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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1022)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board is pleased to announce the unaudited consolidated interim results (the "Interim Results") of the Group for the six months ended 30 June 2017 together with comparative figures for the corresponding period in 2016.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June		
	2017 *(RMB'000)*	2016 *(RMB'000)*	**Change %**
Revenue (unaudited)	**54,858**	95,252	(42.4)
Gross profit (unaudited)	**39,953**	71,540	(44.2)
Loss before tax (unaudited)	**(50,538)**	(70,152)	(28.0)
Loss for the period attributable to owners of the parent (unaudited)	**(50,183)**	(76,455)	(34.4)
Non-IFRSs Measures			
– Adjusted net (loss)/profit attributable to owners of the parent (unaudited)[1]	**(17,788)**	8,789	(302.4)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	**RMB(0.03)**	RMB(0.05)	
– Diluted	**Not Applicable**	Not Applicable	

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS
BUSINESS REVIEW AND OUTLOOK

Overview

During the first half of 2017, China's online game industry generated total revenue of RMB99.78 billion, representing an increase of 26.7% year-over-year, according to the First Half 2017 China Game Industry Report jointly published by the Game Publishers Association Publications Committee (GPC) of China Audio-Video and Digital Publishing Association (中國音數協遊戲工委), Gamma Data (伽馬數據), and International Data Corporation (IDC). Revenue from mobile games accounted for 56.3% of total revenue, representing an increase of 49.8% year-over-year, which was primarily driven by: (i) the continuing upgrade of network infrastructure and mobile telecoms technology across China which enables users to spend more time on mobile games regardless of their location and with lower data costs; (ii) the user base expansion as more people with smartphones migrate towards mobile games; and (iii) the growing demand for and spending on entertainment as China's economy grows.

While the growth of the industry overall provides significant opportunities, the Company continued to face unprecedented challenges. Firstly, competition in the mobile game industry has become extremely intense as client-based game developers enter the market causing a significant increase in the amount of research and development ("R&D") and marketing costs needed for a single game. Secondly, the mobile game market is also changing rapidly, requiring game developers to adapt to market shifts faster. Lastly, the industry overall has entered a period where only quality games will survive, which further extends the required R&D and testing cycles needed for each game.

During the first half of 2017, the Company generated total revenue of approximately RMB54.9 million, representing a year-over-year decrease of 42.4%. Net loss attributable to owners of the parent for the first half of 2017 was approximately RMB50.2 million as compared to RMB76.5 million for the same period of last year. Adjusted net loss attributable to owners of the parent was approximately RMB17.8 million as compared to adjusted net profit attributable to owners of the parent of RMB8.8 million for the first half of 2016. The decrease in total revenue during the first half of 2017 was primarily due to: (i) a decrease in revenue from our existing games as they reach the mature stages of their respective lifecycles; (ii) the delayed launch of several new games as a result of the Company's strategic decision to further extend their development cycle to enhance quality; and (iii) the diversification of game categories currently under development which requires additional time to recruit and establish R&D teams. The decrease in the net loss attributable to owners of the parent recorded for the first half of 2017 was primarily due to a decrease in share-based compensation expenses. The decrease in share-based compensation expenses was primarily due to the transfer of shares of the Company from a major shareholder to a few key employees during the six months ended 30 June 2016 while there was no such transfer during the six months ended 30 June 2017.

Crazyant (瘋狂螞蟻), a studio of the Company focused on in-house developed high-quality games, launched 4 games in the first half of 2017 including I Am the Hero (英雄就是我), Push Heroes (推拉英雄) and Eat Fatty (你胖你先吃). I Am the Hero (英雄就是我) was published in January 2017 on Steam, the largest digital distribution platform for PC games, and Tencent's WeGame in April 2017, where it received very positive user feedback. Push Heroes (推拉英

雄) was recommended on Google Play and Apple's App Store global home page in May 2017 while Eat Fatty (你胖你先吃), a mobile io game, was recommended on the home page of the Mainland China and Hong Kong App Store in June 2017.

The Company continued to make progress in its intellectual property ("**IP**") licensing business during the first half of 2017. By virtue of the cuteness of the major characters in our Carrot Fantasy (保衛蘿蔔) game series, which in particular appeals to children, they were invited to join the 2017 cartoon annual gala of BTV KAKU Children Channel, which is one of the most popular satellite television channels for children in Mainland China. The licensed squeeze toys based on Carrot Fantasy (保衛蘿蔔) games' main characters with different vivid facial expressions went on sale in all the 7-11 chain stores in Guangdong Province of the PRC since 15 March 2017. We issued Yunnan Baiyao (雲南白藥) a license to use Carrot Fantasy (保衛蘿蔔) on the packaging of their fast-moving consumer goods. In addition, we also worked with Meipai (美拍) and Mirinda to cross promote Carrot Fantasy (保衛蘿蔔)'s brand. In July 2017, we signed an agreement with Beijing Xiedao Resort (蟹島度假村), a popular vacation resort in the area, who provides a 200-square-meter venue from July to early-September 2017 for our Carrot Fantasy (保衛蘿蔔) -themed decorations and related merchandise sales.

Since the beginning of 2017, the Company has watched the market shift from traditional RPG and casual games towards new genres and categories. To keep pace with the market, we have brought on board new talent and implemented leaner corporate structure in an effort to keep the competitiveness of our R&D teams. In May 2017, we opened a Shenzhen office to underpin the Company's long-term development.

To strengthen our game distribution network, we invested in Ewan (Shanghai) Network Technology Co., Ltd. ("**Ewan**"), a company primarily engaged in developing and operating its emerging TapTap mobile game distribution platform, in May 2017. TapTap is not only a mobile game publishing platform, but also a game community and media platform. This superior mobile game platform has a great number of high quality games and developers as well as a remarkable number of high-spending gamers.

Outlook for 2017

We will continue to focus on developing high quality games in the second half of 2017 to regain growth momentum. On July 18, 2017, our Chengdu game development studio launched The Initial (初體計劃) on Steam. The Initial (初體計劃) ranked first on Steam's new game Top Sellers list for a week following its launch. On August 17, 2017, the iOS version of Super Phantom Cat II (超級幻影貓2) was simultaneously launched in 11 languages globally. Following its launch, Super Phantom Cat II (超級幻影貓2) has ranked first on the US App Store's free games in the adventure category and in the top 15 free games overall. In addition, the game has received five-star ratings in most of the markets it was launched in, including the US, Mainland China, Canada, Spain, Switzerland, Singapore and Japan. Other than The Initial (初體計劃) and Super Phantom Cat II (超級幻影貓2), we plan to launch 4 mobile games in the second half of 2017, including a new game for the Shen Xian Dao (神仙道) series, a revamped version of Carrot Fantasy III (保衛蘿蔔3), Shou Hua San Guo (獸化三國) and Summoners League (夢與傳說) which was previously titled Dreamcraft-Legend Clash (夢與傳說). We will also leverage the superior quality of our games by porting them to console platforms.

Leveraging its IP is an integral part of the Company's long-term strategy. The Company will continue to develop its IP through not only licensed merchandise and services but also cartoons during the second half of 2017.

