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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board is pleased to announce the unaudited consolidated interim results (the “**Interim Results**”) of the Group for the six months ended 30 June 2021 together with comparative figures for the corresponding period in 2020.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June		Change %
	2021 (RMB'000) (unaudited)	2020 (RMB'000) (unaudited)	
Revenue	51,670	47,084	9.7
Gross profit	36,165	32,538	11.1
Loss before tax	(6,020)	(21,888)	(72.5)
Loss for the period attributable to owners of the parent	(9,677)	(22,409)	(56.8)
Non-IFRSs Measures			
– Adjusted net loss attributable to owners of the parent	(8,711)	(21,110)	(58.7)

LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

– Basic & Diluted	<u>RMB(0.01)</u>	<u>RMB(0.01)</u>
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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

In the first half of 2021, China's online game industry remained robust despite the continued outbreak of the global COVID-19 pandemic. According to the China Game Industry Report for January-June 2021 (《2021年1-6月中國遊戲產業報告》) jointly published by 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 recorded total revenue of RMB150.5 billion, increasing 7.9% year-over-year. Mobile games accounted for 76.3% of the total market with a half year revenue of RMB114.8 billion, representing an increase of 9.7% compared with the same period last year. It is worth noting that in the first half of 2021, the overseas revenue of China's self-developed games reached US\$8.5 billion, increasing 11.6% year-over-year, which demonstrated the competitiveness of China's games in international markets.

The Company maintained stable and solid financial performance for the first half of 2021 thanks to the high quality and long lifecycle of its diversified game portfolio. Total revenue for the reporting period was approximately RMB51.7 million, representing an increase of 9.7% year-over-year. Loss for the period attributable to owners of the parent narrowed by 56.8% to approximately RMB9.7 million from approximately RMB22.4 million for the same period last year.

On the new game development front, Feiyu adhered to its strategy of developing high-quality games and new products that leverage the Company's existing IP. In the first half of the year, the Company was patient with its research and development (R&D) teams for them to develop competitive and popular games. In May 2021, the Company launched *MyTurn* (逆轉回合), an RPG mobile game, on both iOS and Android platforms in China and was pleased to see the encouraging performance of the game. Users displayed a strong willingness to pay, which indicated the strong monetisation potential of the game and laid a solid foundation for the Company to further launch the game in other Asian markets, such as Japan and Taiwan.

As an indispensable pillar of the Company's IP strategy, IP licensing continued to contribute meaningful revenue for the reporting period and further improved relevant games' brand awareness across various user communities through diversified distribution channels. During the reporting period, the Company maintained long-term relationships with its existing licensing partners while adding new items on one hand and explored new licensing partnerships on the other hand. In June 2021, as part of the *Golden Carrot of Carrot Fantasy* (保衛蘿蔔) campaign, the wallpaper of the same theme was launched in *Meitu's* (美圖) apps. *Carrot Fantasy* (保衛蘿蔔)-related stickers and wallpaper have been available and popular in *Meitu's* apps since 2018. In addition, the Company entered into a licensing agreement in June 2021 to allow Shenzhen Jiahong Creative Co., Ltd (深圳市佳鴻創意有限公司) to apply images from the *Carrot Fantasy* (保衛蘿蔔) game series in its household products.

During the reporting period, a wholly-owned subsidiary of Tencent named THL H Limited has become a substantial shareholder of the Company upon subscribing 10% of its enlarged share capital in issuance, which not only provided additional funds to strengthen the Company's financial position to enhance its new games' R&D and marketing capabilities, but also offered possibilities for more future cooperation. After the Subscription, Tencent through THL H Limited, further acquired approximately 5.24% of the then total issued share capital of the Company. As at the date of this announcement, Tencent is interested in approximately 15.24% of total issued share capital of the Company.

Outlook for 2021

Although competition in China's online game industry has intensified and regulatory measures have become increasingly stringent over the past few years, there are still abundant opportunities, especially for companies with a proven track record of developing hit titles and a library of well-known IP. In the second half of 2021, the Company will continue to develop high-quality games, with a strategic focus on established IP, such as *Shen Xian Dao* (神仙道) and *Carrot Fantasy* (保衛蘿蔔), as well as a few select game genres, including tower defense, casual multiplayer online battle arena (MOBA) and first-person shooter (FPS) etc. The Company plans to launch 2 to 3 mobile games in the second half of 2021 targeting domestic and international markets, while the remaining games in the pipeline are scheduled to be launched in 2022 and beyond.

The IP licensing team of the Company will continue to expand the licensing categories for *Carrot Fantasy* (保衛蘿蔔) IP in the second half of 2021 to further increase the brand's exposure and enhance synergies between games and licensed products.

As at the date of this announcement, the Company has moved its headquarters in the PRC to its self-owned R&D center and headquarters building in Xiamen, Fujian Province of the PRC. The new location includes two towers. The north tower is occupied by the Company for its game development and operations, as well as management and back office functions. The south tower is temporarily vacant and open for leasing. The headquarters building offers the Company sufficient accommodation for future business development, decreases operating costs in the long run and generates additional income.

Interim Dividend

The Board did not declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

FINANCIAL REVIEW

Operating Information

The Company's Games

During the six months ended 30 June 2021, 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 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 one RPG game, named *MyTurn* (逆轉回合), in May 2021.

