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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The Board is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2020, together with the comparative information for the year ended 31 December 2019.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended 31 December		
	2020	2019	**Change%**
	(RMB'000)	*(RMB'000)*	
Revenue	**117,004**	112,851	3.7
Gross profit	**82,419**	78,070	5.6
Loss before tax	**(16,900)**	(87,311)	(80.6)
Loss after tax	**(18,119)**	(88,699)	(79.6)
Loss for the year attributable to owners of the parent	**(21,460)**	(80,342)	(73.3)
Non-IFRSs Measures			
– Adjusted net loss attributable to owners of the parent (unaudited)[(1)]	**(18,344)**	(78,720)	(76.7)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	**RMB(0.01)**	RMB(0.05)	

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

2020 was an unusual year for all of us. The global coronavirus ("**COVID-19**") pandemic has changed people's working patterns and lifestyle, driving almost everything from offline to online. According to the "*2020 China Gaming Industry Report"* jointly published by the Game Publishers Association Publications Committee (GPC) of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委) and China Game Industry Research Institute (中國遊戲產業研究院), China's online game industry saw a 20.7% year-over-year increase in total revenue, reaching RMB278.7 billion for 2020. Mobile games, which contributed 75.2% of total online game industry revenue, grew by 32.6% year-over-year and were the major driving force of the industry's growth.

The Company recorded total revenue of approximately RMB117.0 million for 2020, representing a year-over-year increase of 3.7%, compared with RMB112.9 million for 2019. The increase was primarily driven by an increase in game operation revenue. Net loss for the year was RMB18.1 million, representing a significant reduction of 79.6% as compared with RMB88.7 million for 2019.

The Company stuck to its high-quality game strategy and spared no efforts to develop new games in several focused areas and create pleasurable gaming experience for users. During the year of 2020, the Company launched two new games: *Neon Abyss* (霓虹深淵), a shooter and roguelike game, and *Kaki Raid* (咔嘰探險隊), an RPG mobile game. *Neon Abyss* was launched in July 2020 as console version on Nintendo Switch, Play Station 4 and Xbox One as well as PC version on Steam, Wegame and Gog. It ranked top 10 on Steam's best-selling list the first week after its launch. *Kaki Raid* (咔嘰探險隊) was also launched in July 2020 in both iOS and Android versions and achieved remarkable success following its launch, ranking (i) No.1 on the free download list of Apple's China App Store; (ii) No.1 on the Hot List of TapTap, a leading game distribution platform in China, and also receiving an editor's recommendation; and (iii) No. 1 on the Hot Game List on Bilibili, a leading online entertainment platform for young generations in China.

As one of the Company's competitive advantages, it has licensed popular intellectual property (IP) from a number of its hit titles to various partners for their products and services. During the year, despite the negative impact of the COVID-19 outbreak in China in the first quarter of 2020, which resulted in a nationwide lockdown, the Company made significant progress in terms of expanding the categories of its IP licensing. In the fourth quarter of 2020, *Carrot Fantasy* (保衛蘿蔔) blind boxes, which were designed based on a number of characters and images from the game series, were launched on various platforms, including Tmall.com, WeChat Mini Program and Modian.com (摩點). This initiative is another outstanding example of the pan-entertainment development of a video game's IP in China.

In the meantime, the Company maintained its existing licensing partnerships, working with: (i) China Children's Press & Publication Group for *Carrot Fantasy* (保衛蘿蔔) books sold in Mainland China, Hong Kong, Macao, Taiwan, South Korea and a number of Southeast Asian countries; (ii) subsidiaries of Meitu for the stickers and emojis related to *Carrot Fantasy* (保衛蘿蔔) blind boxes to be used in Meitu apps globally; (iii) Beijing Hanyi Innovation Technology Co., Ltd. (北京漢儀創新科技股份有限公司) and Changzhou Mylafe Network Technology Co., Ltd. (常州麥拉風網絡科技有限公司) for Always-On Display (AOD) and wallpaper using images of *Carrot Fantasy* (保衛蘿蔔) for a number of mainstream Android phones in China, including Huawei, OPPO and vivo.

Principal risks relating to the Company's business

There are certain risks involved in the Company's operations and prospects, and future financial results could be materially and adversely affected by these risks. The following highlights the principal risks exposed to the Group and is not meant to be exhaustive:

- The Company may not be successful in effectively promoting its brand or enhancing brand recognition, and any negative publicity, regardless of its veracity, may materially and adversely affect the Company's business;

- The Company processes, stores and uses personal information and other data, and is therefore subject to governmental regulation and other legal obligations related to privacy, and the Company's actual or perceived failure to comply with such obligations could harm its business;

- The Company is required to comply with new policies or any amendment to current policies in relation to the game industry, which may affect its business operations;

- The mobile game and web game industries are highly competitive. If the Company is unable to compete effectively, its business, financial condition, results of operations and prospects will be materially and adversely affected;

- Delays in game launches could negatively affect the Company's operations and prospects;

- Technical issues that hamper the Group's ability to collect data and update games will negatively affect the Group's performance;

- The global economy experienced a slowdown. If game players reduce their spending on playing games due to such uncertain economic conditions, the Company's financial performance may be adversely affected;

- The Company depends on key personnels, and its business and growth prospects may be severely disrupted if it loses their services or is unable to attract new key employees;

- The Company relies on third-party distribution and publishing platforms to distribute and publish games. If these third-party distribution and publishing platforms fail to effectively promote the Company's games on their platforms or otherwise fulfil their obligations, the Company's business and results of operations will be materially and adversely affected; and

- The Company may not be able to adapt to the rapidly evolving mobile game and web game industries in China, in particular to the changes in technology. If it fails to anticipate or successfully implement new technologies, its games may become obsolete or uncompetitive, and its business, financial conditions, results of operations and prospects could be materially and adversely affected.

To mitigate the identified risks, the Company regularly monitors the risks, and reviews its business strategies and financial results. The Company has implemented the following strategies to ensure the risks are being managed:

- The Company continues to enhance its partnership with licensees and expand the range of licensed products and services leveraging the great popularity of its IP. The Company launched *Carrot Fantasy* (保衛蘿蔔) blind boxes to further expand its product categories;

- The Company takes technical and other measures, such as encryption and access restrictions, and seeks advice from independent specialists over its data protection practices to prevent the collected personal information from any unauthorised disclosure, damage or loss;

- The Company sets up a professional team to actively exchange views and information in relation to new policies and amendments to current policies of the game industry with relevant regulatory authorities, and takes appropriate actions to respond to the changes and ensure the Company is in compliance with the latest applicable laws and regulations;

- The Company sets up an overseas game distribution and operation team to expand international operations in selecting overseas markets to reduce the impact of policies and regulatory changes in Mainland China on the Group;

- The Company further strengthened its data analytics capabilities to continue developing popular games, improve the player experience and enhance the monetisation of its games;

- The Company closely monitors the progress of its pipeline games;

- The Company constantly enhances or upgrades its existing games with new features to attract players;

- To keep pace with market and technology changes, the Company brought on board new talent to maintain the competitiveness of its R&D teams and operation teams; and

- The Company maintains good relationships with a sufficient number of distribution and publishing platforms and strengthened its distribution and operation teams in Shenzhen to underpin its long-term development in game distribution and publishing.

Outlook for 2021

China's online game industry, in particular mobile games, is expected to continue to present robust growth in the coming year, despite the strict regulatory environment, thanks to the continuous upgrades of smart phones, cellular networks and other technologies that make playing mobile games increasingly engaging and entertaining. The Company will leverage its established library of IP, including *Carrot Fantasy* (保衛蘿蔔), *Shen Xian Dao* (神仙道), *San Guo Zhi Ren* (三國之刃), *Super Phantom Cat* (超級幻影貓) and *The Initial* (初體計劃) etc., to develop sequels and/or prequels, with an aim to meet the enthusiastic demand of loyal users, and to further deepen its IP. The sequels to two existing hit titles, *Carrot Fantasy IV* (保衛蘿蔔4) and *Shen Xian Dao III* (神仙道3), are currently under development and are expected to launch in 2021. Based on the accumulative registered users of the two titles of 593.8 million and 159.0 million, respectively, the Company believes that the two sequels will be well received by the market once they are launched.

In addition, the Company is also focusing on developing games in two major game genres – casual multiplayer online battle arena (MOBA) and first-person shooter (FPS). One of the casual MOBA games is expected to be launched in 2021.

To further enhance the synergies between game development and publishing, the Company's game publishing team has been working with third party game developers and will continue to select high quality games for global markets going forward. There are 4 games in the pipeline targeting a 2021 launch.

With the expected launch of *Carrot Fantasy IV* (保衛蘿蔔4) in 2021, the Company believes that it would significantly increase its IP licensing activity. On top of maintaining existing licensing partnerships and growing the number of products using the IP of *Carrot Fantasy* (保衛蘿蔔) game series, the IP licensing team will further explore partnerships with (i) social media platforms for the digital application of *Carrot Fantasy* (保衛蘿蔔) images; (ii) various merchandise producers that share the same target customers of the game series; and (iii) brick-and-mortar service providers that can use the IP for events and/or places with high traffic.

Event after the year ended 31 December 2020

There were no material subsequent events during the period from 1 January 2021 up to the date of this announcement.

Final Dividend

The Board did not declare a final dividend for the year ended 31 December 2020 (for the year ended 31 December 2019: Nil).

FINANCIAL REVIEW

Operating Information

The Company's Games

In 2020, the Company maintained a relatively limited product portfolio of high-quality games in order to focus on meeting the rapidly evolving demands of gamers. The Company successfully enlarged the user base and enhanced the brand recognition of its reputable IP, such as *Carrot Fantasy* (保衛蘿蔔) and *Shen Xian Dao* (神仙道), which laid a solid foundation for potential sequels. To ensure the success of the sequels, the Company made a strategic decision to invest more time and resources to develop the games. As a result, the Company only launched two new games in 2020: (i) *Neon Abyss* (霓虹深淵) and (ii) *Kaki Raid* (咔嘰探險隊).

