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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1022)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 AND PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

The Board is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2021, together with the comparative information for the year ended 31 December 2020.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended 31 December		
	2021	2020	**Change%**
	(RMB'000)	*(RMB'000)*	
	(audited)	(audited)	
Revenue	**104,788**	117,004	(10.4)
Gross profit	**69,929**	82,419	(15.2)
Loss before tax	**(73,574)**	(16,900)	335.3
Loss after tax	**(76,561)**	(18,119)	322.5
Loss for the year attributable to owners of the parent	**(78,103)**	(21,460)	263.9
Non-IFRSs Measures			
– Adjusted net loss attributable to owners of the parent (unaudited)[(1)]	**(76,623)**	(18,344)	317.7
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	**RMB(0.05)**	RMB(0.01)	

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

In 2021, the COVID-19 pandemic continued to pose a big challenge for the global economy and society while China's zero-COVID strategy successfully made it one of the few countries that were least impacted by the pandemic. As a result, China's economic and social activities have largely returned to normal during the year. Nevertheless, China's online game industry remained under pressure mainly due to the Chinese government's freeze on the approval of new game licenses in the second half of 2021.

Under these circumstances, the growth of China's online game industry slowed down to 6.4% in 2021 compared to 20.7% in 2020, according to the China Game Industry Report for 2021 (《2021年中國遊戲產業報告》) 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). The online game industry recorded a total revenue of RMB296.5 billion in 2021, of which 76.1% was contributed by mobile games. The export of China's self-developed games maintained the growth trajectory in 2021 with overseas revenue of US$18.0 billion, increasing 16.6% year-over-year.

The Company recorded a total revenue of RMB104.8 million for the year ended 31 December 2021, representing a year-over-year decrease of 10.4%, primarily due to the delay in launching key new games due to the Group's strategic decision to invest additional development time and resources to enhance the quality of such new games as well as the freeze on approval of new game licenses as mentioned. Loss attributable to owners of the parent was RMB78.1 million as compared to RMB21.5 million for the year ended 31 December 2020.

As at the end of 2021, the Company had 9 game research and development (R&D) teams focusing on a variety of game genres, including role-playing (RPG), causal, causal multiplayer online battle arena (MOBA) and first-person shooting (FPS) games etc. During the year of 2021, the Company launched 3 new mobile games on both iOS and Android platforms, which were *My Turn (逆轉回合), Gunslinger: Zombie Survival (喪屍倖存者)* and *Promise of Destiny (貓之宿約者)* respectively. In addition, the Company also upgraded an existing 3-year old RPG mobile game, *Shou Hua San Guo (獸化三國)* to create a better user experience for newer smart phones. In November 2021, the upgraded *Shou Hua San Guo (獸化三國)* was launched on Android platforms.

Owning the Intellectual Property (IP) of *Carrot Fantasy (保衛蘿蔔)* game series with over 600 million accumulative registered users, the Group is well positioned to engage in IP licensing business. IP licensing not only further monetises the well-established IPs but also increases the IPs' influence through different products or services and distribution channels from games. In 2021, the Company continued to expand the outreach of its IP licensing activities, mainly including:

- newly added 5 merchandise partners who were licensed to use the characters and images of *Carrot Fantasy (保衛蘿蔔)* game series in their products across various categories, including creative furniture and household items, accessories of "3C" (Computer, Communication, and Consumer) products, pet supplies, foods and RPG board games.

- newly issued licenses for the *Carrot Fantasy (保衛蘿蔔)* IPs being used in 3 online offerings, which were Kugou Music skin, Baidu Input Method skin and emoji of Bilibili members.

- established a partnership for the Company and the counterparty to co-develop *Carrot Fantasy (保衛蘿蔔)* – themed beverage stores.

- started a cooperation with a charity organisation to help children suffering from autism to improve their lives through royalties leveraging the influence of the *Carrot Fantasy (保衛蘿蔔)* brand.

