

2021 INTERIM REPORT



Feiyu Technology International Company Ltd.

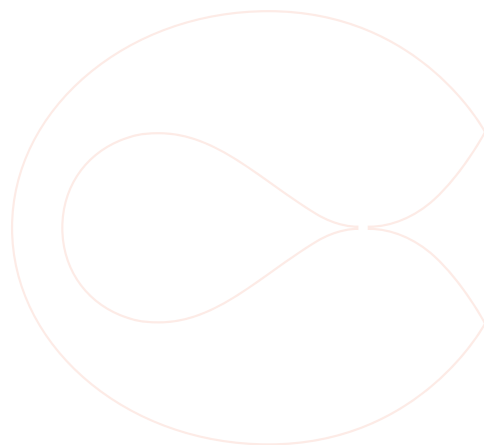
飛魚科技國際有限公司

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 1022



To Better The Virtual World



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YAO Jianjun (*Chairman and Chief Executive Officer*)
Mr. CHEN Jianyu (*President*)
Mr. BI Lin (*Vice President*)
Mr. LIN Jiabin (*Vice President*)
Mr. LIN Zhibin (*Vice President*)

Independent Non-executive Directors

Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

AUDIT COMMITTEE

Ms. LIU Qianli (*Chairwoman*)
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

REMUNERATION COMMITTEE

Ms. LIU Qianli (*Chairwoman*)
Mr. BI Lin
Mr. LAI Xiaoling

NOMINATION COMMITTEE

Mr. YAO Jianjun (*Chairman*)
Ms. LIU Qianli
Mr. MA Suen Yee Andrew

AUTHORISED REPRESENTATIVES

Mr. BI Lin
Ms. LUI Mei Ka

JOINT COMPANY SECRETARIES

Ms. LUI Mei Ka
Ms. WEI Yulan

LEGAL ADVISERS

As to Hong Kong law:

Dentons Hong Kong LLP
Suite 3201, Jardine House
1 Connaught Place
Central, Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITORS

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road Quarry Bay
Hong Kong

CORPORATE INFORMATION



REGISTERED OFFICE

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Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEADQUARTERS

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Xiamen, Fujian Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

**Computershare Hong Kong Investor
Services Limited**
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Industrial and Commercial Bank of China Xiamen Branch, Chengjian sub-branch

No. 270 Lujiang Road
Xiamen, Fujian Province
PRC

China Merchants Bank, Beijing branch Jianwaidajie sub-branch

No. 0668, Block 6, Jianwai SOHO
No. 39 Dongsanhuan Zhonglu
Chaoyang District
Beijing, PRC

INVESTOR RELATIONS

Christensen China Limited

16/F, Methodist House,
36 Hennessy Road,
Wanchai, Hong Kong

COMPANY'S WEBSITE

www.feiyuhk.com

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

1022

DATE OF LISTING

5 December 2014

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	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 ⁽¹⁾	(8,711)	(21,110)	(58.7)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic & Diluted	RMB(0.01)	RMB(0.01)	

Note:

- (1) We define 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 attributable to owners of the parent is 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 does not include all items that would impact our net loss attributable to owners of parent for the accounting period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 30 June 2021 (RMB'000) (Unaudited)	As of 31 December 2020 (RMB'000) (Audited)	Change %
	Assets		
Non-current assets	456,105	430,922	5.8
Current assets	240,623	203,141	18.5
Total assets	696,728	634,063	9.9
Equity and liabilities			
Total equity	567,892	489,166	16.1
Non-current liabilities	57,121	60,680	(5.9)
Current liabilities	71,715	84,217	(14.8)
Total liabilities	128,836	144,897	(11.1)
Total equity and liabilities	696,728	634,063	9.9

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 interim report, Tencent is interested in approximately 15.24% of total issued share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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 interim report, 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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	(% of Total Revenue)	2020	(% of Total Revenue)
	(RMB'000)		(RMB'000)	
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (RMB'000)	2020 (RMB'000)	
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)

MANAGEMENT DISCUSSION AND ANALYSIS

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 Revenue)	2020	(% of Total Revenue)
	(RMB'000)		(RMB'000)	
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 (卡噠探險隊), 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.

MANAGEMENT DISCUSSION AND ANALYSIS



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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	966	1,299	(25.6)
Total	(8,711)	(21,110)	(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.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

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

MANAGEMENT DISCUSSION AND ANALYSIS

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%

MANAGEMENT DISCUSSION AND ANALYSIS

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 18 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%

MANAGEMENT DISCUSSION AND ANALYSIS

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 18 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(C) Perpetual Bonds

Name of the perpetual bonds	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	Percentage of
					total FVOCI and FVPL Investments at 30 June 2021	total assets of the Group as at 30 June 2021
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:

- 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 18 to the financial statements for details of the investment in perpetual bonds.
- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

- 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.

- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(D) Bond Fund

Name of the bond fund	Note	Interest income	Gain/(loss)	Fair value	Percentage of	Percentage of
		recognised in consolidated statement of profit or loss for the six months ended 30 June 2021 (RMB'000)	on fair 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:

- 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 18 to the financial statements for details of the UBS Asian Bonds.
- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(E) Unlisted Equity Investments

Company Name	Note	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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 interim report, 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 interim report, 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 (RMB'000)	2020 (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	

MANAGEMENT DISCUSSION AND ANALYSIS

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
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.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in Shares

Name of Director/ chief executive	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding ⁷ %
YAO Jianjun	Founder of a discretionary trust Interest of controlled corporation and Beneficial owner ^{1 and 2}	489,884,500	28.50
CHEN Jianyu	Founder of a discretionary trust Interest of controlled corporation ^{1 and 3}	161,538,000	9.40
BI Lin	Founder of a discretionary trust Interest of controlled corporation ^{1 and 4}	77,470,000	4.51
LIN Jiabin	Founder of a discretionary trust Interest of controlled corporation ^{1 and 5}	36,477,000	2.12
LIN Zhibin	Founder of a discretionary trust Interest of controlled corporation ^{1 and 6}	37,390,500	2.18

Notes:

- 1 TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Lin Family Trust and The Zhi Family Trust.
- 2 These interests represented:
 - (a) 8,485,500 Shares held directly by Mr. YAO; and
 - (b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 161,538,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.
- 4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 77,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.
- 5 The entire share capital of LINT Holdings Limited is wholly owned by Supreme Top Global Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Lin Family Trust, which was established by Mr. LIN Jiabin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Jiabin and his family members. Mr. LIN Jiabin (as founder of The Lin Family Trust) and Supreme Top Global Limited are taken to be interested in 36,477,000 Shares held by LINT Holdings Limited pursuant to Part XV of the SFO.
- 6 The entire share capital of LINCHEN Holdings Limited is wholly owned by Sheen Field Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Zhi Family Trust, which was established by Mr. LIN Zhibin on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN and his family members. Mr. LIN (as founder of The Zhi Family Trust) and Sheen Field Limited are taken to be interested in 37,390,500 Shares held by LINCHEN Holdings Limited pursuant to Part XV of the SFO.
- 7 The percentage is calculated on the basis of 1,718,826,062 Shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

POST-IPO SHARE OPTION SCHEME

The Company has currently adopted a share options scheme, namely the Post-IPO Share Option Scheme.

As at 30 June 2021, the total number of options granted under the Post-IPO Share Option Scheme was 146,160,000, which represented approximately 8.50% of the Shares in issue as at 30 June 2021. As at 30 June 2021, 38,640,000 options granted under the Post-IPO Share Option Scheme, which represented approximately 2.25% of the Shares in issue as at 30 June 2021, were vested to the named grantees.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

The table below sets out details of the outstanding options granted to the grantee under the Post-IPO Share Option Scheme and movements during the six months ended 30 June 2021:

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Shares					
						Granted on the date of grant	Outstanding as at 1/1/2021	Granted during the six months ended 30/6/2021	Exercised during the six months ended 30/6/2021	Cancelled/Lapsed during the six months ended 30/6/2021	Outstanding as at 30/6/2021
Senior management											
Mr. YANG Guangwen ("Mr. Yang")	10/6/2015	25% of options on 10 June 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK\$3.934	HK\$3.62	3,000,000 ⁽¹⁾	3,000,000	-	-	-	3,000,000
Mr. Yang	27/3/2017	50% of options on 30 June 2017 and 25% of options on 30 June 2018 and 2019 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,000,000 ⁽²⁾	3,000,000	-	-	-	3,000,000
Mr. Yang	21/1/2020	8,000,000 options on 31 December 2021 and 10,000,000 options on 31 December 2022, subject to performance targets	8 May 2020 to 21 January 2024	HK\$0.1804	HK\$0.154	18,000,000 ⁽³⁾	18,000,000	-	-	-	18,000,000
Ms. XU Yiqing ("Ms. Xu")	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,000,000 ⁽²⁾	3,000,000	-	-	-	3,000,000
Ms. Xu	21/1/2020	7,000,000 options (5,250,000 of which are subject to performance targets) on 31 December 2020, and 31 December 2021 respectively and 8,000,000 options (6,000,000 of which are subject to performance targets) on 31 December 2022	8 May 2020 to 21 January 2024	HK\$0.1804	HK\$0.154	22,000,000 ⁽³⁾	22,000,000	-	-	-	22,000,000
Ms. WEI Yulan	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	600,000 ⁽²⁾	600,000	-	-	-	600,000
Ms. TU Qin ("Ms. Tu")	13/11/2017	1/3 of options on 13 November 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.026	HK\$1.00	15,000,000 ⁽²⁾	15,000,000	-	-	-	15,000,000
Ms. Tu	21/1/2020	10,000,000 options on 31 December 2020, 15,000,000 options on 31 December 2021 and 25,000,000 options on 31 December 2022, subject to performance targets	8 May 2020 to 21 January 2024	HK\$0.1804	HK\$0.154	50,000,000 ⁽³⁾	50,000,000	-	-	-	50,000,000

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Granted on the date of grant	Outstanding as at 1/1/2021	Number of Shares			Outstanding as at 30/6/2021
								Granted during the six months ended 30/6/2021	Exercised during the six months ended 30/6/2021	Cancelled/Lapsed during the six months ended 30/6/2021	
Ms. LUI Mei ka	21/1/2020	10% of options on 31 December 2020, 40% of options on 31 December 2021 and 50% of options on 31 December 2022, subject to performance targets	4 years from the date of grant	HK\$0.1804	HK\$0.164	10,000,000 ⁽⁶⁾	10,000,000	-	-	(1,000,000) ⁽⁷⁾	9,000,000
Mr. SHENG Xiang	21/1/2020	1/3 of options (i.e. 4,000,000, among which 3,000,000 are subject to performance targets) on 31 December 2020, 2021, 2022 respectively	4 years from the date of grant	HK\$0.1804	HK\$0.164	12,000,000 ⁽⁶⁾	12,000,000	-	-	-	12,000,000
Other Grantees											
1 other grantee	5/7/2016	25% of options on 31 December 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK\$1.634	HK\$1.57	1,000,000 ⁽⁸⁾	-	-	-	-	-
9 other grantees	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,560,000 ⁽⁸⁾	2,700,000	-	-	-	2,700,000
2 other grantee	15/5/2017	25% of options on 15 May 2018, 2019, 2020 and 2021 respectively	10 years from the date of grant	HK\$1.10	HK\$1.11	5,000,000 ⁽⁸⁾	-	-	-	-	-
Total						146,160,000					138,300,000

