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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

The Board of the Company is pleased to announce the consolidated annual results of the Group for the year ended December 31, 2014 prepared pursuant to IFRSs.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended December 31,		
	2014	2013	**Change %**
	(RMB'000)	*(RMB'000)*	
Revenue	**339,071**	145,037	133.8
Gross profit	**296,778**	138,338	114.5
Profit before tax	**148,501**	61,206	142.6
Profit for the year attributable to owners of the parent	**117,885**	52,623	124.0
Non-IFRSs Measures			
– Adjusted net profit attributable to owners of the parent (unaudited)[(1)]	**185,596**	81,442	127.9
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	**RMB0.11**	RMB0.05	
– Diluted	**RMB0.11**	RMB0.05	

Note:

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

BUSINESS REVIEW AND OUTLOOK

Overview

2014 was a remarkable year for the Group. Leveraging on our strong game development and operation team, established proprietary game development and operation infrastructure, and broad game player base, the Group has made a successful transition from being a web game developer to a mobile game developer. The contribution of mobile games to total revenue of the Group rose from approximately 39.6% in 2013 to approximately 77.9% in 2014. In addition, the Company was successfully listed on the Main Board of the Stock Exchange on December 5, 2014, marking a milestone of the Group in improving its capital strength, corporate governance as well as enhancing its competitive edge, laying a solid foundation for the Group's future development.

China has the world's largest internet user base. Users in China are increasingly using mobile devices to access the internet. The online game market has grown rapidly in recent years, driven by an expanding player base, intensifying competition among overseas and domestic game developers, and boosted capital investments. As a result of improved connection speed of mobile networks, increased ubiquity of WiFi hotspots, popularity of smartphones and reduced cost of mobile internet connection for individual users, Chinese internet users are expected to spend more time on playing mobile games with smartphones. According to iResearch, the mobile game market has become the main driver of growth of the online gaming industry in China as paying user penetration continues to rise and users gradually shift to play mid-core games. The mobile game market will account for an increasing percentage of the overall online gaming market in future. According to iResearch, the estimated CAGR between the years of 2013 and 2018 for mobile games will reach approximately 44%.

The Company has taken advantage of these industry trends and has continued to expand its portfolio of mobile games through devoting additional resources and management attention to their development.

Overall Business

Our Games

We are one of the few game development companies based in the PRC that offers games in both RPG and casual categories. During 2014, we continued to leverage this integrated business model to differentiate ourselves from our peers.

We are a reputable developer and operator of mobile games and web games, with a strategic focus on mobile games. During 2014, we have placed more emphasis on the development of mobile games. To ensure our games' success, our creative and talented game development teams, led by our senior management, focused on developing player-centric game environments that provide superior game experience to foster longer-term player retention.

During 2014, the Group's revenue from the game operation has increased by approximately 135.1% to approximately RMB316.9 million. This increase was primarily due to increase in revenue derived from (i) mobile games, resulting from our acquisition of Kailuo Tianxia on December 31, 2013, and (ii) the launch of San Guo Zhi Ren (三國之刃) on Tencent platforms which were partially offset by a decrease in revenue derived from web games.

As at December 31, 2014, our game portfolio included five mobile games and two web games, which are all self-developed games. The five mobile games are Shen Xian Dao (神仙道), Carrot Fantasy (保衛蘿蔔), Carrot Fantasy 2 (保衛蘿蔔2), Jiong Xi You (囧西遊) and San Guo Zhi Ren (三國之刃). The two web games are Shen Xian Dao (神仙道) and Da Hua Shen Xian (大話神仙). Our key titles have not only performed well financially, but have also received broad industry recognition. For example, Jiong Xi You (囧西遊) received the Golden Plume Award 2014 for "The Best Original Mobile Game" (金翎獎2014: 最佳原創移動遊戲) while Carrot Fantasy 2 (保衛蘿蔔2) received the Golden Plume Award 2014 for "The Most Anticipated Single Player Mobile Game" (金翎獎2014: 最期待的移動單機遊戲), Baidu Award 2014 for "The Most Popular Single Player Game" (2014年百度：最具人氣單機手遊獎) and 2014 "Top Ten Most Popular Original Mobile Games" (China Gaming Industry Gaming Conference) (2014十大受歡迎的原創移動遊戲（中國遊戲產業年會）). One of our pipeline games, Ba Qin (霸秦), which was in beta-testing, received the Golden Plume Award 2014 for "The Most Anticipated Web Game" (金翎獎2014: 玩家最期待的網頁遊戲). Lastly, San Guo Zhi Ren (三國之刃) received GameLook Award for "The Best Annual Mobile Game" (GameLook年度最佳移動遊戲獎).

According to App Annie's daily analysis of Apple Inc.'s App Store rankings, in 2014, Jiong Xi You (囧西遊) ranked among the top 20 daily adventure games in terms of gross billings in China for 333 days and Luan Shi Zhi Ren 2 (亂世之刃2) (now titled San Guo Zhi Ren (三國之刃) and a game exclusively distributed on Tencent platforms) ranked among the top 20 daily action games in terms of gross billings in China for 158 days. In addition, after the iOS version of San Guo Zhi Ren (三國之刃) was launched on Tencent platforms on October 19, 2014, for the period from October 22, 2014 to December 31, 2014, based on App Annie's daily analysis of Apple Inc.'s App Store rankings, it ranked the first in terms of gross billings in China for 31 days and ranked second for 21 days.

The table below presents a breakdown of our revenue from game operation in absolute amounts and as a percentage of our total revenue for the years indicated:

	For the year ended December 31,			
	2014		2013	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000)*	*(% of Total Revenue)*
Game Operation				
Web games	**52,659**	**15.5**	77,322	53.3
Mobile games:				
RPGs	**215,444**	**63.5**	57,447	39.6
Casual	**48,789**	**14.4**	–	–
Total	**316,892**	**93.4**	134,769	92.9

The contribution to total revenue of the Group from mobile games rose from approximately 39.6% in 2013 to approximately 77.9% in 2014, demonstrating that the Group has successfully transited from a web game developer to a mobile game developer.