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

	For the six months ended 30 June			
	2021		2020	
	(RMB'000)	(% of Total Revenue)	(RMB'000)	(% of Total Revenue)
Game Operations				
Web games	7,135	13.8	8,013	17.0
Mobile games				
RPGs	12,468	24.1	15,326	32.6
Casual	7,516	14.5	6,534	13.9
PC games	3,869	7.5	188	0.4
HTML5 games	139	0.3	106	0.2
Console games	1,960	3.8	290	0.6
Total	33,087	64.0	30,457	64.7

Revenue contributed by game operations was approximately RMB33.1 million for the six months ended 30 June 2021, representing an increase of approximately 8.6%, compared with approximately RMB30.5 million for the corresponding period in 2020. The increase was primarily due to a rise 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. The increase was partially offset by a decline in revenue from the Company's existing web games and 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 30 June 2021, the Company's (i) RPG mobile games and web games had approximately 228.7 million cumulative registered users, composed of approximately 172.8 million web game users and approximately 55.9 million mobile game users; (ii) casual games had approximately 619.0 million cumulative activated downloads; (iii) HTML5 games had approximately 37.0 million cumulative registered users; (iv) PC games had approximately 1,065,000 cumulative copies sold; and (v) console games had approximately 222,000 cumulative copies sold. For the month of June 2021, 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 4.5 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 periods indicated:

	Six Months Ended 30 June		
	2021	2020	Change%
Average MPUs			
Web games (RPGs) (000's)	7	9	(22.2)
Mobile games (RPGs) (000's)	23	28	(17.9)
Casual (000's)	70	130	(46.2)
ARPPU			
Web games (RPGs) (RMB)	161.7	147.8	9.4
Mobile games (RPGs) (RMB)	91.6	90.4	1.3
Casual (RMB)	18.0	8.4	114.3

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

MPUs for web games were approximately 7,000 for the six months ended 30 June 2021, compared with approximately 9,000 for the six months ended 30 June 2020. The decrease was because the web games were at the later stages of their expected lifecycles, and the Company shifted its strategic focus from web games to mobile games starting in 2013. Average MPUs for mobile RPG games decreased from approximately 28,000 for the six months ended 30 June 2020 to approximately 23,000 for the six months ended 30 June 2021, primarily because *San Guo Zhi Ren* (三國之刃), one of the Company's hit titles, was at the later stage of its expected lifecycle. Average MPUs for casual games decreased from approximately 130,000 for the six months ended 30 June 2020 to approximately 70,000 for the six months ended 30 June 2021, primarily due to a decrease 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 the first half of 2020. The impact of the updates has weakened since the COVID-19 pandemic has stabilised in 2021.

ARPPU for web games increased from approximately RMB147.8 for the six months ended 30 June 2020 to approximately RMB161.7 for the six months ended 30 June 2021, 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 RMB8.4 for the six months ended 30 June 2020 to approximately RMB18.0 for the six months ended 30 June 2021, 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 RMB90.4 for the six months ended 30 June 2020 to approximately RMB91.6 for the six months ended 30 June 2021, 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, resulting in an increase in the willingness of loyal players 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 these initiatives had a significant influence on retaining active players and expanding the active player base for the Group.

First Half of 2021 compared with First Half of 2020

The following table sets forth the Group's income statement for the six months ended 30 June 2021 compared with the six months ended 30 June 2020.

	Six Months Ended 30 June		Change %
	2021 <i>(RMB'000)</i>	2020 <i>(RMB'000)</i>	
Revenue	51,670	47,084	9.7
Cost of sales	(15,505)	(14,546)	6.6
Gross profit	36,165	32,538	11.1
Other income and gains	15,115	7,893	91.5
Selling and distribution expenses	(3,910)	(8,867)	(55.9)
Administrative expenses	(21,130)	(19,456)	8.6
Research and development costs	(31,352)	(21,770)	44.0
Finance costs	(1,101)	(1,112)	(1.0)
Other expenses	(164)	(10,500)	(98.4)
Share of profits/(losses) of associates	357	(614)	(158.1)
LOSS BEFORE TAX	(6,020)	(21,888)	(72.5)
Income tax expense	(2,483)	(1,401)	77.2
LOSS FOR THE PERIOD	(8,503)	(23,289)	(63.5)
Attributable to:			
Owners of the parent	(9,677)	(22,409)	(56.8)
Non-controlling interests	1,174	(880)	(233.4)

Revenue

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2021 and 2020:

	Six Months Ended 30 June			
	2021	(% of Total	2020	(% of Total
	(RMB'000)	Revenue)	(RMB'000)	Revenue)
Game operations	33,087	64.0	30,457	64.7
Online game distribution	3,941	7.6	8,466	18.0
Licensing and IP-related income	5,826	11.3	375	0.8
Advertising revenue	8,800	17.1	7,771	16.5
Technical service income	16	–	15	–
Total	51,670	100.0	47,084	100.0

Total revenue increased by 9.7% to approximately RMB51.7 million for the six months ended 30 June 2021 from approximately RMB47.1 million for the six months ended 30 June 2020.

Revenue from game operations was approximately RMB33.1 million for the six months ended 30 June 2021, representing an increase of approximately 8.6%, compared with approximately RMB30.5 million for the six months ended 30 June 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 53.4% to approximately RMB3.9 million for the six months ended 30 June 2021, compared with the six months ended 30 June 2020. The decrease was primarily due to *Horcrux College* (魂器學院), which entered the mature stage of its expected lifecycle in the first half of 2020. The decrease was also due to *Kaki Raid* (卡嘰探險隊), which entered the later stage of its expected lifecycle in late 2020.