Notes:

- On 10 June 2015, 3,000,000 share options were granted to a senior management with exercise price of HK\$3.934 per Share, which represents the highest of: (i) the closing price of HK\$3.69 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 10 June 2015; (ii) the average of the closing price of HK\$3.934 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- On 5 July 2016, 1,000,000 share options were granted to an eligible participant with exercise price of HK\$1.634 per Share, which represents the highest of: (i) the closing price of HK\$1.42 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 5 July 2016; (ii) the average of the closing price of HK\$1.634 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 3) On 27 March 2017, 10,160,000 share options were granted to three senior management and other 9 eligible participants with exercise price of HK\$1.256 per Share, which represents the highest of: (i) the closing price of HK\$1.23 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 27 March 2017; (ii) the average of the closing price of HK\$1.256 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- 4) On 15 May 2017, 5,000,000 share options were granted to two eligible participant with exercise price of HK\$1.10 per Share, which represents the highest of: (i) the closing price of HK\$1.10 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 15 May 2017; (ii) the average of the closing price of HK\$1.096 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- 5) On 13 November 2017, 15,000,000 share options were granted to a senior management with exercise price of HK\$1.026 per Share, which represents the highest of: (i) the closing price of HK\$0.99 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 13 November 2017; (ii) the average of the closing price of HK\$1.026 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- 6) On 21 January 2020, 112,000,000 share options, of which 90,000,000 share options (the "Conditional Grant") were subject to the approval of the independent Shareholders, were granted to 5 senior management with exercise price of HK\$0.1804 per Share, which represents the highest of: (i) the closing price of HK\$0.165 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer of the Share Options, i.e. 21 January 2020; (ii) the average of the closing price of HK\$0.1804 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of offer of the Share Options, i.e. 21 January 2020; and (iii) the nominal value of a Share of US\$0.0000001. At the extraordinary general meeting of the Company held on 8 May 2020, the resolutions in respect of approving the Conditional Grant were duly passed by the independent Shareholders. For details, please refer to the Company's announcement dated 21 January 2020, circular dated 8 April 2020 and poll results announcement dated 8 May 2020.
- 7) 1,000,000 share options granted to a senior management lapsed during the six months ended 30 June 2021 upon the annual performance target for the year ended 31 December 2020 having not been fulfilled.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

SUMMARY OF THE POST-IPO SHARE OPTION SCHEME

- 1. Purpose**

To provide an incentive or reward for the participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.
- 2. Eligible Participants**

Full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries, and suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, has contributed or will contribute to the Group and whom the Board may in its absolute discretion select and think fit.
- 3. Maximum number of shares**

The total number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme is 150,000,000 Shares which is equivalent to 12.50% and 8.73% of the issued Shares as at 17 November 2014 and the date of this interim report respectively.

As at the date of this interim report, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 150,000,000 Shares, representing approximately 8.73% of the total number of issued Shares as at the date of this interim report.

The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and any other schemes must not in aggregate exceed 30% of the total number of Shares in issue from time to time.
- 4. Maximum entitlement of each participant**

1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer
- 5. Option period**

The Board may in its absolute discretion specify conditions or performance targets at the time of grant of options which shall be satisfied by the grantee before his options may be exercised.
- 6. Exercise price**

Exercise price shall be higher of: (1) the official closing price of the Shares as stated on the Stock Exchange's daily quotations sheets on the date of offer of option; (2) average of the official closing prices of the Shares stated on the Stock Exchange's daily quotation sheets for the 5 business days before the date of offer and (3) nominal value of a Share.
- 7. Remaining life of the scheme**

It shall be valid and effective from 17 November 2014 to the 10th anniversary of the Listing Rule (i.e. 5 December 2024) (both dates inclusive).

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

RESTRICTED SHARE UNIT PLAN

RSU PLAN II

The Company has currently adopted a RSU plan, namely the RSU Plan II.

As approved by the Shareholders at the annual general meeting held on 28 May 2021, the maximum number of Shares underlying all grants of RSUs under the annual mandate of the RSU Plan II given to the Directors shall not exceed 45,000,000 Shares, which represented approximately 2.62% and 2.62% of the Shares in issue as at 30 June 2021 and the date of this interim report respectively. No RSU was granted under the RSU Plan II from the date of its adoption up to the date of this interim report.

Summary of the RSU Plan II

- 1. Purpose**

To reward the participants for their contribution to the success of the Group and to provide incentives to them to further contribute to the Group, and to attract suitable personnel for further development to the Group.
- 2. Eligible Participants**
 - (i) Full-time employees or officers (including executive, non-executive and independent non-executive Directors) of the Company;
 - (ii) Full-time employees of any subsidiaries and the PRC Operating Entities;
 - (iii) Suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, have contributed or will contribute to the Group; and
 - (iv) Any other person who, in the absolute discretion of the Board, has contributed or will contribute to the Group.
- 3. Maximum number of shares**

No Award shall be granted pursuant to the RSU Plan II if as a result of such grant the aggregate number of Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the RSU Plan II (excluding Awards that have lapsed or been cancelled in accordance with the rules of the RSU Plan II) will exceed 3% of the total issued Shares at the relevant date of Shareholders' approval (i.e. 28 May 2018).

