

2023 INTERIM REPORT



Feiyu Technology International Company Ltd.

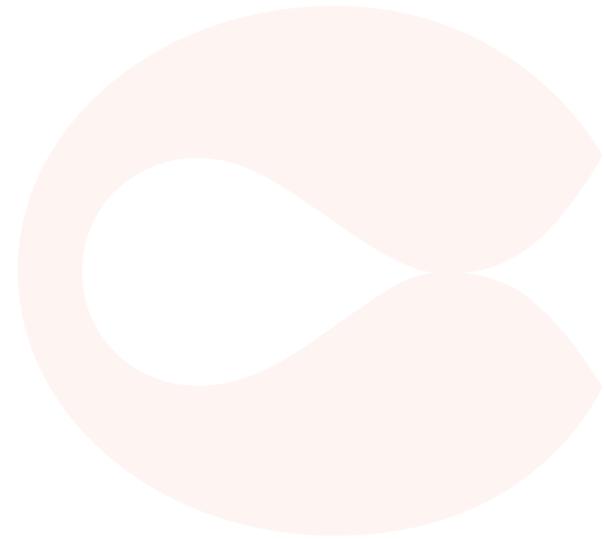
飛魚科技國際有限公司

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 1022



To Better The Virtual World



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YAO Jianjun (*Chairman and Chief Executive Officer*)
Mr. CHEN Jianyu (*President*)
Mr. BI Lin (*Vice President*)
Mr. LIN Zhibin (*Vice President*)

Independent Non-executive Directors

Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

AUDIT COMMITTEE

Ms. LIU Qianli (*Chairwoman*)
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

REMUNERATION COMMITTEE

Ms. LIU Qianli (*Chairwoman*)
Mr. BI Lin
Mr. LAI Xiaoling

NOMINATION COMMITTEE

Mr. YAO Jianjun (*Chairman*)
Ms. LIU Qianli
Mr. MA Suen Yee Andrew

AUTHORISED REPRESENTATIVES

Mr. BI Lin
Ms. LUI Mei Ka

JOINT COMPANY SECRETARIES

Ms. LUI Mei Ka
Ms. WEI Yulan

LEGAL ADVISERS

As to Hong Kong law:

Dentons Hong Kong LLP
Suite 3201, Jardine House
1 Connaught Place
Central, Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITORS

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road Quarry Bay
Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEADQUARTERS

Block A, Feiyu Tower,
No. 78 Hu'an Road, Huli District
Xiamen, Fujian Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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95 Queensway, Admiralty, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Industrial and Commercial Bank of China Xiamen Branch, Chengjian sub-branch

No. 270 Lujiang Road
Xiamen, Fujian Province
PRC

China Merchants Bank, Beijing branch Jianwaidajie sub-branch

No. 0668, Block 6, Jianwai SOHO
No. 39 Dongsanhuan Zhonglu
Chaoyang District
Beijing, PRC

INVESTOR RELATIONS

Intelligent Joy Limited

Unit 2803, Level 28, Admiralty Centre Tower 1
18 Harcourt Road, Admiralty,
Hong Kong

COMPANY'S WEBSITE

www.feiyuhk.com

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

1022

DATE OF LISTING

5 December 2014

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 30 June		
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)	Change %
Revenue	107,902	74,343	45.1
Gross profit	94,870	57,206	65.8
Profit/(Loss) before tax	40,297	(6,947)	(680.1)
Profit/(Loss) for the period attributable to owners of the parent	40,262	(9,520)	(522.9)
Non-IFRSs Measures			
– Adjusted net profit/(loss) attributable to owners of the parent ⁽¹⁾	40,262	(9,450)	(526.1)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic & Diluted	RMB0.02	RMB(0.01)	

Note:

- (1) We define adjusted net profit/(loss) attributable to owners of the parent as net profit/(loss) attributable to owners of the parent excluding share-based compensation. The term of adjusted net profit/(loss) attributable to owners of the parent is not defined under IFRSs. The use of adjusted net profit/(loss) attributable to owners of the parent has material limitations as an analytical tool as it does not include all items that would impact our net profit/(loss) attributable to owners of parent for the accounting period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 30 June 2023 (RMB'000) (Unaudited)	As of 31 December 2022 (RMB'000) (Audited)	Change %
Assets			
Non-current assets	441,101	425,059	3.8
Current assets	204,375	200,598	1.9
Total assets	645,476	625,657	3.2
Equity and liabilities			
Total equity	505,115	456,503	10.6
Non-current liabilities	77,194	81,459	(5.2)
Current liabilities	63,167	87,695	(28.0)
Total liabilities	140,361	169,154	(17.0)
Total equity and liabilities	645,476	625,657	3.2

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

OVERVIEW

In the first half of 2023, the business environment of the Company presented a mixed picture. On the one hand, the online game market in China experienced a decline in revenue year on year by 2.4% according to the China Game Industry Report for January to June 2023 (《2023年1-6月中國遊戲產業報告》) jointly 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) and China Game Industry Research Institute (中國遊戲產業研究院). The decline was further exacerbated by the COVID-19 pandemic, which dampened users' willingness to pay for online games. On the other hand, however, the approval for new game launches in China has been normalised, which is a positive factor to revive the online game market and stimulate growth in the industry.

The Company achieved strong financial performance for the first half of 2023 thanks to its strategy featured by long running and high-quality games as well as in-house developed IPs. This strategy has always been the Company's focus since its inception. Total revenue for the period increased by 45.1% year-on-year to approximately RMB107.9 million, primarily driven by the contribution from *Carrot Fantasy 4* (保衛蘿蔔4) and *Shen Xian Dao 3* (神仙道3), which were launched on 30 June 2022 and 7 June 2023, respectively. Profit attributable to owners of the parent turned to a gain of approximately RMB40.3 million for the first half of 2023 from a loss of approximately RMB9.5 million for the same period of last year.

In June 2023, the Company launched *Shen Xian Dao 3* (神仙道3) partnering with Beijing Nuverse Information Technology Co., Ltd (北京朝夕光年信息技術有限公司), a game development and publishing company wholly owned by Bytedance Ltd. (字節跳動有限公司). The RPG mobile game is a sequel to the Company's hit title series of *Shen Xian Dao* (神仙道), which was first introduced 12 years ago and has attracted over 160 million users since then. *Shen Xian Dao 3* (神仙道3) has been highly anticipated by the series' fans such that it ranked number 1 on the free download list in Apple's China App Store and number 1 on Bilibili Game popularity list on the day of its launch. In addition to the attractiveness of its IP that made it stand out in the crowd, the game's unique storyline and gameplay combining traditional Chinese culture with modern technology have ensured the game's continued success, helping it reach the 11th spot on the bestseller list of Apple's China App Store.

In line with its strategy of long-term success, the Company has been prioritising the long-term value of *Carrot Fantasy 4* (保衛蘿蔔4) over short-term gains. After launching the game in June 2022, the Company has continued to release new activities and content updates, which received positive feedback from players, as demonstrated by the number of active users and user payment statistics. These new features and consistency in updating have helped to maintain user engagement and retention, ensuring the game's continued contribution to the Company's revenue.

As an important component of the Company's IP strategy, the Company continued to carry out IP licensing activities during the period and collaborated with business partners who are licensed to use elements from the *Carrot Fantasy* (保衛蘿蔔) game series to develop and launch a total of 95 new stock-keeping units ("SKU") of physical products. These products covered various categories such as stationery, toys and creative home décor and have been available in multiple online and offline stores.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to physical products, the first batch of *Carrot Fantasy* (保衛蘿蔔) themed digital products was also launched on the Bilibili platform in June 2023. This included 42 SKUs covering collectible cards, emoji, avatar frames, and medals. The launch was such a hit that it has achieved meaningful sales within the first 20 days.

The elements from *Carrot Fantasy* (保衛蘿蔔) game series were also applied to various high-exposure scenarios, which attracted a large number of people allowing them to become acquainted and familiar with the game IP, thereby increasing brand exposure and awareness, and ultimately improving the game series' sales, user engagement and lifecycle. During the 2023 Chinese New Year holiday, a *Carrot Fantasy* (保衛蘿蔔) themed red envelope cover was created for Alipay's Five Blessings (五福) campaign. Over the course of 14 days, the *Carrot Fantasy* (保衛蘿蔔) red envelope cover was highly visible online, with a total online exposure of 5 million views.

OUTLOOK FOR 2023

In recent years, the Chinese online gaming market has become increasingly saturated, with a large number of games competing for users' attention. In this competitive environment, game companies are tending towards long-term updates and operations of games that have already been launched and recognised by users while being more cautious about initiating and developing new products. This approach aligns with the long-term business strategy that the Company has always adhered to.

In the second half of 2023, the Company will continue to optimise the games newly launched in the past 2 years, including *Shen Xian Dao 3* (神仙道3), *Carrot Fantasy 4* (保衛蘿蔔4) and *Dougui* (斗詭) to further expand their player base and enhance user engagement, thereby driving their long-term success. In the meantime, the Company will also explore opportunities to introduce *Shen Xian Dao 3* (神仙道3) and *Dougui* (斗詭) to overseas markets. This may involve adapting the games to suit the preferences and cultural norms of different overseas markets, while also maintaining the core gameplay and IP elements that have made them successful in the domestic market.