As game testing time was longer than expected, our four new games which were supposedly launched in late 2014 will now be launched in the first half of 2015. One of those four new games is an action-based web RPG game entitled Ba Qin (霸秦), the theme of which is based on the historical warring states period in China. The other three mobile games are Battery Run (電池快跑), a parkour game, a game under the Carrot Fantasy (保衛蘿蔔) Series and a RPG collectible card game entitled Mei Ren Wu Shuang (美人無雙). In addition, we plan to launch approximately five to six new mobile games in 2015.

Our players

As at December 31, 2014, (i) our RPG mobile games and web games, had approximately 191.7 million cumulative registered users, with approximately 161.3 million users for web games and approximately 30.4 million users for mobile games; and (ii) our casual games had approximately 233.8 million cumulative activated downloads. For the month of December 2014, (i) our RPG mobile games and web games had 5.0 million MAUs in aggregate, with approximately 3.8 million MAUs for mobile games and approximately 1.2 million MAUs for web games; and (ii) our casual games had approximately 15.6 million MAUs.

Driven by the success of our games and strategic focus that we placed on our mobile game business, our active player base continued to experience significant growth in 2014. The following table sets forth certain operational statistics relating to our business for the years indicated:

	For the year ended December 31, 2014	2013	Change %
Average MPUs			
Web games (RPGs) (000's)	**57**	121	(52.9)
Mobile games (RPGs) (000's)	**176**	34	417.6
Casual (000's)	**808**	–	N/A
ARPPU			
Web games (RPGs) (RMB)	**76.9**	53.2	44.5
Mobile games (RPGs) (RMB)	**102.2**	142.8	(28.4)
Casual (RMB)	**5.0**	–	N/A

Note:

(1) Duplicated paying users of our games published on our own platforms were not eliminated during calculation.

Our average MPUs for mobile RPG games has surged to approximately 176,000 in 2014 from approximately 34,000 in 2013. This was mainly driven by (i) the launch of San Guo Zhi Ren (三國之刃) on Tencent platforms in 2014 and (ii) the continued growth in popularity of some of our previously launched games. Our average MPUs for mobile casual games increased from nil for the year ended December 31, 2013 to approximately 808,000 for the year ended December 31, 2014, mainly as a result of acquisition of Kailuo Tianxia on December 31, 2013, which brought Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2) to our existing game portfolio. Our MPUs for web games decreased from approximately 121,000 in 2013 to 57,000 in 2014 as our web games were in the late stage of their expected life cycles in 2014 and because of our shift in focus to developing mobile games.

Our ARPPU of RPG mobile games decreased from approximately RMB142.8 in 2013 to approximately RMB102.2 in 2014. The decrease was primarily due to the launch of San Guo Zhi Ren (三國之刃) on Tencent platforms which offered a revenue sharing percentage lower than that of the games operated by ourselves in 2013. Our ARPPU of web games has increased from approximately RMB53.2 in 2013 to approximately RMB76.9 in 2014. The increase was primarily due to an increase in ARPPU of the web version of Shen Xian Dao (神仙道), a game that is in its mature life cycle when loyal players are willing to spend more. Our ARPPU for casual games increased from nil in 2013 to RMB5.0 in 2014 as a result of the acquisition of Kailuo Tianxia on December 31, 2013, which brought Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2) to our existing game portfolio.

As part of our mobile games business strategy and to enhance growth in ARPPU of our mobile games, we shall continue to increase our effort in promoting players' in-game purchases, launching various in-game promotions and activities, such as, offering premium services, private rooms and loyalty programs, enhancing payment convenience and streamlining the payment processes.

Our dedicated customer service team, which comprised of approximately 19 service representatives as at December 31, 2014, continued to provide timely customer services via our in-game customer service system. We believe such played a significant role in retaining our players and expansion of our player base.

Outlook for 2015

The year of 2015 will be a critical year presenting both challenges and opportunities for Feiyu. With our intense focus on driving the Shares' value, we are escalating our investment especially in mobile games to better position ourselves to capture market opportunities.

We see users shifting to mid-to-hard-core games as they become more familiar with mobile games, smartphone capability improves, mobile bandwidth continues to upgrade and mobile payment becomes increasingly popular. Despite more competitive market conditions, we expect that we could continue to derive benefit from advancement of the online games industry as we have competitive advantages in developing sophisticated games and keeping users engaged.

We aim at implementing the following strategies to further capture players and improve monetization of our games:

- further strengthen and expand our mobile games portfolio by developing additional high-quality RPG mobile and casual mobile games and offering more mobile specific value-adding features to enrich users' game experience on mobile devices;

- leverage our intellectual properties to extend the life cycle of our games (for example, the brands of Shen Xian Dao (神仙道) and Carrot Fantasy (保衛蘿蔔));

- further explore monetization opportunities by enhancing player engagement through improving the design and settings of our games, frequently updating our games with new features and contents, and creating new and innovative game playing methods;

- strengthen our relationships with major international game publishing and distribution partners to expand the reach of our games to new countries and regions.

- continue to expand our international operations and global user base by customizing the existing games to target overseas audiences and strengthening our relationships with major international game publishing and distribution partners; and

- apart from developing online games by our existing teams, we also seek opportunities to acquire developed games and their development teams for boosting our game development capabilities and game portfolio.

We have a solid pipeline covering "mid-core" and casual mobile games. In order to further optimize the games and cooperate with publishers, we have delayed release of four games that were scheduled for launch in late 2014 to the first half of 2015. We believe that the delayed release of new games would not affect the Group adversely as time spent on optimising the new games would bring better game performance. In addition, we plan to launch approximately five to six new mobile games in 2015, including games under the Carrot Fantasy (保衛蘿蔔) series, Shen Xian Dao (神仙道) series and Jiong Xi You (囧西遊) series.