The table below presents a breakdown of revenue from game operations in absolute amounts and as a percentage of total revenue:

	For the year ended 31 December			
	2020		2019	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000)*	*(% of Total Revenue)*
Game Operation				
Web games	**14,592**	**12.5**	15,256	13.5
Mobile games				
RPGs	**26,738**	**22.9**	35,176	31.2
Casual	**12,157**	**10.4**	7,802	6.9
PC games	**6,140**	**5.2**	527	0.5
HTML5 games	**260**	**0.2**	185	0.2
Console games	**5,870**	**5.0**	280	0.2
Total	**65,757**	**56.2**	59,226	52.5

Revenue contributed by game operations was approximately RMB65.8 million, representing a year-over-year increase of approximately 11.0%, compared with approximately RMB59.2 million for 2019. The increase was primarily due to the increase in revenue contribution from PC games and console games driven by the launch of *Neon Abyss* (霓虹深淵) in July 2020. The increase was also due to the increase in revenue contribution from casual games as the *Carrot Fantasy* (保衛蘿蔔) series was updated with new features to retain existing gamers and attract new players during the stay-at-home period in 2020. The increase was partially offset by the decline in revenue from the Company's existing RPG games as they reached the later stages of their respective lifecycles.

The Company's Players

The Company assesses its operating performance using a set of key performance indicators, which include MAUs, MPUs and ARPPU. Fluctuations in operating data were primarily a result of changes in the number of players who played, downloaded (in the case of mobile games and PC games) and paid for virtual items and premium features in the games. Using these key performance indicators helps the Company monitor its ability to offer engaging online games, the popularity of its games, the monetisation potential of its player base and the degree of competition in the online game industry, and as a result, it allows the Company to continuously improve its business strategies.

As at 31 December 2020, the Company's (i) RPG mobile games and web games had approximately 228.5 million cumulative registered users, composed of approximately 172.7 million web game users and approximately 55.8 million mobile game users; (ii) casual games had approximately 604.0 million cumulative activated downloads; (iii) HTML5 games had approximately 36.5 million cumulative registered users; (iv) PC games had approximately 554,000 cumulative copies sold; and (v) console games had approximately 159,000 cumulative copies sold. For the month of December 2020, the Company's (i) RPG mobile games and web games had approximately 0.3 million MAUs, composed of approximately 0.1 million mobile game MAUs and approximately 0.2 million web game MAUs; (ii) casual games had approximately 4.1 million MAUs; and (iii) HTML5 games had approximately 0.3 million MAUs. The following table sets forth certain operating statistics related to the Company's business for the years indicated:

	For the year ended 31 December		
	2020	2019	**Change%**
Average MPUs			
Web games (RPGs) (000's)	**8**	9	(11.1)
Mobile games (RPGs) (000's)	**25**	33	(24.2)
Casual (000's)	**102**	98	4.1
ARPPU			
Web games (RPGs) (RMB)	**147.0**	142.6	3.1
Mobile games (RPGs) (RMB)	**89.6**	75.2	19.1
Casual (RMB)	**9.9**	5.9	67.8

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

MPUs for web games were approximately 8,000 for the year ended 31 December 2020, compared with approximately 9,000 for the year ended 31 December 2019. The decrease was because the web games were reaching the later stages of their expected lifecycles, and that the Company has shifted its strategic focus from web games to mobile games starting from 2013. Average MPUs for mobile RPG games decreased from approximately 33,000 for the year ended 31 December 2019 to approximately 25,000 for the year ended 31 December 2020, primarily because *San Guo Zhi Ren* (三國之刃), one of the Company's hit titles, was reaching the later stage of its expected lifecycle. Average MPUs for casual games increased from approximately 98,000 for the year ended 31 December 2019 to approximately 102,000 for the year ended 31 December 2020, primarily due to an increase in the average MPUs for the *Carrot Fantasy* (保衛蘿蔔) series, which was updated with new features to retain existing gamers and attract new players during the stay-at-home period in 2020.

ARPPU for web games increased from approximately RMB142.6 for the year ended 31 December 2019 to approximately RMB147.0 for the year ended 31 December 2020, primarily due to an increase in ARPPU for the web version of *Shen Xian Dao* (神仙道), which has entered a mature stage of its expected lifecycle when loyal players are more willing to make in-game purchases. ARPPU for casual games increased from approximately RMB5.9 for the year ended 31 December 2019 to approximately RMB9.9 for the year ended 31 December 2020, primarily due to the increase in ARPPU for the *Carrot Fantasy* (保衛蘿蔔) game series, which was updated frequently with new features, and as a result, users have been more willing to pay. ARPPU for RPG mobile games increased from approximately RMB75.2 for the year ended 31 December 2019 to approximately RMB89.6 for the year ended 31 December 2020, primarily due to the increase in ARPPU for the mobile version of *Shen Xian Dao* (神仙道), which was frequently updated with new features, and as a result, loyal players were more willing to make in-game purchases.

As part of its business strategy, the Company continued to launch various in-game promotions and activities, release regular updates for premium games and offer high-quality customer service, in order to enhance in-game features and maintain user interest. The Company believes that all of these initiatives had a significant influence on retaining active players and expanding the active player base for the Group.

The year ended 31 December 2020 compared with the year ended 31 December 2019

The following table sets forth the Group's income statement for the year ended 31 December 2020 as compared with the year ended 31 December 2019.

	For the year ended 31 December		
	2020 *(RMB'000)*	2019 *(RMB'000)*	**Change %**
Revenue	**117,004**	112,851	3.7
Cost of sales	**(34,585)**	(34,781)	(0.6)
Gross profit	**82,419**	78,070	5.6
Other income and gains	**33,902**	14,333	136.5
Selling and distribution expenses	**(17,939)**	(29,257)	(38.7)
Administrative expenses	**(43,647)**	(75,387)	(42.1)
Research and development costs	**(56,769)**	(70,448)	(19.4)
Finance costs	**(1,706)**	(2,672)	(36.2)
Other expenses	**(12,786)**	(670)	1,808.4
Share of losses of associates	**(374)**	(1,280)	(70.8)
LOSS BEFORE TAX	**(16,900)**	(87,311)	(80.6)
Income tax expense	**(1,219)**	(1,388)	(12.2)
LOSS FOR THE YEAR	**(18,119)**	(88,699)	(79.6)
Attributable to:			
Owners of the parent	**(21,460)**	(80,342)	(73.3)
Non-controlling interests	**3,341**	(8,357)	(140.0)

Revenue

The following table sets forth a breakdown of the Group's revenue for the year ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000)*	*(% of Total Revenue)*
Game Operations	**65,757**	**56.2**	59,226	52.5
Online game distribution	**29,083**	**24.8**	30,885	27.4
Licensing and IP-related income	**5,309**	**4.5**	10,546	9.3
Advertising revenue	**16,815**	**14.4**	11,430	10.1
Technical service income	**40**	**0.1**	764	0.7
Total	**117,004**	**100.0**	112,851	100.0

Total revenue increased by approximately 3.7% from the year ended 31 December 2019 to approximately RMB117.0 million for the year ended 31 December 2020.

Revenue from game operations increased by approximately 11.0% year-over-year to approximately RMB65.8 million for the year ended 31 December 2020. The increase was primarily attributable to the launch of *Neon Abyss* (霓虹深淵) in July 2020, which received highly positive feedback.

Revenue from online game distribution decreased by approximately 5.8% year-over-year to approximately RMB29.1 million for the year ended 31 December 2020. The decrease was primarily due to *Horcrux College* (魂器學院) entering the mature stage of its expected lifecycle in early 2020. The decrease was partially offset by an increase in revenue contribution from Kaki Raid (咔嘰探險隊), which was launched in July 2020.

Licensing and IP-related income decreased by approximately 49.7% year-over-year to approximately RMB5.3 million for the year ended 31 December 2020. The decrease was primarily attributable to the recognition of licensing fees related to *Carrot Fantasy III* (保衛蘿蔔3) and the web version of *Shen Xian Dao II* (神仙道2) of approximately RMB3.0 million for the year ended 31 December 2019. No such licensing fees were recognised during the year ended 31 December 2020 following the expiration of the licensing agreements in mid-2019. The decrease was also attributable to the recognition of an one-off licensing fee of approximately RMB6.6 million for the HTML5 version of *Shen Xian Dao* (神仙道) for the year ended 31 December 2019, while there was no such one-off licensing fees recognised for the year ended 31 December 2020. The decrease in licensing and IP-related income was partially offset by the recognition of a licensing fee of approximately RMB4.0 million for *Sprites Legend* (靈妖記－神仙道外傳) for the year ended 31 December 2020, while no such licensing fee was recognised for the year ended 31 December 2019.

Advertising revenue increased by approximately 47.1% to approximately RMB16.8 million for the year ended 31 December 2020, primarily due to an increase in advertising revenue contributed by *Carrot Fantasy III* (保衛蘿蔔3) as the licensing agreement for game publishing and operation expired in June 2019, where upon the Company introduced advertising business. The increased MAUs for the *Carrot Fantasy* (保衛蘿蔔) series during the stay-at-home period in 2020 was another driver for the advertising revenue growth thanks to the long lifecycle of the games (the latest one had been in operation for 4.5 years).

Technical service income of approximately RMB0.8 million recorded for the year ended 31 December 2019 was generated by the provision of technical support services to Meitu's game distribution platform in the first quarter of 2019. After the effective termination of the exclusive licensing agreement with Meitu Networks, there were no such technical support services rendered for the year ended 31 December 2020.

Cost of sales

Cost of sales was approximately RMB34.6 million for the year ended 31 December 2020, which remained steady with approximately RMB34.8 million for the year ended 31 December 2019.

Gross profit and gross profit margin

Gross profit increased by approximately 5.6% from approximately RMB78.1 million for the year ended 31 December 2019, to approximately RMB82.4 million for the year ended 31 December 2020. Gross profit margin for the year ended 31 December 2020 was 70.4%, compared with 69.2% for the year ended 31 December 2019.