The IP licensing team will continue to expand the Company's multi-category licensing business in the second half of the year with a particular focus on collaborating with partners in offline theme events as well as catering and entertainment industries. The Company will leverage *Carrot Fantasy* (保衛蘿蔔) themed spaces and events to bring the world of the games to life, while also promoting the brand and products to a wider audience. In addition, these partnerships are also expected to help drive sales of game-related merchandise and peripherals.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operating Information

The Company's Games

During the first half of 2023, the Company remained dedicated to delivering top-notch games that cater to the ever-changing demands of gamers while also fortifying its game distribution capabilities. Additionally, the Company remained its commitment to the long-term operation of its esteemed IP portfolio, which includes *Carrot Fantasy* (保衛蘿蔔) and *Shen Xian Dao* (神仙道), laying a sturdy groundwork for potential sequels. As part of the IP strategy, the Company launched *Shen Xian Dao 3* (神仙道3), an RPG mobile game, on 7 June 2023. The new game is a highly anticipated sequel to the Company's hit title *Shen Xian Dao* (神仙道) and has achieved great popularity in Mainland China since its launch.

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			
	2023	(% of Total Revenue)	2022	(% of Total Revenue)
	(RMB'000)		(RMB'000)	
Game Operations				
Web games	6,292	5.8	7,004	9.4
Mobile games				
RPGs	35,675	33.1	37,156	50.0
Casual	47,806	44.3	9,655	13.0
PC games	771	0.7	3,131	4.2
HTML5 games	1	0.0	61	0.1
Console games	639	0.6	1,845	2.5
Total	91,184	84.5	58,852	79.2

Revenue contributed by game operations was approximately RMB91.2 million for the six months ended 30 June 2023, representing an increase of approximately 54.9%, compared with approximately RMB58.9 million for the corresponding period in 2022. The increase was primarily due to the launch of *Carrot Fantasy 4* (保衛蘿蔔4) on 30 June 2022 which had marginal contribution to the revenue for the six months ended 30 June 2022. The increase was also driven by the launch of *Shen Xian Dao 3* (神仙道3) during the period, which had been highly anticipated by the game series' fans.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023, the Company's (i) RPG mobile games and web games had approximately 234.0 million cumulative registered users, composed of approximately 173.2 million web game users and approximately 60.8 million mobile game users; (ii) casual games had approximately 696.4 million cumulative activated downloads; (iii) HTML5 games had approximately 39.1 million cumulative registered users; (iv) PC games had approximately 1.9 million cumulative copies sold; and (v) console games had approximately 451,000 cumulative copies sold. For the month of June 2023, the Company's (i) RPG mobile games and web games had approximately 1.8 million MAUs, composed of approximately 1.7 million mobile game MAUs and approximately 0.1 million web game MAUs; and (ii) casual games had approximately 5.3 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%
	2023	2022	
Average MPUs			
Web games (RPGs) (000's)	6	7	(14.3)
Mobile games (RPGs) (000's)	313	146	114.4
Casual (000's)	219	72	204.2
ARPPU			
Web games (RPGs) (RMB)	181.9	160.8	13.1
Mobile games (RPGs) (RMB)	19.0	42.5	(55.3)
Casual (RMB)	36.3	22.2	63.5

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

MPUs for web games were approximately 6,000 for the six months ended 30 June 2023, which remained steady as compared with the six months ended 30 June 2022. Average MPUs for mobile RPG games increased by 114.4% from approximately 146,000 for the six months ended 30 June 2022 to approximately 313,000 for the six months ended 30 June 2023, primarily due to the launch of *Shen Xian Dao 3* (神仙道3) in June 2023. Average MPUs for casual games increased by 204.2% from approximately 72,000 for the six months ended 30 June 2022 to approximately 219,000 for the six months ended 30 June 2023, primarily attributable 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, as well as the game's continued success in the first half of this year.

MANAGEMENT DISCUSSION AND ANALYSIS

ARPPU for web games increased from approximately RMB160.8 for the six months ended 30 June 2022 to approximately RMB181.9 for the six months ended 30 June 2023. The increase was primarily driven by higher ARPPU for the web version of *Shen Xian Dao* (神仙道) and *Da Hua Shen Xian* (大話神仙), which have entered the mature stage of their expected lifecycle when loyal players are more willing to make in-game purchases. ARPPU for RPG mobile games decreased from approximately RMB42.5 for the six months ended 30 June 2022 to approximately RMB19.0 for the six months ended 30 June 2023, primarily due to the launch of *Shen Xian Dao 3* (神仙道3), which had lower ARPPU in the early stage of its expected lifecycle. ARPPU for casual games increased by 63.5% from approximately RMB22.2 for the six months ended 30 June 2022 to approximately RMB36.3 for the six months ended 30 June 2023, 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 are vital for retaining active players and expanding the active player base of the Group.

First Half of 2023 compared with First Half of 2022

The following table sets forth the Group's income statement for the six months ended 30 June 2023 compared with the six months ended 30 June 2022.

	Six Months Ended 30 June		Change %
	2023 (RMB'000)	2022 (RMB'000)	
Revenue	107,902	74,343	45.1
Cost of sales	(13,032)	(17,137)	(24.0)
Gross profit	94,870	57,206	65.8
Other income and gains	17,907	11,524	55.4
Selling and distribution expenses	(17,846)	(14,661)	21.7
Administrative expenses	(21,802)	(22,062)	(1.2)
Research and development costs	(27,622)	(36,866)	(25.1)
Finance costs	(1,735)	(2,105)	(17.6)
Other expenses	(2,938)	(230)	1,177.4
Share of (losses)/profits of associates	(537)	247	(317.4)
PROFIT/(LOSS) BEFORE TAX	40,297	(6,947)	(680.1)
Income tax credit/(expense)	569	(826)	(168.9)
PROFIT/(LOSS) FOR THE PERIOD	40,866	(7,773)	(625.7)
Attributable to:			
Owners of the parent	40,262	(9,520)	(522.9)
Non-controlling interests	604	1,747	(65.4)

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2023 and 2022:

	Six Months Ended 30 June			
	2023	(% of Total Revenue)	2022	(% of Total Revenue)
	(RMB'000)		(RMB'000)	
Game operations	91,184	84.5	58,852	79.2
Online game distribution	279	0.2	693	0.9
Licensing and IP-related income	3,528	3.3	1,447	1.9
Advertising revenue	10,975	10.2	11,089	14.9
Game development service income	1,865	1.7	1,922	2.6
Technical service income	71	0.1	340	0.5
Total	107,902	100.0	74,343	100.0

Total revenue increased by 45.1% to approximately RMB107.9 million for the six months ended 30 June 2023 from approximately RMB74.3 million for the six months ended 30 June 2022.

Revenue from game operations was approximately RMB91.2 million for the six months ended 30 June 2023, representing an increase of approximately 54.9%, compared with approximately RMB58.9 million for the six months ended 30 June 2022. The increase was primarily due to the launch of *Carrot Fantasy 4* (保衛蘿蔔4) on 30 June 2022 which had marginal contribution to the revenue for the six months ended 30 June 2022, as well as the game's continued success in the first half of this year. The increase was also attributable to the launch of *Shen Xian Dao 3* (神仙道3) on 7 June 2023, which had been highly anticipated and well received by the game series' fans.

Revenue from online game distribution decreased by approximately 59.7% to approximately RMB0.3 million for the six months ended 30 June 2023 from approximately RMB0.7 million for the six months ended 30 June 2022. The decrease was mainly due to decline in revenue of *Mushroom War 2* (蘑菇戰爭2) which entered the mature stage of its expected lifecycle in 2023.

Licensing and IP-related income increased by approximately 143.8% from approximately RMB1.4 million for the six months ended 30 June 2022 to approximately RMB3.5 million for the six months ended 30 June 2023. The increase was primarily attributable to the increase in the sales of blind boxes and other merchandise based on *Carrot Fantasy* (保衛蘿蔔) IP from approximately RMB0.5 million for the six months ended 30 June 2022 to approximately RMB1.1 million for the period associated with the launch of *Carrot Fantasy 4* (保衛蘿蔔4) in June 2022. The increase was also attributable to the recognition of the licensing fee for *Shen Xian Dao 3* (神仙道3) and *Neon Abyss* (霓虹深淵) mobile version since their launch in June 2023 and November 2022 respectively.

Advertising revenue was approximately RMB11.0 million for the six months ended 30 June 2023, which remained steady compared with approximately RMB11.1 million for the six months ended 30 June 2022.

Game development service income was approximately RMB1.9 million for the six months ended 30 June 2023, which remained steady compared with approximately RMB1.9 million for the six months ended 30 June 2022.

Technical service income was approximately RMB0.1 million for the six months ended 30 June 2023. The decrease was primarily due to the adjustment of the commercial operation of the Company's game operation platform in the first half of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

Cost of sales decreased by 24.0% to approximately RMB13.0 million for the six months ended 30 June 2023 from approximately RMB17.1 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease of staff cost from approximately RMB12.0 million for the six months ended 30 June 2022 to approximately RMB9.3 million for the six months ended 30 June 2023 as a result of the Company's efforts to streamline its corporate structure to allocate resources to units generating higher business value. The decrease of cost of sales was also attributable to the decrease of server cost from approximately RMB2.3 million for the six months ended 30 June 2022 to approximately RMB1.4 million for the six months ended 30 June 2023 as a result of the adjustment of the commercial operation of the Company's game operation platform.

Gross profit and gross profit margin

Gross profit increased by 65.8% to approximately RMB94.9 million for the six months ended 30 June 2023 from approximately RMB57.2 million for the six months ended 30 June 2022. Gross profit margin for the six months ended 30 June 2023 was 87.9%, compared with 77.0% for the corresponding period in 2022.