If the limit of the RSU Plan II is refreshed with prior approval of the Shareholders, the total number of Shares underlying the awards shall not exceed 3% of the number of issued Shares as at the date of approval of the refreshed limit.
- 4. Term of the RSU Plan II**

It shall be valid and effective for a period of 10 years commencing from 28 May 2018 (i.e. until 28 May 2028).

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 5. Grant of Award** The Board may grant an award of RSUs any time during the term of the respective RSU Plan on terms and conditions specified by it.
- 6. Rights attached** An award of RSUs does not carry any right to vote at general meetings of the Company. No grantee shall enjoy any right of a shareholder by virtue of the grant of award unless and until the Shares underlying the award are allotted and issued or transferred (as the case may be) to the grantee. Notwithstanding the foregoing, the Board may specify in its sole discretion that a grantee may enjoy rights to cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the award.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of shareholding ⁶ %
TMF (Cayman) Ltd. ¹	Trustee of the family trusts	820,815,000	47.75
YAO Holdings Limited ²	Beneficial owner	481,399,000	28.01
Jolly Spring International Limited ²	Interest in a controlled corporation	481,399,000	28.01
Mr. YAO Jianjun ³	Founder of a discretionary trust Interest in a controlled corporation and Beneficial owner	489,884,500	28.50
Fishchen Holdings Limited ⁴	Beneficial owner	161,538,000	9.40
Honour Gate Limited ⁴	Interest in a controlled corporation	161,538,000	9.40
Mr. CHEN Jianyu ⁴	Founder of a discretionary trust Interest in a controlled corporation	161,538,000	9.40
Tencent Holdings Limited ⁵	Interest in a controlled corporation	261,882,607	15.24

Notes:

1 TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Sun Family Trust, The Lin Family Trust, The Zhi Family Trust and The Dong Family Trust, seven trusts in total.

2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

3 These interests represented:

(a) 8,485,500 Shares held directly by Mr. YAO; and

(b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

4 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 161,538,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.

5 Tencent holds 261,882,607 Shares indirectly through its wholly-owned subsidiary, THL H Limited, a company incorporated under the laws of British Virgin Islands.

6 The percentage is calculated on the basis of 1,718,826,062 Shares in issue as at 30 June 2021.

Other than as disclosed above, as at 30 June 2021, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2021, except for the issuance of 171,882,607 new Shares pursuant to the Subscription, neither the Company, its subsidiaries nor any of the PRC Operating Entities has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this interim report, the Company has always maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2021 and up to the date of this interim report.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. Save as disclosed herein below, the Company has complied with all applicable code provisions under the CG Code during six months ended 30 June 2021.

Code provision A.2.1 of the CG Code stipulates 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.

The Board

The Board currently comprises eight Directors, including five Executive Directors, viz, Mr. YAO Jianjun, Mr. CHEN Jianyu, Mr. BI Lin, Mr. LIN Jiabin and Mr. LIN Zhibin; and three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, viz, Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. MA Suen Yee Andrew.

The Corporate Information on pages 2 to 3 of this interim report includes changes up to the date of this interim report.

Model Code for Securities Transactions

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 offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2021.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Review of Interim Results

The Audit Committee, comprising three Independent Non-executive Directors, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2021 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

The unaudited interim results of the Group for the six months ended 30 June 2021 have been reviewed by Ernst & Young, the external auditors of the Company.

Change in Directors' Biographical Details under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' biographical details since the date of the 2020 annual report of the Company are as follows:

- (i) Mr. YAO Jianjun (姚劍軍), an Executive Director, has ceased to be director of Xiamen Plump Fish Cultural Media Co., Ltd. (廈門小魚飛飛文化傳媒有限公司) since 22 March 2021;
- (ii) Mr. CHEN Jianyu (陳劍瑜), an Executive Director, has been acting as director of Xiamen Plump Fish Cultural Media Co., Ltd. (廈門小魚飛飛文化傳媒有限公司) since 22 March 2021; and
- (iii) Mr. BI Lin (畢林), an Executive Director, has been acting as director of Xiamen Feiyu Tianxia Information Technology Co., Ltd. (廈門飛魚天下信息科技有限公司) which is the newly founded subsidiary of the Company since 21 July 2021.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules since the date of the 2020 annual report of the Company and up to the date of this interim report.

INDEPENDENT REVIEW REPORT



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

To the board of directors of Feiyu Technology International Company Ltd.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 38 to 76, which comprises the interim condensed consolidated statement of financial position of Feiyu Technology International Company Ltd. (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2021 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

27 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	4	51,670	47,084
Cost of sales		(15,505)	(14,546)
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	15	357	(614)
LOSS BEFORE TAX	6	(6,020)	(21,888)
Income tax expense	7	(2,483)	(1,401)
LOSS FOR THE PERIOD		(8,503)	(23,289)
Attributable to:			
Owners of the parent		(9,677)	(22,409)
Non-controlling interests		1,174	(880)
		(8,503)	(23,289)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic & Diluted		RMB(0.01)	RMB(0.01)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 RMB'000 (Unaudited)	2020 RMB'000 (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