Other income and gains

Other income and gains increased by approximately 136.5% from approximately RMB14.3 million for the year ended 31 December 2019, to approximately RMB33.9 million for the year ended 31 December 2020. The increase in other income and gains was primarily due to the increase in bank interest income, bond interest income and investment income from approximately RMB6.1 million for the year ended 31 December 2019 to approximately RMB25.2 million for the year ended 31 December 2020, primarily due to the fair value changes of the Company's financial assets at fair value through profit or loss and gain from withdrawal of the Company's life insurance policies.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 38.7% from approximately RMB29.3 million for the year ended 31 December 2019, to approximately RMB17.9 million for the year ended 31 December 2020, which was mainly attributable to a decrease in advertising fees from approximately RMB25.2 million to approximately RMB14.0 million, primarily because most promotional activities for *Horcrux College* (魂器學院) were carried out at the early stage of the launch of *Horcrux College* (魂器學院) in 2019.

Administrative expenses

Administrative expenses decreased by approximately 42.1% from approximately RMB75.4 million for the year ended 31 December 2019 to approximately RMB43.6 million for the year ended 31 December 2020. The decrease was primarily attributable to a decline in professional fees from approximately RMB9.4 million for the year ended 31 December 2019, to approximately RMB5.2 million for the year ended 31 December 2020. The decline in professional fees was mainly because of the professional fees incurred in relation to the proposed acquisition of the entire issued share capital of Sharelink Technology International Company Ltd. (an exempted company incorporated in the Cayman Islands with limited liability) during the year ended 31 December 2019, while no such professional fees were incurred in 2020. The decrease was also due to the recognition of a provision for bad debt of approximately RMB20.5 million for the year ended 31 December 2019. No such expenses were recognised for the year ended 31 December 2020. The bad debt recognised for the year ended 31 December 2019 was mainly composed of (i) a provision of approximately RMB14.1 million for the year ended 31 December 2019 on loans to an associated company, Xiamen Chenxing, the developer of *Peace in Chang'an* (天下長安), which the Company did not expect to recover due to the under performance of the game in 2019; (ii) a provision of approximately RMB1.6 million for the year ended 31 December 2019 related to a deposit for the development of the land located in Huli District, Xiamen, the PRC (the "**Land**") as disclosed in the Company's announcement dated 21 July 2016, which the Company did not expect to recover as the Company did not fulfill the tax contribution condition as agreed in the agreement in respect of the supervision of the Land; and (iii) a provision of approximately RMB3.0 million for a prepaid licensing fee that the Company did not expect to recover. In addition, the decrease in administrative expenses was also due to a decline in staff costs from approximately RMB34.0 million for the year ended 31 December 2019, to approximately RMB29.6 million for the year ended 31 December 2020 as a result of a continuous streamlining of the Group's corporate structure since mid-2019.

R&D costs

R&D costs decreased by approximately 19.4% from approximately RMB70.4 million for the year ended 31 December 2019, to approximately RMB56.8 million for the year ended 31 December 2020. The decline was primarily attributable to a decline in outsourcing expenses from approximately RMB11.0 million for the year ended 31 December 2019, to approximately RMB4.5 million for the year ended 31 December 2020, as the Company reduced the outsourcing of certain aspects of game development, such as the graphic design for several pipeline games, most of which were launched in 2019 or have entered testing phases in 2020. The decrease was also due to the decrease in staff cost as a result of pension scheme contribution exemptions during the COVID-19 pandemic.

Finance costs

Finance costs decreased by approximately 36.2% from approximately RMB2.7 million for the year ended 31 December 2019, to approximately RMB1.7 million for the year ended 31 December 2020. The decrease was primarily due to a decline in interest expenses on time loans from approximately RMB2.2 million for the year ended 31 December 2019, to approximately RMB1.2 million for the year ended 31 December 2020. During the year, the Company repaid a time loan that was drawn down as financial leverage for life insurance policies.

Other expenses

Other expenses were approximately RMB12.8 million for the year ended 31 December 2020, compared with approximately RMB0.7 million for the year ended 31 December 2019. The increase was primarily due to a full impairment loss of approximately RMB10.2 million related to an investment in Global OW Technology Co. Limited ("**Global OW**"), an associate of the Company. The full impairment loss was made because the business activities of Global OW were significantly impacted by the COVID-19 pandemic, and the current working capital of Global OW is expected to be insufficient to maintain its future business operation. Given the extremely low likelihood of recovering the investment, the Company decided to make a full impairment loss on the investment in Global OW. The increase in other expenses was also due to an increase in exchange losses from approximately RMB0.5 million for the year ended 31 December 2019 to approximately RMB1.4 million for the year ended 31 December 2020.

Income tax expense

Income tax expense decreased by approximately 12.2% from approximately RMB1.4 million for the year ended 31 December 2019, to approximately RMB1.2 million for the year ended 31 December 2020. The decline was mainly due to the decreases in revenue and profits of the subsidiaries that were not exempt from income tax.

Loss for the year

As a result of the above, the loss for the year decreased by approximately 79.6% from approximately RMB88.7 million for the year ended 31 December 2019, to approximately RMB18.1 million for the year ended 31 December 2020. Loss attributable to owners of the parent decreased by approximately 73.3% from approximately RMB80.3 million for the year ended 31 December 2019, to approximately RMB21.5 million for the year ended 31 December 2020.

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

In addition to the Company's consolidated financial statements that are presented in accordance with IFRSs, Feiyu also provides further information based on the adjusted net loss attributable to owners of the parent as an additional financial measure. The Company presents this financial measure because it is used by management to evaluate financial performance by eliminating the impact of items that the Company does not consider indicative of business performance. The Company also believes that these non-IFRSs measures provide additional information to investors and others, helping them understand and evaluate the consolidated results of operations in the same manner as management and to compare financial results across accounting periods and with those of various peer companies.

For the years ended 31 December 2020 and 2019, the Company defined the adjusted net loss attributable to owners of the parent as net loss attributable to owners of the parent excluding share-based compensation. The term of adjusted net loss or profit attributable to owners of the parent was not defined under IFRSs. The use of adjusted net loss attributable to owners of the parent has material limitations as an analytical tool as it did not include all items that would impact net loss attributable to owners of the parent for the accounting period.

	For the year ended 31 December		
	2020	2019	**Change %**
	(RMB'000)	*(RMB'000)*	
Loss for the year attributable to owners of the parent	**(21,460)**	(80,342)	(73.3)
Add:			
Share-based compensation	**3,116**	1,622	92.1
Total	**(18,344)**	(78,720)	(76.7)

Financial Position

As at 31 December 2020, total equity of the Group was approximately RMB489.2 million, compared with approximately RMB509.7 million as at 31 December 2019. The decrease was mainly due to the loss of approximately RMB18.1 million that was recorded for the year ended 31 December 2020.

As at 31 December 2020, the Group recorded net current assets of approximately RMB118.9 million, representing an increase of approximately 54.0%, compared with approximately RMB77.2 million as at 31 December 2019. The increase was mainly due to the withdrawal of life insurance policies at a surrender value of approximately US$14.5 million (equivalent to approximately RMB97.0 million) and the repayment of a bank loan of approximately HKD69.0 million (equivalent to approximately RMB58.6 million), which was drawn down by the Company as financial leverage for the life insurance policies, during the year ended 31 December 2020.

Liquidity and Capital Resources

The table below sets forth selected cash flow data from the Group's consolidated statement of cash flows:

	2020 *(RMB'000)*	2019 *(RMB'000)*	**Change %**
Net cash flow used in operating activities	**(35,469)**	(72,299)	(50.9)
Net cash flow from investing activities	**52,048**	131,314	(60.4)
Net cash flow (used in)/from financing activities	**(56,166)**	17,466	(421.6)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(39,587)**	76,481	(151.8)
Cash and cash equivalents at the beginning of year	**179,218**	104,922	70.8
Effect of foreign exchange rate changes, net	**(437)**	(2,185)	(80.0)
Cash and cash equivalents at the end of year	**139,194**	179,218	(22.3)

Total cash and cash equivalents were approximately RMB139.2 million as at 31 December 2020, compared with approximately RMB179.2 million as at 31 December 2019. The decrease was primarily due to the utilisation of cash and cash equivalents in operating activities.

As at 31 December 2020, approximately RMB55.7 million of financial resources (31 December 2019: RMB53.3 million) were held in deposits denominated in non-RMB currencies. The Company currently does not hedge transactions undertaken in foreign currencies, rather it manages foreign exchange exposure by limiting foreign currency exposure and constantly monitoring foreign currency levels. The Group 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 were centralised and cash was generally deposited at banks, denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

As at 31 December 2020, the Group had aggregate bank loans of approximately RMB63.8 million (31 December 2019: RMB116.7 million), of which approximately RMB10.0 million is payable within one year, approximately RMB50.0 million is payable after one year but within five years, and approximately RMB3.8 million is payable after five years. The Group had lease liabilities of approximately RMB6.3 million (31 December 2019: RMB9.8 million), of which approximately RMB3.7 million is payable within one year and approximately RMB2.6 million is payable after one year but within five years as set out in the agreements.

As at 31 December 2020, the Group's bank loans of approximately RMB63.8 million (31 December 2019: RMB56.1 million) which were used by the Company for the construction of the Company's R&D center, were with an interest rate of approximately 5.05% and were secured by the land use rights and construction-in-progress on the Land.

Significant Debt Investments at Fair Value Through Other Comprehensive Income, Equity Investments Designated at Fair Value Through Other Comprehensive Income, and Financial Assets at Fair Value Through Profit or Loss

As at 31 December 2020, the Company had debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss of approximately RMB138.0 million (31 December 2019: RMB197.9 million), which represented the Company's investment in straight bonds, perpetual bonds and a bond fund issued by banks or reputable companies, with Standard & Poor ratings above BB–, Moody's ratings above Ba2 and coupon rates ranging from 4.5% to 6.25% per annum, and interests held by the Group in six unlisted companies and one company listed on the National Equities Exchange And Quotations of the PRC.

