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).

Reference is made to (i) the announcement of the Company dated 4 July 2016 in relation to the profit warning for the financial performance of the Group for the six months ended 30 June 2016; and (ii) the 2016 interim result announcement of the Company dated 26 August 2016, which disclosed that the Group recorded a net loss for the six months ended 30 June 2016.

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 unaudited consolidated management accounts of the Group for the eleven months ended 30 November 2016 and the information currently available, it is anticipated that the factors which have caused the net loss for the six months ended 30 June 2016 will continue to be reflected in the annual results of the Group for the year ended 31 December 2016, and it is expected that the Group will record a net loss for the year ended 31 December 2016 under the International Financial Reporting Standards (the "**IFRSs**") as compared to a net profit for the corresponding period of 2015.

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

a) 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;

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 games; and

iii) the newly launched games in 2016 underperformed.

b) a 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 to enhance the Group's R&D capabilities and enrich the Group's game portfolio, respectively; and

ii) the significant increase in share-based compensation, which was mainly due to the gratuitous transfer of 42.1 million shares of the Company 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. 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 RMB3.5 million was made for the year ended 31 December 2016 for a minority stake investment in a company which engaged in design, production and distribution of network dramas.

d) an impairment loss of goodwill to be made which is due to the recoverable amount of the cash-generating unit (group of cash-generation units) to which the goodwill relates is expected to be less than the carrying amount of the goodwill.

On the other hand, it is anticipated that the expected net loss will be partially offset by the recognition of a gain on fair value change of the contingent consideration of the remaining balance of 59,000,000 consideration shares to Fine Point Development Limited regarding the acquisition of 100% equity interest in Jiaxi Global (which indirectly holds 25% of the registered capital of each of Xiamen Yidou Information Technology Co., Ltd. and and Xiamen Zhangxin Interactive Technology Co., Ltd. (the "**PRC Companies**")) which are expected to be allotted and issued in 2017 and 2018 as disclosed in the Company's circular dated 27 July 2015 (the "**Circular**"). As the financial results of the PRC Companies decreased significantly during 2016 as compared to 2015, based on the unaudited management accounts of the PRC Companies for the eleven months ended 30 November 2016 and the recent performance of the mobile games operated by the PRC Companies, the total net profit after tax (including the profits generated from non-principal activities) of the PRC Companies for the year ended 31 December 2016 is expected to be much lower than the 2016 Profit Indicator as disclosed in the Circular. As such, the number of the Third Tranche Consideration Shares (as defined in the Circular) is expected to be reduced significantly. In addition, Fine Point will unconditionally and irrevocably waive the Fourth Tranche Consideration Shares (as defined in the Circular). As a result, there will be a significant decrease in the fair value of financial liability recognised and a gain on fair value change.

As at the date of this announcement, the Company is still gathering information to finalise the annual results of the Group for the year ended 31 December 2016.Information contained in the announcement is only a preliminary assessment made by the Board with reference to the unaudited consolidated management accounts of the Group for the eleven months ended 30 November 2016 and the information currently available, which have not been reviewed or audited by the auditor of the Company or confirmed by the audit committee of the Board and may be subject to changes. Further information of the Group's financial information will be disclosed in the announcement on the annual results of the Group for the year ended 31 December 2016, which is expected to be published before the end of March 2017.

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, 2 January 2017

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.