Other income and gains

Other income and gains increased by approximately 55.4% from approximately RMB11.5 million for the six months ended 30 June 2022, to approximately RMB17.9 million for the six months ended 30 June 2023. The increase was primarily attributable to higher investment income of approximately RMB10.5 million for the six months ended 30 June 2023, as compared to approximately RMB3.6 million for the six months ended 30 June 2022, which was primarily driven by the fair value changes in the Company's financial assets at fair value through profit or loss.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 21.7% from approximately RMB14.7 million for the six months ended 30 June 2022, to approximately RMB17.8 million for the six months ended 30 June 2023. The increase was mainly attributable to the increase in channel fees from approximately RMB5.7 million for the six months ended 30 June 2022 to approximately RMB12.0 million for the six months ended 30 June 2023. The increase in channel fees was mainly due to the launch of *Carrot Fantasy 4* (保衛蘿蔔4) on Apple Inc.'s App Store in June 2022 where we recognised its revenue on a gross basis and its App Store channel fees in selling and distribution expenses. The increase in selling and distribution expenses was partially offset by the decrease in promotional and advertising fees from approximately RMB7.3 million to approximately RMB3.4 million, as most of the promotional activities for *Dougui* (斗詭) and *Carrot Fantasy 4* (保衛蘿蔔4) were carried out a few months before and after the launch of the games in the first half of 2022.

Administrative expenses

Administrative expenses were approximately RMB21.8 million for the six months ended 30 June 2023, which remained steady compared with approximately RMB22.1 million for the six months ended 30 June 2022.

R&D costs

R&D costs decreased by approximately 25.1% from approximately RMB36.9 million for the six months ended 30 June 2022 to approximately RMB27.6 million for the six months ended 30 June 2023. The decrease was primarily attributable to the decrease in salary and bonuses from approximately RMB29.5 million for the six months ended 30 June 2022 to approximately RMB21.3 million for the six months ended 30 June 2023 as a result of the Company's efforts to streamline its corporate structure.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance costs decreased by approximately 17.6% from approximately RMB2.1 million for the six months ended 30 June 2022 to approximately RMB1.7 million for the six months ended 30 June 2023. The decrease was primarily due to the decrease in interest expenses from approximately RMB1.9 million for the six months ended 30 June 2022 to approximately RMB1.6 million for the six months ended 30 June 2023, resulting from the repayment of part of the principal of the loan in conjunction with the operation of the Company's R&D centre and headquarters building in Xiamen.

Other expenses

Other expenses were approximately RMB2.9 million for the six months ended 30 June 2023, compared with approximately RMB0.2 million for the six months ended 30 June 2022. The increase was primarily due to the recognition of approximately RMB2.3 million loss on fair value changes of the Company's R&D centre and headquarters building in Xiamen.

Income tax expense

The Company recorded an income tax credit of approximately RMB0.6 million for the six months ended 30 June 2023 as compared to the income tax expenses of approximately RMB0.8 million for the six months ended 30 June 2022. The change was primarily attributable to the change in deferred tax expenses resulted from the fair value changes of the investment properties.

Profit for the period

As a result of the above, profit for the six months ended 30 June 2023 was approximately RMB40.9 million, as compared to a loss for the six months ended 30 June 2022 of approximately RMB7.8 million. Profit attributable to owners of the parent for the six months ended 30 June 2023 was approximately RMB40.3 million, as compared to a loss attributable to owners of the parent for the six months ended 30 June 2022 of approximately RMB9.5 million.

Non-IFRSs measures – Adjusted net profit/(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 profit/(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.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2023 and 2022, the Company defined the adjusted net profit/(loss) attributable to owners of the parent as net profit/(loss) attributable to owners of the parent excluding share-based compensation. The term of adjusted net profit/(loss) attributable to owners of the parent was not defined under IFRSs. The use of adjusted net profit/(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 profit/(loss) attributable to owners of the parent for the accounting period.

	Six Months Ended 30 June		Change %
	2023 (RMB'000)	2022 (RMB'000)	
Profit/(Loss) for the period attributable to owners of the parent	40,262	(9,520)	(522.9)
Add:			
Share-based compensation	–	70	(100.0)
Total	40,262	(9,450)	(526.1)

Financial Position

As at 30 June 2023, total equity of the Group was approximately RMB505.1 million, compared with approximately RMB456.5 million as at 31 December 2022. The increase was mainly due to the profit of approximately RMB40.9 million recorded for the six months ended 30 June 2023. The increase was also attributable to the exchange differences on translation of foreign operations and changes in fair value of equity investments at fair value through other comprehensive income.

As at 30 June 2023, the Group had net current assets of approximately RMB141.2 million, representing an increase of approximately 25.1% from approximately RMB112.9 million as at 31 December 2022. The increase was mainly due to the cash inflow from the Company's operating activities, the payment of annual bonus for 2022 and repayment of part of the bank loans.

Liquidity and Financial Resources

	30 June	31 December	Change %
	2023 (RMB'000)	2022 (RMB'000)	
Cash at bank and on hand	134,094	133,153	0.7
Total	134,094	133,153	0.7

Total cash and cash equivalents were approximately RMB134.1 million as at 30 June 2023, compared with approximately RMB133.2 million as at 31 December 2022. The increase was primarily due to the cash inflow from the Company's operating activities, which was partially offset by the utilisation of our cash and cash equivalent for investment in certificate of deposit.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, approximately RMB7.7 million of financial resources (31 December 2022: RMB10.2 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 2023, the Group had aggregate bank loans of approximately RMB68.5 million (31 December 2022: RMB70.0 million), of which approximately RMB6.0 million is payable within one year, approximately RMB24.3 million is payable between one and five years and approximately RMB38.2 million is payable after five years. The Group had lease liabilities of approximately RMB3.0 million (31 December 2022: RMB4.3 million), of which approximately RMB2.3 million is payable within one year and approximately RMB0.7 million is payable between one and five years as set out in the agreements.

In May 2023, the Company replaced the original bank loans for the construction of the Company's R&D centre and headquarters building with operation period loan, and the interest rate dropped from approximately 5.05% to approximately 4.3%. As at 30 June 2023, the Group's bank loans of approximately RMB68.5 million were used by the Company for the operation of the Company's R&D center. The interest rate was approximately 4.3% 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 2023, 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 RMB139.8 million (31 December 2022: RMB126.3 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 five 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 2023 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023 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 2023 (RMB'000)	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2023 (RMB'000)	Fair value as at 30 June 2023 (RMB'000)	Percentage of	Percentage of
					total FVOCI and FVPL Investments as at 30 June 2023	total assets of the Group as at 30 June 2023
CHINLP Medium Term Note Programme ("CHINLP")	2	273	372	20,543	14.7%	3.2%
POLHON Guaranteed Notes ("POLHON")	3	388	(282)	18,814	13.5%	2.9%
NWDEVL Medium Term Note Programme ("NWDEVL")	4	546	(6)	20,521	14.7%	3.2%

Notes:

- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023 of CLP Holdings Limited, total revenue was approximately HK\$43,302 million, representing a decrease of 9.0% compared with corresponding period in 2022. Operating earnings before fair value movements increased 19.3% to HK\$4,955 million for the first half of 2023 mainly thanks to a stable performance in Hong Kong, higher generation volumes from the two nuclear power plants in Mainland China, and a significant favourable one-off in India. With the absence of the unusual unfavourable fair value movements experienced in 2022 (HK\$8 billion) and a slight gain in 2023, the net profit after tax for the six months ended 30 June 2023 turnaround to HK\$5,060 million from a loss of HK\$4,855 million a year ago, also helped by the reversal of items affecting comparability.

As long as Hong Kong rebounds and acts to attract more businesses and tourists from around the world, the reliability and sustainability of electricity supply will become even more crucial in supporting the city's growth. The Group is therefore optimistic about the future prospect of the bond CHINLP.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2023, 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 48.09% of the issued share capital of Poly Property under the Securities and Futures Ordinance (Cap. 571) of the law of Hong Kong.

According to the Profit Warning for the six months ended 30 June 2023, Poly Property expected that its profit attributable to owners would drop by about 50% period-on-period, mainly due to the decrease in recognition of turnover of property development projects during the period and the decline in gross profit margin due to the market downturn.

According to the CRIC, Poly Property ranked the 40th on the CRIC list in term of the total sales amount during the year 2022, a significant rise of 20 rankings compared with that at the end of 2021, which showed its strong development resilience despite the weak market confidence and intensive industry competition. 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 2022 of New World Group, NWD recorded a revenue of approximately HK\$40,193.3 million for the six months ended 31 December 2022, representing an increase of 13.0% when compared to HK\$35,572.8 million for the corresponding period in 2021. Net profit after tax for the six months ended 31 December 2022 amounted to HK\$2,786.8 million, representing a decrease of 19.4% when compared to the HK\$3,456.0 million for the corresponding period in 2021.

After three years of turbulence and correction under the pandemic, the real estate industry is heading to high-quality development in the future. As a premium enterprise that adheres to sound and high-quality development, NWD will pioneer to capitalise on the favourable market and policies as well as gaining advantages from the recovery of the market. Therefore, the Group is optimistic about the future prospect of the bond NWDEVL.