Licensing and IP-related income increased by approximately 1,453.6% from approximately RMB0.4 million for the six months ended 30 June 2020 to approximately RMB5.8 million for the six months ended 30 June 2021. The increase was primarily attributable to the recognition of a licensing fee of approximately RMB2.5 million for *Sprites Legend* (靈妖記－神仙道外傳) for the six months ended 30 June 2021, while no such licensing fee was recognised for the six months ended 30 June 2020. The increase was also attributable to the recognition of a one-off licensing fee for a simulation game of approximately RMB2.0 million upon termination of the licensing agreement during the six months ended 30 June 2021. In addition, the increase was also attributable to the recognition of licensing fees of approximately RMB0.4 million for the cloud game version of *The Initial* (初體計畫) series for the six months ended 30 June 2021, while no such licensing fee was recognised for the six months ended 30 June 2020.

Advertising revenue increased by approximately 13.2% to approximately RMB8.8 million for the six months ended 30 June 2021, primarily due to an increase in advertising revenue contributed by *Carrot Fantasy III* (保衛蘿蔔3) as a result of the cooperation with Huawei Software Technologies Co., Limited (華為軟件技術有限公司) starting from April 2020.

Cost of sales

Cost of sales increased by 6.6% to approximately RMB15.5 million for the six months ended 30 June 2021 from approximately RMB14.5 million for the six months ended 30 June 2020. The increase was mainly attributable to the increase in staff cost caused by annual salary adjustments.

Gross profit and gross profit margin

Gross profit increased by 11.1% to approximately RMB36.2 million for the six months ended 30 June 2021 from approximately RMB32.5 million for the six months ended 30 June 2020. Gross profit margin for the six months ended 30 June 2021 was 70.0%, compared with 69.1% for the corresponding period in 2020.

Other income and gains

Other income and gains increased by approximately 91.5% from approximately RMB7.9 million for the six months ended 30 June 2020, to approximately RMB15.1 million for the six months ended 30 June 2021. The increase in other income and gains was primarily due to the increase in investment income from approximately RMB1.8 million for the six months ended 30 June 2020 to approximately RMB7.9 million for the six months ended 30 June 2021, primarily due to the fair value changes of the Company's financial assets at fair value through profit or loss. The increase was also due to the recognition of rental income of approximately RMB1.7 million for the six months ended 30 June 2021, while no such income was recognised for the six months ended 30 June 2020. The rental income was generated by the operating lease arrangements of the Company's investment properties. During the six months ended 30 June 2021, the Company classified part of its R&D centre, which was constructed on the Land and was expected to be idle, as investment properties and leased this part of the R&D centre in bare shell condition successively under operating lease arrangements. The remaining part of the Company's R&D centre for self-use has not reached the useable state as of 30 June 2021.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 55.9% from approximately RMB8.9 million for the six months ended 30 June 2020, to approximately RMB3.9 million for the six months ended 30 June 2021. The decline was mainly attributable to a decrease in advertising fees from approximately RMB6.8 million to approximately RMB2.0 million, primarily because most promotional activities for *Kaki Raid* (卡嘰探險隊) were carried out a few months before the launch of *Kaki Raid* (卡嘰探險隊) in July 2020.

Administrative expenses

Administrative expenses increased by approximately 8.6% from approximately RMB19.5 million for the six months ended 30 June 2020 to approximately RMB21.1 million for the six months ended 30 June 2021. The increase was primarily attributable to an increase in staff costs from approximately RMB13.2 million for the six months ended 30 June 2020 to approximately RMB14.4 million for the six months ended 30 June 2021. The increase in staff costs was resulted from the increase in welfare costs after the holiday activities returned to normal during the six months ended 30 June 2021. In addition, there was a social insurance exemption because of the COVID-19 pandemic during the six months ended 30 June 2020, while there was no such exemption for the six months ended 30 June 2021.

R&D costs

R&D costs increased by approximately 44.0% from approximately RMB21.8 million for the six months ended 30 June 2020 to approximately RMB31.4 million for the six months ended 30 June 2021. The increase was primarily because the Company set up a development team in late 2020 to focus on developing a first-person shooter game, which is a major area of focus of the Group. The increase was also because there was a social insurance exemption due to the COVID-19 pandemic during the six months ended 30 June 2020, while there was no such exemption for the six months ended 30 June 2021.

Finance costs

Finance costs for the six months ended 30 June 2021 was approximately RMB1.1 million, which remained relatively steady compared with RMB1.1 million for the six months ended 30 June 2020.

Other expenses

Other expenses were approximately RMB0.2 million for the six months ended 30 June 2021, compared with approximately RMB10.5 million for the six months ended 30 June 2020. The decrease was primarily due to a full impairment loss of approximately RMB10.4 million related to an investment in Global OW Technology Co. Limited (“**Global OW**”), an associate of the Company, that was recognised for the six months ended 30 June 2020, while no such impairment loss was recognised for the six months ended 30 June 2021. The Company took a full impairment loss on its investment in Global OW because the business activities of Global OW were significantly impacted by the COVID-19 pandemic, and the working capital of Global OW is expected to be insufficient to maintain its future business operations. The Company believes there is an extremely low likelihood of recovering the investment.

Income tax expense

Income tax expense increased by approximately 77.2% from approximately RMB1.4 million for the six months ended 30 June 2020, to approximately RMB2.5 million for the six months ended 30 June 2021. The increase was mainly due to the recognition of deferred tax expenses based on the difference between the fair value and the book value of the investment properties.