- increased the exposure of the *Carrot Fantasy (保衛蘿蔔)* brand through exhibition and distribution of our licensed products at various offline locations and occasions.

During 2021, the construction of the Company's R&D centre and headquarters building in Xiamen, the PRC was completed and put into use in the second half of the year. The building consists of two towers, Tower A and Tower B, of which the former is occupied by the Company and its subsidiaries. Tower B was temporarily vacant and open for leasing and as at the end of 2021, all available space of Tower B has been successfully leased out. The building not only enables the Group to avoid incurring rental costs but also contributes meaningful rental income before the Group is sizable enough to occupy both towers.

Principal risks relating to the Company's business

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

- The laws and regulations governing the online game industries and related businesses in China are developing and subject to future changes. The Company is required to comply with new policies or any amendment to current policies in relation to the game industry, which may affect its business operations;

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

- Any defects, disruptions or other problems affecting the functioning of the Company's network infrastructure or information technology systems could materially and adversely affect its business.

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

- The Company's business could suffer if the Company does not successfully manage its current and future growth, which involves optimising its game portfolio, building its workforce and balancing its growth.

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

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

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

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

- In order to safeguard the physical and mental health of our game players, the Company has established a game content review group to ensure the Company's game content is in strict compliance with relevant laws and regulations and does not contain inappropriate violence, gambling and nudity;

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

- The Company continues to make significant investments in its technology infrastructure to maintain and improve all aspects of player experience and game performance.

- The Company adopts OKR (Objectives and Key Results) goal system and closely monitors the progress of its pipeline games;

- The Company continues to manage and optimise its current game portfolio, as well as develop additional games, and continue to manage, train, expand and motivate our workforce and manage its relationships with players, distribution and publishing partners and other third-party service providers.

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

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

Outlook for 2022

Despite the headwind of a freeze on approval of new game licenses and the intensified competition, the Group remains confident in the development of the online game industry because video games, in particular, mobile games are becoming increasingly engaging and entertaining due to technological advancement. The user base has also become more diversified and has demonstrated a better willingness to pay for quality games over the past few years.

The Company plans to launch 5 to 6 new inhouse-developed mobile games in 2022 targeting both domestic and international markets. Two of the new games, *Carrot Fantasy IV* (*保衛蘿蔔*4) and *Shen Xian Dao III* (*神仙道*3), are sequels to existing hit titles of the Group and are widely anticipated by their respective tremendous user base. *Dougui* (*斗詭*), an RPG mobile game, is also in the pipeline to be launched in 2022. In February 2022, the pre-order of *Dougui* (*斗詭*) started across iOS and Android platforms and the game has ranked No. 1 in the pre-order list of Apple China App store. In addition to the inhouse-developed games, the Group's game publishing team plans to launch 2 new games in 2022 sourced from a local Chinese and an overseas game developer respectively. Most of the games mentioned have been granted licenses and the Company is sparing no efforts to apply for licenses for the remainder.

In the Group's pipeline, there are around 5 additional games either developed by in-house teams or sourced from third-party game developers targeting to be launched in 2023 and beyond.

With respect to the IP licensing business, the Company will continue to increase licensing activities for the IP of *Carrot Fantasy (保衛蘿蔔)* game series in 2022, especially with the expected launch of *Carrot Fantasy IV (保衛蘿蔔4)*. The IP licensing team's pipeline includes:

- cooperation with a mainstream electric vehicle maker which would provide *Carrot Fantasy (保衛蘿蔔)* game access to its automotive display and interaction system as well as online and offline marketing campaigns.

- product placement of *Carrot Fantasy (保衛蘿蔔)* images and related products in a streaming TV series which is expected to be aired in 2022.

- partnership with more agents for the licensing of *Carrot Fantasy (保衛蘿蔔)* IPs for a growing variety of merchandise, including costumes, makeup products, household chemicals and automotive products etc.

Event after the year ended 31 December 2021

There was no material subsequent event during the period from 1 January 2022 to the date of this announcement.