MANAGEMENT DISCUSSION AND ANALYSIS

(B) Bond Fund

Name of the bond fund	Note	Interest income	Loss on fair	Fair value	Percentage of	Percentage of
		recognised in consolidated statement of profit or loss for the six months ended 30 June 2023 (RMB'000)	value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2023 (RMB'000)		total FVOCI and FVPL Investments as at 30 June 2023	total assets of the Group as at 30 June 2023
UBS Asian Bonds Series 5 (USD)	2	226	(146)	7,698	5.5%	1.2%

Notes:

- 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.
- 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 2022, the Sub-Fund recorded income of approximately USD60 million and a decrease in net assets attributable to unitholders from operations of approximately USD80 million.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(C) Unlisted Equity Investments

Company Name	Notes	Percentage of Shareholdings as at 30 June 2023	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2023 (RMB'000)	Fair value as at 30 June 2023 (RMB'000)	Percentage of total FVOCI and FVPL investments as at 30 June 2023	Percentage of the total assets of the Group as at 30 June 2023
Xiamen eName Technology Co., Ltd. ("eName")	2	2%	1,105	13,161	9.4%	2.0%
Xiamen Relian Tianxia Technology Co., Ltd. ("Xiamen Relian")	3	10%	(45)	2,256	1.6%	0.3%
Others	4	-	(85)	1,763	1.3%	0.3%

Notes:

- 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.
- 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 interim report for the six months ended 30 June 2023, eName recorded revenue of approximately RMB146.9 million, representing an increase of 197.0% compared with the corresponding period in 2022, and net profit attributable to the shareholders of approximately RMB11.5 million, representing an increase of 574.8% compared with RMB1.7 million for the six months ended 30 June 2022. The abovementioned increase in net profit attributable to the shareholders was mainly attributable to the acquisition of a subsidiary in the second half of 2022.

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 the gloomy industry environment. The Group is therefore optimistic about the domain service market in China and the performance of eName in the future.

- 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 year ended 30 June 2023, Xiamen Relian recorded revenue of approximately RMB0.3 million and net loss after tax of approximately RMB0.4 million. With the initial recovery of the economic after the epidemic, Xiamen Relian maintained current scale of operation in the short term and continued to look for new business opportunities.

In view that the growing demand for intelligent vending machines from the retail industry will offer 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.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Others comprised two unlisted limited liability companies and none of these investments accounted for more than 0.3% of the total assets of the Group as at 30 June 2023.

(D) Unlisted Debt Investments

Company Name	Notes	Percentage of Shareholdings as at 30 June 2023	Gain/(loss) on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2023 (RMB'000)	Fair value as at 30 June 2023 (RMB'000)	Percentage of total FVOCI and FVPL investments as at 30 June 2023	Percentage of the total assets of the Group as at 30 June 2023
Future Capital Discovery Fund II, L.P. ("Future Capital")	2	1.8797%	9,697	53,368	38.2%	8.3%
Others	3	-	(155)	1,674	1.2%	0.3%

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. As at 30 June 2023, the Company held approximately 1.8797% partnership interests in Future Capital.

Pursuant to Future Capital's financial statements for the six months ended 30 June 2023, Future Capital recorded income of approximately US\$8,032 and net increase in partners' capital resulting from operations of approximately US\$98.7 million. The substantial increase in partners' capital resulting from operations was primarily due to an increase in fair value changes on several 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 one unlisted debt investments and none of these investments accounted for more than 0.3% of the total assets of the Group as at 30 June 2023.

There was no impairment made for any investments in debt instruments for the six months ended 30 June 2023. Investments in equity instruments did not involve any separate impairment accounting under IFRS 9 – Financial Instruments.

MANAGEMENT DISCUSSION AND ANALYSIS

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 interim report, 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 2023. Except for those disclosed in this interim report, 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 2023. 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 21.7% as at 30 June 2023 and 27.0% as at 31 December 2022.

Capital expenditures

The following table sets forth the Group's capital expenditures for the six months ended 30 June 2023 and 2022:

	Six Months Ended 30 June		Change %
	2023 (RMB'000)	2022 (RMB'000)	
Property, plant and equipment	1,359	2,572	(47.2)
Total	1,359	2,572	(47.2)

Capital expenditures consisted of property, plant and equipment which include but not limited to office equipment, company vehicles for employees' use and leasehold improvements. The total capital expenditures for the six months ended 30 June 2023 were approximately RMB1.4 million, compared with RMB2.6 million for the six months ended 30 June 2022, representing a decrease of approximately 47.2%. The decrease was mainly attributable to the decrease in leasehold improvements for our offices.

Pledge of Assets

As at 30 June 2023, bank loans of approximately RMB68.5 million (under a loan facility of up to RMB100.0 million) were used for the operation 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 RMB243.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities and guarantees

As at 30 June 2023, 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 2023, the utilisation 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 2023 (HKD million)	Unutilised net proceeds up to 30 June 2023 (HKD million)
Supporting new product development	119.1	43.1	–
Attracting suitable personnel		45.4	
Increase the publishing and marketing budget		30.6	
Total	119.1	119.1	–

During the six months ended 30 June 2023, the net proceeds from the Subscription were utilised according to the intentions previously disclosed by the Company. As at 30 June 2023, the Company had utilised all of the net proceeds of the Subscription.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Company had 327 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 2023:

	Number of Employees	% of Total
Development	197	60.2
Operations	54	16.5
Administration	62	19.0
Sales and marketing	14	4.3
Total	327	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.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in Shares

Name of Director/ chief executive	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding ⁶ %
YAO Jianjun	Founder of a discretionary trust Interest of controlled corporation and Beneficial owner ^{1 and 2}	489,884,500	28.25
CHEN Jianyu	Founder of a discretionary trust Interest of controlled corporation ^{1 and 3}	161,538,000	9.31
BI Lin	Founder of a discretionary trust Interest of controlled corporation ^{1 and 4}	77,470,000	4.47
LIN Zhibin	Founder of a discretionary trust Interest of controlled corporation ^{1 and 5}	37,390,500	2.16

Notes:

- 1 As at 30 June 2023, TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust and The Zhi Family Trust.
- 2 These interests represented:
 - (a) 8,485,500 Shares held directly by Mr. YAO; and
 - (b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 161,538,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.
- 4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 77,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.
- 5 The entire share capital of LINCEN Holdings Limited is wholly owned by Sheen Field Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Zhi Family Trust, which was established by Mr. LIN Zhibin on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN and his family members. Mr. LIN (as founder of The Zhi Family Trust) and Sheen Field Limited are taken to be interested in 37,390,500 Shares held by LINCEN Holdings Limited pursuant to Part XV of the SFO.
- 6 The percentage is calculated on the basis of 1,734,266,062 Shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

POST-IPO SHARE OPTION SCHEME

The Company has currently adopted a share options scheme, namely the Post-IPO Share Option Scheme.

From 1 January 2023, the Company will rely on the transitional arrangements provided by the Stock Exchange for share schemes should it decide to grant any share options. The Company will amend the terms of the Post-IPO Share Option Scheme or consider to adopt a new share option scheme in compliance with the new Chapter 17 of the Listing Rules as and when appropriate.

No options were granted under the Post-IPO Share Option Scheme during the six months ended 30 June 2023. As at 30 June 2023, out of the 146,160,000 options granted under the Post-IPO Share Option Scheme; (i) 15,440,000 options had been exercised; (ii) 107,520,000 options had lapsed or cancelled; and (iii) the total number of Shares in respect of which options were granted and remained outstanding was 23,200,000 Shares, all of which had been vested to the named grantees. The number of options available for grant under the existing scheme mandate of the Post-IPO Share Option Scheme as at 30 June 2023 was 111,360,000 Shares (as at 1 January 2023: 41,700,000 Shares).

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

The table below sets out details of the options granted to the grantees under the Post-IPO Share Option Scheme and their movements during the six months ended 30 June 2023:

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Shares					
						Granted on the date of grant	Outstanding as at 1/1/2023	Granted during the six months ended 30/6/2023	Exercised during the six months ended 30/6/2023	Cancelled/Lapsed during the six months ended 30/6/2023	Outstanding as at 30/6/2023
Senior management											
Ms. XU Yiqing (Ms. Xu)	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,000,000 ⁽⁹⁾	3,000,000	-	-	-	3,000,000
Ms. Xu	21/1/2020	7,000,000 options (5,250,000 of which are subject to performance targets) on 31 December 2020, and 31 December 2021 respectively and 8,000,000 options (6,000,000 of which are subject to performance targets) on 31 December 2022	8 May 2020 to 21 January 2024	HK\$0.1804	HK\$0.154	22,000,000 ⁽⁹⁾	22,000,000	-	(4,600,000)	-	17,400,000
Ms. WEI Yulan	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	600,000 ⁽⁹⁾	600,000	-	-	-	600,000
Ms. TU Qin (Ms. Tu)	13/11/2017	1/3 of options on 13 November 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.026	HK\$1.00	15,000,000 ⁽⁹⁾	15,000,000	-	-	(15,000,000) ⁽⁸⁾	-
Ms. Tu	21/1/2020	10,000,000 options on 31 December 2020, 15,000,000 options on 31 December 2021 and 25,000,000 options on 31 December 2022, subject to performance targets	8 May 2020 to 21 January 2024	HK\$0.1804	HK\$0.154	50,000,000 ⁽⁹⁾	50,000,000	-	(340,000)	(49,660,000) ⁽⁷⁾	-
Ms. LUJ Mei Ka	21/1/2020	10% of options on 31 December 2020, 40% of options on 31 December 2021 and 50% of options on 31 December 2022, subject to performance targets	4 years from the date of grant	HK\$0.1804	HK\$0.164	10,000,000 ⁽⁹⁾	5,000,000	-	-	(5,000,000)	-
Mr. SHENG Xiang ⁽⁹⁾	21/1/2020	1/3 of options (i.e. 4,000,000, among which 3,000,000 are subject to performance targets) on 31 December 2020, 2021, 2022 respectively	4 years from the date of grant	HK\$0.1804	HK\$0.164	12,000,000 ⁽⁹⁾	10,500,000	-	(10,500,000)	-	-