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	56,155	130,228
Investment properties	11	157,973	–
Right-of-use assets	12	36,960	104,329
Goodwill	13	20,121	20,121
Other intangible assets	14	994	1,107
Investment in associates	15	17,937	18,023
Prepayments, other receivables and other assets	17	32,719	17,349
Equity investments designated at fair value through other comprehensive income	18	33,235	37,712
Debt investments at fair value through other comprehensive income	18	13,658	22,025
Financial assets at fair value through profit or loss	18	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	16	29,058	30,902
Prepayments, other receivables and other assets	17	19,383	21,986
Cash and cash equivalents	19	179,792	139,194
Other current assets		12,390	11,059
Total current assets		240,623	203,141
CURRENT LIABILITIES			
Other payables and accruals	20	52,310	65,100
Interest-bearing bank loans	21	10,000	10,000
Lease liabilities		3,365	3,696
Tax payable		2,018	1,705
Contract liabilities	22	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

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	21	53,420	53,840
Lease liabilities		281	2,578
Deferred tax liabilities		1,945	1,239
Contract liabilities	22	1,475	3,023
Total non-current liabilities		57,121	60,680
Net assets		567,892	489,166
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	1	1
Share premium	23	597,932	498,453
Reserves		(27,238)	(138)
		570,695	498,316
Non-controlling interests		(2,803)	(9,150)
Total equity		567,892	489,166

YAO Jianjun
Director

CHEN Jianyu
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Financial assets revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	1	498,453	18,675	151,292	344,697	3,371	27,162	(545,335)	498,316	(9,150)	489,166
Loss for the period	-	-	-	-	-	-	-	(9,677)	(9,677)	1,174	(8,503)
Other comprehensive loss for the period:											
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	(3,890)	-	-	(3,890)	-	(3,890)
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(8,073)	-	-	(8,073)	-	(8,073)
Revaluation gains arising from transfer of property, plant and equipment and land use right to investment properties, net of tax	-	-	-	-	665	-	-	-	665	-	665
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,918)	-	(1,918)	-	(1,918)
Total comprehensive loss for the period	-	-	-	-	665	(11,963)	(1,918)	(9,677)	(22,893)	1,174	(21,719)
Issue of shares	-	99,648	-	-	-	-	-	-	99,648	-	99,648
Share issue expenses	-	(169)	-	-	-	-	-	-	(169)	-	(169)
Acquisition of non-controlling interests	-	-	-	-	(5,173)	-	-	-	(5,173)	5,173	-
Equity-settled share-based payment expenses	-	-	-	966	-	-	-	-	966	-	966
At 30 June 2021 (unaudited)	1	597,932	18,675*	152,258*	340,189*	(8,592)*	25,244*	(555,012)*	570,695	(2,803)	567,892

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Financial assets revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	1	498,453	18,524	148,176	349,089	(629)	36,727	(523,724)	526,617	(16,882)	509,735
Loss for the period	-	-	-	-	-	-	-	(22,409)	(22,409)	(880)	(23,289)
Other comprehensive loss for the period:											
Changes in fair value of financial assets at fair value through other comprehensive income with gains or losses may be recycled	-	-	-	-	-	(6)	-	-	(6)	-	(6)
Changes in value of financial assets at fair value through other comprehensive income with gains or losses will not be recycled	-	-	-	-	-	5,156	-	-	5,156	-	5,156
Exchange differences on translation of foreign operations	-	-	-	-	-	-	3,033	-	3,033	7	3,040
Total comprehensive loss for the period	-	-	-	-	-	5,150	3,033	(22,409)	(14,226)	(873)	(15,099)
Acquisition of non-controlling interests	-	-	-	-	(2,101)	-	-	-	(2,101)	2,101	-
Equity-settled share-based payment expenses	-	-	-	1,299	-	-	-	-	1,299	-	1,299
At 30 June 2020 (unaudited)	1	498,453	18,524*	149,475*	346,988*	4,521*	39,760*	(546,133)*	511,589	(15,654)	495,935

* These reserve accounts comprise the consolidated reserves of RMB27,238,000 (For the six months ended 30 June 2020: RMB13,135,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before tax		(6,020)	(21,888)
Adjustments for:			
Finance costs		1,101	1,112
Interest income	4	(1,505)	(1,674)
Depreciation of property, plant and equipment	6	1,652	1,304
Depreciation of right-of-use assets	6	1,736	2,107
Amortisation of other intangible assets	14	113	396
Loss on disposal of items of property, plant and equipment	5	16	–
(Gain)/loss on disposal of right-of-use assets		(32)	81
Equity-settled share-based payment expenses	6	966	1,299
Fair value gains, net:			
Financial assets at fair value through profit or loss	4	(7,891)	(1,760)
Changes in fair value of investment properties	4	(2,109)	–
Share of profits and losses of associates	15	(357)	614
Impairment loss of investment in an associate	5	–	10,442
		(12,330)	(7,967)
Decrease in accounts receivable and receivables due from third-party game distribution platforms and payment channels		1,844	13,040
Increase in prepayments, other receivables and other assets		(2,626)	(706)
Decrease in other payables and accruals		(16,352)	(28,147)
Increase in other current assets		(1,331)	(550)
(Decrease)/increase in contract liabilities		(1,242)	1,858
Cash used in operations		(32,037)	(22,472)
Interest paid		(1,101)	(914)
Income tax received/(paid)		199	(1,094)
Net cash flows used in operating activities		(32,939)	(24,480)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	2,140	2,772
Purchases of items of property, plant and equipment	(9,166)	(17,666)
Proceeds from disposal of items of property, plant and equipment	25	–
Purchase of equity investments designated at fair value through other comprehensive income	(5,000)	–
Purchase of financial assets at fair value through profit or loss	(259,750)	(48,264)
Proceeds from disposal of financial assets	248,582	15,425
Dividends received from associates	300	200
Net cash flows used in investing activities	(22,869)	(47,533)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Addition of bank loans	4,580	1,634,426
Repayment of bank loans	(5,000)	(1,623,310)
Principal portion of lease payments	(1,861)	(2,344)
Proceeds from issue of shares	99,648	–
Share issue expenses	(140)	–
Net cash flows from financing activities	97,227	8,772
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	139,194	179,218
Effect of foreign exchange rate changes, net	(821)	(1,440)
Cash and cash equivalents at end of period	179,792	114,537
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the statement of financial position	19	179,792
		114,537