The principal of the debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income, and financial assets at fair value through profit or loss as at 31 December 2020 were not protected.

According to the Company's current internal investment management policies, no less than 50% of total investments can be invested in risk-free or principal protected investments, while for the remainder, up to 50% of the total investments is invested in low risk products. The Company has a diversified investment portfolio to mitigate risks. In addition, the above-mentioned investments were made in line with the Company's effective capital and investment management policies and strategies.

Performance and Future Prospect of Significant Debt Investments at Fair Value Through Other Comprehensive Income, Equity Investments Designated at Fair Value Through Other Comprehensive Income, and Financial Assets at Fair Value Through Profit or Loss

Details of the Group's debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income, and financial assets at fair value through profit or loss as at 31 December 2020 are presented as follows:

(A) Straight Bonds

Name of the straight bonds	*Notes*	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2020 *(RMB'000)*	Gain on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2020 *(RMB'000)*	Fair value as at 31 December 2020 *(RMB'000)*	Percentage of total FVOCI and FVPL Investments at 31 December 2020	Percentage of total assets of the Group as at 31 December 2020
Huarong Finance II Co., Ltd. ("**Huarong Finance II**")	*2*	3	–	–	0.0%	0.0%
Huarong Finance 2017 Co., Ltd. ("**Huarong Finance 2017**")	*3*	908	932	22,025	16.0%	3.5%

Notes:

1. The Group's investment in straight bonds has been accounted for as debt investments at fair value through other comprehensive income. The fair value of the straight bonds was estimated using a discounted cash flow valuation model based on the assumptions that were supported by observable market inputs. Please refer to note 12 to the financial statements for details of the investment in straight bonds.

2. On 17 February 2015, the Group invested in a bond issued by Huarong Finance II 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 the second half of 2018, the Group sold part of the above straight bond with a nominal amount of US$3,300,000 at a consideration of US$3,325,000 (equivalent to approximately RMB22.8 million). On the maturity date i.e. 16 January 2020, the remaining part of the straight bond with a nominal amount of US$200,000 was fully redeemed.

3. On 23 June 2017, the Group invested in a bond issued by Huarong Finance 2017 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.

Huarong Finance 2017, the issuer of the bond, is a wholly-owned subsidiary of China Huarong International Holdings Limited, which is in turn a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. ("**China Huarong**"), of which its shares are listed on the Main Board of the Stock Exchange since 30 October 2015 (Stock Code: 2799). China Huarong (together with its subsidiaries, "**Huarong Group**") is a leading asset management company ("**AMC**") and one of the four largest state-owned AMCs in the PRC. The principal businesses of Huarong Group are distressed asset management, financial intermediary services, principal investments, banking, financial leasing, securities, trust and special asset management.

Pursuant to the interim result announcement of Huarong Group for the six months ended 30 June 2020, Huarong Group recorded a total income of approximately RMB45,688 million and profit after tax for the period of approximately RMB792 million, compared with total income of approximately RMB56,810 million and profit after tax of approximately RMB2,812 million for the six months ended 30 June 2019. For the year ended 31 December 2019, net profit for Huarong Group has increased by 50.4% compared with that for the year ended 31 December 2018, owing to structural adjustment, strengthened assets and liabilities management and improved capital condition. During the first half of 2020, however, the performance was severely impacted by COVID-19 epidemic and the challenges of complex and volatile business environment, which led to a decrease of interest income and a significant drop in the gains generated from fair value changes on part of financial assets held by Huarong Group. In spite of the temporary decline in the achievement, Huarong Group will continue to forge the core business of distressed assets to be strong and precise, accelerate the transformation and innovation of core business, promote risk resolution and downsizing and deepen reforms, striving to achieve the goal of high-quality development.

The Group believes that Huarong Group is using a number of measures to prevent and mitigate the financial risks as well as promote the transformational development and is therefore optimistic about the future prospect of the bond issued by Huarong Group.

(B) Perpetual Bonds

Name of the perpetual bonds	*Notes*	**Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2020** *(RMB'000)*	**Gain/(loss) on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2020** *(RMB'000)*	**Fair value as at 31 December 2020** *(RMB'000)*	**Percentage of total FVOCI and FVPL Investments at 31 December 2020**	**Percentage of total assets of the Group as at 31 December 2020**
CCB Life Insurance Co. Ltd 2017	*2*	468	(247)	9,922	7.2%	1.6%
Chalieco Hong Kong Corp. Ltd 2019	*3*	520	(62)	10,092	7.3%	1.6%
FWD Ltd 2017	*4*	325	10	10,207	7.4%	1.6%

Notes:

1. The Group's investment in perpetual bonds has been accounted for as financial assets at fair value through profit or loss. The fair value of the perpetual bonds was observed from Thomson Reuters Eikon system. Please refer to note 12 to the financial statements for details of the investment in perpetual bonds.

2. On 17 January 2020, the Group invested in a bond issued by CCB Life Insurance Company Limited ("**CCB Life Insurance**") with a nominal amount of US$1,500,000 at a consideration of US$1,547,000 (equivalent to approximately RMB10.6 million). The bond has a coupon interest rate of 4.5% per annum with the maturity date on 21 April 2077 and extendable for an additional 60 calendar years with no limit on the number of extension times at issuer's option.

   CCB Life Insurance, the issuer of the bond, was established in 1998 and had been named as Pacific Antai Life before it became a subsidiary of China Construction Bank Corporation ("**CCB**") in 2011, as one of the first bank-controlled insurance companies approved by the State Council. CCB Life Insurance is the sole insurance platform of CCB and a crucial value-generating segment of CCB, which serves the needs of CCB's customers on insurance protection, long-term savings and wealth inheritance. Leveraging CCB's rich resources and continuous strategic support, CCB Life Insurance has become a leading player with one of the largest premium volume and one of the highest profitability among all bank-controlled life insurance companies in the PRC.

   Pursuant to the Information Disclosure Report of CCB Life Insurance for the year ended 31 December 2019, CCB Life Insurance recorded a total income of approximately RMB32,439 million and net profit for the year of approximately RMB757 million. Going forward, CCB Life Insurance is actively developing a comprehensive product portfolio to meet clients' needs and to capture the growing opportunities in China's life insurance market, aiming at developing into a mature company with stable growth and significant increase in value with solid customer base, diversified product suite, improved business structure, safer and more efficient uses of insurance funds, more reasonably organised distribution channels, and more resilient operational support systems.

   The Group believes that CCB Life Insurance is benefiting from continuous and comprehensive strategic support from CCB and its established diversified distribution channels with distinct bancassurance features and is therefore optimistic about the future prospect of the bond issued by CCB Life Insurance.

3. On 17 January 2020, the Group invested in a senior guaranteed perpetual capital bond issued by Chalieco Hong Kong Corporation Limited. ("**Chalieco HK**") with a nominal amount of US$1,500,000 at a consideration of US$1,546,000 (equivalent to approximately RMB10.7 million) and a coupon interest rate of 5.0% per annum with no fixed redemption date. The bond was unconditionally and irrevocably guaranteed by China Aluminum International Engineering Corporation Limited (the "**Guarantor**"), shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2068). Chalieco HK and the Guarantor are subsidiaries of Aluminum Corporation of China which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Chalieco HK, a company incorporated in Hong Kong on 10 December 2013, is a wholly-owned subsidiary of the Guarantor (together with its subsidiaries, the "**Chalieco**") and serves as a special purpose vehicle for offshore financing as well as some trading transactions which forms part of Chalieco's overall trading business. Chalieco, established in 2011 and listed on the Main Board of the Stock Exchange in 2012, is a leading technology, engineering service and equipment provider in the nonferrous metals industry in China, capable of providing fully integrated engineering solutions covering the complete value chain of various stages in the nonferrous metals industry. Chalieco is also an industry leader in the world covering the full value chain of the nonferrous metals industry, providing planning, design, mining, processing, smelting, equipment manufacturing and trading services. In August 2018, Chalieco was listed on the main board of the Shanghai Stock Exchange. It became the first nonferrous engineering technology company with both listed A Shares and H Shares, and has established two capital market platforms in the PRC and Hong Kong, laying a foundation for the rapid development and scientific advancement for Chalieco in the future.

Pursuant to the annual results announcement of Chalieco for the year ended 31 December 2020, Chalieco recorded a revenue of approximately RMB23,026 million and net loss after tax of approximately RMB1,856 million, compared with net profit after tax of approximately RMB223 million for the year ended 31 December 2019. As affected by the COVID-19 epidemic at home and abroad, Chalieco commenced construction at the end of March 2020 successively. Although Chalieco had been actively pushing forward the resumption of work and production, and accelerating the construction progress, the overall operating income and profitability had dropped significantly as compared with that of the same period of last year; at the same time, the direction of Chalieco's trading business gradually shifted to centralised procurement of internal engineering equipment led to the reduction of the original business scale. Besides, as affected by the epidemic, certain customers encountered difficulties in making payments, and therefore delayed the payments. Chalieco had reassessed the expected credit loss of the receivables, and made relevant provision for impairment in accordance with Chalieco's accounting policies. Looking forward into 2021, Chalieco will focus on both reform and development and risk prevention and control, maintain a leading position in technology through innovation, carry out value management to comprehensively benchmark against market leaders, and apply corporate governance in accordance with law for proper business operations. RMB58 billion of new contracts are expected to be signed.

The Group believes Chalieco will vitalise the impetus for high-quality development with solidarity and is therefore optimistic about the future prospect of the bond issued by Chalieco HK.

4. On 2 March 2020, the Group invested in a subordinated perpetual capital bond issued by FWD LIMITED (together with its subsidiaries, "**FWD**") with a nominal amount of US$1,500,000 at a consideration of US$1,553,000 (equivalent to approximately RMB10.8 million). The bond has a coupon interest rate of 6.25% per annum without fixed maturity date.