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Shares					
						Granted on the date of grant	Outstanding as at 1/1/2023	Granted during the six months ended 30/6/2023	Exercised during the six months ended 30/6/2023	Cancelled/Lapsed during the six months ended 30/6/2023	Outstanding as at 30/6/2023
Other Grantees											
1 other grantee	10/6/2015	25% of options on 10 June 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK\$3.934	HK\$3.62	3,000,000 ¹⁾	-	-	-	-	-
1 other grantee	5/7/2016	25% of options on 31 December 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK\$1.634	HK1.57	1,000,000 ²⁾	-	-	-	-	-
1 other grantee	27/3/2017	50% of options on 30 June 2017 and 25% of options on 30 June 2018 and 2019 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,000,000 ³⁾	-	-	-	-	-
9 other grantees	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,560,000 ³⁾	2,200,000	-	-	-	2,200,000
2 other grantee	15/5/2017	25% of options on 15 May 2018, 2019, 2020 and 2021 respectively	10 years from the date of grant	HK\$1.10	HK\$1.11	5,000,000 ⁴⁾	-	-	-	-	-
1 other grantee	21/1/2020	8,000,000 options on 31 December 2021 and 10,000,000 options on 31 December 2022, subject to performance targets	8 May 2020 to 21 January 2024	HK\$0.1804	HK\$0.154	18,000,000 ⁵⁾	-	-	-	-	-
Total						146,160,000					23,200,000

Notes:

- On 10 June 2015, 3,000,000 share options were granted to an eligible participant with exercise price of HK\$3.934 per Share, which represents the highest of: (i) the closing price of HK\$3.69 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 10 June 2015; (ii) the average of the closing price of HK\$3.934 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- On 5 July 2016, 1,000,000 share options were granted to an eligible participant with exercise price of HK\$1.634 per Share, which represents the highest of: (i) the closing price of HK\$1.42 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 5 July 2016; (ii) the average of the closing price of HK\$1.634 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 3) On 27 March 2017, 10,160,000 share options were granted to two senior management and other 10 eligible participants with exercise price of HK\$1.256 per Share, which represents the highest of: (i) the closing price of HK\$1.23 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 27 March 2017; (ii) the average of the closing price of HK\$1.256 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- 4) On 15 May 2017, 5,000,000 share options were granted to two eligible participant with exercise price of HK\$1.10 per Share, which represents the highest of: (i) the closing price of HK\$1.10 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 15 May 2017; (ii) the average of the closing price of HK\$1.096 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- 5) On 13 November 2017, 15,000,000 share options were granted to a senior management with exercise price of HK\$1.026 per Share, which represents the highest of: (i) the closing price of HK\$0.99 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 13 November 2017; (ii) the average of the closing price of HK\$1.026 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- 6) On 21 January 2020, 112,000,000 share options, of which 90,000,000 share options (the "Conditional Grant") were subject to the approval of the independent Shareholders, were granted to 4 senior management and an eligible participant with exercise price of HK\$0.1804 per Share, which represents the highest of: (i) the closing price of HK\$0.165 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer of the Share Options, i.e. 21 January 2020; (ii) the average of the closing price of HK\$0.1804 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of offer of the Share Options, i.e. 21 January 2020; and (iii) the nominal value of a Share of US\$0.0000001. At the extraordinary general meeting of the Company held on 8 May 2020, the resolutions in respect of approving the Conditional Grant were duly passed by the independent Shareholders. For details, please refer to the Company's announcement dated 21 January 2020, circular dated 8 April 2020 and poll results announcement dated 8 May 2020.
- 7) 49,660,000 share options granted to Ms. Tu lapsed during the six months ended 30 June 2023 upon the annual performance targets for the year ended 31 December 2022 having not been fulfilled.
- 8) 15,000,000 share options granted to Ms. Tu lapsed immediately upon her resignation as Chief Operating Officer of the Company on 10 February 2023.
- 9) Mr. SHENG Xiang has tendered his resignation as vice president of the Company effective from 31 March 2023.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

SUMMARY OF THE POST-IPO SHARE OPTION SCHEME

- Purpose**

To provide an incentive or reward for the participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.
- Eligible Participants**

Full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries, and suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, has contributed or will contribute to the Group and whom the Board may in its absolute discretion select and think fit.
- Maximum number of shares**

The total number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme is 150,000,000 Shares which is equivalent to 12.50% and 8.65% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.

As at the date of this interim report, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 134,560,000 Shares, representing approximately 7.760% of the total number of issued Shares as at the date of this interim report.

The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be granted under the Post-IPO Share Option Scheme and any other schemes must not in aggregate exceed 30% of the total number of Shares in issue from time to time.
- Maximum entitlement of each participant**

1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer.
- Option period**

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during the period as notified by the Board to each grantee provided that such period of time shall not exceed a period of ten years from the date of grant.
- Vesting period**

The Board may in its absolute discretion specify conditions or performance targets at the time of grant of options which shall be satisfied by the grantee before his options may be exercised.
- Amount on acceptance of the option**

HK\$1.00, which shall be paid not later than 14 days from the date of offer.
- Basis of determining the exercise price**

Exercise price shall be higher of: (1) the official closing price of the Shares as stated on the Stock Exchange's daily quotations sheets on the date of offer of option; (2) average of the official closing prices of the Shares stated on the Stock Exchange's daily quotation sheets for the 5 business days before the date of offer and (3) nominal value of a Share.
- Remaining life of the scheme**

It shall be valid and effective from 17 November 2014 to the 10th anniversary of the Listing Rule (i.e. 5 December 2024) (both dates inclusive).

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

RESTRICTED SHARE UNIT PLAN

RSU PLAN II

The Company has currently adopted a RSU plan, namely the RSU Plan II.

The annual mandate given to the Directors for granting 45,000,000 RSUs under the RSU Plan II at the annual general meeting of the Company held on 27 May 2022 had expired upon conclusion of the annual general meeting of the Company held on 25 May 2023. As at 30 June 2023, no annual mandate had been given by the Shareholders to the Directors for granting any RSUs under the RSU Plan II. The Company will amend the terms of the RSU Plan II or consider to adopt a new RSU plan to comply with the new Chapter 17 and seek approval from the Shareholders on the relevant annual mandate as and when appropriate.

No RSU had been granted under the RSU Plan II from the date of its adoption up to the date of this interim report.

Summary of the RSU Plan II

- 1. Purpose**

To reward the participants for their contribution to the success of the Group and to provide incentives to them to further contribute to the Group, and to attract suitable personnel for further development to the Group.
- 2. Eligible Participants**
 - (i) Full-time employees or officers (including executive, non-executive and independent non-executive Directors) of the Company;
 - (ii) Full-time employees of any subsidiaries and the PRC Operating Entities;
 - (iii) Suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, have contributed or will contribute to the Group; and
 - (iv) Any other person who, in the absolute discretion of the Board, has contributed or will contribute to the Group.
- 3. Maximum number of shares**

No Award shall be granted pursuant to the RSU Plan II if as a result of such grant the aggregate number of Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the RSU Plan II (excluding Awards that have lapsed or been cancelled in accordance with the rules of the RSU Plan II) will exceed 45,000,000 Shares, being 3% of the total issued Shares at the relevant date of Shareholders' approval (i.e. 28 May 2018).

If the limit of the RSU Plan II is refreshed with prior approval of the Shareholders, the total number of Shares underlying the awards shall not exceed 3% of the number of issued Shares as at the date of approval of the refreshed limit.
- 4. Maximum entitlement of each participant**

The RSU Plan II does not stipulate any maximum entitlement of each participant.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 5. Award period** An award shall remain open for acceptance by the participant to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after the tenth anniversary of the adoption date of the RSU Plan II or after the RSU Plan II has been terminated in accordance with the provisions of the RSU Plan II.
- 6. Vesting** Subject to the terms of the RSU Plan II and the specific terms and conditions applicable to each award, the RSUs granted in an award shall be subject to a vesting period, to the satisfaction of performance and/or other conditions to be determined by the Board.
- An Award of RSUs under the RSU Plan II gives a grantee in the RSU Plan II a conditional right to vest the RSUs to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion.
- 7. Amount on acceptance of the award** No acceptance price of the award will be payable on the acceptance of such an award.
- 8. Remaining life of the RSU Plan II** It shall be valid and effective for a period of 10 years commencing from 28 May 2018 (i.e. until 28 May 2028).