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)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (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).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue		
Online web and mobile games	19,743	23,451
Single-player games	13,344	7,006
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	16	15
	51,670	47,084
Timing of revenue recognition		
Services transferred over time	3,635	359
Services and goods transferred at a point of time	48,035	46,725
Total revenue from contracts with customers	51,670	47,084

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. REVENUE, OTHER INCOME AND GAINS (Continued)

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other income		
Government grants	1,701	4,433
Interest income	1,505	1,674
Gross rental income from investment property operating leases	1,699	–
	4,905	6,107
Gains		
Fair value gains, net:		
Financial assets	7,891	1,760
Fair value gains on investment properties	2,109	–
Other gains	210	26
	15,115	7,893

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
	164	10,500

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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
	49,661	42,313
Fair value gains, net:		
Financial assets	(7,891)	(1,760)
Interest income	(1,505)	(1,674)
Government grants	(1,701)	(4,433)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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	2,483	1,401

8. DIVIDEND

The Board does not recommend the payment of an interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

9. 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of RMB18,316,000 (for the six months ended 30 June 2020: RMB8,893,000). Depreciation for items of property, plant and equipment was RMB1,652,000 during the period (for the six months ended 30 June 2020: RMB1,304,000). Construction in progress amounting to RMB90,696,000 was transferred to investment properties during the period (for the six months ended 30 June 2020: Nil).

During the six months ended 30 June 2021, the Group disposed property, plant and equipment amounting to RMB41,000 (for the six months ended 30 June 2020: Nil).

11. INVESTMENT PROPERTIES

	30 June 2021 RMB'000 (Unaudited)
Carrying amount at 1 January	–
Transfer from property, plant and equipment	90,696
Transfer from land use right	64,281
Revaluation gains recognised in other comprehensive income	887
Net gain from a fair value adjustment	2,109
Carrying amount at 30 June	157,973

The directors of the Company have determined that the investment properties consist of two classes of assets, i.e. commercial property and car parking space based on the nature, characteristics and risks.

At 30 June 2021, the Group's investment properties were pledged to secure general banking facilities granted to the Group (note 21).

	Fair value measurement as at 30 June 2021 using			Total RMB'000 (Unaudited)
	Quoted price in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Recurring fair value measurement for:				
Commercial property and car parking space	–	–	157,973	157,973
	–	–	157,973	157,973

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

12. LEASES

During the six months ended 30 June 2021, the addition on right-of-use assets amounting to RMB726,000 (six months ended 30 June 2020: Nil) and the depreciation incurred for the period amounting to RMB2,353,000 (six months ended 30 June 2020: RMB3,485,000). During the six months ended 30 June 2021, a revision of a lease term arising from a change lead to decrease amounting to RMB1,461,000 (six months ended 30 June 2020: RMB1,296,000) for the right-of-use assets.

During the six months ended 30 June 2021, the Group transferred leasehold land to investment property amounting to RMB64,281,000 (for the six months ended 30 June 2020: Nil).

13. GOODWILL

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

14. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2021, the Group did not acquire any intangible asset (for the six months ended 30 June 2020: Nil). Amortisation for intangible assets were RMB113,000 during the period (for the six months ended 30 June 2020: RMB396,000).

No intangible asset was disposed of for the six months ended 30 June 2021 and 2020.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

15. INVESTMENT IN ASSOCIATES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Shares of net assets	1,536	1,622
Goodwill on acquisition	16,401	16,401
	17,937	18,023

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)
Share of the associates' profits and losses for the period	357	(614)

16. 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

16. ACCOUNTS RECEIVABLE AND RECEIVABLES DUE FROM THIRD-PARTY GAME DISTRIBUTION PLATFORMS AND PAYMENT CHANNELS (Continued)

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)	-	-	-	-	-

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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17. 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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18. 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)	13,658	22,025
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value	(2)	33,235	37,712
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)	29,731	30,221
		85,837	78,214

18. 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 (Continued)

- (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).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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19. CASH AND CASH EQUIVALENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and cash equivalents	179,792	139,194
Denominated in RMB	71,219	83,464
Denominated in United States Dollars ("US\$")	15,523	55,219
Denominated in Hong Kong Dollars ("HK\$")	93,050	511
Cash and cash equivalents	179,792	139,194

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

20. OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Salaries and welfare payables	21,384	35,783
Other payables and accruals	28,583	28,140
Other tax payables	1,282	999
Advance from customers	1,061	178
	52,310	65,100

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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21. INTEREST-BEARING BANK LOANS