   FWD, the issuer of the bond, comprises life insurance, general insurance, employee benefits and financial planning businesses in Hong Kong and Macau, including the ninth largest life insurance company in Hong Kong on an Annual Premium Equivalent ("**APE**", a common measure of new business sales in the life insurance industry) basis as of 30 June 2016 (according to Hong Kong Office of the Commissioner of Insurance statistics) and the fifth largest life insurance company in Macau on an APE basis as of 30 June 2016 (according to The Monetary Authority of Macau (the primary regulator of the insurance industry in Macau) statistics). The businesses within FWD have operated for 32 years in Hong Kong and for 17 years in Macau. FWD believes it has a strong reputation in each market for delivering innovative products and superior customer service. FWD also benefits from the experience of its shareholders, Richard Li and Swiss Re.

According to the offering circular of FWD, FWD has always been committed to placing strategic importance on its general insurance business to generate profit and to acquire new customers through undertaking a number of initiatives for establishing corporate brand, including printed and outdoor advertisements (for example, in Hong Kong, display of the Light Emitting Diode (LED) signage at the Excelsior Hotel, advertisements on tram shelters and buses and in Mass Transit Railway (MTR) stations, and a series of printed advertisements and press releases in newspaper and magazines), advertisements on television and through online media as well as face-to-face interactions with FWD's customers. FWD has also undertaken internal measures to increase staff and agent engagement with the new brand.

The Group believes that FWD's branding efforts have been successful and is therefore optimistic about the future prospect of the bond issued by FWD.

(C) Convertible Bond

Name of the convertible bond	*Note*	**Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2020** *(RMB'000)*	**Loss on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2020** *(RMB'000)*	**Fair value as at 31 December 2020** *(RMB'000)*	**Percentage of total FVOCI and FVPL Investments at 31 December 2020**	**Percentage of total assets of the Group as at 31 December 2020**
Standard Chartered PLC	2	451	(310)	–	0.0%	0.0%

Notes:

1. The Group's investment in convertible bond has been accounted for as financial assets at fair value through profit or loss. Please refer to note 12 to the financial statements for details of the investment in convertible bonds.

2. On 6 April 2015, the Group invested in a perpetual convertible bond issued by Standard Chartered PLC, which is listed on the Main Board of the Stock Exchange (Stock Code: 02888) and London, Mumbai stock exchanges, 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). In January 2018, the Group sold part of the above perpetual convertible bond with a nominal amount of US$1,000,000 for a consideration of US$1,056,000 (equivalent to approximately RMB6.7 million). On 2 April 2020, the bond with an aggregated nominal amount of US$2,000,000 was fully redeemed by Standard Chartered PLC in advance.

(D) Bond Fund

Name of the fund	*Note*	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2020 *(RMB'000)*	Gain on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2020 *(RMB'000)*	Fair value as at 31 December 2020 *(RMB'000)*	Percentage of total FVOCI and FVPL Investments as at 31 December 2020	Percentage of total assets of the Group as at 31 December 2020
UBS Asian Bonds Series 5 (USD) ("**UBS Asian Bonds**")	2	315	219	10,711	7.8%	1.7%

Notes:

1. The Group's investment in bond fund, UBS Asian Bonds, has been accounted for as financial assets at fair value through profit or loss. The fair value of the fund represented the net asset value of the sub-fund determined by UBS Asset Management (Singapore) Ltd, as manager (the "**Manager**") in consultation with HSBC Trustee (Cayman) Limited as trustee (the "**Trustee**"). Please refer to note 12 to the financial statements for details of the UBS Asian Bonds.

2. On 23 January 2020, the Group invested in 16,000 units of the UBS (CAY) Investment Fund Series – UBS Asian Bonds Series 5 (USD) Class A-qdist (USD) Units (the "**Sub-Fund**") at the subscription price of US$100 per unit with a consideration of US$1,614,000 (equivalent to approximately RMB11.1 million). The Sub-Fund has a maturity period of 4.5 years and a target yield to maturity of 4.8% to 5.3% per annum, assuming no defaults and is held to maturity.

   UBS (CAY) Investment Fund Series is an open-ended unit trust established under the Trusts Law (as amended) of the Cayman Islands as an umbrella fund by the Trust Deed dated 24 May 2017 between the Manager and the Trustee. The investment objective of the Sub-Fund is to achieve total return by investing primarily in a portfolio of USD-denominated fixed income securities issued by Asia Pacific ex-Japan issuers.

   The Sub-Fund in general take a buy-and-hold to maturity approach, investing in a diversified USD bond portfolio. Given the short maturity of the portfolio, it has relatively low interest risk. Besides, compared to global peers, Asian bonds usually provide higher yields with lower duration risk. Finally, it is operated by a professional Asian fixed maturity funds team consisted of managers with more than 10 years of experiences. The Manager, in general, actively monitors and reviews all the securities in the Sub-Fund's portfolio on a regular basis and takes appropriate action where necessary (including but not limited to re-investing proceeds from securities that have matured prior to the Sub-Fund's maturity date). Therefore, the Group is optimistic about the Sub-Fund operated by the Manager in the future.

(E) *Investment in Life Insurance Policies*

Name of the investment in life insurance policies	*Note*	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2020 *(RMB'000)*	Gain on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2020 *(RMB'000)*	Fair value as at 31 December 2020 *(RMB'000)*	Percentage of total FVOCI and FVPL Investments as at 31 December 2020	Percentage of total assets of the Group as at 31 December 2020
Investment in life insurance policies	2	–	2,116	–	0.0%	0.0%

Note:

1. The Group's investment in life insurance policies has been accounted for as financial assets at fair value through profit or loss. Please refer to note 12 to the financial statements for details of the investments in life insurance policies.

2. In August 2015, the Group entered into life insurance policies with the Bermuda branch of The Manufacturers Life Insurance Company ("**Manulife**") to insure certain members of the key management of the Group. Under these policies, the Company is the beneficiary and policyholder. 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. On 28 August 2020, the Company, as the policyholder and beneficiary, submitted relevant forms to Manulife for the withdrawal of the life insurance policies at the Surrender Value (after deduction of any policy debt and Surrender Charge). The withdrawal has been approved by the Shareholders at the extraordinary general meeting held on 30 October 2020 and taken effect on 3 November 2020 after all surrender requirements have been received in good order by the Company to Manulife. The Surrender Value of the life insurance policies amounted to an aggregate of US$14.5 million (equivalent to approximately RMB97.0 million) as at 3 November 2020 has been fully received in cash by the Company on 5 November 2020. For details, please refer to the Company's announcement dated 28 August 2020, circular dated 12 October 2020, poll results announcement dated 30 October 2020 and completion announcement dated 5 November 2020.

(F) *Unlisted Equity Investments*

Company Name	*Notes*	Percentage of shareholdings as at 31 December 2020	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2020 *(RMB'000)*	Fair value as as at 31 December 2020 *(RMB'000)*	Percentage of total FVOCI and FVPL investments as at 31 December 2020	Percentage of the total assets of the Group as at 31 December 2020
Xiamen eName Technology Co., Ltd. ("**eName**")	*2*	2.0%	5,180	22,181	16.1%	3.5%
Xiamen Relian Tianxia Technology Co., Ltd. ("**Xiamen Relian**")	*3*	10.0%	265	10,265	7.4%	1.6%
Others	*4*	–	(789)	5,266	3.8%	0.8%

Notes:

1. The Group's unlisted equity investments have been accounted for as equity investments designated at fair value through other comprehensive income. The fair value of the unlisted equity investments was assessed by management or employed by other available methods.

2. eName is a company listed on China New Third Board (Stock Code: 838413) principally engaged in domain related businesses and providing domain registration, transfer and transaction services for internet customers. It is a well-known domain service provider in China.

   Pursuant to eName's interim report for the six months ended 30 June 2020, eName recorded revenue of approximately RMB80.9 million, representing a year-over-year increase of 19.4% compared with the corresponding period in 2019, and net profit after tax of approximately RMB6.7 million, compared with net loss after tax of approximately RMB73,000 for the six months ended 30 June 2019. eName has established a leading position in the domain transaction and service industry through mature technical support, convenient transaction procedure and humanized service management. Since 2019, eName has actively increased promotional efforts and successfully maintained its transactions despite of the gloomy industry environment. eName also adhered to expand its domain name business and applied itself to undertake purchase service for large scale enterprise customers. Besides, trademark transaction became profitable owing to national preferential policy, which also made a great contribution to the sharp increase of its net profit.

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

3. Xiamen Relian is an unlisted company which principally engaged in the sale of merchandise through intelligent vending machines and is managed by an experienced technical team.

   The Company believes that there are significant opportunities in the self-service sector. On 22 June 2020, the Company, through Kailuo Tianxia (the Company's indirect wholly-owned subsidiary), entered into an agreement to make an investment of RMB10.0 million into Xiamen Relian. With the closing of the investment, the Company owns a 10% equity stake in Xiamen Relian. As at 31 December 2020, RMB5.0 million had been paid.

   In view that the growing demand for intelligent vending machines from the retail industry will offer immense growth opportunities and that intelligent vending machines could also be expected to form an extensive sales and distribution network to reach intelligent products consumers, the Group considers that the future business prospect of Xiamen Relian is positive.

4. Others comprised two unlisted limited liability companies and none of these investments accounted for more than 0.7% of the total assets of the Group as at 31 December 2020.

(G) Unlisted Debt Investments

Company Name	*Notes*	**Percentage of shareholdings as at 31 December 2020**	**Gain on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2020** *(RMB'000)*	**Fair value as at 31 December 2020** *(RMB'000)*	**Percentage of total FVOCI and FVPL investments as at 31 December 2020**	**Percentage of the total assets of the Group as at 31 December 2020**
Future Capital Discovery Fund II, L.P. ("**Future Capital**")	*2*	1.8797%	13,361	29,206	21.2%	4.6%
Others	*3*	–	4,804	8,076	5.9%	1.3%

Notes:

1. The Group's unlisted debt investments have been accounted for as financial assets at fair value through profit or loss. The fair value of the unlisted debt investments was assessed by management or employed by other available methods.