Loss for the period

As a result of the above, the loss for the period decreased by approximately 63.5% from approximately RMB23.3 million for the six months ended 30 June 2020, to approximately RMB8.5 million for the six months ended 30 June 2021. Loss attributable to owners of the parent decreased by approximately 56.8% from approximately RMB22.4 million for the six months ended 30 June 2020, to approximately RMB9.7 million for the six months ended 30 June 2021.

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 six months ended 30 June 2021 and 2020, 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.

	Six Months Ended 30 June		Change %
	2021 (RMB'000)	2020 (RMB'000)	
Loss for the period attributable to owners of the parent	(9,677)	(22,409)	(56.8)
Add:			
Share-based compensation	<u>966</u>	<u>1,299</u>	(25.6)
Total	<u>(8,711)</u>	<u>(21,110)</u>	(58.7)

Financial Position

As at 30 June 2021, total equity of the Group was approximately RMB567.9 million, compared with approximately RMB489.2 million as at 31 December 2020. The increase was mainly due to the Subscription by Tencent through its wholly owned subsidiary, THL H Limited at the total Subscription Price of HK\$119.3 million (equivalent to approximately RMB100 million) in the first half of 2021. The increase was partially offset by the loss of approximately RMB8.5 million recorded for the six months ended 30 June 2021. The increase was also partially offset by the changes in fair value of the Group's debt investments and equity investments of approximately RMB12.0 million recognised in other comprehensive income.

As at 30 June 2021, the Group recorded net current assets of approximately RMB168.9 million, representing an increase of approximately 42.1% from approximately RMB118.9 million as at 31 December 2020. The increase was mainly due to the share subscription by Tencent. The increase was partially offset by the repayment of bank loans, the investment in financial assets and the utilisation of the cash and cash equivalents for operating activities.

Liquidity and Financial Resources

	30 June 2021 (RMB'000)	31 December 2020 (RMB'000)	Change %
Cash at bank and on hand	<u>179,792</u>	<u>139,194</u>	29.2
Total	<u>179,792</u>	<u>139,194</u>	29.2

Total cash and cash equivalents were approximately RMB179.8 million as at 30 June 2021, compared with approximately RMB139.2 million as at 31 December 2020. The increase was primarily due to the Subscription by Tencent. The increase was partially offset by the utilisation of cash and cash equivalents for operating activities, the investment in financial assets and the partial repayment of bank loans used by the Company for the construction of the Company's R&D center.

As at 30 June 2021, approximately RMB108.6 million of financial resources (31 December 2020: RMB55.7 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 the cost 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 30 June 2021, the Group had aggregate bank loans of approximately RMB63.4 million (31 December 2020: RMB63.8 million), of which approximately RMB10.0 million is payable within one year, and approximately RMB53.4 million is payable between one and five years. The Group had lease liabilities of approximately RMB3.6 million (31 December 2020: RMB6.3 million), of which approximately RMB3.3 million is payable within one year and approximately RMB0.3 million is payable between one and five years as set out in the agreements.

As at 30 June 2021, the Group had bank loans of approximately RMB63.4 million (31 December 2020: RMB63.8 million) which were used by the Company for the construction of the Company's R&D center. The interest rate was approximately 5.05% and the loans were secured by the land use rights, investment properties 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 30 June 2021, 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 RMB132.7 million (31 December 2020: RMB138.0 million), which represented the Company's investment in structured financial product issued by a wealth management company with floating annual interest rate and without fixed maturity date, and the Company's investment in straight bond, 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 interest 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 30 June 2021 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 abovementioned 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 30 June 2021 are presented as follows:

(A) Structured Financial Product

Name of the structured financial product	Notes	Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2021 (RMB'000)	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2021 (RMB'000)	Fair value as at 30 June 2021 (RMB'000)	Percentage of total FVOCI and FVPL Investments at 30 June 2021	Percentage of total assets of the Group as at 30 June 2021
ICBC Wealth Management Co., Ltd. – Tian Li Bao (添利寶) (“Tian Li Bao”)	2	–	35	4,035	3.0%	0.6%

Notes:

1. The Group’s investment in structured financial product has been accounted for as debt investments at fair value through profit or loss. The fair value of the structured financial product was approximately equal to its cost plus expected interest. Please refer to note 12 to the financial statements for details of the investment in structured financial product.
2. The structured financial product Tian Li Bao was issued by ICBC Wealth Management Co., Ltd., which is the wholly owned subsidiary of Industrial and Commercial Bank of China, with floating interest rate and without maturity date. The principle of the structured financial product was not protected and the Group can decide when to withdraw the structured financial product. Based on the historical record and estimation of the bank, the expected interest rate of the structured financial product would be approximately 2.6% per annum. Pursuant to the instruction of Tian Li Bao, the fund raised by Tian Li Bao will be invested in the financial assets with fixed income and relatively low risk. The Group entered into the investment contract on 2 March 2021 and withdrew the structured financial product in early-July 2021 with the purpose of facilitating temporary fund utilisation. The actual interest rate of the structured financial product was approximately 2.6%.

(B) *Straight Bond*

Name of the straight bond	Notes	Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2021 (RMB'000)	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2021 (RMB'000)	Fair value as at 30 June 2021 (RMB'000)	Percentage of total FVOCI and FVPL Investments at 30 June 2021	Percentage of total assets of the Group as at 30 June 2021
Huarong Finance 2017 Co., Ltd. ("Huarong Finance 2017")	2	420	(8,073)	13,658	10.3%	2.0%

Notes:

1. The Group's investment in straight bond has been accounted for as debt investments at fair value through other comprehensive income. The fair value of the straight bond 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 bond.
2. 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.