Interim Dividend

The Board did not declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

FINANCIAL REVIEW

Operating Information

Our Games

During the six months ended 30 June 2017, we continued to focus on developing high quality mobile games to cope with increasingly intense competition in the game industry. One of our studios in Xiamen focusing on high quality causal games published 4 causal games during the six months ended 30 June 2017 under the independent brand name of Crazyant (瘋狂螞蟻). These newly published games have received very positive feedback.

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 periods indicated:

	For the six months ended 30 June			
	2017		2016	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000)*	*(% of Total Revenue)*
Game Operation				
Web games	**8,301**	**15.1**	12,845	13.5
Mobile games				
RPGs	**31,427**	**57.3**	56,617	59.4
Casual	**4,028**	**7.4**	11,522	12.1
Total	**43,756**	**79.8**	80,984	85.0

Revenue from game operation's contribution to total revenue decreased from approximately 85.0% during the six months ended 30 June 2016 to approximately 79.8% during the six months ended 30 June 2017. The decrease was mainly due to a decrease in revenue from mobile games and an increase in revenue contribution from online game distribution. Revenue contribution from online game distribution accounted for approximately 2.1% during the six months ended 30 June 2017, representing an increase of 1.7% when compared to approximately 0.4% for the corresponding period in 2016, which was primarily attributable to the launch of new games by our overseas game distribution and operation team. The decrease in revenue from mobile games and its percentage of total revenue was primarily due to the maturing of existing games and the deferred launch of new games.

Our Players

We assess our operating performance using a set of key performance indicators, which include MAUs, MPUs and ARPPU. Fluctuations in our operating data are primarily a result of changes in the number of players who play, download (in the case of mobile games) and pay for virtual items and premium features in our games. Using these operating data as our key performance indicators can help us monitor our ability to offer highly engaging online games, the continued popularity of our games, the monetization of our player base and the degree of competition of online game industry, so that we can implement better business strategies.

As at 30 June 2017, (i) our RPG mobile games and web games had approximately 213.4 million cumulative registered users, composed of approximately 169.5 million users for web games and approximately 43.9 million users for mobile games; while (ii) our casual games had approximately 444.0 million cumulative activated downloads. For the month of June 2017, (i) our RPG mobile games and web games had approximately 0.8 million MAUs in aggregate, composed of approximately 0.4 million MAUs for mobile games and approximately 0.4 million MAUs for web games; while (ii) our casual games had approximately 9.3 million MAUs.

The following table sets forth certain operating statistics relating to our businesses at the dates and in the periods indicated:

	Six Months Ended 30 June		
	2017	2016	**Change %**
Average MPUs			
Web games (RPGs) (000's)	**16**	28	(42.9)
Mobile games (RPGs) (000's)	**50**	103	(51.5)
Casual (000's)	**118**	402	(70.6)
ARPPU			
Web games (RPGs) (RMB)	**103.8**	81.8	26.9
Mobile games (RPGs) (RMB)	**126.4**	89.7	40.9
Casual (RMB)	**6.8**	4.8	41.7

Note: Duplicated paying users of our games published on our own platforms were not eliminated during calculation.

Average MPUs for mobile RPG games decreased to approximately 50,000 for the six months ended 30 June 2017 from approximately 103,000 for the six months ended 30 June 2016. This was mainly attributable to the maturing of one of our hit titles, San Guo Zhi Ren (三國之刃), which reached the mature stage of its lifecycle in the first half of 2016 and the later stages of its lifecycle during the first half of 2017. Average MPUs for mobile casual games were approximately 118,000 for the six months ended 30 June 2017, a decrease from approximately 402,000 for the corresponding period of 2016, primarily due to the decrease in the number of Carrot Fantasy (保衛蘿蔔) game series' average MPUs. Carrot Fantasy I (保衛蘿蔔1) and Carrot Fantasy II (保衛蘿蔔2) began transitioning into the late stages of their expected lifecycles while Carrot Fantasy III (保衛蘿蔔3), which was launched in June 2016, was not heavily advertised or promoted until an entirely new version is released to sharpen its performance. MPUs for web games were 16,000 for the six months ended 30 June 2017 as compared to approximately 28,000 for the corresponding period of 2016. The decrease was due to our web games reaching the later stages of their expected lifecycles during the six months ended 30 June 2017, as well as our strategic shift from web games to mobile games which began in 2013.

RPG mobile games ARPPU increased to approximately RMB126.4 for the six months ended 30 June 2017 as compared to approximately RMB89.7 for the corresponding period of 2016, which was primarily due to the increasing willingness of loyal gamers to spend on RPG mobile games during the mature stages of their lifecycles. Web games ARPPU increased to approximately RMB103.8 for the six months ended 30 June 2017 as compared to approximately RMB81.8 for the corresponding period of 2016. The increase was primarily driven by an increase in ARPPU for Shen Xian Dao (神仙道) web version, which was launched in 2011 and is currently in the mature stage of its lifecycle where loyal players are more willing to spend. Casual games ARPPU increased from approximately RMB4.8 for the six months ended 30 June 2016 to approximately RMB6.8 for the six months ended 30 June 2017. The increase was primarily driven by the launch of Carrot Fantasy III (保衛蘿蔔3) in June 2016, which had better monetisation features, and was partially offset by a decrease in ARPPU from Carrot Fantasy I & II (保衛蘿蔔1&2), which are in the late stages of their respective lifecycles.

As part of our business strategy, we continue to promote players' in-game purchases, frequently roll out upgrades to enhance the features of our games and maintain user interest, as well as launch various in-game promotions and activities. Our dedicated customer service team continued to provide timely customer services via our in-game customer service system. We believed this played a significant role in retaining our players and expanding of our player base.

First Half of 2017 Compared to First Half of 2016

The following table sets forth the income statement for the six months ended 30 June 2017 as compared to that for the six months ended 30 June 2016.

	Six Months Ended 30 June		
	2017	2016	**Change %**
	(RMB'000)	*(RMB'000)*	
Revenue	**54,858**	95,252	(42.4)
Cost of sales	**(14,905)**	(23,712)	(37.1)
Gross profit	**39,953**	71,540	(44.2)
Other income and gains	**11,779**	17,470	(32.6)
Selling and distribution expenses	**(7,738)**	(5,523)	40.1
Administrative expenses	**(26,240)**	(28,614)	(8.3)
Research and development costs	**(39,362)**	(112,848)	(65.1)
Finance costs	**(627)**	(456)	37.5
Other expenses	**(27,274)**	(11,126)	145.1
Share of losses of associates	**(1,029)**	(595)	72.9
LOSS BEFORE TAX	**(50,538)**	(70,152)	(28.0)
Income tax expense	**(3,762)**	(10,787)	(65.1)
LOSS FOR THE PERIOD	**(54,300)**	(80,939)	(32.9)
Attributable to:			
Owners of the parent	**(50,183)**	(76,455)	(34.4)
Non-controlling interests	**(4,117)**	(4,484)	(8.2)

Revenue

The following table sets forth a breakdown of our revenue for the six months ended 30 June 2017 and 2016:

	Six Months Ended 30 June			
	2017		2016	
	(RMB'000)	*(% of Total Revenue)*	*(RMB'000)*	*(% of Total Revenue)*
Game operation	**43,756**	**79.8**	80,984	85.0
Online game distribution	**1,137**	**2.1**	352	0.4
Licensing and IP-related income	**5,908**	**10.8**	6,968	7.3
Advertising revenue	**3,877**	**7.0**	6,948	7.3
Technical service income	**180**	**0.3**	–	–
Total	**54,858**	**100.0**	95,252	100.0

Total revenue decreased by approximately 42.4% to approximately RMB54.9 million for the six months ended 30 June 2017 from the corresponding period of 2016.