2. Future Capital is an unlisted limited partnership principally engaged in investment in companies which are primarily in the sectors of intelligent system, auto system and information technology to achieve earnings in the form of medium to long term capital appreciation.

   Pursuant to Future Capital's financial statements for the year ended 31 December 2020, Future Capital recorded income of approximately US$4,000 and net increase in partners' capital resulting from operations of approximately US$145.7 million. The substantial increase in partners' capital resulting from operations was primarily due to an increase in fair value changes on one of Future Capital's investments which became listed during the year ended 31 December 2020. Future Capital expected to realise its investments at a later stage in order to enjoy a higher capital appreciation.

   The Group believes that Future Capital has sufficient capital and is managed by an experienced management team and the sectors it invests in have positive future and its future business prospect is positive and is expected to grow continuously.

3. Others comprised two unlisted debt investments and none of these investments accounted for more than 0.9% of the total assets of the Group as at 31 December 2020.

There was no impairment made for any investments in debt instruments for the year ended 31 December 2020. Investments in equity instruments did not involve any separate impairment accounting under IFRS 9 – Financial Instruments.

Other significant investments held, significant acquisitions and disposal of subsidiaries, associates and joint ventures and future plans for material investments or capital assets

Save as disclosed in this announcement, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2020. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other significant investment or acquisition of major capital assets or other businesses in 2021. However, the Group will continue to identify new opportunities for business development.

Gearing ratio

On the basis of total liabilities divided by total assets, the Group's gearing ratio was 22.9% as at 31 December 2020 and 30.2% as at 31 December 2019.

Capital expenditures

The following table sets forth the Group's capital expenditures for the year ended 31 December 2020 and 2019:

	For the year ended 31 December		
	2020	2019	**Change %**
	(RMB'000)	*(RMB'000)*	
Property, plant and equipment	**1,436**	1,495	(3.9)
Construction in progress	**18,282**	49,123	(62.8)
Total	**19,718**	50,618	(61.0)

Capital expenditures consisted of property, plant and equipment and construction in progress, of which the former include but are not limited to, office equipment, company vehicles for employees' use and leasehold improvements. The total capital expenditures for the year ended 31 December 2020 were approximately RMB19.7 million, compared with RMB50.6 million for the year ended 31 December 2019, representing a decrease of approximately 61.0%, which was primarily due to a decrease in construction costs for the Company's R&D centre and headquarters building in Xiamen, the PRC, from approximately RMB49.1 million for the year ended 31 December 2019, to approximately RMB18.3 million for the year ended 31 December 2020. The decrease in construction costs was primarily attributable to the delay in construction caused by the COVID-19 pandemic and the delay in completion acceptance process.

Pledge of Assets

As at 31 December 2020, bank loans of approximately RMB63.8 million (under a loan facility of up to RMB120.0 million) were used for the construction of the Company's R&D center, which were secured by land use rights and construction-in-progress on the Land with a total carrying value of approximately RMB224.3 million.

Contingent liabilities and guarantees

As at 31 December 2020, the Company did not have any unrecorded significant contingent liabilities, guarantees or litigation with claims against it.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Company had 432 full-time employees, the majority of whom are based in Xiamen, the PRC. The following table sets forth the number of employees categorised by function as at 31 December 2020:

	Number of Employees	% of Total
Development	260	60.2
Operations	84	19.4
Administration	81	18.8
Sales and marketing	7	1.6
Total	432	100.0

The remuneration of the Group's employees is determined based on their performance, experience, competence and market comparables. Their remuneration package includes salaries, bonuses related to the Group's performance, allowances, equity settled share-based payments and state-managed retirement benefit schemes for employees in the PRC. The Company also provides customised training to its staff to enhance their technical and product knowledge.

The remuneration of Directors and members of the senior management is determined on the basis of each individual's responsibilities, qualifications, position, experience, performance, seniority and time devoted to the Group's business. They receive compensation in the form of salaries, bonuses, share options, RSUs, and other allowances and benefits-in-kind, including the Company's contribution to their pension scheme on their behalf. The remuneration policy of the Directors and the senior management is reviewed by the Remuneration Committee and approved by the Board.

In addition, the Group has currently adopted a Post-IPO Share Option Scheme and RSU Plan II as long-term incentive schemes.

Foreign currency risk

For the year ended 31 December 2020, the Group did not encounter significant foreign currency risk from its operations and did not hedge against any fluctuation in foreign currency.

Interest rate risk

Other than interest-bearing bank deposits and bank loans, the Group has no other significant interest-bearing assets or liabilities. The Directors do not anticipate any significant impact on the interest-bearing bank deposits resulting from changes in interest rates, because the bank deposit interest rates are not expected to change significantly. In addition, the Directors do not anticipate any significant impact on the bank loans resulting from changes in interest rates, because the interest rates are primarily determined with reference to the loan prime rate as at the drawdown date, which have a low likelihood of wide fluctuation in the short run. Therefore, the Group has not adopted any hedging policy to mitigate interest rate risk. However, the Group will continue to monitor the long-term interest rate fluctuations in the market and take appropriate actions to minimise interest rate risk.

Use of Net Proceeds from Listing

The net proceeds from the Global Offering were approximately HK$585.0 million (equivalent to approximately RMB463.2 million) after deducting underwriting fees and commissions, and related total expenses paid and payable by the Company in connection with the Listing.

The following table sets forth the use of net proceeds from the Global Offering:

	Net Proceeds from Global Offering			
	Available to utilise		Utilised (up to 31 December 2020)	Unused balance
	RMB'000	*Percentage*	*RMB'000*	*RMB'000*
Expanding and enhancing game portfolio	185,281	40%	185,281	–
Expanding marketing and promotion activities	92,641	20%	92,641	–
Establishing and expanding international operations in selected overseas markets	69,480	15%	69,480	–
Potential acquisitions of technologies and complimentary online games or business, partnerships and licensing opportunities	69,480	15%	69,480	–
Supplementing working capital and for other general corporate purposes	46,320	10%	46,320	–
	463,202	100%	463,202	–

Note: The figures above are approximate figures.

As at 31 December 2020, the Group had utilised all of the net proceeds from the Global Offering as detailed above in accordance with the intended use of net proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Corporate Social Responsibility

The Group has sought to operate in a responsible, transparent and sustainable way. The Group is committed to promoting the long term sustainability of the environment by advocating green office practices such as using double-sided printing and copying, setting up recycling bins, installing energy efficient lighting systems, growing plants in the office and attempting to provide good air quality on company premises, and promoting the use of public transport and video conferencing in replacement of business travel to reduce the carbon footprint. The Group also improves employee awareness of environmental protection and encourages them to bring their own plants to make the office greener.

The Group has adopted a 3Rs strategy for waste management: Reduce, Reuse and Recycle, such as installing an efficient water flushing system in the restrooms and performing regular checks to prevent leakages.

The Group is determined to review and improve its policies and practices related to environmental protection from time to time to continuously contribute to making the earth a better planet.

The Group has also been committed to enhancing its contribution to local communities by participating in community services, supporting people in need and sponsoring educational activities. In addition, the Group also encourages its employees at all levels to participate in the aforementioned activities by way of a charity bazaar. The Group will continue to invest in social activities to develop a better future for its community.

Compliance with Relevant Laws and Regulations

To the best of the Directors' knowledge, information and belief, as at the date of this announcement, the Company has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

In relation to game development and operation, the Company is committed to complying with the laws and regulations such as The Interim Measures for the Administration of Online Games (Amended in 2017), the Copyright Law of the PRC (2010 Amendment), Online Publishing Service Management Rules (2016), Anti-addiction Notice (2007), Provisions on Ecological Governance of Network Information Content (2019), Notice Regarding Commencement of Authentication of Real Names for Anti-addiction System on Online Games and Notice by the General Administration of Press and Publication of Preventing Minors from Indulging in Online Games.

In addition, as a company listed on the Main Board of the Stock Exchange, the Company is subject to, among others, the requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**"), the Listing Rules, the Takeovers Code, and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). Any changes in the applicable laws and regulations are brought to the attention of the relevant departments from time to time.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

	Notes	**2020** **RMB'000**	2019 *RMB'000*
REVENUE	*4*	**117,004**	112,851
Cost of sales		**(34,585)**	(34,781)
Gross profit		**82,419**	78,070
Other income and gains	*4*	**33,902**	14,333
Selling and distribution expenses		**(17,939)**	(29,257)
Administrative expenses		**(43,647)**	(75,387)
Research and development costs		**(56,769)**	(70,448)
Finance costs		**(1,706)**	(2,672)
Other expenses		**(12,786)**	(670)
Share of losses of associates		**(374)**	(1,280)
LOSS BEFORE TAX	*5*	**(16,900)**	(87,311)
Income tax expense	*6*	**(1,219)**	(1,388)
LOSS FOR THE YEAR		**(18,119)**	(88,699)
Attributable to:			
Owners of the parent		**(21,460)**	(80,342)
Non-controlling interests		**3,341**	(8,357)
		(18,119)	(88,699)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic and diluted		**RMB(0.01)**	RMB(0.05)

