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Feiyu Technology International Company Ltd.
飛魚科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1022)

PROFIT WARNING

This announcement is made by Feiyu Technology International Company Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the "**Board**") wishes to inform the shareholders of the Company (the "**Shareholders**") and its potential investors that based on the preliminary assessment of the Group's latest unaudited consolidated management accounts (the "**Management Accounts**"), it is expected that the Group may record a net loss of approximately RMB75 million to RMB85 million for the six months ended 30 June 2016 under the International Financial Reporting Standards (the "**IFRSs**") as compared to a net profit of RMB92 million for the corresponding period of 2015. Without taking into account the share-based compensation of approximately RMB80 million and amortisation of intangible assets recognised for acquisitions of approximately RMB10 million, it is expected that the Group will record an adjusted net profit of approximately RMB5 million to RMB15 million for the six months ended 30 June 2016 under the non-IFRSs measures.

The expected net loss is primarily due to the following factors:

(a) substantial decrease in revenue due to:

  i) decrease in revenue of the Group's existing games as they reached mature stages of their product life cycles; and

  ii) delay in launching new key games due to the Group's strategic decision to invest additional development time and resources to enhance the quality of such new key games. As a result, other than Carrot Fantasy 3 (保衛蘿蔔3), the Group did not launch other new key game during the six months ended 30 June 2016;

b) significant increase in administrative expenses and research and development ("**R&D**") costs due to:

    i) the increased number of administrative employees and R&D employees to support the Group's rapid growing business, and further enhance the R&D capabilities and enrich the game portfolio, respectively; and

    ii) the significant increase in share-based compensation, which was mainly due to the transfer of 42 million shares of the Company for free from a major shareholder to a few key employees who were responsible for the Group's game development as a reward for their service contribution to the Group and the reward cost was measured at the fair value of the shares on the date of the transfer and charged against the consolidated statement of profit or loss as employees' remuneration.

c) a provision of investment impairment loss of approximately RMB5 million to be made for the six months ended 30 June 2016 for a minority stake investment in a company which engaged in design, production and distribution of network dramas.

Nevertheless, it is expected that the additional time and resources invested or to be invested in our key new games as mentioned above will enable the Company to achieve better performance. One of our key games, namely Carrot Fantasy 3 (保衛蘿蔔3) has been successfully launched in Tencent platform on 13 June 2016. Carrot Fantasy 3 (保衛蘿蔔3) is the sequel to our popular Carrot Fantasy games. In addition to adding new environments and numerous new features including new towers, new monsters features and new roles, Carrot Fantasy 3 (保衛蘿蔔3) is no longer a single-player mobile game, it becomes a network-based game with strong social interactive features.

Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2) are easy-to-play single-player mobile casual games. They are tower-defense games in which the goal is to protect the players' carrot from being eaten by monsters by creating different towers along their path to attack the enemy. Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2) were launched in July 2012 and November 2013. All of Carrot Fantasy (保衛蘿蔔), Carrot Fantasy 2 (保衛蘿蔔2) and Carrot Fantasy 3 (保衛蘿蔔3) ranked first based on App Annie's daily analysis of Apple Inc.'s App Store rankings in terms of free download in the People's Republic of China ("**China**") since their first launch day at iOS platform.

As at 31 May 2016, Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2) had approximately 325.7 million cumulative activated downloads. Since the launch of Carrot Fantasy 3 (保衛蘿蔔3) on 13 June 2016 and up to 3 July 2016, there were approximately 26.0 million cumulative activated downloads and with an average of 6.6 million Daily Active Users ("**DAUs**") for the relevant period.

Two of our key games, namely Shen Xian Dao II (神仙道2) and Jiong Xi You II (囧西遊2) are expected to be released in the second half of 2016. The Board believes that the Group's operating results will be improved in the second half of 2016.

As at the date of this announcement, the Company is still in the process of finalising the unaudited consolidated interim results of the Group for the six months ended 30 June 2016. The information contained in this announcement is solely based on information currently available to the Group and the Board's preliminary assessment of the Management Accounts. Further details of the Group's financial information will be provided in an announcement of the interim results of the Group for the six months ended 30 June 2016, which is expected to be published in August 2016.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 4 July 2016

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