Revenue from game operation decreased by approximately 46.0% to approximately RMB43.8 million for the six months ended 30 June 2017 from the corresponding period of 2016. The decrease was primarily due to San Guo Zhi Ren (三國之刃) hitting the mature stage of its lifecycle in the first half of 2016 and later stages of its lifecycle in the first half of 2017. The decrease in the revenue from our other existing games also dragged down our total revenue as they reached the mature stage of their respective lifecycles. The decrease was also due to the delay in the launch of our key new games as a result of the Company's strategic decision to invest additional development time and resources to enhance the quality of the new games prior to launch. Other than 4 casual games launched under an independent brand name, Crazyant, during the six months ended 30 June 2017 which has limited contribution to the Group's revenue for the period, the Group did not launch other new key game during the six months ended 30 June 2017.

Revenue from online game distribution increased by 223.0% to approximately RMB1.1 million for the six months ended 30 June 2017 from the corresponding period of 2016, which was primarily due to the launch of new games by our overseas game distribution and operation team.

Licensing and IP-related income decreased by approximately 15.2% to approximately RMB5.9 million for the six months ended 30 June 2017 from the corresponding period of 2016. The decrease was primarily attributable to the recognition of a one-off licensing fee for the Korean version of San Guo Zhi Ren (三國之刃) of approximately RMB4.0 million upon termination of its operation in Korea during the six months ended 30 June 2016 while there was no such one-off licensing fee recognised during the six months ended 30 June 2017. The decrease was partially offset by an increase in licensing and IP-related income from Carrot Fantasy III (保衛蘿蔔3) which was launched in June 2016.

Advertising revenue decreased by approximately 44.2% to approximately RMB3.9 million for the six months ended 30 June 2017 from the corresponding period of 2016, primarily due to Carrot Fantasy I (保衛蘿蔔1) and Carrot Fantasy II (保衛蘿蔔2) reaching the later stages of their lifecycles as the number of active users declines. Both games have significantly exceeded the industry average lifespan for a game. The decrease was partially offset by advertising revenue of newly launched casual games of our Crazyant (瘋狂螞蟻) studio.

Technical service income during the six months ended 30 June 2017 was generated by the technical support services our Chengdu subsidiary provided. There was no such transaction during the six months ended 30 June 2016.

Cost of sales

Our cost of sales decreased by approximately 37.1% from approximately RMB23.7 million for the six months ended 30 June 2016 to approximately RMB14.9 million for the six months ended 30 June 2017, primarily due to the decrease in amortisation cost relating to intangible assets pursuant to the acquisition of Kailuo Tianxia as disclosed in the Prospectus from RMB10.2 million for the six months ended 30 June 2016 to RMB1.8 million for the six months ended 30 June 2017 which was due to the full amortisation of Carrot Fantasy I (保衛蘿蔔1)'s IP and the impairment of Carrot Fantasy II (保衛蘿蔔2)'s IP in the second half of 2016.

Gross profit and gross profit margin

Gross profit decreased by 44.2% from approximately RMB71.5 million for the six months ended 30 June 2016 to approximately RMB40.0 million for the six months ended 30 June 2017. Our gross profit margin for the six months ended 30 June 2017 was 72.8%, as compared to 75.1% for the six months ended 30 June 2016.

Other income and gains

Our other income and gains decreased by approximately 32.6% from approximately RMB17.5 million for the six months ended 30 June 2016 to approximately RMB11.8 million for the six months ended 30 June 2017, primarily due to an RMB4.3 million recognition of gain on fair value change of contingent consideration for the six months ended 30 June 2016 while recognising a loss on fair value change of contingent consideration of approximately RMB0.5 million under other expenses for the six months ended 30 June 2017. The gain on fair value change of the contingent consideration for the six months ended 30 June 2016 represented the gain on fair value change of the contingent consideration of the remaining balance of 59,000,000 consideration shares to Fine Point Development Limited ("Fine Point") regarding the acquisition of 100% equity interest in Jiaxi Global Limited ("Jiaxi Global") (which indirectly holds 25% of the registered capital of each of Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou") and Xiamen Zhangxin Interactive Technology Co., Ltd. (the "PRC Companies")) which had been expected to be allotted and issued in 2017 and 2018 as disclosed in the Company's circular dated 27 July 2015 (the "Circular"). As Fine Point unconditionally and irrevocably waived the Fourth Tranche Consideration Shares (as defined in the Circular) as disclosed in the announcement of the Company dated 2 January 2017, there was no outstanding contingent consideration as at 30 June 2017 after the Third Tranche Consideration Shares (as defined in the Circular) were allotted and issued on 31

March 2017. The loss on fair value change of the contingent consideration recognised for the six months ended 30 June 2017 represented the loss recognised for the increase in the fair value of financial liability related to the Third Tranche Consideration Shares issued on 31 March 2017 due to the increase in closing price of Shares as compared with the closing price as at 31 December 2016. The decrease of other income and gains was also resulted from the decrease in investment income, interest income and dividend income from approximately RMB8.6 million for the six months ended 30 June 2016 to approximately RMB7.6 million for the six months ended 30 June 2017 and the decrease in government grants from approximately RMB4.5 million for the six months ended 30 June 2016 to approximately RMB4.0 million for the six months ended 30 June 2017. The decrease in interest income was mainly due to the decrease of average balance of bond and time deposit. The decrease in government grants was mainly because the government grants received during the six months ended 30 June 2017 were partly related to assets, which is recognised as deferred revenue and recognised in future profit or loss on a systematic basis over the useful life of the assets, while the government grants received during the six months ended 30 June 2016 were mostly related to income, which is recognised in profit or loss of the corresponding period.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 40.1% from approximately RMB5.5 million for the six months ended 30 June 2016 to approximately RMB7.7 million for the six months ended 30 June 2017. The increase was mainly attributable to an increase in share-based compensation by approximately RMB2.0 million as a result of the forfeiture of share options in the six months ended 30 June 2016, whose cost had been recognised in the previous year, while there was no such forfeiture during the six months ended 30 June 2017.

Administrative expenses

Our administrative expenses decreased by approximately 8.3% from approximately RMB28.6 million for the six months ended 30 June 2016 to approximately RMB26.2 million for the six months ended 30 June 2017. The decrease was primarily attributable to a decrease in salaries, pension schemes contribution and welfare from approximately RMB15.6 million for the six months ended 30 June 2016 to approximately RMB13.3 million for the six months ended 30 June 2017, which was mainly driven by a decrease in the number of administrative employees to streamline the Company’s corporate structure.