	As at 30 June 2021			As at 31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans-secured	5.047	2021	5,000	5.047	2021	10,000
	5.047	2022	5,000	-	-	-
			10,000			10,000
Non-current						
Other-secured bank loans	5.047-5.050	2022-2026	53,420	5.047-5.050	2022-2026	53,840
			63,420			63,840
				30 June 2021	31 December 2020	
				RMB'000	RMB'000	
				(Unaudited)	(Audited)	
Analysed into:						
Bank loans repayable:						
Within one year or on demand				10,000	10,000	
In the second year				10,000	10,000	
In the third to fifth years, inclusive				43,420	40,000	
Beyond five years				-	3,840	
				63,420	63,840	

Notes:

- (a) The Group's long-term loan facility amounted to RMB120,000,000 (2020: RMB120,000,000), and is secured by the Group's leasehold land, the headquarter building in progress and investment properties. The balance of the loan will be repaid from the year 2021 to 2026 in accordance with the contracts.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

22. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<i>Short-term advances received</i>		
Online web and mobile games	2,522	1,720
Licensing income	1,500	1,996
	4,022	3,716
<i>Long-term advances received</i>		
Online web and mobile games	129	129
Licensing income	1,346	2,894
	1,475	3,023
Total contract liabilities	5,497	6,739

Contract liabilities mainly represented prepaid unconsumed virtual currencies, virtual items from players and upfront revenue sharing and remaining upfront licenses fee for online game services from game distribution platforms, for which the related services had not been rendered as at 30 June 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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23. SHARE CAPITAL

Shares

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Issued and fully paid or credited as fully paid:		
Ordinary shares of US\$0.0000001 each	1,718,826,062	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 2020	1,546,943,455	1	498,453	498,454
At 31 December 2020 and 1 January 2021	1,546,943,455	1	498,453	498,454
Shares issued	171,882,607	-	99,648	99,648
Share issue expenses	-	-	(169)	(169)
At 30 June 2021	1,718,826,062	1	597,932	597,933

The Company issued 171,882,607 subscription shares to THL H Limited, which is wholly owned subsidiary of Tencent Holdings Limited, at the subscription price of approximately HK\$0.6941 per subscription share for a total consideration of approximately HK\$119,303,000 (equivalent to approximately RMB99,648,000) before share issue expenses on 6 May 2021. After the subscription, THL H Limited further acquired 90,000,000 issued shares of the Company. As at 30 June 2021, Tencent Holdings Limited was interested in approximately 15.24% of the total issued share capital of the Company.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

24. EQUITY-SETTLED SHARE-BASED PAYMENT

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Share option schemes (Continued)

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

	2021	
	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.41	139,300
Granted during the period	–	–
Forfeited during the period	0.18	(1,000)
At 30 June	0.41	138,300

	2020	
	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	1.35	28,800
Granted during the year	0.18	112,000
Forfeited during the year	1.10	(1,500)
At 31 December	0.41	139,300

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Share option schemes (Continued)

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

30 June 2021

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
21,000	0.18	31-12-2020 to 20-01-2024
90,000	0.18	31-12-2020 to 20-01-2024
138,300		

31 December 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		

* 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Share option schemes (Continued)

The fair value of the share options granted in 2020 was estimated at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists out inputs used in the model:

	30 June 2020
Dividend yield (%)	–
Expected volatility (%)	49.42-50.97
Risk-free interest rate (%)	1.69-2.64
Expected life of options (year)	4
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.

At the end of the reporting period, the Company had 138,300,000 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 138,300,000 additional ordinary shares of the Company, an additional share capital of approximately RMB89 and a share premium of approximately RMB49,007,000.

At the date of approval of these financial statements, the Company had 138,300,000 share options outstanding under the Schemes, which represented 8.05% of the Company's shares in issue as at that date.

The Group recognised total share option expenses of RMB966,000 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB1,299,000).

25. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
Construction in progress	7,184	25,564
Capital contributions payable to an unlisted equity investment	–	5,000
Game operation	2,047	2,797
	9,231	33,361

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

26. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Mr. Yao Jianjun	Shareholder of the Company
Shanghai Kamao Network Technology Co., Ltd. ("Shanghai Kamao")	Associate
Xiamen Chenxing Interactive Technology Co., Ltd. ("Xiamen Chenxing")	Associate
Tencent Holdings Limited and its subsidiaries ("Tencent")	Shareholder of the Company
Xiamen Xianglian Technology Co., Ltd. ("Xianglian")	Significant influenced by Mr. Yao Jianjun

(b) Transactions with related parties

The following transactions were carried out with related parties:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loan to (note (i)) Shanghai Kamao	-	1,759
Cloud sever service from (note (ii)) Tencent*	424	-
Revenue sharing to (note (iii)) Shanghai Kamao	273	378
Revenue from (note (iv)) Tencent*	388	-
Rental income from (note (v)) Xianglian	166	-

* the amount represents transactions since May 2021 when Tencent became a related party to the Company.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

26. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Notes:

- (i) The Group offered a non-interest-bearing loan amounting to RMB1,759,000 to Shanghai Kamao in the first half of 2020.
- (ii) The purchase of service from Tencent was mutually agreed after taking into account the prevailing market prices.
- (iii) The online game's revenue sharing to Shanghai Kamao was mutually agreed after taking into account the prevailing market prices.
- (iv) The revenue from Tencent was mutually agreed after taking into account the prevailing market prices.
- (v) The rental income from Xianglian was mutually agreed after taking into account the prevailing market prices.