Based on the existing games' performance and our solid game pipeline, we expect a positive growth in our market share in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

	For the year ended December 31,		
	2014	2013	**Change %**
	(RMB'000)	*(RMB'000)*	
Revenue	**339,071**	145,037	133.8
Cost of sales	**(42,293)**	(6,699)	531.3
Gross profit	**296,778**	138,338	114.5
Other income and gains	**6,273**	2,649	136.8
Selling and distribution expenses	**(35,278)**	(15,541)	127.0
Administrative expenses	**(60,717)**	(37,746)	60.9
Research and development costs	**(57,783)**	(26,471)	118.3
Other expenses	**(266)**	(23)	1,056.5
Share of losses of an associate	**(506)**	–	N/A
PROFIT BEFORE TAX	**148,501**	61,206	142.6
Income tax expense	**(6,133)**	(10,249)	(40.2)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**142,368**	50,957	179.4
Attributable to:			
Owners of the parent	**117,885**	52,623	124.0
Non-controlling interests	**24,483**	(1,666)	(1,569.6)

Revenue

The following table sets forth a breakdown of our revenue for the years ended December 31, 2014 and 2013:

	For the year ended December 31,			
	2014		2013	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000)*	*(% of Total Revenue)*
Game Operation	**316,892**	**93.4**	134,769	92.9
Online game distribution	**2,246**	**0.7**	3,708	2.6
Licensing income	**2,697**	**0.8**	1,942	1.3
Advertising revenue	**16,802**	**5.0**	389	0.3
Technical service income	**434**	**0.1**	4,229	2.9
Total	**339,071**	**100**	145,037	100

Total revenue increased by approximately 133.8% to approximately RMB339.1 million for the year ended December 31, 2014 from the year ended December 31, 2013. Revenue from game operation increased by approximately 135.1% to approximately RMB316.9 million for the year ended December 31, 2014 from the year ended December 31, 2013. The increase was primarily driven by the acquisition of Kailuo Tianxia on December 31, 2013 and the launch of San Guo Zhi Ren (三國之刃) on Tencent platforms. Revenue from online game distribution decreased by 39.4% to RMB2.2 million for the year ended December 31, 2014 from the year ended December 31, 2013. Such decrease was primarily due to the disposal of our 737.com platform. Licensing income increased by approximately 38.9% to approximately RMB2.7 million for the year ended December 31, 2014 from the year ended December 31, 2013, primarily due to a new contract with licensing fee clause being entered into. Revenue from advertising increased by approximately 4,219.3% to approximately RMB16.8 million for the year ended December 31, 2014 from the year ended December 31, 2013. The increase was due to the acquisition of Kailuo Tianxia on December 31, 2013. Technical service income in 2013 was derived from sale of intellectual property rights related to an online game which development was not completed and there was no such transaction in 2014. Technical service income in 2014 was derived from the provision of technical support services for 737.com platform after its disposal.

Cost of sales

Our cost of sales increased by approximately 531.3% from approximately RMB6.7 million for the year ended December 31, 2013 to approximately RMB42.3 million for the year ended December 31, 2014, primarily due to amortization of intangible assets, arising from the acquisition of Kailuo Tianxia, of approximately RMB20.5 million for the year 2014. The increase was also due to a RMB1.1 million charge related to share options granted in 2014 and an increase in salaries and welfare from approximately RMB5.9 million for the year ended December 31, 2013 to approximately RMB16.7 million for the year ended December 31, 2014, which in turn was due to an increase in the number of operations employees hired in 2014 after the launch of Jiong Xi You (囧西遊) and Luan Shi Zhi Ren 2 (亂世之刃2) (now titled San Guo Zhi Ren (三國之刃)), and the acquisition of Kailuo Tianxia on December 31, 2013.

Other income and gains

Our other income and gains increased by approximately 136.8% from approximately RMB2.6 million for the year ended December 31, 2013 to approximately RMB6.3 million for the year ended December 31, 2014, primarily due to an increase in government grants granted by the local government in Xiamen to foster development of the information technology sector from approximately RMB899,000 for the year ended December 31, 2013 to approximately RMB1.5 million for the year ended December 31, 2014 and an approximate RMB2.0 million gain on disposal of our 737.com platform.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 127.0% from approximately RMB15.5 million for the year ended December 31, 2013 to approximately RMB35.3 million for the year ended December 31, 2014, primarily due to an increase in app store channel fees, which increased from approximately RMB5.9 million for the year ended December 31, 2013 to approximately RMB14.9 million for the year ended December 31, 2014, mainly arising from an increase in revenue from Jiong Xi You (囧西遊), Luan Shi Zhi Ren 2 (亂世之刃2) (now retitled San Guo Zhi Ren (三國之刃)), Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2). The rise in expenses was also due to an increase in advertisement fees from approximately RMB9.1million for the year ended December 31, 2013 to approximately RMB13.3 million for the year ended December 31, 2014, relating to the launch of Jiong Xi You (囧西遊) in July 2013 and Luan Shi Zhi Ren 2 (亂世之刃2) (now titled San Guo Zhi Ren (三國之刃)) in December 2013, an increase in other channel fees of approximately RMB2.9 million relating to Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2) as a result of the acquisition of Kailuo Tianxia and a RMB1.0 million charge related to share options granted in 2014.

Administrative expenses

Our administrative expenses increased by approximately 60.9% from approximately RMB37.7 million for the year ended December 31, 2013 to approximately RMB60.7 million for the year ended December 31, 2014. This increase was primarily due to listing expenses relating to the Global Offering of approximately RMB33.1 million incurred in the year ended December 31, 2014, an increase in salaries, Pension Schemes contribution and welfare from approximately RMB3.2 million for the year ended December 31, 2013 to approximately RMB12.8 million for the year ended December 31, 2014 as more administrative employees were hired and an approximate RMB2.5 million charge related to share options granted in 2014. The increase was partially offset by a deemed share based compensation made to our chairman, Mr. Yao Jianjun, in 2013. The share based compensation was made as part of the disposal of all shareholding interests in the Company by Mr. Ye Bin, one of our founders.

Research and development costs

Our research and development costs increased by approximately 118.3% from RMB26.5 million for the year ended December 31, 2013 to approximately RMB57.8 million for the year ended December 31, 2014. This increase was primarily due to an increase in salaries, Pension Schemes contribution and welfare from approximately RMB21.4 million for the year ended December 31, 2013 to approximately RMB38.0 million for the year ended December 31, 2014 as more game development personnel were hired to support our existing games, newly launched games and games under development, and transfer of personnel from Kailuo Tianxia. The increase was also due to an approximate RMB9.5 million charge related to share options granted in 2014.