At the request of Huarong Group, trading in the shares of Huarong Group on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 pending the publication of Huarong Group's audited 2020 Annual Results. Pursuant to the profit warning announcement of Huarong Group dated 18 August 2021, Huarong Group was expected to incur a net loss attributable to the shareholders of RMB102.903 billion for the year ended 31 December 2020, compared with a net profit attributable to the shareholders of RMB1.424 billion for the year ended 31 December 2019.

Notwithstanding the suspension of trading in its shares, Huarong Group has been conducting its business operation on a normal basis.

In the sight of the Group, Huarong Group is currently controlled and supported by the Ministry of Finance of the PRC. There are no facts indicating the variation of its shareholdings. Besides, Huarong Group has been fulfilling its debt repayment obligations in a responsible manner. On 23 June 2021, Huarong Group announced on its official website that from 1 April to 23 June 2021, it had fully paid up a total of 51 maturing domestic and overseas bonds of an aggregate of approximately RMB43.5 billion on time. According to the remarks of Huarong Group spokesman on 19 August 2021, Huarong Group had fully paid up a total of 94 maturing domestic and overseas bonds of an aggregate of approximately RMB63.3 billion on time during the period from 1 April to 18 August 2021. Furthermore, pursuant to the announcement of Huarong Group dated 18 August 2021, Huarong Group signed investment framework agreements with CITIC Group Corporation, China Insurance Investment Co., Ltd., China Life Asset Management Company Limited, China Cinda Asset Management Co., Ltd. and Sino-Ocean Capital Holding Limited respectively. If the potential strategic investment is implemented, it will effectively replenish Huarong Group's capital and further consolidate Huarong Group's foundation for sustainable operations. Therefore, the Group is still optimistic about the future prospect of the bond issued by Huarong Group.

(C) *Perpetual Bonds*

Name of the perpetual bonds	Notes	Gain/(loss) on fair		Fair value as at 30 June 2021 (RMB'000)	Percentage of total FVOCI and FVPL Investments at 30 June 2021	Percentage of total assets of the Group as at 30 June 2021
		Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2021 (RMB'000)	value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2021 (RMB'000)			
CCB Life Insurance Co.Ltd 2017	2	220	46	9,855	7.4%	1.4%
Chalieco Hong Kong Corp.Ltd 2019	3	244	(151)	9,827	7.4%	1.4%
FWD Ltd 2017	4	305	(43)	10,049	7.6%	1.4%

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 Quarterly Solvency Report of CCB Life Insurance for the first quarter and second quarter of 2021, CCB Life Insurance recorded a net loss for the first quarter of approximately RMB309 million and a net profit for the second quarter of approximately RMB798 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, “**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 interim results announcement of Chalieco for the six months ended 30 June 2021, Chalieco recorded revenue of approximately RMB10,334 million and net profit after tax of approximately RMB51 million, compared with net loss after tax of approximately RMB83 million for the six months ended 30 June 2020. The reason why Chalieco experienced a turnaround from loss to profit was mainly due to the fact that the COVID-19 epidemic was increasingly stabilised and economy recovery continued in China. Chalieco exerted effort to promote high-quality corporate development, proactively carried out engineering business and strengthened cost management, and hence its production and profitability continued to be stable and promising.

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.

(D) *Bond Fund*

Name of the bond fund	Note	Gain/(loss) on fair value changes recognised in consolidated statement of profit or loss for the six months ended		Fair value as at 30 June 2021 (RMB'000)	Percentage of total FVOCI and FVPL Investments as at 30 June 2021	Percentage of total assets of the Group as at 30 June 2021
		Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2021 (RMB'000)	value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2021 (RMB'000)			
UBS Asian Bonds Series 5 (USD)	2	213	(201)	10,389	7.8%	1.5%

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 bond 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.

Pursuant to UBS (CAY) Investment Fund Series Reports and Financial Statements for the period from 22 January 2020 (date of commencement of operations) to 31 December 2020, the Sub-Fund recorded revenue of approximately USD 46 million and an increase in net assets attributable to unitholders from operations of approximately USD 27 million.

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) *Unlisted Equity Investments*

Company Name	Notes	Percentage of Shareholdings as at 30 June 2021	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2021 (RMB'000)	Fair value as at 30 June 2021 (RMB'000)	Percentage of total FVOCI and FVPL investments as at 30 June 2021	Percentage of the total assets of the Group as at 30 June 2021
Xiamen eName Technology Co., Ltd. ("eName")	2	2%	(702)	21,479	16.2%	3.1%
Xiamen Relian Tianxia Technology Co., Ltd. ("Xiamen Relian")	3	10%	(1,926)	8,339	6.3%	1.2%
Others	4	-	(1,849)	3,417	2.5%	0.4%

Notes:

- 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.
- 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 2021, eName recorded revenue of approximately RMB86.3 million, representing an increase of 6.58% compared with the corresponding period in 2020, and net profit attributable to the shareholders of approximately RMB3.9 million, which remained relatively steady compared with the six months ended 30 June 2020. eName has established a leading position in the domain transaction and service industry through mature technical support, convenient transaction procedure and humanized service management. eName adhered to expand its domain name business and it has actively increased promotional efforts and successfully maintained its transactions despite of the gloomy industry environment.