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of shareholding ⁶ %
TMF (Cayman) Ltd. ¹	Trustee of the family trusts	820,815,000	47.33
YAO Holdings Limited ²	Beneficial owner	481,399,000	27.76
Jolly Spring International Limited ²	Interest in a controlled corporation	481,399,000	27.76
Mr. YAO Jianjun ³	Founder of a discretionary trust Interest in a controlled corporation and Beneficial owner	489,884,500	28.25
Fishchen Holdings Limited ⁴	Beneficial owner	161,538,000	9.31
Honour Gate Limited ⁴	Interest in a controlled corporation	161,538,000	9.31
Mr. CHEN Jianyu ⁴	Founder of a discretionary trust Interest in a controlled corporation	161,538,000	9.31
Tencent Holdings Limited ⁵	Interest in a controlled corporation	261,882,607	15.10

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Notes:

- 1 As at 30 June 2023, TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust and The Zhi Family Trust.
- 2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.
- 3 These interests represented:
 - (a) 8,485,500 Shares held directly by Mr. YAO; and
 - (b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 shares held by YAO Holdings Limited pursuant to Part XV of the SFO.
- 4 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 161,538,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.
- 5 Tencent holds 261,882,607 Shares indirectly through its wholly-owned subsidiary, THL H Limited, a company incorporated under the laws of British Virgin Islands.
- 6 The percentage is calculated on the basis of 1,734,266,062 Shares in issue as at 30 June 2023.

Other than as disclosed above, as at 30 June 2023, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

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

During the six months ended 30 June 2023, neither the Company, its subsidiaries nor any of the PRC Operating Entities has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this interim report, the Company has always maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2023 and up to the date of this interim report.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Compliance with the Corporate Governance 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 herein below, the Company has complied with all applicable code provisions under the CG Code during the six months ended 30 June 2023.

Code provision C.2.1 of the CG Code stipulates 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 acts 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 would 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.

The Board

The Board currently comprises seven Directors, including four Executive Directors, viz, Mr. YAO Jianjun, Mr. CHEN Jianyu, Mr. BI Lin and Mr. LIN Zhibin; and three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, viz, Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. MA Suen Yee Andrew.

During the six months ended 30 June 2023 and up to the date of this interim report, there were no changes to the composition of the Board.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code during the six months ended 30 June 2023.

Senior management, executives and staff who, because of their offices in 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 2023.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Review of Interim Results

The Audit Committee, comprising three Independent Non-executive Directors, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

The unaudited interim results of the Group for the six months ended 30 June 2023 have been reviewed by Ernst & Young, the external auditors of the Company.

Change in Directors' Biographical Details under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' biographical details since the date of the 2022 annual report of the Company are as follows:

- (i) Mr. Chen Jianyu (陳劍瑜), an Executive Director, has resigned as a director of Xiamen Kailuo Tianxia Information Technology Co., Ltd. (廈門凱羅天下信息科技有限公司) which is a subsidiary of the Company since 10 May 2023; and
- (ii) Mr. Ma Suen Yee Andrew (馬宣義), an Independent Non-Executive Director, has resigned as a managing director of VMS Investment Group (HK) Limited since July 2023.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2022 annual report of the Company and up to the date of this interim report.

INDEPENDENT REVIEW REPORT



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

To the board of directors of Feiyu Technology International Company Ltd.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 36 to 71, which comprises the interim condensed consolidated statement of financial position of Feiyu Technology International Company Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

25 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	4	107,902	74,343
Cost of sales		(13,032)	(17,137)
Gross profit		94,870	57,206
Other income and gains	4	17,907	11,524
Selling and distribution expenses		(17,846)	(14,661)
Administrative expenses		(21,802)	(22,062)
Research and development costs		(27,622)	(36,866)
Finance costs		(1,735)	(2,105)
Other expenses		(2,938)	(230)
Share of profits and losses of associates	14	(537)	247
PROFIT/(LOSS) BEFORE TAX	5	40,297	(6,947)
Income tax credit/(expense)	6	569	(826)
PROFIT/(LOSS) FOR THE PERIOD		40,866	(7,773)
Attributable to:			
Owners of the parent		40,262	(9,520)
Non-controlling interests		604	1,747
		40,866	(7,773)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic & Diluted		RMB0.02	RMB(0.01)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six months ended 30 June 2023

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	40,866	(7,773)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income: Changes in fair value	84	(7,088)
Exchange differences: Exchange differences on translation of foreign operations	4,239	7,681
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	4,323	593
Other comprehensive income/(loss) 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	975	(4,244)
Income tax effect	-	584
	975	(3,660)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	975	(3,660)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	5,298	(3,067)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	46,164	(10,840)
Attributable to:		
Owners of the parent	45,556	(12,589)
Non-controlling interests	608	1,749
	46,164	(10,840)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	61,743	62,182
Investment properties	10	156,873	159,166
Right-of-use assets	11	34,311	36,088
Goodwill	12	11,427	11,427
Other intangible assets	13	533	648
Investment in associates	14	10,073	10,910
Prepayments, other receivables and other assets	16	16,343	18,370
Time deposits	19	10,000	–
Equity investments designated at fair value through other comprehensive income	17	17,180	16,205
Debt investments at fair value through other comprehensive income	17	59,878	58,121
Financial assets at fair value through profit or loss	17	62,740	51,942
Total non-current assets		441,101	425,059
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	15	43,473	41,373
Prepayments, other receivables and other assets	16	15,813	15,413
Cash and cash equivalents	18	134,094	133,153
Other current assets		10,995	10,659
Total current assets		204,375	200,598
CURRENT LIABILITIES			
Other payables and accruals	20	37,450	59,609
Interest-bearing bank loans	21	6,000	10,000
Lease liabilities		2,263	2,640
Tax payable		2,016	2,010
Contract liabilities	22	15,438	13,436
Total current liabilities		63,167	87,695
NET CURRENT ASSETS		141,208	112,903
TOTAL ASSETS LESS CURRENT LIABILITIES		582,309	537,962

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	21	62,500	60,000
Lease liabilities		694	1,614
Deferred tax liabilities		1,220	1,789
Contract liabilities	22	12,780	18,056
Total non-current liabilities		77,194	81,459
Net assets		505,115	456,503
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	1	1
Share premium	23	601,195	597,945
Reserves		(111,027)	(151,727)
		490,169	446,219
Non-controlling interests		14,946	10,284
Total equity		505,115	456,503

YAO Jianjun
Director

CHEN Jianyu
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent										Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Financial assets revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 31 December 2022 (audited)	1	597,945	20,704*	150,866*	328,474*	(31,966)*	35,299*	(655,104)*	446,219	10,284	456,503
Profit for the period	-	-	-	-	-	-	-	40,262	40,262	604	40,866
Other comprehensive loss for the period:											
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	84	-	-	84	-	84
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	975	-	-	975	-	975
Exchange differences on translation of foreign operations	-	-	-	-	-	-	4,235	-	4,235	4	4,239
Total comprehensive income for the period	-	-	-	-	-	1,059	4,235	40,262	45,556	608	46,164
Contribution to non-controlling shareholders	-	-	-	-	(4,054)	-	-	-	(4,054)	4,054	-
Exercise of share option	-	3,250	-	(802)	-	-	-	-	2,448	-	2,448
At 30 June 2023 (unaudited)	1	601,195	20,704*	150,064*	324,420*	(30,907)*	39,534*	(614,842)*	490,169	14,946	505,115

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Financial assets revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2021 (audited)	1	597,945	18,731	152,772	333,287	(7,717)	22,195	(623,494)	493,720	187	493,907
Loss for the period	-	-	-	-	-	-	-	(9,520)	(9,520)	1,747	(7,773)
Other comprehensive loss for the period:											
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	(7,088)	-	-	(7,088)	-	(7,088)
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(3,660)	-	-	(3,660)	-	(3,660)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	7,679	-	7,679	2	7,681
Total comprehensive loss for the period	-	-	-	-	-	(10,720)	7,679	(9,520)	(12,589)	1,749	(10,840)
Equity-settled share-based payment expenses	-	-	-	70	-	-	-	-	70	-	70
At 30 June 2022 (unaudited)	1	597,945	18,731*	152,842*	333,287*	(18,465)*	29,874*	(633,014)*	481,201	1,936	483,137

* These reserve accounts comprise the consolidated negative reserves of RMB111,027,000 (For the six months ended 30 June 2022: RMB116,745,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(Loss) before tax		40,297	(6,947)
Adjustments for:			
Finance costs		1,735	2,105
Interest income	4	(1,543)	(1,778)
Dividend income from a financial asset at fair value through profit or loss	4	(765)	–
Depreciation of property, plant and equipment	5	1,725	1,768
Depreciation of right-of-use assets	5	1,777	2,814
Amortisation of other intangible assets	13	115	116
Gain on disposal of items of property, plant and equipment	5	(149)	(5)
Equity-settled share-based payment expenses	5	–	70
Fair value gains, net:			
Financial assets at fair value through profit or loss	5	(9,400)	(3,605)
Changes in fair value of investment properties	5	2,293	(458)
Reversal of impairment of other receivables		(100)	–
Share of profits and losses of associates	14	537	(247)
		36,522	(6,167)
Increase in accounts receivable and receivables due from third-party game distribution platforms and payment channels		(2,400)	(12,871)
Decrease in prepayments, other receivables and other assets		2,027	2,866
Decrease in other payables and accruals		(21,314)	(17,788)
(Increase)/decrease in other current assets		(336)	648
(Decrease)/increase in contract liabilities		(3,274)	650
Cash generated from/(used in) operations		11,225	(32,662)
Interest paid		(1,721)	(2,116)
Net cash flows generated from/(used in) operating activities		9,504	(34,778)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

Note	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	1,543	1,778	
Purchases of items of property, plant and equipment	(1,912)	(9,770)	
Proceeds from disposal of items of property, plant and equipment	222	7	
Additions to other intangible assets	–	(11)	
Purchase of financial assets at fair value through profit or loss	(234,840)	(281,500)	
Proceeds from disposal of financial assets	235,608	311,110	
Purchase of time deposits	(10,000)	–	
Dividends received from associates	300	300	
Net cash flows (used in)/generated from investing activities	(9,079)	21,914	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of bank loans	(1,500)	(5,000)	
Principal portion of lease payments	(1,297)	(2,555)	
Proceeds from exercise of share options	2,142	–	
Net cash flows used in financing activities	(655)	(7,555)	
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	133,153	126,261	
Effect of foreign exchange rate changes, net	1,171	1,929	
Cash and cash equivalents at end of period	134,094	107,771	
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	18	134,094	107,771

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2023 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of these amendments to IAS 12 did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:
(Continued)

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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, other than investments, 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 2023 and 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Channel costs	11,952	5,687
Rental fee	656	1,702
Depreciation of property, plant and equipment	1,725	1,768
Depreciation of right-of-use assets	1,777	2,814
Amortisation of other intangible assets	115	116
Advertising expenses	3,430	7,253
Outsource fee	646	3,204
Auditor's remuneration	550	550
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	38,800	51,243
Pension scheme contributions	6,438	3,929
Equity-settled share-based payment expenses	-	70
	45,238	55,242
Exchange difference, net	(32)	(164)
Gain on disposal of items of property, plant and equipment, net	(149)	(5)
Fair value gains, net	(9,400)	(3,605)
Changes in fair value of investment properties, net	2,293	(458)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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.