Income tax expense

Our income tax expense decreased by approximately 40.2% from approximately RMB10.2 million for the year ended December 31, 2013 to approximately RMB6.1 million for the year ended December 31, 2014. Our effective income tax rate decreased from 16.7% for the year ended 31 December 2013 to 4.1% for the year ended 31 December 2014. Xiamen Guanghuan, a subsidiary of the Company, which operated our major web games and mobile games in 2013 including Shen Xian Dao (神仙道) and Da Hua Shen Xian (大話神仙), was taxed at 12.5% in 2013 and 2014. The decline in revenue and profit from these web and mobile games in 2014 as compared with 2013 contributed to the decrease in related income tax expense. At the same time, Kailuo Tianxia, acquired at the end of 2013, contributed a revenue of approximately RMB65,699,000 and profit of approximately RMB37,788,000 to the Group in 2014 while it was exempted from income tax for being qualified as a certified software enterprise. Furthermore, our popular game, San Guo Zhi Ren (三國之刃), published in 2014, was operated by subsidiaries which benefited from certain tax exemption in 2014 for being certified software enterprises. Therefore, although our profit increased in 2014 as compared with 2013, both our income tax expense and effective income tax rate decreased in 2014.

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

In addition to our consolidated financial statements which are presented in accordance with IFRSs, we also provide further information based on the adjusted net profit attributable to owners of the parent as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of our business performance. We also believe that these non-IFRSs measures provide additional information to investors and others, helping them to understand and evaluate our consolidated results of operations in the same manner as our management and to compare financial results across accounting periods and with those of our peer companies.

We define adjusted net profit attributable to owners of the parent as net income or loss attributable to owners of the parent excluding share-based compensation, amortization of intangible assets recognized for acquisitions and listing fees in connection with the Global Offering completed in 2014. The term of adjusted net profit attributable to owners of the parent is not defined under IFRSs. The use of adjusted net profit 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 loss or income attributable to owners of parent for the year or accounting period.

	For the year ended December 31,		
	2014	2013	**Change%**
	(RMB'000)	*(RMB'000)*	
Profit for the year attributable to owners of the parent	**117,885**	52,623	124.0
Add:			
Share-based compensation	**14,168**	28,819	(50.8)
Listing fees in connection with the Global Offering	**33,058**	–	N/A
Amortization of intangible assets recognized for acquisitions	**20,485**	–	N/A
Total	**185,596**	81,442	127.9

Financial position

As at December 31, 2014, the total equity of the Group amounted to approximately RMB1,150.1 million, as compared to the total equity of the Group of approximately RMB548.1 million as at December 31, 2013. The increase was mainly due to the increase in share premium arising from issue of ordinary Shares related to the Global Offering, net of underwriting commission and other issuance costs. The Group's net current assets amounted to approximately RMB679.0 million as at December 31, 2014, as compared to approximately RMB66.4 million as at December 31, 2013. This increase was primarily due to rise in cash generated from our operating activities as well as net proceeds received from the Global Offering which was completed in December 2014.

Liquidity and capital resources

The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	2014 *(RMB'000)*	2013 *(RMB'000)*	**Change %**
Net cash flow from operating activities	**149,350**	94,567	57.9
Net cash flow (used in)/from investing activities	**(112,176)**	25,774	(535.2)
Net cash flow from/(used in) financing activities	**386,608**	(35,430)	(1,191.2)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**423,782**	84,911	399.1
Cash and cash equivalents at the beginning of year	**123,426**	38,515	220.5
Effect of foreign exchange rate changes, net	**(1,697)**	–	N/A
Cash and cash equivalents at the end of year	**545,511**	123,426	342.0

Our total cash and cash equivalent amounted to approximately RMB545.5 million as at December 31, 2014, as compared to approximately RMB123.4 million as at December 31, 2013, the increase was primarily due to cash generated from operating activities and the net proceeds received from the Global Offering completed in December 2014.

As at December 31, 2014, approximately RMB473.9 million of our financial resources (December 31, 2013: nil) were held in deposits denominated in non-RMB currencies. We currently do not hedge transactions undertaken in foreign currencies but manage our foreign exchange exposure through limiting our foreign currency exposure and constant monitoring. The Group adopts a prudent cash and financial management policy. In order to better control costs and minimize costs of funds, the Group's treasury activities are centralized and cash is generally deposited at banks and denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

The group did not have any outstanding loan capital, bank overdrafts and liabilities as at December 31, 2014 and December 31, 2013.

As at December 31, 2014, we had available-for-sale investments of approximately RMB28.2million (2013: RMB6.1million). The available-for-sale investments were structured financial products issued by banks and assets management companies with an expected interest rate of 7.0% per annum and a maturity period of 90-180 days in the PRC. The principal of such investments is not protected. The fair value of the financial products approximately equals to their cost plus expected interest. According to our current internal investment management policies, no less than 70% of our total investment is invested in risk-free or principal protected investments while the remaining of up to 30% of the total investment is invested in low risk products. These wealth management products do not carry a derivative element and we have a diversified investment portfolio to mitigate risks, besides, the above investments were made in line with our effective capital and investment management policies and strategies.

Capital expenditures

The following table sets forth our capital expenditures for the years ended December 31, 2014 and 2013:

	For the year ended December 31,		
	2014	2013	**Change %**
	(RMB'000)	*(RMB'000)*	
Property, plant and equipment	**11,019**	2,390	361.1
Intangible assets	**1,713**	–	N/A
Total	**12,732**	2,390	432.7

Our capital expenditures comprised addition of property, plant and equipment, such as company cars for employees' use, and intangible assets, such as software. The total capital expenditures were approximately RMB12.7 million and RMB2.4 million for the years ended December 31, 2014 and 2013 respectively. The increase of approximately RMB10.3 million in total capital expenditures for the year ended December 31, 2014 from the year ended December 31, 2013 was primarily due to the increase in purchase of property and equipment, such as, company cars for employees' use and leasehold improvements for the offices of our PRC Operational Entities in the sum of approximately RMB8.6 million. The increase was also due to increase in the purchase of intangible assets, such as software, of approximately RMB1.7 million.

Pledge of Asset

As at December 31, 2014, we did not have any pledged assets.

Contingent liabilities and guarantees

As at December 31, 2014, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation with claims made against us.

EMPLOYEES

As at December 31, 2014, we had 318 full-time employees, the majority of whom are based in Xiamen, the PRC. The following table sets forth the number of our employees segregated by their functions as at December 31, 2014:

	Number of Employees	% of Total
Development	231	72.6
Operations	37	11.6
Administration	32	10.1
Sales and marketing	18	5.7
Total	318	100.0

FINANCIAL INFORMATION

Consolidated statement of profit or loss

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	4	**339,071**	145,037
Cost of sales		**(42,293)**	(6,699)
Gross profit		**296,778**	138,388
Other income and gains	4	**6,273**	2,649
Selling and distribution expenses		**(35,278)**	(15,541)
Administrative expenses		**(60,717)**	(37,746)
Research and development costs		**(57,783)**	(26,471)
Other expenses		**(266)**	(23)
Share of losses of an associate		**(506)**	–
PROFIT BEFORE TAX	5	**148,501**	61,206
Income tax expense	6	**(6,133)**	(10,249)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**142,368**	50,957
Attributable to:			
Owners of the parent		**117,885**	52,623
Non-controlling interests		**24,483**	(1,666)
		142,368	50,957
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
– For profit for the year		**RMB0.11**	RMB0.05
Diluted			
– For profit for the year		**RMB0.11**	RMB0.05

	Notes	**2014**	2013
	Notes	***RMB'000***	*RMB'000*
PROFIT FOR THE YEAR		**142,368**	50,957
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Changes in fair value		**2,142**	1,661
Reclassification adjustments for gains included in the consolidated statement of profit or loss		**(1,961)**	(1,711)
Exchange differences on translation of foreign operations		**(1,697)**	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(1,516)**	(50)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(1,516)**	(50)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**140,852**	50,907
Attributable to:			
Owners of the parent		**116,369**	52,573
Non-controlling interests		**24,483**	(1,666)
		140,852	50,907

Consolidated statement of financial position

	Notes	**2014** **RMB'000**	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**14,448**	8,165
Goodwill		**408,619**	407,262
Other intangible assets		**55,798**	75,710
Long term receivables		**399**	–
Deferred tax assets		**1,402**	1,629
Total non-current assets		**480,666**	492,766
CURRENT ASSETS			
Accounts receivable	*9*	**3,062**	3,457
Receivables due from third-party game distribution platforms and payment channels	*9*	**118,370**	51,610
Prepayments, deposits and other receivables	*10*	**51,475**	1,847
Due from shareholders		**–**	3,334
Available-for-sale investments		**28,235**	6,054
Cash and cash equivalents		**545,511**	123,426
Total current assets		**746,653**	189,728
CURRENT LIABILITIES			
Other payables and accruals		**50,055**	52,036
Tax payable		**2,719**	6,764
Deferred revenue		**14,836**	4,536
Dividends payable		**–**	60,000
Total current liabilities		**67,610**	123,336
NET CURRENT ASSETS		**679,043**	66,392
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,159,709**	559,158

	2014	2013
	RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,159,709**	559,158
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**6,769**	6,769
Deferred revenue	**2,834**	4,288
Total non-current liabilities	**9,603**	11,057
Net assets	**1,150,106**	548,101
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**1**	–
Share premium	**498,034**	–
Reserves	**627,702**	549,100
	1,125,737	549,100
Non-controlling interests	**24,369**	(999)
Total equity	**1,150,106**	548,101

NOTES TO FINANCIAL STATEMENT

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on March 6, 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 Codan 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 Limited. (the "**Stock Exchange**") on December 5, 2014.

2.1 BASIS OF PRESENTATION

Through a group reorganisation (the "**Reorganisation**") as set out in the section headed "Our History, Reorganization and Corporate Structures" in the prospectus dated November 25, 2014 for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the companies now comprising the group.

Under the prevailing laws and regulations in the People's Republic of China (the "**PRC**"), companies with foreign ownership are prohibited from operating the game operation business in Mainland China. The Group historically operated its online game business and single player game business in Mainland China through Xiamen Guanghuan Information Technology Co., Ltd. ("**Xiamen Guanghuan**") and its subsidiaries.

A series of contractual agreements (the "**Guanghuan Structured Contracts**") was effectuated on September 4, 2014 among Xiamen Guanghuan, Xiamen Feiyou Information Technology Co., Ltd. ("**Xiamen Feiyou**") and Mr. Yao Jianjun, Mr. Chen Jianyu, Mr. Bi Lin, Mr. Lin Zhibin, Mr. Lin Jiabin, Ms. Chen Yongchun and Mr. Cai Wensheng (collectively, the "**Registered Shareholders**") who are the legal shareholders of Xiamen Guanghuan.

The Guanghuan Structured Contracts provide the Group through Xiamen Feiyou with effective control over Xiamen Guanghuan. In particular, Xiamen Feiyou undertakes to provide Xiamen Guanghuan with certain technical services as required to support their operations. In return, Xiamen Feiyou is entitled to substantially all of the operating profits and residual benefits generated by Xiamen Guanghuan through inter company charges levied on these services rendered. The Registered Shareholders are also required to transfer their interests in Xiamen Guanghuan to Xiamen Feiyou or Xiamen Feiyou's designee upon a request made by Xiamen Feiyou when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Xiamen Guanghuan have also been pledged by the Registered Shareholders to Xiamen Feiyou in respect of the continuing obligations of Xiamen Guanghuan. Xiamen Feiyou intends continuously to provide to or assist Xiamen Guanghuan in obtaining financial support when deemed necessary. Accordingly, Xiamen Feiyou has rights to variable returns from its involvement with Xiamen Guanghuan and has the ability to affect those returns through its power over Xiamen Guanghuan.

As a result, Xiamen Guanghuan was accounted for as a subsidiary of the Company. The formation of the Guanghuan Structured Contracts for Xiamen Guanghuan was accounted for as a transaction without substance and the Group consolidated Xiamen Guanghuan as if it was in the Group from the beginning of the year ended December 31, 2013.

For further information, on October 31, 2014, a new set of contractual agreements was effectuated among two subsidiaries of Xiamen Guanghuan, namely Xiamen Youli Information Technology Co., Ltd. ("**Xiamen Youli**") and Beijing Kailuo Tianxia Technology Co., Ltd. ("**Kailuo Tianxia**"), and Xiamen Feiyou and Xiamen Guanghuan (the "**Youli and Kailuo Structured Contracts**").