R&D costs

Our R&D costs decreased by approximately 65.1% from RMB112.8 million for the six months ended 30 June 2016 to approximately RMB39.4 million for the six months ended 30 June 2017. This decrease was primarily due to a one-off share-based payment of RMB66.2 million recognised during the six months ended 30 June 2016 while there was no such expense for the six months ended 30 June 2017. The share-based payment was related to the transfer of 42.1 million Shares from a major shareholder to a few key employees who were responsible for the Group’s game development during the six months ended 30 June 2016 as a reward for their contribution to the Group. The 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. The decrease was also due to a decrease in salaries, pension schemes contribution and welfare from approximately RMB34.1 million for the six months ended 30 June 2016 to approximately RMB27.2 million for the six months ended 30 June 2017 as a result of the decreased number of R&D employees to keep the R&D teams competitive.

Finance costs

Finance costs consisted of interest expenses on the USD dominated time loan taken out by the Company as a financial lever for life insurance policies. Our finance costs increased by approximately 37.5% from approximately RMB456,000 for the six months ended 30 June 2016 to approximately RMB627,000 for the six months ended 30 June 2017 primarily due to higher interest rates and the change in foreign exchange rate of USD against RMB.

Other expenses

Our other expenses increased by approximately 145.1% from approximately RMB11.1 million for the six months ended 30 June 2016 to approximately RMB27.3 million for the six months ended 30 June 2017. The increase was primarily attributable to an impairment loss of goodwill of approximately RMB20.4 million recorded during the six months ended 30 June 2017 while there was no such impairment loss of goodwill during the six months ended 30 June 2016. The impairment loss of goodwill was mainly related to goodwill recognised in 2013 pursuant to our acquisition of Kailuo Tianxia as disclosed in the Prospectus and the impairment loss of goodwill made was due to the recoverable amount of the Carrot Fantasy cash-generating unit ("**CGU**") to which the goodwill related was less than the carrying amount of the goodwill.

Carrot Fantasy III (保衛蘿蔔3) was launched in June 2016. The delayed launch of revamped version of Carrot Fantasy III (保衛蘿蔔3) which is an entirely new version released to sharpen its performance was considered as an indication of impairment for the goodwill aforementioned. We performed the impairment assessment with assistance from an external valuer, and based on it, the recoverable amount of the goodwill was determined by the value in use of the CGU, which was lower than the carrying amount of the goodwill as of 30 June 2017. As the Company is not able to have a reliable estimate of fair value less cost of disposal, the recoverable amount of the CGU to which the goodwill is allocated has been determined based on a value in use calculation using cash flow projections based on financial budgets covering seven-year period. The key assumptions for the value in use calculations are those regarding the discount rates, budgeted income during the period and growth rates. We estimate discount rates using pre-tax rates of 25% that reflect current market assessments of the time value of money and the risks specific to the CGU. The budgeted income includes estimated income from existing games and games in the pipeline, taking into account game popularity, income patterns in game life cycle and the Group's strategy in operation. The operating margin and growth rate within the seven-year period have been based on management expectation. The growth rate used to extrapolate the cash flows of the relevant games beyond the relevant periods is 3%. There is no significant change in the valuation of the assumptions from those previously adopted except for the estimated income which was due to the delay of revamped version of Carrot Fantasy III (保衛蘿蔔3). Details of the Group's impairment testing of goodwill is set out in Note 8 to the financial statements.

The increase was also due to an investment loss of approximately RMB5.8 million recognised during the six months ended 30 June 2017 related to the disposal of one of the Company's subsidiaries engaged in game development. The increase was primarily offset by the recognition of exchange loss for the six months ended 30 June 2016 of approximately RMB7.5 million due to the depreciation of RMB against USD and HKD while only RMB0.4 million loss was recognised for the six months ended 30 June 2017. The increase was also partially offset by a provision of investment impairment loss of approximately RMB3.5 million made for the six months ended 30 June 2016 for a minority equity investment in a company which was engaged in the design, production and distribution of network dramas while no such impairment loss was made for the six months ended 30 June 2017.

Income tax expense

Our income tax expense decreased by approximately 65.1% from approximately RMB10.8 million for the six months ended 30 June 2016 to approximately RMB3.8 million for the six months ended 30 June 2017. The decrease was mainly attributable to the decrease in revenue and profits from the Company's subsidiaries which were not exempted from income tax.

Non-IFRSs measures – Adjusted net loss or 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 loss or 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 loss or profit attributable to owners of the parent as net loss or profit attributable to owners of the parent excluding share-based compensation, amortisation of intangible assets recognised for acquisitions and impairment loss of goodwill recognised for Carrot Fantasy CGU. The term of adjusted net loss or profit attributable to owners of the parent is not defined under IFRSs. The use of adjusted net loss or 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 profit attributable to owners of parent for the accounting period.

	Six Months Ended 30 June		
	2017	2016	**Change %**
	(RMB'000)	*(RMB'000)*	
Loss for the period attributable to owners of the parent	**(50,183)**	(76,455)	(34.4)
Add:			
Share-based compensation	**10,235**	75,002	(86.4)
Amortisation of intangible assets recognised for acquisitions	**1,800**	10,242	(82.4)
Impairment loss of goodwill recognised for Carrot Fantasy cash-generating unit	**20,360**	–	N/A
Total	**(17,788)**	8,789	(302.4)

Financial Position

As at 30 June 2017, total equity of the Group amounted to approximately RMB972.1 million, as compared to approximately RMB1,025.8 million as at 31 December 2016. The decrease was mainly due to an impairment loss of goodwill of approximately RMB20.4 million and the equity impact of approximately RMB29.1 million regarding the repurchase of the Shares on the Stock Exchange.

The Group's net current assets amounted to approximately RMB147.1 million as at 30 June 2017, as compared to approximately RMB155.2 million as at 31 December 2016. The decrease was primarily due to the payment of approximately RMB29.1 million in repurchase of the Shares on the Stock Exchange. The decrease was partially offset by the decrease in non-current available-for-sale investments of approximately RMB23.4 million.

Liquidity and Financial Resources

	30 June 2017	31 December 2016	**Change %**
	(RMB'000)	*(RMB'000)*	
Cash at bank and on hand	**141,159**	230,167	(38.7)
Time deposits	**–**	6,861	(100.0)
Total	**141,159**	237,028	(40.4)

Our total cash at bank and on hand and time deposits amounted to approximately RMB141.2 million as at 30 June 2017, as compared to approximately RMB237.0 million as at 31 December 2016. The decrease was primarily due to the increase in utilisation of our current financial resources for investments and repurchase of the Shares on the Stock Exchange. The decrease was also due to an increase in cash used in operating activities.

As at 30 June 2017, approximately RMB55.4 million of our financial resources (RMB79.6 million as at 31 December 2016) were held in deposits denominated in non-RMB currencies. We currently do not hedge transactions undertaken in foreign currencies but constantly monitoring, managing and limiting our foreign exchange exposure. The Group has adopted a prudent cash and financial management policy. In order to better control costs and minimise costs of funds, the Group's treasury activities are centralised and cash is generally deposited at banks and denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

As at 30 June 2017, we had a time loan of approximately US$8.1 million (31 December 2016: US$8.0 million) with an interest rate of 2.5670% which was secured by certain life insurance policies as detailed below which was borrowed by the Company as a financial lever of the life insurance policies.

As at 30 June 2017, we had short-term investments and available-for-sale investments of approximately RMB431.4 million (RMB406.3 million as at 31 December 2016).The short-term investments represented the structured financial product issued by a bank and an asset management company with the fixed interest rate ranging from 3.4% to 4.5% per annum and maturity periods of 90 to 180 days which were invested by a PRC subsidiary. The principal is protected. The current available-for-sale investments represent the structured financial products issued by banks and asset management companies with an expected interest rate ranging from 4.5% to 4.9% per annum and maturity periods of 30 to 180 days which were invested by the PRC subsidiaries. The non-current available-for-sale investments represent the straight bonds, convertible bonds and convertible preferred shares issued by banks or reputable companies, with Standard & Poor ("S&P") rating above BB- and coupon rates ranged from 4.25% to 6.875% per annum which were invested by the Company, the investment in life insurance policies by the Company and equity interests held by the Group in nine unlisted companies and one company listed on China New Third Board (NEEQ). In August 2015, the Group entered into life insurance policies with an insurance company to insure certain members of the key management of the Group. The Company can terminate the policy at any time and receive the refund based on the cash value of the contract(s) at the date of withdrawal, which is determined by the insurance premium of each insurance policy plus the accumulated interest earned and minus the insurance costs ("Cash Value"). In addition, if the withdrawal is made between the first and tenth policy years, there is a special amount of surrender charge by the insurance company. The insurance company will declare a guaranteed interest of 3.9% per annum plus a premium determined by the insurance company on the outstanding Cash Value of the contract for the first three years. Commencing from the fourth year, the guaranteed interest will be reduced to 2% per annum.

As at 30 June 2017, the principal of RMB45.0 million in structured financial products is protected while the principal of the rest are not protected. The fair value of the current available-for-sale financial investment approximately equals to their cost plus expected interest. The fair values of available-for-sale investments in straight bonds, convertible bonds and convertible preferred shares have been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market inputs. The fair values of the life insurance policies represent the cash value of such insurance policies which is detailed in the above paragraph.

Details of the Group's short-term investments and available-for-sale investments are set out in Note 11 to the financial statements.

According to our current internal investment management policies, no less than 50% of our total investment is invested in risk-free or principal protected investments while the remaining of up to 50% of the total investment is invested in low risk products. 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.

Gearing ratio

On the basis of total liabilities divided by total assets, the Group's gearing ratio was 10.3% as at 30 June 2017 and 14.5% as at 31 December 2016.

Capital expenditures

The following table sets forth our capital expenditures for the six months ended 30 June 2017 and 2016:

	Six Months Ended 30 June		
	2017	2016	**Change %**
	(RMB'000)	*(RMB'000)*	
Property, plant and equipment	**4,089**	1,042	292.4
Construction in progress	**812**	–	N/A
Intangible assets	**–**	750	(100.0)
Total	**4,901**	1,792	173.5

Our capital expenditures comprised property, plant and equipment, such as company vehicles for employees' use, construction in progress and intangible assets, such as software and platform. The total capital expenditures were approximately RMB4.9 million and RMB1.8 million for the six months ended 30 June 2017 and 2016 respectively. The increase of approximately RMB3.1 million in total capital expenditures for the six months ended 30 June 2017 from the corresponding period of 2016 was primarily due to the purchase of company vehicles for employees' use of approximately RMB1.8 million and the increase in the leasehold improvements of approximately RMB1.4million for the offices leased for the newly setup Shenzhen office and development team. The increase was also due to construction costs of approximately RMB0.8 million for our R&D center and headquarters. The increase in the total capital expenditures was partially offset by a decrease in the purchase of intangible assets.

Significant investments held/future plans for material investments or capital assets and significant acquisitions and disposals of subsidiaries, associates and joint ventures

On 11 May 2017, the Company, through one of its wholly-owned subsidiaries Xiamen Youli, entered into an investment agreement (the "Investment Agreement") together with XD and Xiamen G-bits, to invest in Ewan. Pursuant to the Investment Agreement, each of Xiamen Youli, XD and Xiamen G-bits shall inject RMB50.0 million in cash into Ewan, as a result of which Xiamen Youli, XD and Xiamen G-bits will hold 4.54%, 52.09% and 4.54%, respectively of the equity interests in Ewan as enlarged by the capital contribution to be made pursuant to the Investment Agreement. XD is the controlling shareholder of Ewan before and after the Investment Agreement and Xiamen G-bits is a new investor to Ewan. The investment will not only strengthen the Group's game distribution network, but also offer a valuable opportunity for decent investment return in the future.

Save as disclosed above in this announcement, the Group currently has no specific plan for any significant investment in or acquisition of major capital assets or other businesses in the second half of 2017. However, the Group will continue to identify new opportunities for business development.

Pledge of Assets

As at 30 June 2017, the Group's bank loan amounted to US$8.1 million (equivalent to approximately RMB55.0 million) which was used as a lever for our investment in life insurance policies and is secured by the life insurance policies with a fair value amounted to US$13.0 million(equivalent to approximately RMB88.0 million).

Contingent liabilities and guarantees

As at 30 June 2017, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation with claims made against us.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, we had 440 full-time employees, the majority of whom were based in Xiamen, the PRC. The following table sets forth the number of our employees segregated by their functions as at 30 June 2017:

	Number of Employees	**% of Total**
Development	268	60.9
Operations	109	24.8
Administration	62	14.1
Sales and marketing	1	0.2
Total	440	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, bonus related to the Group's performance, allowances, equity settled share-based payment 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 the senior management is determined on the basis of each individual's responsibilities, qualification, 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 adopted the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, Pre-IPO RSU Plan and Post-IPO RSU Plan as its long-term incentive schemes.

Use of Net Proceeds from Listing

The net proceeds from the Global Offering were approximately HK$585.0 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 utilise 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June

	Notes	**2017**	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**54,858**	95,252
Cost of sales		**(14,905)**	(23,712)
Gross profit		**39,953**	71,540
Other income and gains	*4*	**11,779**	17,470
Selling and distribution expenses		**(7,738)**	(5,523)
Administrative expenses		**(26,240)**	(28,614)
Research and development costs		**(39,362)**	(112,848)
Finance costs		**(627)**	(456)
Other expenses		**(27,274)**	(11,126)
Share of losses of associates		**(1,029)**	(595)
LOSS BEFORE TAX	*5*	**(50,538)**	(70,152)
Income tax expense	*6*	**(3,762)**	(10,787)
LOSS FOR THE PERIOD		**(54,300)**	(80,939)
Attributable to:			
Owners of the parent		**(50,183)**	(76,455)
Non-controlling interests		**(4,117)**	(4,484)
		(54,300)	(80,939)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
– Basic		**RMB(0.03)**	RMB(0.05)
– Diluted		**Not applicable**	Not applicable

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June

	Note	**2017**	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD		**(54,300)**	(80,939)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**7,280**	6,298
Reclassification adjustments for gains included in the consolidated statement of profit or loss	*4*	**(2,406)**	(2,484)
Exchange differences on translation of foreign operations		**(6,927)**	1,480
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		**(2,053)**	5,294
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		**(2,053)**	5,294
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(56,353)**	(75,645)
Attributable to:			
Owners of the parent		**(52,288)**	(71,157)
Non-controlling interests		**(4,065)**	(4,488)
		(56,353)	(75,645)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**13,622**	13,376
Prepaid land lease payments		**104,929**	106,307
Goodwill	*8*	**292,954**	314,253
Other intangible assets		**3,716**	5,631
Investment in associates		**16,639**	17,668
Prepayments, deposits and other receivables		**22,372**	22,412
Available-for-sale investments	*11*	**375,735**	399,116
Deferred tax assets		**1,584**	2,387
Total non-current assets		**831,551**	881,150
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	*9*	**29,802**	54,268
Prepayments, deposits and other receivables	*10*	**23,752**	19,886
Restricted cash		**681**	680
Available-for-sale investments	*11*	**15,169**	7,139
Short term investments	*11*	**40,467**	–
Cash and cash equivalents		**141,159**	237,028
Other current assets		**1,568**	–
Total current assets		**252,598**	319,001
CURRENT LIABILITIES			
Other payables and accruals		**35,986**	90,353
Interest-bearing bank borrowing		**54,969**	55,655
Tax payable		**4,140**	6,228
Deferred revenue		**10,412**	11,594
Total current liabilities		**105,507**	163,830
NET CURRENT ASSETS		**147,091**	155,171
TOTAL ASSETS LESS CURRENT LIABILITIES		**978,642**	1,036,321

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**978,642**	1,036,321
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**225**	450
Deferred revenue	**6,282**	10,097
Total non-current liabilities	**6,507**	10,547
Net assets	**972,135**	1,025,774
EQUITY		
Equity attributable to owners of the parent		
Share capital	**1**	1
Share premium	**496,082**	504,719
Treasury shares	**(525)**	(8,394)
Reserves	**476,834**	530,959
	972,392	1,027,285
Non-controlling interests	**(257)**	(1,511)
Total equity	**972,135**	1,025,774

NOTES TO THE FINANCIAL STATEMENTS

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 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 Ltd. (the "Stock Exchange") on 5 December 2014.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2016.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Revenue from continuing operations of approximately RMB6,943,000 was derived from a single customer for game operation which is 10% or more of the Group's revenue for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents net invoiced value of goods sold, after allowances for returns and trade discounts; the services rendered after allowances for chargebacks; and the royalties derived from licensing agreements.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Online web and mobile games	**42,710**	76,408
Single-player mobile games	**1,046**	4,576
Game operation	**43,756**	80,984
– Gross basis	**1,818**	3,291
– Net basis	**41,938**	77,693
Online game distribution	**1,137**	352
Licensing income	**5,741**	6,968
Advertising revenue	**3,877**	6,948
Sale of goods	**167**	–
Technical service income	**180**	–
	54,858	95,252
Other income		
Interest income	**4,604**	6,162
Government grants	**4,002**	4,502
	8,606	10,664
Gains		
Fair value gains, net:		
Available-for-sale investments (transfer from equity on disposal)	**2,406**	2,484
Dividend income from available-for-sale investments	**608**	–
Gain on disposal of items of property, plant and equipment	**4**	–
Gain on fair value change of contingent consideration	**–**	4,286
Other gains	**155**	36
	11,779	17,470

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Channel costs	**467**	1,216
Rental fee (including servers)	**5,981**	6,164
Depreciation	**3,150**	3,875
Amortisation of other intangible assets	**1,915**	11,095
Amortisation of land lease payments	**1,378**	–
Advertising expenses	**6,481**	3,071
Impairment of goodwill*	**20,360**	–
Loss on disposal of a subsidiary	**5,808**	–
Impairment of an investment in an associate*	**–**	3,503
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	**32,880**	43,307
Pension scheme contributions	**6,157**	7,737
Share-based payment expenses	**10,235**	75,002
	49,272	126,046
Dividend income from available-for-sale investments	**(608)**	–
Interest income	**(4,604)**	(6,162)
Government grants	**(4,002)**	(4,502)

* The impairment of goodwill and the impairment of an investment of an associate are included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

6. INCOME TAX EXPENSE

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

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Xiamen Youli, Kailuo Tianxia, Xiamen Yidou, Xiamen Guangyu Investment Management Co., Ltd ("Xiamen Guangyu") and Xiamen Feixin Internet Technology Co., Ltd ("Xiamen Feixin") which were certified as Software Enterprises and are exempted from income tax for two years starting from the first year in which they generate taxable profit, followed by a 50% reduction for the next three years. 2013, 2013, 2014, 2015 and 2016 are the first profitable years for Xiamen Youli, Kailuo Tianxia, Xiamen Yidou, Xiamen Guangyu and Xiamen Feixin, respectively.

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax	**3,184**	10,510
Deferred tax	**578**	277
Total tax charge for the period	**3,762**	10,787

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,554,245,021 (for the six months ended 30 June 2016: 1,546,288,797) in issue during the period.

The calculation of the diluted loss per share amount is based on the loss 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 of ordinary shares in issue during the period, as used in the basic loss 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.

The Company does not present diluted loss per share for the six months ended 30 June 2017, as the Company had net loss for the period.

8. GOODWILL

	RMB'000
At 1 January 2017:	
Cost	422,007
Accumulated impairment	(107,754)
Net carrying amount	314,253
Cost at 1 January 2017, net of accumulated impairment	314,253
Impairment during the period	(20,360)
Disposal of a subsidiary	(939)
At 30 June 2017 (unaudited)	292,954
At 30 June 2017:	
Cost	421,068
Accumulated impairment	(128,114)
Net carrying amount	292,954

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Carrot Fantasy cash-generating unit
- Super Phantom Cat cash-generating unit
- Jiong Xi You cash-generating unit
- Sanguo Zhiren cash-generating unit
- Tianxia Jiayou cash-generating unit

The recoverable amount of the above cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a seven-year period approved by Board of Directors. The discount rate applied to the cash flow projections is 25% (2016: 24%). The growth rate used to extrapolate the cash flows of the relevant games beyond the seven-year period is 3%. The carrying amount of goodwill allocated to each cash-generating unit is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrot Fantasy cash-generating unit	**279,716**	300,076
Super Phantom Cat cash-generating unit	**12,450**	12,450
Jiong Xi You cash-generating unit	**401**	401
Sanguo Zhiren cash-generating unit	**387**	387
Tianxia Jiayou cash-generating unit	**–**	939
Carrying amount of goodwill	**292,954**	314,253

Management expected an impairment of goodwill of Carrot Fantasy cash-generating unit due to the underperformance in revenue generating activities of Carrot Fantasy series.