	2020	2019
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(18,119)**	(88,699)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**932**	3,426
Reclassification adjustments for losses included in the consolidated statement of profit or loss	**–**	86
Exchange differences on translation of financial statements	**(9,566)**	3,825
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(8,634)**	7,337
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**4,656**	12,819
Income tax effect	**(1,588)**	(1,318)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**3,068**	11,501
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(5,566)**	18,838
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(23,685)**	(69,861)
Attributable to:		
Owners of the parent	**(27,025)**	(61,512)
Non-controlling interests	**3,340**	(8,349)
	(23,685)	(69,861)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**130,228**	110,214
Right-of-use assets		**104,329**	110,804
Goodwill	*9*	**20,121**	20,121
Other intangible assets		**1,107**	2,898
Investments in associates		**18,023**	28,208
Prepayments, other receivables and other assets	*11*	**17,349**	13,781
Equity investments designated at fair value through other comprehensive income	*12*	**37,712**	23,056
Debt investments at fair value through other comprehensive income	*12*	**22,025**	23,955
Financial assets at fair value through profit or loss	*12*	**78,214**	150,905
Deferred tax assets		**1,814**	3,512
Total non-current assets		**430,922**	487,454
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	*10*	**30,902**	32,106
Prepayments, other receivables and other assets	*11*	**21,986**	20,302
Other current assets		**11,059**	11,650
Cash and cash equivalents		**139,194**	179,218
Total current assets		**203,141**	243,276
CURRENT LIABILITIES			
Other payables and accruals		**65,100**	84,362
Interest-bearing bank loans		**10,000**	69,926
Lease liabilities		**3,696**	4,432
Tax payable		**1,705**	2,960
Contract liabilities		**3,716**	4,352
Total current liabilities		**84,217**	166,032
NET CURRENT ASSETS		**118,924**	77,244
TOTAL ASSETS LESS CURRENT LIABILITIES		**549,846**	564,698

	Note	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**53,840**	46,770
Lease liabilities		**2,578**	5,346
Deferred tax liabilities		**1,239**	62
Contract liabilities		**3,023**	2,785
Total non-current liabilities		**60,680**	54,963
Net assets		**489,166**	509,735
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**1**	1
Share premium		**498,453**	498,453
Reserves		**(138)**	28,163
		498,316	526,617
Non-controlling interests		**(9,150)**	(16,882)
Total equity		**489,166**	509,735

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 6 March 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at the offices of Conyers Trust Company (Cayman) Ltd. at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Group is principally engaged in the operation and development of web and mobile games in Mainland China. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Ltd. (the "Hong Kong Stock Exchange") on 5 December 2014.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Date of incorporation	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Feiyu Technology Hong Kong Ltd.	Hong Kong	HK$1	25 March 2014	100	–	Investment holding
Xiamen Guanghuan Information Technology Co., Ltd ("Xiamen Guanghuan")	PRC/Mainland China	RMB10,000,000	12 January 2009	–	100	Game development and distribution
Xiamen Youli Information Technology Co., Ltd. ("Xiamen Youli")	PRC/Mainland China	RMB150,000,000	19 September 2011	–	100	Game development and distribution
Xiamen Yidou Information Technology Co., Ltd. ("Xiamen Yidou")	PRC/Mainland China	RMB5,000,000	11 June 2012	–	100	Game development and distribution
Beijing Kailuo Tianxia Technology Co., Ltd. ("Kailuo Tianxia")	PRC/Mainland China	RMB60,000,000	3 May 2012	–	100	Game development and distribution
Xiamen Feiyu Technology Co., Ltd.* ("Xiamen Feiyu")	PRC/Mainland China	US$20,000,000	24 June 2014	–	100	Investment holding Game development and distribution
Xiamen Guangling Investment Management Co., Ltd. ("Xiamen Guangling")	PRC/Mainland China	RMB10,000,000	10 November 2014	–	100	Game development and distribution
Beijing Baicai Tianxia Technology Co., Ltd. ("Baicai Tianxia")	PRC/Mainland China	RMB10,000,000	10 July 2015	–	100	Game development and distribution
Xiamen Feixiangyue Investment Management Co., Ltd. ("Xiamen Feixiangyue")	PRC/Mainland China	RMB200,000,000	9 August 2016	–	100	Assets management

* Xiamen Feiyu Technology Co., Ltd. is registered as a wholly-foreign-owned enterprise under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendment to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for prepares of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's offices have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendments on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB177,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform-Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to IFRS 17, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the operation and development of web and mobile games in Mainland China. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Information about geographical areas

Since over 85% of the Group's revenue and operating profit were generated from the provision of all services in Mainland China and all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical segment information in accordance with IFRS 8 Operating Segments is presented.

Information about a major customer

Revenue from continuing operations of approximately RMB14,977,000 (2019: RMB29,687,000) was derived from a single customer for game operation.

4. REVENUE, OTHER INCOME AND GAINS

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

	2020	2019
	RMB'000	*RMB'000*
Type of goods or service		
Online web and mobile games	**41,594**	51,700
Single-player mobile games	**24,163**	7,526
Game operation	**65,757**	59,226
– Gross basis	**6,535**	6,059
– Net basis	**59,222**	53,167
Online game distribution	**29,083**	30,885
Licensing income	**5,125**	10,487
Advertising revenue	**16,815**	11,430
Sale of goods	**184**	59
Technical service income	**40**	764
Total revenue from contracts with customers	**117,004**	112,851
Timing of revenue recognition		
Services transferred over time	**5,125**	10,487
Services and goods transferred at a point of time	**111,879**	102,364
Total revenue from contracts with customers	**117,004**	112,851
Other income		
Government grants	**8,135**	6,287
Interest income	**3,284**	5,737
Rental income	**86**	450
	11,505	12,474
Gains		
Fair value gains, net:		
Financial assets	**21,910**	406
Dividend income from financial assets at fair value through profit or loss	**–**	281
Gain on disposal of items of property, plant and equipment	**6**	716
Others	**481**	456
	22,397	1,859
	33,902	14,333

5. LOSS BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Channel costs	**2,005**	2,246
Rental fee	**3,080**	5,684
Depreciation of property, plant and equipment	**2,445**	3,757
Depreciation of right-of-use assets	**4,074**	4,116
Lease payments not included in the measurement of lease liabilities	**3,080**	5,684
Rent concessions related to COVID-19	**(177)**	–
Amortisation of intangible assets	**755**	744
(Reversal)/impairment of financial assets included in prepayments, other receivables and other assets	**(600)**	20,509
Advertising expenses	**14,024**	25,233
Auditor's remuneration	**1,950**	2,100
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**93,767**	85,030
Pension scheme contributions	**1,827**	7,215
Equity-settled share option expense	**3,116**	1,622
	98,710	93,867
Foreign exchange differences, net*	**1,411**	481
Loss/(Gain) on disposal of items of property, plant and equipment, net	**1**	(697)

* These expenses are included in "Other expenses" in the consolidated statement of profit or loss.

6. INCOME TAX

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

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for, Xiamen Yidou which was certified as High and New Technology Enterprise ("HNTE") and entitled to a preferential income tax rate of 15% from 2018 to 2020 while Xiamen Feixin, Kailuo Tianxia, Xiamen Xiyu and Xiamen Guangling were certified as High and New Technology Enterprises ("HNTEs") in 2019 and entitled to a preferential income tax rate of 15% from 2019 to 2021.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB375,046,000 at 31 December 2020 (2019: RMB423,301,000).

	2020	2019
	RMB'000	*RMB'000*
Current tax expense	**(69)**	2,992
Deferred tax	**1,288**	(1,604)
Total tax expense for the year	**1,219**	1,388

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

	2020	2019
	RMB'000	*RMB'000*
Loss before tax	**(16,900)**	(87,311)
Tax at the applicable tax rate	**(6,027)**	(20,268)
Lower tax rates enacted by local authorities	**(140)**	(1,316)
Expenses not deductible for tax	**1,092**	555
Other tax credit	**(8,468)**	(8,001)
Income not subject to tax	**1**	(76)
Tax losses utilised from previous years	**(3,460)**	(2,703)
Deferred tax assets not recognised	**18,221**	33,197
Tax expense	**1,219**	1,388

7. DIVIDENDS

The Board does not recommend the payment of a final dividend to the ordinary equity holders of the Company for the year ended 31 December 2020 (for the year ended 31 December 2019: Nil).

8. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,546,943,455 (2019: 1,546,943,455) in issue during the year, as adjusted to reflect the share issuance, repurchase and treasury shares on hand during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilution effect in the basic loss per share amounts presented.

9. GOODWILL

	RMB'000
Cost at 1 January 2019, net of accumulated impairment	20,121
Impairment during the year	–
At 31 December 2019	20,121
At 31 December 2019	
Cost	432,278
Accumulated impairment	(412,157)
Net carrying amount	20,121
Cost at 1 January 2020, net of accumulated impairment	20,121
Impairment during the year	–
At 31 December 2020	20,121
At 31 December 2020	
Cost	432,278
Accumulated impairment	(412,157)
Net carrying amount	20,121

Impairment testing of goodwill

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

- Veewo cash-generating unit
- Sanguo Zhiren cash-generating unit
- Shenzhen Zhangxin cash-generating unit

The recoverable amounts 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 five-year period approved by the board of directors. The discount rates applied to the cash flow projections are 21% to 36% (2019: 21% to 22%). The growth rate used to extrapolate the cash flows of the relevant games beyond the five-year period is 3%. The carrying amount of goodwill allocated to each cash-generating unit is as follows:

	2020	2019
	RMB'000	*RMB'000*
Veewo cash-generating unit	**11,040**	11,040
Shenzhen Zhangxin cash-generating unit	**8,694**	8,694
Sanguo Zhiren cash-generating unit	**387**	387
Carrying amount of goodwill	**20,121**	20,121

Assumptions were used in the value in use calculation of the cash-generating units for the years ended 31 December 2020 and 31 December 2019. 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 the 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.

10. 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 enhancements over its receivable balances. These receivables are non-interest-bearing.

An ageing analysis of the receivables as at the end of the year, based on the invoice date and net of loss allowance, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**30,902**	32,106

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's accounts receivable and receivables due from third-party game distribution platforms and payment channels using a provision matrix:

As at 31 December 2020

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**
Gross carrying amount (RMB'000)	**30,902**	**–**	**–**	**–**	**30,902**
Expected credit losses (RMB'000)	**–**	**–**	**–**	**–**	**–**

As at 31 December 2019

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount (RMB'000)	32,106	–	–	–	32,106
Expected credit losses (RMB'000)	–	–	–	–	–

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	RMB'000	*RMB'000*
Non-current		
Prepayments	**3,889**	13,345
Prepaid land lease payments related deposits	**1,605**	1,605
Other receivables	**19,460**	6,436
	24,954	21,386
Impairment allowance	**(7,605)**	(7,605)
	17,349	13,781
Current		
Prepayments	**4,957**	7,486
Deposits	**6,540**	6,404
Other receivables	**14,593**	22,316
	26,090	36,206
Impairment allowance	**(4,104)**	(15,904)
	21,986	20,302

The movements in the loss allowance for impairment of other receivables are as follows:

	2020 *RMB'000*	2019 *RMB'000*
At beginning of year	**23,509**	3,000
Impairment allowance written off	**(11,200)**	–
Impairment losses recognised	**–**	20,509
Reversal of impairment losses	**(600)**	–
At end of year	**11,709**	23,509

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. Except for prepayments, other receivables and other assets amounting to RMB11,709,000 (2019: RMB23,509,000) included in the above balances, the above assets are neither past due nor impaired. Other than the aforementioned impaired receivables, the financial assets included in the above balances related to receivables for which there was no recent history of default.

12. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2020 *RMB'000*	2019 *RMB'000*
Debt investments at fair value through other comprehensive income			
Straight bonds	*(1)*	**22,025**	23,955
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value	*(2)*	**37,712**	23,056
Financial assets at fair value through profit or loss			
Unlisted debt investments, at fair value	*(3)*	**37,282**	37,642
Convertible bonds	*(4)*	**–**	14,286
Investment in life insurance policies	*(5)*	**–**	98,977
Bond Fund	*(6)*	**10,711**	–
Perpetual bonds	*(7)*	**30,221**	–
		78,214	150,905

(1) 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.

Debt investments at fair value through other comprehensive income are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

(2) The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature, which represented equity investments in one company listed on the National Equities Exchange And Quotations of the PRC, and three unlisted entities incorporated in the PRC and Singapore.

On 22 June 2020, the Group acquired 10% interest in an unlisted entity at a consideration of RMB10 million.

(3) The above unlisted debt investments represented the investments in two unlisted limited partnerships, and one unlisted entity incorporated in the Cayman Islands.

(4) 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). On 31 January 2018, the Group sold another part of the above perpetual convertible bond with a nominal amount of US$1,000,000 for a consideration of US$1,056,000 (equivalent to approximately RMB6.7 million). On 2 April 2020, the bond with an aggregated nominal amount of US$2,000,000 was fully redeemed by Standard Charted PLC in advance at an aggregated consideration of US$2,065,000 (equivalent to approximately RMB14.7 million).

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

Financial assets at fair value through profit or loss 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) 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 surrender 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 ("Surrender 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 Surrender Value of the contract for the first three years. Commencing from the fourth year, the guaranteed interest will be reduced to 2% per annum.

On 5 November 2020, the Group sold the above life insurance for a consideration of US$14.5 million (equivalent to approximately RMB97.0 million).

(6) In January 2020, the Group invested in a bond fund issued by UBS (CAY) Fund Series with a nominal amount of US$1,600,000 and with income stream from a diversified portfolio at a consideration of US$1,614,000 (equivalent to approximately RMB11.1million).

(7) On 17 January 2020, the Group invested in a perpetual bond issued by CCB Life Insurance Company Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 4.5% per annum at a consideration of US$1,547,000 (equivalent to approximately RMB10.6 million). On 17 January 2020, the Group invested in a perpetual bond issued by Chalieco Hong Kong Corporation Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 5.0% per annum at a consideration of US$1,546,000 (equivalent to approximately RMB10.7 million). On 2 March 2020, the Group invested in a perpetual bond issued by FWD Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 6.25% per annum at a consideration of US$1,553,000 (equivalent to approximately RMB10.8 million).

13. SHARE CAPITAL

Shares

	2020	2019
Issued and fully paid or credited as fully paid:		
Ordinary shares of US$0.0000001 each	**1,546,943,455**	1,546,943,455
Equivalent to RMB'000	**1**	1

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

	Number of issued and fully paid ordinary shares	**Nominal value of ordinary shares** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
At 1 January 2019	1,546,943,455	1	498,453	498,454
At 31 December 2019	1,546,943,455	1	498,453	498,454
At 31 December 2020	**1,546,943,455**	**1**	**498,453**	**498,454**

14. EQUITY-SETTLED SHARE-BASED PAYMENTS

(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, in the sole opinion of the Board, have contributed or will contribute to the Group.

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

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

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

	2020 Weighted average exercise price *HK$ per share*	**2020** Number of options *'000*	2019 Weighted average exercise price *HK$ per share*	2019 Number of options *'000*
At 1 January	**1.35**	**28,800**	0.94	72,029
Granted during the year	**0.18**	**112,000**	–	–
Forfeited during the year	**1.10**	**(1,500)**	1.75	(3,500)
Expired during the year	**–**	**–**	0.57	(39,729)
At 31 December	**0.41**	**139,300**	1.35	28,800

No share options exercised during 2020 and 2019.

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

2020

Number of options *'000*	**Exercise price*** *HK$ per share*	**Exercise period**
3,000	3.93	10-06-2016 to 09-06-2025
6,300	1.26	31-12-2017 to 26-03-2027
3,000	1.26	30-06-2017 to 26-03-2027
15,000	1.03	13-11-2018 to 12-11-2027
22,000	0.18	31-12-2020 to 20-01-2024
90,000	0.18	31-12-2020 to 20-01-2024
139,300		

2019

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
3,000	3.93	10-06-2016 to 09-06-2025
6,300	1.26	31-12-2017 to 26-03-2027
3,000	1.26	30-06-2017 to 26-03-2027
1,500	1.10	15-05-2018 to 14-05-2027
15,000	1.03	13-11-2018 to 12-11-2027
28,800		

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

The fair value of the share options granted during the year was RMB6,015,000 (RMB0.06 each) (2019: Nil), of which the Group recognised a share option expense of RMB2,129,000 (2019: Nil) during the year ended 31 December 2020.

The fair value of equity-settled share options granted during the year, was estimated as 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 the inputs to the model used:

	2020
Dividend yield (%)	–
Expected volatility (%)	49.42-50.97
Risk-free interest rate (%)	1.69-2.64
Expected life of options (year)	4
Weighted average share price (HK$ per share)	0.15-0.17

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.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 139,300,000 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 139,300,000 additional ordinary shares of the Company, an additional share capital of approximately RMB91 and a share premium of approximately RMB49,721,980.

Subsequent to the end of the reporting period, on 31 March 2021, the Company had 139,300,000 share options outstanding under the Schemes, which represented 9.00% of the Company's shares in issue as at that date.

The Group recognised total share option expenses of RMB3,116,000 for the year ended 31 December 2020 (2019: RMB1,622,000).

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Annual General Meeting

The 2021 annual general meeting (the "**AGM**") of the Company is scheduled to be held on Friday, 28 May 2021. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules in due course.

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

During the year ended 31 December 2020, neither the Company, its subsidiaries nor any of the PRC Operating Entities has purchased, sold or redeemed any of the Company's listed securities.

Final Dividend

The Board did not declare a final dividend for the year ended 31 December 2020 (the year ended 31 December 2019: Nil).

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of Shares will be effected, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM to be held on Friday, 28 May 2021. All transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 24 May 2021.

SCOPE OF WORK OF THE COMPANY'S AUDITORS IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The auditors made no comments as to the reasonableness or appropriateness of those assumptions of the "Non-IFRSs Measures" as presented in the preliminary announcement. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

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 and 27 December 2018 respectively. 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 auditors of the Company, has reviewed the accounting standards and practices adopted by the Group and the consolidated financial statements of the Company for the year ended 31 December 2020.

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 for the year ended 31 December 2020.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. YAO Jianjun serves as the Chairman and Chief Executive Officer of the Company. In view of Mr. YAO Jianjun's extensive experience in the industry, personal profile and role in the Group and its historical development, the Board believes that it is appropriate and beneficial to the business prospects of the Group that Mr. YAO Jianjun acts as both Chairman and Chief Executive Officer. Furthermore, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. YAO Jianjun would provide strong and consistent leadership, allowing the Company to more effectively plan and implement business decisions and strategies. Besides, all major decisions have been made in consultation with members of the Board, which comprises experienced and high caliber individuals, appropriate Board committees, as well as the senior management team. The Board is, therefore, of the view that there are adequate checks and balances in place. Nevertheless, the Board will continue to monitor and review the Company's current structure and make necessary changes at an appropriate time.

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.

Compliance with the 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 year ended 31 December 2020.

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 year ended 31 December 2020.

Publication of the Annual Results and 2020 Annual Report

This annual 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 2020 annual 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.

GLOSSARY

"ARPPU"	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Cayman Islands"	the Cayman Islands
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company" or "Feiyu"	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014

"Director(s)"	director(s) of the Company
"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"	the Company, its subsidiaries and the PRC Operating Entities
"HK$" or "Hong Kong dollars" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"IAS(s)"	International Accounting Standards
"IASB"	International Accounting Standard Board
"IFRS(s)"	International Financial Reporting Standards, amendments and interpretations issued by the IASB
"IP(s)"	Intellectual Property(ies)
"Kailuo Tianxia"	Beijing Kailuo Tianxia Technology Co., Ltd. ("北京凱羅天下科技有限公司"), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
"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)
"MAUs"	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period

"Meitu"	Meitu, Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands, shares of which are listed on the Main Board of the Stock Exchange (Stock Code:1357)
"Meitu Networks"	Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有限公司), a limited liability company established under the laws of the PRC, is one of the important consolidated variable interest entities controlled through a series of contractual arrangement by Meitu
"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
"PC"	personal computer
"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
"R&D"	research and development
"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
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.0000001 each
"Shareholder(s)"	holder(s) of Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
"US$" or "United States Dollars" or "USD"	United States dollars, the lawful currency of the United States of America
"Xiamen Chenxing"	Xiamen Chenxing Interactive Technology Co., Ltd. (廈門辰星互動信息科技有限公司), a limited company incorporated under the laws of the PRC on 25 October 2017
"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

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

Hong Kong, 31 March 2021

As at the date of this announcement, the Board comprises Messrs. YAO Jianjun, CHEN Jianyu, BI Lin, 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.