The Youli and Kailuo Structured Contracts provide the Group through Xiamen Feiyou with effective control over Xiamen Youli and Kailuo Tianxia. In particular, Xiamen Feiyou undertakes to provide Xiamen Youli and Kailuo Tianxia with certain technical services as required to support their operations. In return, Xiamen Feiyou is entitled to substantially all of the operating profits and residual benefits generated by Xiamen Youli and Kailuo Tianxia through intercompany charges levied on these services rendered. Xiamen Guanghuan,being the registered shareholder of Xiamen Youli and Kailuo Tianxia, is also required to transfer its interests in Xiamen Youli and Kailuo Tianxia to Xiamen Feiyou or Xiamen Feiyou's designee upon a request made by Xiamen Feiyou when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Xiamen Youli and Kailuo Tianxia have also been pledged by Xiamen Guanghuan to Xiamen Feiyou in respect of the continuing obligations of Xiamen Youli and Kailuo Tianxia. Xiamen Feiyou intends continuously to provide to or assist Xiamen Youli and Kailuo Tianxia in obtaining financial support when deemed necessary. Accordingly, Xiamen Feiyou has rights to variable returns from its involvement with Xiamen Youli and Kailuo Tianxia and has the ability to affect those returns through its power over Xiamen Youli and Kailuo Tianxia.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Companies Ordinance, "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for available-for-sale investments, which has been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2014. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary,(ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendments to IFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendments to IFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendments to IFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendments to IFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective IFRSs*

1 Effective from July 1, 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

2.4 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Expectation*
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after July 1, 2014
2 Effective for annual periods beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after January 1, 2017
4 Effective for annual periods beginning on or after January 1, 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after January 1, 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending December 31, 2015. The Group is in the process of making an assessment of the impact of these changes. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

Information about geographical areas

Since over 90% of the Group's revenue and operating profit were generated from the provision of online game services in Mainland China and all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 Operating Segments.

Information about major customers

No revenue from the Company's sales to a single customer amounted to 10% or more of the Group's revenue during the year.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the services rendered after allowances for charge backs, and the royalties derived from licensing agreements.

An analysis of revenue and other income is as follows:

Group

	2014	2013
Revenue	***RMB'000***	*RMB'000*
Online web and mobile games	**268,103**	134,769
Single-player mobile game	**48,789**	–
Game operation	**316,892**	134,769
– Gross basis	**60,679**	18,432
– Net basis	**256,213**	116,337
Online game distribution	**2,246**	3,708
License income	**2,697**	1,942
Advertising revenue	**16,802**	389
Technical Service Income	**434**	4,229
	339,071	145,037

Group

	2014	2013
	RMB'000	*RMB'000*
Other income		
Government grant	**1,483**	899
Bank interest income	**298**	39
	1,781	938

Gains	**2014** *RMB'000*	2013 *RMB'000*
Fair value gains, net:		
Available-for-sale investment		
(transfer from equity on disposal)	**1,961**	1,711
Disposal of 737 platform	**2,000**	–
Gain on disposal of items of property, plant and equipment	**25**	–
Gain on Disposal of an associate	**506**	–
	4,492	1,711
	6,273	2,649

5. PROFIT BEFORE TAX

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

Group

	2014 *RMB'000*	2013 *RMB'000*
Research and development costs	**57,783**	26,471
Channel costs	**17,795**	5,880
Rental fee (including servers)	**6,515**	2,956
Depreciation	**4,487**	3,271
Amortisation	**21,625**	1,140
Advertising expenses	**13,308**	9,083
Auditors' remuneration	**1,900**	170
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	**52,755**	28,044
Pension Schemes contributions	**4,939**	2,509
Share-based payment expenses	**14,168**	28,819
	71,862	59,372
Impairment of other receivables	**–**	1,200
Bank interest income	**(298)**	(39)
Government grants	**(1,483)**	(899)
Listing expense	**33,058**	–
Gain on disposal of items of property, plant and equipment	**25**	–

6. INCOME TAX

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

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Xiamen Guanghuan Information Technology Co., Ltd. ("**Xiamen Guanghuan**"), Xiamen Youli Information Technology Co., Ltd. ("**Xiamen Youli**"), Xiamen Yidou Internet Technology Co., Ltd. ("**Xiamen Yidou**") and Beijing Kailuo Tianxia Technology Co., Ltd. ("**Kailuo Tianxia**"), which were certified as Software Enterprises and are exempted from income tax for two years starting from the first year in which it generates taxable profit, followed by a 50% reduction for the next three years. 2011, 2013, 2013 and 2014 are the first profitable year for Xiamen Guanghuan, Xiamen Youli, Kailuo Tianxia and Xiamen Yidou, respectively.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

At December 31, 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the near future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB118,656,000 at December 31, 2014 (2013: RMB37,410,000).

Group

	2014	2013
	RMB'000	*RMB'000*
Current tax	**5,906**	11,878
Deferred tax	**227**	(1,629)
Total tax charge for the year	**6,133**	10,249

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**148,501**	61,206
Tax at the applicable tax rate (25%)	**37,125**	15,302
Lower tax rates enacted by local authorities	**(42,134)**	(11,025)
Expenses not deductible for tax	**11,199**	8,332
Income not subject to tax	**–**	(692)
Additional deduction for research and development expense	**(1,187)**	(1,764)
Tax losses utilised from previous years	**(541)**	(907)
Deferred tax asset not recognised	**1,671**	1,003
Tax charge	**6,133**	10,249

7. DISTRIBUTIONS TO THE THEN SHAREHOLDERS

The distribution amount set out in the consolidated statement of changes in equity of RMB60,000,000 for the year ended December 31, 2014 (2013: RMB71,054,000) represented the dividends declared by a subsidiary of the Company to the then shareholders during the year.

Dividends payable as at December 31, 2013 represented the outstanding dividends payable to the then shareholders of a subsidiary of the Company, which were paid during the year ended December 31, 2014.

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

The calculation of basic earnings per share is based on profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,046,884,732 (2013: 1,000,000,000) in issue during the year, as adjusted to reflect during the year.

The calculation of diluted earnings per share is based on profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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.