Assumptions were used in the value in use calculation of the cash-generating units for the period ended 30 June 2017 and year ended 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted income – The budgeted income includes estimated income from existing games and games in the pipeline, taking into account game popularity, income patterns in game life cycle and the Group's strategy in operation. The Company believes this budgeted income is justified given the strong game development capability and experience of games, the cooperation with major third-party distribution platforms and the successful record of developing its games.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

9. 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 aged analysis of the receivables as at the end of the reporting period based on the invoice date, is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**29,802**	54,268

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**29,802**	54,268

All of the receivables that were neither past due nor impaired mainly relate to a large number of diversified customers for whom there was no recent history of default.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current		
Prepayments	**12,212**	12,477
Land lease payments related deposits	**8,025**	8,025
Other receivables	**2,135**	1,910
	22,372	22,412
Current		
Prepayments	**7,084**	6,513
Deposits	**4,657**	4,566
Other receivables	**12,011**	8,807
	23,752	19,886

11. AVAILABLE-FOR-SALE INVESTMENTS AND SHORT TERM INVESTMENTS

		30 June 2017	31 December 2016
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Structured financial products	*(1)*	**40,467**	–
Total short term investments		**40,467**	–
Structured financial products	*(2)*	**15,169**	7,139
Total current available-for-sale investments		**15,169**	7,139
Structured financial products	*(2)*	**–**	64,000
Straight bonds	*(3)*	**92,478**	112,007
Convertible bonds	*(4)*	**20,815**	19,257
Convertible preferred shares	*(5)*	**45,784**	46,342
Investment in life insurance policies	*(6)*	**87,959**	90,708
Unlisted equity investments, at cost	*(7)*	**128,699**	66,802
Total non-current available-for-sale investments		**375,735**	399,116

(1) The short term investments were structured financial products issued by a bank and an asset management company with fixed interest rates ranging from 3.4% to 4.5% per annum and maturity periods of 90 to 180 days in the PRC.

(2) The current available-for-sale investments were structured financial products issued by banks and asset management companies with expected interest rates ranging from 4.5% to 4.9% per annum and maturity periods of 30 to 180 days in the PRC. The non-current available-for-sale investments were structured financial products issued by banks with floating interest rate in the PRC without maturity date.

(3) On 17 February 2015, the Group invested in a bond issued by Huarong Finance II Co., Ltd. with a nominal amount of US$5,000,000 at a consideration of US$5,135,000 (equivalent to approximately RMB31.5 million). The bond has a coupon interest rate of 4.5% per annum with a maturity period of 5 years. On 26 December 2016, the Group sold part of the straight bond with a nominal amount of US$1,500,000 at a consideration of US$1,566,000 (equivalent to approximately RMB10.8 million).

In April and July 2015, the Group invested in a bond issued by Sparkle Assets Limited with a nominal amount of US$9,200,000 at a consideration of US$9,679,000 (equivalent to approximately RMB59.3 million). The bond has a coupon interest rate of 6.875% per annum with a maturity period of 7 years. On 30 May 2017, the Group sold the straight bond with a nominal amount of US$9,200,000 at a consideration of US$9,727,000 (equivalent to approximately RMB66.8 million).

On 9 September 2016, the Group invested in a bond issued by Zhongrong International Trust Co., Ltd. with a nominal amount of US$3,000,000 at a consideration of US$3,062,000 (equivalent to approximately RMB20.4 million). The bond has a coupon interest rate of 6% per annum with a maturity period of 3 years.

On 23 June 2017, the Group invested in a bond issued by Huarong Finance 2017 Co., Ltd. with a nominal amount of US$3,000,000 at a consideration of US$3,142,000 (equivalent to approximately RMB21.4 million). The bond has a coupon interest rate of 4.75% per annum with a maturity period of 10 years.

On 27 June 2017 and 28 June 2017, the Group invested in a bond issued by The Bank of East Asia, Limited with a nominal amount of US$4,000,000 at a consideration of US$4,093,000 (equivalent to approximately RMB27.9 million). The bond has a coupon interest rate of 4.25% for first five years and aggregate of the then-prevailing U.S. Treasury Rate and the Spread, 2.7%, for the next five years with a maturity period of 10 years.

Available-for-sale investments in this category 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.

(4) On 4 June 2015, the Group invested in a perpetual convertible bond issued by HSBC Holdings PLC with a nominal amount of US$2,000,000 and a coupon interest rate of 5.625% per annum, at a consideration of US$2,035,000 (equivalent to approximately RMB12.4 million). On 5 July 2016, the Group sold the above perpetual convertible bond with a nominal amount of US$2,000,000 for a consideration of US$1,993,000 (equivalent to approximately RMB13.3 million).

On 6 April 2015, the Group invested in a perpetual convertible bond issued by Standard Chartered PLC with a nominal amount of US$8,000,000 and a coupon interest rate of 6.5% per annum at a consideration of US$8,101,000 (equivalent to approximately RMB49.7 million). In July and August 2016, the Group sold part of the above perpetual convertible bond with a nominal amount of US$5,000,000 for a consideration of US$4,788,000 (equivalent to approximately RMB31.9 million).

The coupon interest can be cancelled any time at the issuers' sole discretion. The two convertible bonds shall be converted into ordinary shares of the issuers if the issuers failed to meet certain covenants.

Available-for-sale investments in this category 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.

(5) On 18 February 2015, the Group invested in convertible preferred shares issued by Industrial and Commercial Bank of China Limited with a nominal amount of US$5,000,000 at a consideration of US$5,225,000 (equivalent to approximately RMB32.0 million). The convertible preferred shares have a non-cumulative dividend of 6% per annum.

On 30 September 2016, the Group invested in convertible preferred shares issued by China Cinda Asset Management Co., Ltd. with a nominal amount of US$1,500,000 at a consideration of US$1,504,000 (equivalent to approximately RMB10.0 million). The convertible preferred shares have a non-cumulative dividend of 4.45% per annum.

The declaration of dividend is at the issuer's sole discretion. The convertible preferred shares shall be converted into ordinary shares of the issuer if the issuer failed to meet certain covenants. The Group is not entitled to any voting right by holding such convertible preferred shares unless the dividend has not been paid in full for the most recent two dividend periods or a total of three dividend payments have not been paid in full.

Available-for-sale investments in this category 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.

(6) In August 2015, the Group entered into life insurance policies with an insurance company to insure certain members of the key management of the Group. Under these policies, the beneficiary and policy holder is the Company. The Company has paid out the total insurance premium with an aggregate amount of approximately US$14.5 million (equivalent to approximately RMB89.0 million) at the inception of the insurance. The Company can terminate the policy at any time and receive back based on the cash value of the contract at the date of withdrawal, which is determined by the insurance premium of each insurance policy plus the accumulated interest earned and minus the insurance costs ("Cash Value"). In addition, if the withdrawal is made between the first and tenth policy years, there is a special amount of surrender charge by the insurance company. The insurance company will declare a guaranteed interest of 3.9% per annum plus a premium determined by the insurance company on the outstanding Cash Value of the contract for the first three years. Commencing from the fourth year, the guaranteed interest will be reduced to 2% per annum.

As at 30 June 2017, the insurance premium was pledged to a bank to secure a short term advance facility granted to the Group.

(7) The investments represent the equity interests held by the Group in several unlisted companies at a total investment cost of RMB128,699,000 (2016: RMB66,802,000).

As at 30 June 2017, the above unlisted equity investments were stated at cost less impairment. The directors are of the opinion that fair value cannot be measured reliably because (a) the variability in the range of reasonable fair value estimates is significant for those investments or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The Group does not intend to dispose them in the near future.