Hong Kong profits tax has been provided at the rate of 16.5% (2022:16.5%) on the estimated assessable profits arising in Hong Kong during the period. The HK subsidiary Feiyu Technology Hong Kong Limited was subjected to this tax rate.

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 Feiyu, Xiamen Yidou, Xiamen Youli and Xiamen Feixin which were certified as High and New Technology Enterprise (“HNTE”) and entitled to a preferential income tax rate of 15% from 2021 to 2023. Kailuo Tianxia was certified HNTE and entitled to a preferential income tax rate of 15% from 2022 to 2024.

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax	-	150
Deferred tax	(569)	676
Total tax (credit)/charge for the period	(569)	826

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 2023 (for the six months ended 30 June 2022: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,726,184,979 (for the six months ended 30 June 2022: 1,718,826,062) in issue during the period, as adjusted to reflect the share issuance during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	40,262	(9,520)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,726,184,979	1,718,826,062
Effect of dilution – weighted average number of ordinary shares:		
Share options	5,640,987	–
	1,731,825,966	1,718,826,062

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB1,359,000 (for the six months ended 30 June 2022: RMB2,572,000). Depreciation for items of property, plant and equipment was RMB1,725,000 during the period (for the six months ended 30 June 2022: RMB1,768,000).

During the six months ended 30 June 2023, the Group disposed property, plant and equipment amounting to RMB73,000 (for the six months ended 30 June 2022: RMB2,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

10. INVESTMENT PROPERTIES

	30 June 2023 RMB'000 (Unaudited)
Carrying amount at 1 January	159,166
Net loss from a fair value adjustment	(2,293)
Carrying amount at 30 June	156,873

The directors of the Company have determined that the investment properties consist of two classes of assets, i.e. commercial property and car parking space based on the nature, characteristics and risks.

Fair value hierarchy

	Fair value measurement as at 30 June 2023 using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for:				
Commercial property	-	-	156,873	156,873
	-	-	156,873	156,873

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

11. LEASES

During the six months ended 30 June 2023, there was no addition on right-of-use assets (six months ended 30 June 2022: RMB7,697,000) and the depreciation incurred for the period amounting to RMB1,777,000 (six months ended 30 June 2022: RMB2,814,000).

12. GOODWILL

	RMB'000
At 30 June 2023 and 31 December 2022:	
Cost	432,278
Accumulated impairment	(420,851)
Net carrying amount	11,427

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

13. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2023, the Group did not acquire any intangible asset (for the six months ended 30 June 2022: RMB11,000). Amortisation for intangible assets were RMB15,000 during the period (for the six months ended 30 June 2022: RMB116,000).

No intangible asset was disposed of for the six months ended 30 June 2023 and 2022.

14. INVESTMENT IN ASSOCIATES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Shares of net assets	3,048	3,885
Goodwill on acquisition	7,025	7,025
	10,073	10,910

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited)
Share of the associates' profits and losses for the period	(537)	247

15. 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	43,473	41,373

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. ACCOUNTS RECEIVABLE AND RECEIVABLES DUE FROM THIRD-PARTY GAME DISTRIBUTION PLATFORMS AND PAYMENT CHANNELS (Continued)

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.

The balances consist of receivables from third parties which have no recent history of default and past due amounts. As at 30 June 2023 and 31 December 2022, the loss allowance was assessed to be minimal.

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current		
Prepayments	11,231	14,649
Prepaid land lease payments related deposits	1,605	1,605
Other receivables	17,952	16,651
Deposits	730	740
	31,518	33,645
Impairment allowance	(15,175)	(15,275)
	16,343	18,370
Current		
Prepayments	8,619	6,804
Investment property rental income	4,735	4,393
Deposits	36	253
Contract costs	–	370
Other receivables	17,492	18,662
	30,882	30,482
Impairment allowance	(15,069)	(15,069)
	15,813	15,413

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

17. 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Debt investments at fair value through other comprehensive income			
Straight bond	(1)	59,878	58,121
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value	(2)	17,180	16,205
Financial assets at fair value through profit or loss			
Unlisted debt investments, at fair value	(3)	55,042	44,337
Bond fund	(4)	7,698	7,605
		62,740	51,942

- (1) 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

17. 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 (Continued)

- (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).

18. CASH AND CASH EQUIVALENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	134,094	133,153
Denominated in RMB	126,411	122,994
Denominated in United States Dollars ("US\$")	4,956	6,114
Denominated in Great Britain Pound	–	2,457
Denominated in Hong Kong Dollars ("HK\$")	2,549	1,557
Denominated in Singapore Dollars	166	31
Denominated in Japanese Yen	12	–
Cash and cash equivalents	134,094	133,153
Less: Restricted cash and bank balances*	–	(846)
Unrestricted cash and cash equivalents	134,094	132,307

* The Group's restricted cash mainly represented the deposits held in designated bank accounts frozen for legal dispute concerning the settlement of construction contract between the main contractor and one of its suppliers for the construction of building as at 31 December 2022. With the settlement of the legal dispute, the Group did not have any restricted cash as at 30 June 2023.

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

19. TIME DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Time deposits	10,000	–

Non-current time deposits represent deposits over one year. As at 30 June 2023, RMB10,000,000 of non-current time deposits carried fixed interest rates at 3.5% per annum with maturity from June 2023 to May 2026.

20. OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Salaries and welfare payables	18,113	36,976
Other payables and accruals	14,219	16,832
Other tax payables	4,808	5,132
Advance from customers	310	669
	37,450	59,609

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

22. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<i>Short-term advances received</i>		
Online web and mobile games	6,892	8,698
Licensing income	8,546	4,738
	15,438	13,436
<i>Long-term advances received</i>		
Online web and mobile games	2,091	7,005
Licensing income	10,689	11,051
Total contract liabilities	28,218	31,492

Contract liabilities mainly represented prepaid unconsumed virtual currencies, virtual items from players and upfront revenue sharing and remaining upfront licenses fee for online game services from game distribution platforms, for which the related services had not been rendered as at 30 June 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

23. SHARE CAPITAL

Shares

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid or credited as fully paid:		
Ordinary shares of US\$0.0000001 each	1,734,266,062	1,718,826,062
Equivalent to RMB'000	1	1

A summary of movements in the Company's share capital is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2022	1,718,826,062	1	597,945	597,946
At 31 December 2022 and 1 January 2023	1,718,826,062	1	597,945	597,946
Share options exercised	15,440,000	–	3,250	3,250
At 30 June 2023	1,734,266,062	1	601,195	601,196

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENT

Share option schemes

The Company approved and adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a post-IPO share option scheme (the “Post-IPO Share Option Scheme”, together as the “Schemes”) pursuant to shareholders’ written resolutions and directors’ written resolution passed on 17 November 2014. The purpose of the Schemes is to provide rewards to eligible participants for their service to the Group. Eligible participants include any full-time employees, consultants, executives or officers of the Company and any of its subsidiaries who, in the sole opinion of the Board, have contributed or will contribute to the Group.

The total number of ordinary shares subject to the Pre-IPO Share Option Scheme is 105,570,000. On 17 November 2014, under the Pre-IPO Share Option Scheme, share options were granted to 2 members of senior management and 120 other employees to subscribe for 105,570,000 shares at an exercise price of HK\$0.55 per share. All share options granted will be vested equally in four tranches as to 25% of the aggregate number of shares on 31 December 2015, 2016, 2017 and 2018, respectively. Each option granted if not exercised subsequently expired on 5 December 2019.