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

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

Pursuant to Xiamen Relian's financial statements for the period ended 30 June 2021, Xiamen Relian recorded revenue of approximately RMB0.5 million and net loss after tax of approximately RMB0.4 million. With the growing normalisation of COVID-19 epidemic, the hotel industry is still not fully recovered in the first half of 2021. Xiamen Relian therefore remained mainly focused on the launch testing of different models during this period, instead of large-scale expansion.

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.

- Others comprised two unlisted limited liability companies and none of these investments accounted for more than 0.4% of the total assets of the Group as at 30 June 2021.

(F) *Unlisted Debt Investments*

Company Name	Notes	Percentage of Shareholdings as at 30 June 2021	Gain/(loss) on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2021 (RMB'000)	Fair value as at 30 June 2021 (RMB'000)	Percentage of total FVOCI and FVPL investments as at 30 June 2021	Percentage of the total assets of the Group as at 30 June 2021
Future Capital Discovery Fund II, L.P. ("Future Capital")	2	1.8797%	6,121	35,020	26.4%	5.0%
Others	3	–	1,483	6,662	5.0%	1.0%

Notes:

- 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.
- 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 six months ended 30 June 2021, Future Capital recorded income of approximately US\$975 and net increase in partners' capital resulting from operations of approximately US\$83.7 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 was listed in 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.

- Others comprised two unlisted debt investments and none of these investments accounted for more than 0.6% of the total assets of the Group as at 30 June 2021.

There was no impairment made for any investments in debt instruments for the six months ended 30 June 2021. 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 during the six months ended 30 June 2021. Except for those disclosed in this announcement, there was no plan authorised by the Board for other significant investments or acquisitions of major capital assets or other businesses in the second half of 2021. However, the Group will continue to identify new opportunities for business development.

Gearing ratio

The Group's gearing ratio, which is calculated based on total liabilities divided by total assets, was 18.5% as at 30 June 2021 and 22.9% as at 31 December 2020.

Capital expenditures

The Group's capital expenditures for the six months ended 30 June 2021 and 2020:

	Six Months Ended 30 June		Change %
	2021	2020	
	(RMB'000)	(RMB'000)	
Property, plant and equipment	447	282	58.5
Construction in progress	17,252	7,234	138.5
Total	17,699	7,516	135.5

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 six months ended 30 June 2021 were approximately RMB17.7 million, compared with RMB7.5 million for the six months ended 30 June 2020, representing an increase of approximately 135.5%, which was primarily due to the increase in construction costs for the Company's R&D centre and headquarters building in Xiamen, from approximately RMB7.2 million for the six months ended 30 June 2020 to approximately RMB17.3 million for the six months ended 30 June 2021.

Pledge of Assets

As at 30 June 2021, bank loans of approximately RMB63.4 million (under a loan facility of up to RMB120.0 million) were used for the construction of the Company's R&D center. The bank loans were secured by land use rights, construction-in-progress and investment properties on the Land with a total carrying value of approximately RMB244.5 million.

Contingent liabilities and guarantees

As at 30 June 2021, the Company did not have any unrecorded significant contingent liabilities, guarantees or any litigation with claims made against it.

Subscription of New Shares under General Mandate

On 23 April 2021, the Company and THL H Limited (a wholly-owned subsidiary of Tencent) entered into the Share Subscription Agreement, pursuant to which the Company agreed to issue and allot, and THL H Limited agreed to subscribe for, 171,882,607 Subscription Shares at the Total Subscription Price of HK\$119,303,269 (representing a Subscription Price of approximately HK\$0.6941 per Subscription Share), on the terms and conditions provided in the Share Subscription Agreement. The closing price of the Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement was HK\$0.64.

The Directors considered that the Subscription offered a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Company so as to facilitate its development of new products, attract suitable personnel to enhance the Company's research and development capabilities, and increase the publishing and marketing budgets of the Company.

On 6 May 2021, the Subscription was completed. An aggregate of 171,882,607 Shares were allotted and issued to THL H Limited under the general mandate granted to the Directors at the annual general meeting of the Company that was held on 27 May 2020. Net proceeds of the Subscription were approximately HK\$119.1 million after deducting the relevant expenses of the Subscription.

For details, please refer to the Company's announcement dated 23 April 2021 and completion announcement dated 6 May 2021.

As at 30 June 2021, the utilisation of and expected timeline for the intended use of the net proceeds from the Subscription are as follows:

	Intended use of net proceeds (HKD million)	Actual use of net proceeds up to 30 June 2021 (HKD million)	Unutilised net proceeds up to 30 June 2021 (HKD million)	Expected timeline for intended use of the net proceeds
Supporting new product development	119.1	3.4	114.1	By 30 June 2023
Attracting suitable personnel		0.1		
Increase the publishing and marketing budget		1.5		
Total	119.1	5.0	114.1	

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Company had 432 full-time employees, the majority of whom were based in Xiamen, Fujian Province. The following table sets forth the number of employees categorised by function as at 30 June 2021:

	Number of Employees	% of Total
Development	275	63.7
Operations	70	16.2
Administration	80	18.5
Sales and marketing	7	1.6
	<hr/>	<hr/>
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 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 the Post-IPO Share Option Scheme and RSU Plan II as long-term incentive schemes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	4	51,670	47,084
Cost of sales		<u>(15,505)</u>	<u>(14,546)</u>
Gross profit		36,165	32,538
Other income and gains	4	15,115	7,893
Selling and distribution expenses		(3,910)	(8,867)
Administrative expenses		(21,130)	(19,456)
Research and development costs		(31,352)	(21,770)
Finance costs		(1,101)	(1,112)
Other expenses	5	(164)	(10,500)
Share of profits and losses of associates		<u>357</u>	<u>(614)</u>
LOSS BEFORE TAX	6	(6,020)	(21,888)
Income tax expense	7	<u>(2,483)</u>	<u>(1,401)</u>
LOSS FOR THE PERIOD		<u>(8,503)</u>	<u>(23,289)</u>
Attributable to:			
Owners of the parent		(9,677)	(22,409)
Non-controlling interests		<u>1,174</u>	<u>(880)</u>
		<u>(8,503)</u>	<u>(23,289)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic & Diluted		<u>RMB(0.01)</u>	<u>RMB(0.01)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
LOSS FOR THE PERIOD	(8,503)	(23,289)
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	(8,073)	(6)
Exchange differences:		
Exchange differences on translation of foreign operations	(1,918)	3,040
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(9,991)	3,034
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	(4,477)	7,337
Income tax effect	587	(2,181)
	(3,890)	5,156
Transfer of property, plant and equipment and land use right to investment properties:		
Revaluation gains	887	–
Income tax effect	(222)	–
	665	–
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(3,225)	5,156
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(13,216)	8,190
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(21,719)	(15,099)
Attributable to:		
Owners of the parent	(22,893)	(14,226)
Non-controlling interests	1,174	(873)
	(21,719)	(15,099)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		56,155	130,228
Investment properties		157,973	–
Right-of-use assets		36,960	104,329
Goodwill	9	20,121	20,121
Other intangible assets		994	1,107
Investment in associates		17,937	18,023
Prepayments, other receivables and other assets	11	32,719	17,349
Equity investments designated at fair value through other comprehensive income	12	33,235	37,712
Debt investments at fair value through other comprehensive income	12	13,658	22,025
Financial assets at fair value through profit or loss	12	85,837	78,214
Deferred tax assets		516	1,814
Total non-current assets		456,105	430,922
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	10	29,058	30,902
Prepayments, other receivables and other assets	11	19,383	21,986
Cash and cash equivalents		179,792	139,194
Other current assets		12,390	11,059
Total current assets		240,623	203,141
CURRENT LIABILITIES			
Other payables and accruals		52,310	65,100
Interest-bearing bank loans		10,000	10,000
Lease liabilities		3,365	3,696
Tax payable		2,018	1,705
Contract liabilities		4,022	3,716
Total current liabilities		71,715	84,217
NET CURRENT ASSETS		168,908	118,924
TOTAL ASSETS LESS CURRENT LIABILITIES		625,013	549,846

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	53,420	53,840
Lease liabilities	281	2,578
Deferred tax liabilities	1,945	1,239
Contract liabilities	1,475	3,023
	<hr/>	<hr/>
Total non-current liabilities	57,121	60,680
	<hr/>	<hr/>
Net assets	567,892	489,166
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	1	1
Share premium	597,932	498,453
Reserves	(27,238)	(138)
	<hr/>	<hr/>
	570,695	498,316
	<hr/>	<hr/>
Non-controlling interests	(2,803)	(9,150)
	<hr/>	<hr/>
Total equity	567,892	489,166
	<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 6 March 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at the offices of 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 “Stock Exchange”) on 5 December 2014.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)

The nature and impact of the revised IFRSs are described below:

- (a) 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 risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 did not have any impact on the Group's interim condensed consolidated financial information.

The Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. 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 provided that 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.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

Information about geographical areas

Since no revenue or operating profit from transactions with a single geographical area other than Mainland China accounted for 10% or more of the Group and all of the Group's identifiable non-current assets were located in Mainland China, no geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB6,592,000).

4. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Online web and mobile games	19,743	23,451
Single-player games	<u>13,344</u>	<u>7,006</u>
Game operations	33,087	30,457
– Gross basis	4,338	1,195
– Net basis	28,749	29,262
Online game distribution	3,941	8,466
Licensing income	5,622	359
Advertising revenue	8,800	7,771
Sale of goods	204	16
Technical service income	<u>16</u>	<u>15</u>
	<u>51,670</u>	<u>47,084</u>
Timing of revenue recognition		
Services transferred over time	3,635	359
Services and goods transferred at a point of time	<u>48,035</u>	<u>46,725</u>
Total revenue from contracts with customers	<u>51,670</u>	<u>47,084</u>
Other income		
Government grants	1,701	4,433
Interest income	1,505	1,674
Gross rental income from investment property operating leases	<u>1,699</u>	<u>–</u>
	<u>4,905</u>	<u>6,107</u>
Gains		
Fair value gains, net:		
– Financial assets	7,891	1,760
Fair value gains on investment properties	2,109	–
Other gains	<u>210</u>	<u>26</u>
	<u>15,115</u>	<u>7,893</u>

5. OTHER EXPENSES

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Impairment of investment in an associate	–	10,442
Foreign exchange loss	122	44
Loss on disposal of items of property, plant and equipment	16	–
Others	26	14
	<u>164</u>	<u>10,500</u>

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Channel costs	768	1,322
Rental fee	1,723	1,524
Depreciation of property, plant and equipment	1,652	1,304
Depreciation of right-of-use assets	1,736	2,107
Amortisation of other intangible assets	113	396
Advertising expenses	2,024	6,804
Outsource fee	2,393	516
Impairment of investment in an associate	–	10,442
Auditor's remuneration	550	550
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	45,282	40,022
Pension scheme contributions	3,413	992
Equity-settled share-based payment expenses	966	1,299
	<u>49,661</u>	<u>42,313</u>
Fair value gains, net:		
Financial assets	(7,891)	(1,760)
Interest income	(1,505)	(1,674)
Government grants	(1,701)	(4,433)
	<u>(1,701)</u>	<u>(4,433)</u>

7. INCOME TAX EXPENSE

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

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Xiamen Feixin Internet Technology Co., Ltd., Beijing Kailuo Tianxia Technology Co., Ltd., Xiamen Xiyu Internet Technology Co., Ltd. and Xiamen Guangling Information Technology Co., Ltd., which 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.