During the period, the net gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB7,280,000 (six months ended 30 June 2016: RMB6,298,000). In the meantime, profit of RMB2,406,000 (six months ended 30 June 2016: RMB2,484,000) was reclassified from other comprehensive income to the statement of profit or loss for the period.

12. EQUITY-SETTLED SHARE-BASED PAYMENT

(1) 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 have 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 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. 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 will expire 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 option 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.

The following share options were outstanding during the period:

	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	Weighted average Exercise price *HK$ per share*	**Number of options** *'000*	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**0.71**	**69,507**	0.65	102,253
Granted during the period	**1.20**	**15,160**	–	–
Forfeited during the period	**0.55**	**(2,560)**	0.55	(8,895)
Exercised during the period	**0.55**	**(10,139)**	0.55	(13,815)
Expired during the period	**0.55**	**(1)**	–	–
At 30 June (unaudited)	**0.84**	**71,967**	0.68	79,543

The weighted average share price at the date of exercise for share options exercised during the period was HK$1.16 per share (six months ended 30 June 2016: HK$1.96 per share).

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

For six months ended 30 June 2017

Number of options	**Exercise price***	**Exercise period**
'000	*HK$ per share*	
52,807	0.55	31-12-2015 to 05-12-2019
3,000	3.93	10-06-2016 to 09-06-2025
1,000	1.63	31-12-2016 to 04-07-2026
7,160	1.26	31-12-2017 to 26-03-2027
3,000	1.26	30-06-2017 to 26-03-2027
5,000	1.10	15-05-2018 to 14-05-2027
71,967		

For six months ended 30 June 2016

Number of options	**Exercise price***	**Exercise period**
'000	*HK$ per share*	
76,543	0.55	31-12-2015 to 05-12-2019
3,000	3.93	10-06-2016 to 09-06-2025
79,543		

* 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 period was approximately RMB10,905,000, of which the Group recognised a share option expense of RMB1,706,000 during the six months ended 30 June 2017.

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

	For the six months ended 30 June 2017
Dividend yield (%)	**–**
Expected volatility (%)	**56.6-57.3**
Risk-free interest rate (%)	**1.42-1.63**
Expected life of options (year)	**10**
Weighted average share price (HK$ per share)	**1.19**

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.

The 10,139,000 share options exercised during the six months ended 30 June 2017 resulted in the issue of 10,139,000 ordinary shares of the Company and share premium of RMB16,429,000 (before issue expense).

At the end of the reporting period, the Company had 71,967,000 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 71,967,000 additional ordinary shares of the Company, an additional share capital of approximately RMB49 and a share premium of approximately RMB52,718,000 (before issue expenses).

The Group recognised a total share option expenses of RMB6,609,000 during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB8,824,000).

(2) Restricted Share Unit ("RSU") Plans

The Company approved and adopted a pre-IPO restricted share unit plan ("Pre-IPO RSU Plan") and a post-IPO restricted share unit plan ("Post-IPO RSU Plan") on 17 November 2014 for the purpose of rewarding eligible participants for their contribution to the Group. Eligible participants of the Pre-IPO RSU Plan and Post-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 the ordinary shares underlying awards made pursuant to the Pre-IPO RSU Plan is 13,850,000. On 17 November 2014, RSUs to subscribe for 13,850,000 shares were granted to the senior management of the Group and other grantees and all of the 13,850,000 RSUs granted were vested on 1 April 2015, resulting in the issue of 13,850,000 ordinary shares of the Company and share premium of RMB21,168,000.

The maximum number of shares that may underlie awards of RSUs to be granted under the Post-IPO RSU Plan is 45,000,000 shares. On 27 March 2017, under the Post-IPO RSU Plan, the Company conditionally granted a total number of 14,000,000 RSUs to certain eligible employees. Such RSUs shall be vested 50% each at 31 December of year 2017 and 2018, respectively.

The fair value of the RSUs granted under the Post-IPO RSU Plan as at the date of grant was approximately RMB15,232,000 (HK$1.23 each), of which the Group recognised a total RSU award expense of RMB3,626,000 during the six months ended 30 June 2017.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

During the six months ended 30 June 2017, the Company repurchased a total of 28,300,500 Shares on the Stock Exchange at an aggregate price paid of HK$32,805,195.50 before expenses pursuant to the share repurchase mandate approved by the Shareholders at the annual general meeting of the Company held on 26 May 2017.

Details of the share repurchase are as follows:

Date of repurchase	Number of shares purchased	Highest price paid *HK$*	Lowest price paid *HK$*	Aggregate price paid *HK$*
January 2017	12,178,500	1.16	1.01	13,137,585.20
February 2017	10,099,500	1.32	1.15	12,552,284.96
March 2017	4,441,500	1.23	1.16	5,397,240.09
April 2017	949,500	1.23	1.11	1,115,985.25
June 2017	631,500	0.98	0.94	602,100.00
Total	28,300,500			32,805,195.50

All the repurchased Shares have been cancelled prior to 14 July 2017 and the issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the Shareholders as a whole by enhancing the earnings per share of the Company.

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2017.

Audit Committee

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

The Audit Committee, together with the Board and the auditor, has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2017.

Compliance with the CG Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Save as disclosed herein below, the Company has complied with all applicable code provisions under the CG Code during the six months ended 30 June 2017.

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. 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.

Model Code

The Company has adopted the Model Code for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2017.

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 2017.

Publication of the Interim Results Announcement and 2017 Interim Report

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.feiyuhk.com), and the 2017 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the abovementioned websites in due course.

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 continued support and contribution to the Group.

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
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"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
"Directors"	directors of the Company
"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" or "the Group"	our Company, its subsidiaries and the PRC Operating Entities

"HKD", "HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IAS(s)"	International Accounting Standards
"IASB"	International Accounting Standard Board
"IFRS(s)"	International Financial Reporting Standards, amendments and interpretations issued by the IASB
"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
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"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)
"MAU"	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
"PRC Operating Entities"	Xiamen Guanghuan and its subsidiaries and "PRC Operating Entity" means any one of them
"Prospectus"	the prospectus dated 25 November 2014 issued by the Company

"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"RPG"	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more "characters" who develop specific skill sets (such as melee combat or casting magic spells) and control the character's actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
"RSU(s)"	restricted share units or any one of them
"Shares"	ordinary share(s) in the share capital of our Company with nominal value of US$0.0000001 each
"Shareholders"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
"United States dollars" or "USD"	United States dollars, the lawful currency of the United States of America
"XD"	X.D. Network Inc. (心動網絡股份有限公司), an online game publishing and developing company with its shares listed on China New Third Board (Stock Code: 833897)
"Xiamen G-bits"	Xiamen G-bits Equity Investment Co., Ltd. (廈門吉比特股權投資有限公司), a wholly owned subsidiary of G-bits Network Technology (Xiamen) Co., Ltd. which is an online game developing and operating company with its shares listed on the Shanghai Stock Exchange (Stock Code: 603444)
"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.

"Xiamen Youli"	Xiamen Youli Information Technology Co., Ltd. (廈門游力信息科技有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

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

Hong Kong, 25 August 2017

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