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**117,885**	52,623
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,046,884,732**	1,000,000,000
Effect of dilution – weighted average number of ordinary shares		
Share options and RSU shares	**2,832,743**	–
	1,049,717,475	1,000,000,000

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

Group

	2014	2013
	RMB'000	*RMB'000*
Accounts receivable from advertising customers	**3,062**	3,457
Receivables due from third-party game distribution platforms and payment channels	**118,370**	51,610
	121,432	55,067

The Group's credit terms with its advertising customers are generally two months. The Group's credit terms with the third-party game distribution platforms and payment channels 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 aged analysis of the receivables as at the end of each of the Relevant Periods, is as follows:

Accounts receivable from advertising customers

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**3,062**	2,482
3 to 6 months	**–**	706
6 months to 1 year	**–**	269
	3,062	3,457

Receivables due from third-party game distribution platforms and payment channels

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**118,370**	24,195
3 to 6 months	**–**	21,193
6 months to 1 year	**–**	6,222
	118,370	51,610

The aged analysis of the receivables that are not considered to be impaired is as follows:

Accounts receivable from advertising customers

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**3,062**	2,353
Less than 6 months past due	**–**	1,104
	3,062	3,457

Receivables due from third-party game distribution platforms and payment channels

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**118,370**	24,214
Less than 6 months past due	**–**	27,396
	118,370	51,610

All of the receivables were neither past due or impaired and mainly relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2014	2013
	RMB'000	*RMB'000*
Deposit in an account in a domestic securities company*	**43,729**	–
Prepayments	**1,809**	912
Deposits	**1,047**	708
Other receivables	**4,890**	1,427
Impairment	**–**	(1,200)
	51,475	1,847

* The deposit stands for the balance in the account of the Group in a domestic securities company, which can be further used to purchase financial products through the securities company at the instruction of the Group. The deposit has no restriction and can be withdrawn at the discretion of the Group.

11. EQUITY-SETTLED SHARE-BASED PAYMENT

(1) Pre-IPO Share Option Scheme

The Company approved and adopted a pre-IPO share option Scheme (the "**Pre-IPO Share Option Scheme**") pursuant to a shareholders' written resolution and directors' written resolution passed on November 17, 2014. The purpose of the Pre-IPO Share Option Scheme is to provide reward to eligible participants for their service to the Group. Eligible participants of the Pre-IPO Share Option Scheme include any full-time employees, consultants, executives or officers of the Company and any of its subsidiaries who has contributed or will contribute to the Group in the absolute discretion of the Board. The total number of ordinary Shares subject to the Pre-IPO Share Option Scheme is 105,570,000. On November 17, 2014, share options were granted to 2 members of the senior management and 120 other employees to subscribe for 105,570,000 Shares at an exercise price of HK$0.55. All share options granted will be vested equally in four tranches as to 25% of the aggregate number of Shares on December 31, 2015, 2016, 2017 and 2018, respectively. Each share option granted if not exercised subsequently will expire on December 5, 2019.

Movements in the number of share options outstanding under the Pre-IPO Share Option Scheme during the year ended December 31, 2014:

	2014	
	Exercise price*	**Number of share options**
	HK$ per share	*'000*
Granted during the year	0.55	105,570
Forfeited during the year	0.55	(1,050)
As at December 31, 2014	0.55	104,520

No share option was exercised during the year ended December 31, 2014.

* 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.

The fair value of the share options granted during the year was approximately RMB104,908,000 of which the Group recognised a share option expense of RMB7,112,000 during the year ended December 31, 2014.

The fair value of the share options granted during the year was estimated at the date of grant, that is, November 17, 2014, using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists out inputs used in the model:

Dividend yield (%)	0.00
Expected volatility (%)	46.00
Risk-free interest rate (%)	1.65
Expected life of options (year)	5
Share price (HK$ per share)	1.93

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

As at December 31, 2014, the Company had 104,520,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 104,520,000 additional ordinary Shares of the Company, an additional share capital of approximately RMB64 and a share premium of approximately RMB45,351,000 (before issue expenses). As at the date of approval of these financial statements, the Company had 104,520,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 6.94% of the Company's Shares in issue as at that date.

(2) Pre-IPO Restricted Share Unit ("RSU") Plan

The Company approved and adopted a pre-IPO restricted share unit plan ("**Pre-IPO RSU Plan**") on November 17, 2014 for the purpose of rewarding eligible participants for their contribution to the Group. Eligible participants of the Pre-IPO RSU Plan include full-time employees, officers or suppliers, customers, consultants, agents or advisers of the Group, and any other person who, in the sole opinion of the Board, has contributed or will contribute to the Group. The total number of ordinary Shares underlying awards made pursuant to the Pre-IPO RSU Plan is 13,850,000. On November 17, 2014, RSUs to subscribe for 13,850,000 Shares were granted to 2 members of the senior management and 7 employees. All RSUs granted will be vested in full on April 1, 2015.

The fair value of the RSUs granted as at the date of grant was approximately RMB21,168,000 (HK$1.93 each), of which the Group recognised a total RSU award expense of RMB7,056,000 during the year ended December 31, 2014.

As at December 31, 2014, the Company had 13,850,000 RSUs outstanding under the Pre-IPO RSU Plan which represented 0.92% of the Company's Shares in issue as at that date. As at the date of approval of these financial statements, the Company had 13,850,000 RSUs outstanding under the Pre-IPO RSU Plan, which represented approximately 0.92% of the Company's Shares is issued as at that date.

OTHER INFORMATION

Annual General Meeting

The 2014 annual general meeting of the Company will be held on Thursday, June 4, 2015 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the Shareholders of the Company in accordance with the requirements in the Listing Rules in due course.

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

Since the Listing Date up to December 31, 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Dividend

The Board does not recommend payment of a final dividend for the year ended December 31, 2014.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, June 2, 2015 to Thursday, June 4, 2015, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on Thursday, June 4, 2015. All transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, June 1, 2015.

Use of Proceeds

The net proceeds from the Global Offering were approximately HK$610.2 million, after deducting the underwriting fees and commission, and related total expenses paid and payable by us in connection with the Listing, we have, and will continue to utilize the net proceeds from the Global Offering for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Audit Committee

The Company established the Audit Committee on November 17, 2014 with written terms of reference adopted in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises all the Independent Non-executive Directors of the Company, namely, Ms. Liu Qianli, Mr. Lai Xiaoling and Mr. Ma Suen Yee Andrew.

The Audit Committee has reviewed together with the Board the accounting standards and practices adopted by the Group and the consolidated financial statements of the Company for the year ended December 31, 2014.