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax	115	(166)
Deferred tax	2,368	1,567
Total tax charge for the period	<u>2,483</u>	<u>1,401</u>

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 period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,598,886,001 (for the six months ended 30 June 2020: 1,546,943,455) in issue during the period, as adjusted to reflect the share issuance during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as the impact of the share option outstanding had an anti-dilution effect in the basic loss per share amounts presented.

9. GOODWILL

	RMB'000
At 30 June 2021 and 31 December 2020:	
Cost	432,278
Accumulated impairment	<u>(412,157)</u>
Net carrying amount	<u>20,121</u>

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

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	29,058	30,902

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 30 June 2021

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount (RMB'000)	29,058	–	–	–	29,058
Expected credit losses (RMB'000)	–	–	–	–	–

As at 31 December 2020

	Current	Less than 1 month	Past due 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)	–	–	–	–	–

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current		
Prepayments	11,327	3,889
Prepaid land lease payments related deposits	1,605	1,605
Other receivables (1)	27,392	19,460
	40,324	24,954
Impairment allowance	(7,605)	(7,605)
	32,719	17,349
Current		
Prepayments	5,445	4,957
Deposits	6,414	6,540
Other receivables	11,628	14,593
	23,487	26,090
Impairment allowance	(4,104)	(4,104)
	19,383	21,986

- (1) Other receivables contained the investment receivable from Minsheng Wealth Management Co., Ltd. (“Minsheng Wealth”) amounting to RMB10,000,000. The Group invested RMB10,000,000 in private equity fund managed by Minsheng Wealth in January 2021. According to the fund management agreement, the lock-up period was from 5 January 2021 to 23 June 2021. According to the latest arrangement of Minsheng Wealth, all of the principal will be repaid no later than the end of 2022.

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

		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Debt investments at fair value through other comprehensive income			
Straight bond	(1)	<u>13,658</u>	<u>22,025</u>
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value	(2)	<u>33,235</u>	<u>37,712</u>
Financial assets at fair value through profit or loss			
Unlisted debt investments, at fair value	(3)	41,682	37,282
Structured financial product	(4)	4,035	–
Bond fund	(5)	10,389	10,711
Perpetual bonds	(6)	<u>29,731</u>	<u>30,221</u>
		<u>85,837</u>	<u>78,214</u>

- (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.
- (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 2 March 2021, the Group invested structured financial product with amount of RMB4,000,000 issued by ICBC Wealth Management Co., Ltd., which is the wholly owned subsidiary of Industrial and Commercial Bank of China.
- (5) 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 RMB11.1 million).
- (6) 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).

OTHER INFORMATION AND CORPORATE GOVERNMENT HIGHLIGHTS

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

During the six months ended 30 June 2021, neither the Company, its subsidiaries nor any of the PRC Operating Entities had purchased, sold or redeemed any of the Company's listed securities.

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 unaudited consolidated interim results of the Company for the six months ended 30 June 2021.

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 below, the Company has complied with all applicable code provisions under the CG Code for the six months ended 30 June 2021.

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 act 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 should help to 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 Model Code

The Company has adopted the Model Code for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2021.

Senior management, executives and staff who, because of their work at the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2021.

Publication of the Interim Results Announcement and 2021 Interim Report

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.feiyuhk.com), and the 2021 interim report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the abovementioned websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to its shareholders, the management team, employees, business partners and customers 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, 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\$”, “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”	Intellectual Properties
“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
“Land”	the land located in Huli District, Xiamen, the PRC as disclosed in the Company’s announcement dated 21 July 2016
“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)
“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
“Post-IPO Share Option Scheme”	the post-IPO Share Option Scheme adopted by the Shareholders on 17 November 2014
“PRC Operating Entities”	Xiamen Guanghuan and its subsidiaries and “PRC Operating Entity” means any one of them
“Prospectus”	the prospectus dated 25 November 2014 issued by the Company
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“RPG”	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more “characters” who develop specific skill sets (such as melee combat or casting magic spells) and control the character’s actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
“RSU(s)”	restricted share units or any one of them
“RSU Plan II”	the RSU Plan II adopted by the Shareholders on 28 May 2018

“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0000001 each
“Share Subscription Agreement”	the subscription agreement dated 23 April 2021 entered into between the Company and THL H Limited in relation to the Subscription
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	approximately HK\$0.6941 per subscription share
“Subscription Share(s)”	171,882,607 newly allotted and issued Shares
“Subscription”	the subscription of the Subscription Shares by Tencent (through its wholly-owned subsidiary named THL H Limited) at the Subscription Price
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“Tencent”	Tencent Holdings Limited, a limited liability company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 700)
“US\$”, “United States Dollars” or “USD”	United States dollars, the lawful currency of the United States of America
“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, 27 August 2021

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