The maximum number of shares to be issued upon exercise of all share options to be granted under the Post-IPO Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 150,000,000 shares and 30% of the shares of the Company in issue from time to time. On 27 March 2017, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 10,160,000 shares at an exercise price of HK\$1.256 per share. 7,160,000 share options granted will be vested equally in four tranches as to 25% of the number of shares on 31 December 2017, 2018, 2019 and 2020, respectively. 3,000,000 share options granted will be vested in three tranches as to 50%, 25% and 25% of the number of shares on 30 June 2017, 2018 and 2019, respectively. Each option granted if not exercised subsequently will expire on 26 March 2027. On 15 May 2017, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 5,000,000 shares at an exercise price of HK\$1.1 per share. All share options granted will be vested equally in four tranches as to 25% of the aggregate number of shares on 15 May 2018, 2019, 2020 and 2021, respectively. Each option granted if not exercised subsequently will expire on 14 May 2027. On 13 November 2017, under the Post-IPO Share Option Scheme, share options were granted to one member of senior management to subscribe for 15,000,000 shares at an exercise price of HK\$1.026 per share. All share options granted will be vested equally in three tranches as to 33% of the aggregate number of shares on 13 November 2018, 2019 and 2020, respectively. Each option granted if not exercised subsequently will expire on 12 November 2027. On 1 January 2020, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 22,000,000 shares at an exercise price of HK\$0.1804 per share. 10,000,000 share options granted will be vested in three tranches as to 10%, 40%, 50% of the number of shares on 31 December 2020, 2021 and 2022, respectively. 12,000,000 share options granted will be vested equally in three tranches as to 33% of the number of shares on 31 December 2020, 2021 and 2022, respectively. Each option granted if not exercised subsequently will expire on 21 January 2024. On 8 May 2020, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 90,000,000 shares at an exercise price of HK\$0.1804 per share. 50,000,000 share options granted will be vested in three tranches as to 20%, 30%, 50% of the number of shares on 31 December 2020, 2021 and 2022, respectively. 18,000,000 share options granted will be vested in two tranches as to 44%, 56% of the number of shares on 31 December 2021 and 2022, respectively. 22,000,000 share options granted will be vested in three tranches as to 32%, 32%, 36% of the number of shares on 31 December 2020, 2021 and 2022, respectively. Each option granted if not exercised subsequently will expire on 21 January 2024.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Share option schemes (Continued)

The following share options were outstanding under the Schemes during the period/year:

	2023	
	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.34	108,300
Forfeited during the year	0.36	(69,660)
Exercised during the period	0.18	(15,440)
At 30 June	0.37	23,200

	2022	
	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.41	138,300
Forfeited during the year	0.68	(30,000)
At 31 December	0.34	108,300

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.1804 per share (2022: No share options were exercised).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Share option schemes (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

30 June 2023

Number of options '000	Exercise price* HK\$ per share	Exercise period
5,800	1.26	31-12-2017 to 26-03-2027
17,400	0.18	31-12-2020 to 20-01-2024
23,200		

31 December 2022

Number of options '000	Exercise price* HK\$ per share	Exercise period
5,800	1.26	31-12-2017 to 26-03-2027
15,000	1.03	13-11-2018 to 12-11-2027
15,500	0.18	31-12-2020 to 20-01-2024
72,000	0.18	31-12-2020 to 20-01-2024
108,300		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At the end of the reporting period, the Company had 23,200,000 share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 23,200,000 additional ordinary shares of the Company, an additional share capital of approximately RMB17 and a share premium of approximately RMB9,610,481.

At the date of approval of these financial statements, the Company had 23,200,000 share options outstanding under the Schemes, which represented 1.34% of the Company's shares in issue as at that date.

No share option expense was recognised by the group for the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB70,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

25. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for: Game operation	10,703	11,823

26. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Mr. Yao Jianjun	Shareholder of the Company
Shanghai Kamao Network Technology Co., Ltd. ("Shanghai Kamao")	Associate
Tencent Holdings Limited and its subsidiaries ("Tencent")	Shareholder of the Company
Xiamen Xianglian Technology Co., Ltd. ("Xianglian")	Significant influenced by Mr. Yao Jianjun
Xiamen Plump Fish Cultural Media Co., Ltd. ("Xiamen Plump Fish")	Significantly influenced by Mr. Chen Jianyu

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

26. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

The following transactions were carried out with related parties:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cloud sever service from (note (i)) Tencent	1,519	1,619
Revenue from (note (ii)) Tencent	4,508	2,826
Rental income from (note (iii)) Xianglian	200	200

Notes:

- (i) The purchase of service from Tencent was mutually agreed after taking into account the prevailing market prices.
- (ii) The revenue from Tencent was mutually agreed after taking into account the prevailing market prices.
- (iii) The rental income from Xianglian was mutually agreed after taking into account the prevailing market prices.

(c) Balances with related parties:

Due from related parties

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Tencent	4,191	4,315
Shanghai Kamao (note (i))	-	1,500
	4,191	5,815

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

26. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties: (Continued)

Due to related parties

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Tencent	157	295
Xianglian	79	79
Xiamen Plump Fish	70	70
	306	444

Advances from a related party

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Xianglian	254	472

Note:

- (i) The Group had a non-interest-bearing loan to Kamao amounting to RMB1,500,000. The loan was repaid by 16 January 2023.

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	1,958	3,015
Equity-settled share-based payment expenses	–	70
Pension scheme contributions	84	165
	2,042	3,250

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the period were as follows:

Financial assets

As at 30 June 2023

	Financial assets at fair value through other comprehensive income				Total RMB'000 (Unaudited)
	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Debt investments RMB'000 (Unaudited)	Equity investments RMB'000 (Unaudited)	Financial assets at amortised cost RMB'000 (Unaudited)	
Debt investments at fair value through other comprehensive income	-	59,878	-	-	59,878
Equity investments designated at fair value through other comprehensive income	-	-	17,180	-	17,180
Financial assets at fair value through profit or loss	62,740	-	-	-	62,740
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	-	-	-	43,473	43,473
Financial assets included in prepayments, other receivables and other assets	-	-	-	16,648	16,648
Time deposits	-	-	-	10,000	10,000
Cash and cash equivalents	-	-	-	134,094	134,094
	62,740	59,878	17,180	204,215	344,013

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets (Continued)

As at 31 December 2022

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost RMB'000	Total RMB'000
		Debt investments RMB'000	Equity investments RMB'000		
Debt investments at fair value through other comprehensive income	–	58,121	–	–	58,121
Equity investments designated at fair value through other comprehensive income	–	–	16,205	–	16,205
Financial assets at fair value through profit or loss	51,942	–	–	–	51,942
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	–	–	41,373	41,373
Financial assets included in prepayments, other receivables and other assets	–	–	–	16,302	16,302
Cash and cash equivalents	–	–	–	133,153	133,153
	51,942	58,121	16,205	190,828	317,096

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial liabilities included in other payables and accruals	4,661	6,274
Interest-bearing bank loans	68,500	70,000
	73,161	76,274

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments designated at fair value through other comprehensive income, have been estimated using equity transaction price or a market-based valuation technique valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to revenue ("EV/Revenue") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by revenue measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(Continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2023 and 31 December 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Certain equity investments (2023: four equity investments 2022: four equity investments)	Valuation multiple	Average EV/Revenue multiple of peers	2023: 2.3 to 7.0 (2022: 3.6 to 6.3)	5% (2022: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB735,000/RMB736,000 (2022: RMB636,000/RMB664,000)
		Discount for lack of marketability	2023: 12% to 21% (2022: 14% to 22%)	5% (2022: 5%) increase/decrease in multiple would result in decrease/increase in fair value by RMB173,000/RMB173,000 (2022: RMB164,000/RMB164,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted price in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Debt investments at fair value through other comprehensive income	-	59,878	-	59,878
Equity investments designated at fair value through other comprehensive income	-	62,740	-	62,740
Financial assets at fair value through profit or loss	-	-	17,180	17,180
	-	122,618	17,180	139,798

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Debt investments at fair value through other comprehensive income	–	58,121	–	58,121
Equity investments designated at fair value through other comprehensive income	–	51,942	–	51,942
Financial assets at fair value through profit or loss	–	–	16,205	16,205
	–	110,063	16,205	126,268

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

For the period ended 30 June 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the board of the directors on 25 August 2023.

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 interim report, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”, “our Company”, “we”, “us” or “our”	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
“Executive Director(s)”	the executive Director(s)
“Global Offering”	the offer of 30,000,000 Shares for subscription by the public in Hong Kong pursuant to the Hong Kong Public Offering and the offer of 270,000,000 Shares for subscription by institutional, professional, corporate and other investors pursuant to the International Offering (as respectively defined in the Prospectus)
“Group”	the Company, its subsidiaries and the PRC Operating Entities
“HK\$”, “Hong Kong dollars” or “cents”	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

GLOSSARY

“Independent Non-executive Director(s)”	the independent non-executive Director(s)
“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including, iPhones, iPods, and iPads
“IP(s)”	Intellectual Propert(ies)
“Kailuo Tianxia”	Beijing Kailuo Tianxia Technology Co., Ltd (北京凱羅天下科技有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
“Land”	the land located in Huli District, Xiamen, the PRC as disclosed in the Company’s announcement dated 21 July 2016
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date which dealings in Shares first commence on the Stock Exchange, i.e. 5 December 2014
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Nomination Committee”	the nomination committee of the Board
“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

GLOSSARY

“Prospectus”	the prospectus dated 25 November 2014 issued by the Company
“Remuneration Committee”	the remuneration committee of the Board
“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 unit(s)
“RSU Plan II”	the RSU Plan II adopted by the Shareholders on 28 May 2018
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of US\$0.0000001 each
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Listing Rules
“Tencent”, together with its subsidiaries, “Tencent Group”	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\$”, “U.S. dollars”, “USD” or “United States Dollars”	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, being a company which the Group does not own but can exercise and maintain control over, and to consolidate its financial results as a wholly-owned subsidiary of the Company by virtue of certain contractual arrangements

In this interim report, the terms “associate”, “connected person”, “connected transaction” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.