(c) Balances with related parties:

Due from related parties

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Shanghai Kamao	4,463	4,705
Tencent	6,992	–
	11,455	4,705

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

26. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties: (Continued)

Due to related parties

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Xiamen Chenxing	(167)	(167)
Shanghai Kamao	(35)	(160)
Xianglian	(1,157)	–
	(1,359)	(327)

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	3,022	3,126
Equity-settled share-based payment expenses	966	1,243
Pension scheme contributions	98	105
	4,086	4,474

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the period were as follows:

Financial assets

As at 30 June 2021

	Financial assets at fair value through other comprehensive income				Total RMB'000 (Unaudited)
	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Debt investments RMB'000 (Unaudited)	Equity investments RMB'000 (Unaudited)	Financial assets at amortised cost RMB'000 (Unaudited)	
Debt investments at fair value through other comprehensive income	-	13,658	-	-	13,658
Equity investments designated at fair value through other comprehensive income	-	-	33,235	-	33,235
Financial assets at fair value through profit or loss	85,837	-	-	-	85,837
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	-	-	-	29,058	29,058
Financial assets included in prepayments, other receivables and other assets	-	-	-	39,658	39,658
Cash and cash equivalents	-	-	-	179,792	179,792
	85,837	13,658	33,235	248,508	381,238

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

27. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at 31 December 2020

	Financial assets at fair value through profit or loss RMB'000 (Audited)	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost RMB'000 (Audited)	Total RMB'000 (Audited)
		Debt investments RMB'000 (Audited)	Equity investments RMB'000 (Audited)		
Debt investments at fair value through other comprehensive income	–	22,025	–	–	22,025
Equity investments designated at fair value through other comprehensive income	–	–	37,712	–	37,712
Financial assets at fair value through profit or loss	78,214	–	–	–	78,214
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	–	–	30,902	30,902
Financial assets included in prepayments, other receivables and other assets	–	–	–	34,172	34,172
Cash and cash equivalents	–	–	–	139,194	139,194
	78,214	22,025	37,712	204,268	342,219

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

27. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial liabilities included in other payables and accruals	5,613	13,960
Interest-bearing bank loans	63,420	63,840
	69,033	77,800

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments designated at fair value through other comprehensive income, have been estimated using equity transaction price or a market-based valuation technique valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to revenue ("EV/Revenue") multiple or price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by revenue measure or earning measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Certain equity investments (2021: four equity investments 2020: three equity investments)	Valuation multiple	Average EV/Revenue multiple of peers	2021: 4.1 to 7.5 (2020: 5.5 to 7.2)	5% (2020:5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB1,268,000/ RMB1,271,000 (2020: RMB1,388,000/ RMB1,409,000)
		Discount for lack of marketability	2021: 6% to 16% (2020: 6% to 20%)	5% (2020:5%) increase/decrease in multiple would result in decrease/increase in fair value by RMB135,000/RMB135,000 (2020: RMB207,000/ RMB187,000)
Certain equity investment (2021: nil 2020: one equity investment)	Valuation multiple	Average P/E multiple of peers	2020: 31.0 to 34.3	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB157,000
		Discount for lack of marketability	2020:7% to 16%	5% increase/decrease in multiple would result in decrease/increase in fair value by RMB17,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted price in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Debt investments at fair value through other comprehensive income	-	13,658	-	13,658
Equity investments designated at fair value through other comprehensive income	-	-	33,235	33,235
Financial assets at fair value through profit or loss	-	85,837	-	85,837
	-	99,495	33,235	132,730

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2020

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted price in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Debt investments at fair value through other comprehensive income	–	22,025	–	22,025
Equity investments designated at fair value through other comprehensive income	–	–	37,712	37,712
Financial assets at fair value through profit or loss	–	78,214	–	78,214
	–	100,239	37,712	137,951

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

For the period ended 30 June 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the board of the directors on 27 August 2021.

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 interim report, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”, “we”, “us” or “our”	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
“Director(s)”	director(s) of the Company
“Executive Director(s)”	the executive Director(s)
“Global Offering”	the offer of 30,000,000 Shares for subscription by the public in Hong Kong pursuant to the Hong Kong Public Offering and the offer of 270,000,000 Shares for subscription by institutional, professional, corporate and other investors pursuant to the International Offering (as respectively defined in the Prospectus)
“Group” or “the Group”	our Company, its subsidiaries and the PRC Operating Entities
“HK\$”, “Hong Kong dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IAS(s)”	International Accounting Standards
“IASB”	International Accounting Standard Board

GLOSSARY

“IFRS(s)”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“IP”	Intellectual Properties
“Independent Non-executive Director(s)”	the independent non-executive Director(s)
“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”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date which dealings in Shares first commence on the Stock Exchange, i.e. 5 December 2014
“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, share 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

GLOSSARY

“Nomination Committee”	the nomination committee of the Board
“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
“Remuneration Committee”	the remuneration committee of the Board
“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 Plan II”	the RSU Plan II adopted by the Shareholders on 28 May 2018
“RSU(s)”	restricted share unit(s)
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Share Subscription Agreement”	the subscription agreement dated 23 April 2021 entered into between the Company and THL H Limited in relation to the Subscription
“Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of US\$0.0000001 each

GLOSSARY

“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Tencent (through its wholly-owned subsidiary named THL H Limited) at the Subscription Price
“Subscription Price”	approximately HK\$0.6941 per subscription share
“Subscription Share(s)”	171,882,607 newly allotted and issued Shares
“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

In this interim report, the terms “associate”, “connected person”, “connected transaction” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires