for their continued support and contribution.

RESIGNATION OF EXECUTIVE DIRECTOR

The Board announces that, with effect from 30 August 2022, Mr. LIN Jiabin has resigned as an executive Director as he wishes to allocate more time to his other business commitments.

Mr. LIN Jiabin has confirmed that he has no disagreement with the Board. None of Mr. LIN Jiabin and the Board is aware of any matters regarding his resignation that needs to be brought to the attention of the Shareholders and the Stock Exchange.

The Board would like to express its sincere gratitude to Mr. LIN Jiabin for his valuable contribution to the Company during his tenure of office.

GLOSSARY

“ARPPU”	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Cayman Islands”	the Cayman Islands

“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“Chief Executive Officer”	the chief executive officer of the Company
“China” or “PRC” or “Mainland China”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “Feiyu”	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
“Director(s)”	director(s) of the Company
“Group” or “the Group”	the Company, its subsidiaries and the PRC Operating Entities
“HK\$”, “Hong Kong dollars” or “HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IAS(s)”	International Accounting Standards
“IASB”	International Accounting Standard Board
“IFRS(s)”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“IP”	Intellectual Properties
“Land”	the land located in Huli District, Xiamen, the PRC as disclosed in the Company’s announcement dated 21 July 2016
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

“MAUs”	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPUs for a particular period is the average of the MPUs in each month during that period
“PC”	personal computer
“Post-IPO Share Option Scheme”	the post-IPO Share Option Scheme adopted by the Shareholders on 17 November 2014
“PRC Operating Entities”	Xiamen Guanghuan and its subsidiaries and “PRC Operating Entity” means any one of them
“R&D”	research and development
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“RPG”	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more “characters” who develop specific skill sets (such as melee combat or casting magic spells) and control the character’s actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
“RSU(s)”	restricted share units or any one of them
“RSU Plan II”	the RSU Plan II adopted by the Shareholders on 28 May 2018
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0000001 each
“Shareholder(s)”	holder(s) of Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 171,882,607 newly allotted and issued Shares by Tencent (through its wholly-owned subsidiary named THL H Limited) at approximately HK\$0.6941 per subscription share under the subscription agreement dated 23 April 2021 as detailed in the Company’s announcements dated 23 April 2021 and 6 May 2021.
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“Tencent”	Tencent Holdings Limited, a limited liability company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 700)
“US\$”, “United States Dollars” or “USD”	United States dollars, the lawful currency of the United States of America
“Xiamen Guanghuan”	Xiamen Guanghuan Information Technology Co., Ltd. (廈門光環信息科技有限公司), a limited company incorporated under the laws of the PRC on 12 January 2009

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

Hong Kong, 30 August 2022

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