Compliance with the CG Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Save as disclosed hereinbelow, during the period from the Listing Date to December 31, 2014, the Company has complied with all applicable code provisions under the CG Code.

Under code provision A.1.6 of the CG Code, procedures agreed by the Board of Directors should be in place to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expense. As the Company was only listed on the Stock Exchange on December 5, 2014, the Company did not formally adopt a policy relating to such until the Board meeting held on March 16, 2015 as the need of Directors seeking independent professional advice did not arise after the Listing, and as such, the policy was not formalized by then.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yao Jianjun serves as the Chairman and Chief Executive Officer of the Company. In view of Mr. Yao Jianjun's extensive experience in the industry, personal profile and role in the Group and its historical development, the Board believes that it is appropriate and beneficial to the business prospects of the Group that Mr. Yao Jianjun 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.

Code provision A.1.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on December 5, 2014, no Board meeting was held during the year ended December 31, 2014.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2014.

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 Model Code

The Company has adopted its own code of conduct regarding securities transactions by Directors and senior management based on the Model Code. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code since the Listing Date up to December 31, 2014.

Publication of the Consolidated Annual Results and 2014 Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.feiyuhk.com), and the 2014 Annual Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in April 2015.

APPRECIATION

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

GLOSSARY

"Android"	an operating system developed and maintained by Google Inc.
"App Annie"	App Annie Inc., an independent application store market data provider
"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" or "Board of Directors" or "our Board"	the board of Directors of the Company
"CAGR"	compound annual growth rate
"casual game"	an online game that is generally less time consuming, easy to learn and typically have a simple story line with challenges for players to overcome in order to progress
"Cayman Companies Law" or "Companies Law"	the Companies Law of the Cayman Islands, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CG Code"	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Chairman"	Chairman of the Board
"Chief Executive Officer"	the chief executive officer of the Company

"China" or "PRC"	the People's Republic of China; for the purpose of this announcement, "PRC" does not include Taiwan, the Macau Special Administrative Region and Hong Kong
"collectible card game"	a card game involving specially designed sets of playing cards in which players put together their own decks and then use the decks to play against other players
"Company", "our Company", "we", "us", "our" or "Feiyu"	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on March 6, 2014, and, except where the context otherwise requires, all of its subsidiaries and PRC Operating Entities or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries and PRC Operating Entities was engaged in and which was subsequently assumed by it
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) effective from March 3, 2014, as amended, supplemented or otherwise modified from time to time
"Contractual Arrangements"	a series of contractual arrangements entered into by Xiamen Feiyou, the PRC Contractual Entities and the Relevant Shareholders
"Feiyu Hong Kong"	Feiyu Technology Hong Kong Limited (飛魚科技香港有限公司), a direct and wholly-owned subsidiary of our Company and a limited company incorporated under the laws of Hong Kong on March 25, 2014
"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", "our Group" or "the Group"	our Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as the subsidiaries of the our Company by virtue of the Contractual Arrangements), or where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be) and the PRC Operating Entities

"HK$" or "Hong Kong dollars" or "HK 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 PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IASB"	International Accounting Standards Board
"IASs"	International Accounting Standards and "IAS" means any one of them
"IFRSs"	International Financial Reporting Standards and "IFRS" means any one of them
"Independent Non-executive Director(s)"	the independent non-executive Director(s) of the Company
'iOS"	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including, iPhones, iPods, and iPads
"IPO"	initial public offering of the Shares on the Main Board of the Stock Exchange
"iResearch"	Shanghai iResearch Co., Ltd, an independent industry consultant commissioned by the Group to prepare an independent research report
"Kailuo Tianxia"	Beijing Kailuo Tianxia Technology Co., Ltd. (北京凱羅天下科技有限公司), a limited company incorporated under the laws of the PRC on May 3, 2012 and a direct and wholly-owned subsidiary of Xiamen Guanghuan since December 31, 2013
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date on which dealings in Shares first commence on the Stock Exchange, i.e. December 5, 2014
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

"MAUs"	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period
"mobile games"	games that can be played on mobile devices and "mobile game" means any one of them
"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
"parkour game"	a casual game in which players direct a character to a destination as quickly as possible through various actions, including running, jumping, sliding and swinging
"PRC Contractual Entities"	Xiamen Guanghuan, Xiamen Youli and Kailuo Tianxia and "PRC Contractual Entity" means any one of them
"PRC Operating Entities"	Xiamen Guanghuan and its subsidiaries and "PRC Operating Entity" means any one of them
"Prospectus"	the prospectus dated November 25, 2014 issued by the Company
"Relevant Shareholder(s)"	Messrs. Yao Jianjun, Bi Lin, Chen Jianyu, Sun Zhiyan, Lin Jiabin, Lin Zhibin and Cai Wensheng and Ms. Chen Yongchun, being the registered shareholders of Xiamen Guanghuan
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC

“RPG(s)”	a role-playing game, which involves 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
“Shares”	ordinary share(s) in the share capital of our Company with nominal value of US$0.0000001 each
“Shareholders”	holder(s) of the Shares
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“United States dollars”	the lawful currency of the United States
“web games”	games that can be played within a web browser with flash support and which do not require active installation of client software and “web game” means any one of them
“Xiamen Feiyou”	Xiamen Feiyou Information Technology Co., Ltd. (廈門飛游信息科技有限公司), a direct and wholly-owned subsidiary of Feiyu Hong Kong and a limited company incorporated under the laws of the PRC on June 24, 2014
“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 January 12, 2009. Messrs. Yao Jianjun, Bi Lin, Lin Zhibin, Lin Jiabin, Cai Wensheng, Sun Zhiyan and Chen Jianyu and Ms. Chen Yongchun hold 39.200%, 10.560%, 3.720%, 3.720%, 5.752%, 11.624%, 22.424% and 3.000% equity interest of Xiamen Guanghuan, respectively

"Xiamen Youli"	Xiamen Youli Information Technology Co., Ltd. (廈門游力信息科技有限公司), a direct and wholly-owned subsidiary of Xiamen Guanghuan, a limited company incorporated under the laws of the PRC on September 19, 2011

By order of the Board
Feiyu Technology International Company Ltd.
YAO Jianjun
Chairman and Executive Director

Hong Kong, March 16, 2015

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