Final Dividend

The Board did not declare a final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: Nil)

FINANCIAL REVIEW

Operating Information

The Company's Games

In 2021, the Company maintained a relatively limited product portfolio focusing on high-quality games in order to meet the rapidly evolving demands of gamers. The Company successfully enlarged the user base and enhanced the recognition of its reputable IPs, such as *Carrot Fantasy (保衛蘿蔔)* and *Shen Xian Dao (神仙道)*, which laid a solid foundation for potential sequels. To ensure the success of the sequels, the Company made a strategic decision to invest more time and resources to develop the games. As a result, the Company only launched two new RPG games, namely *My Turn (逆轉回合)* and *Promise of Destiny (貓之宿約者)*, in May 2021 and September 2021 respectively.

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

	For the year ended 31 December			
	2021		2020	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000)*	*(% of Total Revenue)*
Game Operation				
Web games	**13,935**	**13.3**	14,592	12.5
Mobile games				
RPGs	**27,529**	**26.3**	26,738	22.9
Casual	**16,787**	**16.0**	12,157	10.4
PC games	**8,729**	**8.3**	6,140	5.2
HTML5 games	**216**	**0.2**	260	0.2
Console games	**3,291**	**3.1**	5,870	5.0
Total	**70,487**	**67.2**	65,757	56.2

Revenue contributed by game operations was approximately RMB70.5 million, representing a year-over-year increase of approximately 7.2%, compared with approximately RMB65.8 million for 2020. The increase was primarily 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 Company's Players

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

As at 31 December 2021, the Company's (i) RPG mobile games and web games had approximately 229.1 million cumulative registered users, composed of approximately 173.0 million web game users and approximately 56.1 million mobile game users; (ii) casual games had approximately 635.9 million cumulative activated downloads; (iii) HTML5 games had approximately 37.4 million cumulative registered users; (iv) PC games had approximately 1.4 million cumulative copies sold; and (v) console games had approximately 264,000 cumulative copies sold. For the month of December 2021, the Company's (i) RPG mobile games and web games had approximately 0.2 million MAUs, composed of approximately 0.1 million mobile game MAUs and approximately 0.1 million web game MAUs; (ii) casual games had approximately 4.9 million MAUs; and (iii) HTML5 games had approximately 0.2 million MAUs.

The following table sets forth certain operating statistics related to the Company's business for the years indicated:

	For the year ended 31 December		
	2021	2020	**Change%**
Average MPUs			
Web games (RPGs) (000's)	**7**	8	(12.5)
Mobile games (RPGs) (000's)	**17**	25	(32.0)
Casual (000's)	**88**	102	(13.7)
ARPPU			
Web games (RPGs) (RMB)	**164.5**	147.0	11.9
Mobile games (RPGs) (RMB)	**131.3**	89.6	46.5
Casual (RMB)	**16.7**	9.9	68.7

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 year ended 31 December 2021, compared with approximately 8,000 for the year ended 31 December 2020. The decrease was due to the web games being at the later stages of their expected lifecycles, and the Company shifted its strategic focus from web games to mobile games starting from 2013. Average MPUs for mobile RPG games decreased from approximately 25,000 for the year ended 31 December 2020 to approximately 17,000 for the year ended 31 December 2021, primarily because *San Guo Zhi Ren (三國之刃)* and *Shen Xian Dao (神仙道)*, the Company's hit titles, were at the later stage of their expected lifecycles. Average MPUs for casual games decreased from approximately 102,000 for the year ended 31 December 2020 to approximately 88,000 for the year ended 31 December 2021, primarily due to a decrease in the average MPUs for the *Carrot Fantasy (保衛蘿蔔)* series, which was updated with new advertisements that allow users to get virtual items for free.

ARPPU for web games increased from approximately RMB147.0 for the year ended 31 December 2020 to approximately RMB164.5 for the year ended 31 December 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 RPG mobile games increased from approximately RMB89.6 for the year ended 31 December 2020 to approximately RMB131.3 for the year ended 31 December 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. ARPPU for casual games increased from approximately RMB9.9 for the year ended 31 December 2020 to approximately RMB16.7 for the year ended 31 December 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.

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 are key to retaining active players and expanding the active player base for the Group.

The year ended 31 December 2021 compared with the year ended 31 December 2020

The following table sets forth the Group's income statement for the year ended 31 December 2021 as compared with the year ended 31 December 2020.

	For the year ended 31 December		
	2021	2020	**Change %**
	(RMB'000)	*(RMB'000)*	
	(audited)	(audited)	
Revenue	**104,788**	117,004	(10.4)
Cost of sales	**(34,859)**	(34,585)	0.8
Gross profit	**69,929**	82,419	(15.2)
Other income and gains	**33,158**	33,902	(2.2)
Selling and distribution expenses	**(10,263)**	(17,939)	(42.8)
Administrative expenses	**(53,744)**	(43,647)	23.1
Research and development costs	**(83,604)**	(56,769)	47.3
Finance costs	**(3,534)**	(1,706)	107.2
Other expenses	**(26,530)**	(12,786)	107.5
Share of losses of associates	**1,014**	(374)	(371.1)
LOSS BEFORE TAX	**(73,574)**	(16,900)	335.3
Income tax expense	**(2,987)**	(1,219)	145.0
LOSS FOR THE YEAR	**(76,561)**	(18,119)	322.5
Attributable to:			
Owners of the parent	**(78,103)**	(21,460)	263.9
Non-controlling interests	**1,542**	3,341	(53.8)

Revenue

The following table sets forth a breakdown of the Group's revenue for the year ended 31 December 2021 and 2020:

	For the year ended 31 December			
	2021		2020	
	(RMB'000) **(audited)**	***(% of Total Revenue)***	*(RMB'000)* (audited)	*(% of Total Revenue)*
Game Operations	**70,487**	**67.3**	65,757	56.2
Online game distribution	**7,180**	**6.8**	29,083	24.8
Licensing and IP-related income	**6,870**	**6.5**	5,309	4.5
Advertising revenue	**20,190**	**19.3**	16,815	14.4
Technical service income	**61**	**0.1**	40	0.1
Total	**104,788**	**100.0**	117,004	100.0

Total revenue decreased by approximately 10.4% from the year ended 31 December 2020 to approximately RMB104.8 million for the year ended 31 December 2021.

Revenue from game operations was approximately RMB70.5 million for the year ended 31 December 2021, representing an increase of approximately 7.2%, compared with approximately RMB65.8 million for the year ended 31 December 2020. The increase was primarily attributable 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.

Revenue from online game distribution decreased by approximately 75.3% to approximately RMB7.2 million for the year ended 31 December 2021, compared with the year ended 31 December 2020. The decrease was primarily due to *Kaki Raid (咔嘰探險隊)* having entered the later stage of its expected lifecycle since late 2020. The decrease was also due to *Horcrux College (魂器學院)* entering the mature stage of its expected lifecycle in the first half of 2020.

Licensing and IP-related income increased by approximately 29.4% from approximately RMB5.3 million for the year ended 31 December 2020 to approximately RMB6.9 million for the year ended 31 December 2021. The increase was primarily attributable to the recognition of a one-off licensing fee for a simulation game of approximately RMB2.0 million upon the termination of the licensing agreement during the year ended 31 December 2021.

Advertising revenue increased by approximately 20.1% to approximately RMB20.2 million for the year ended 31 December 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 new advertising platforms.

Cost of sales

Cost of sales was approximately RMB34.9 million for the year ended 31 December 2021, which remained steady compared with approximately RMB34.6 million for the year ended 31 December 2020.

Gross profit and gross profit margin

Gross profit decreased by approximately 15.2% from approximately RMB82.4 million for the year ended 31 December 2020, to approximately RMB69.9 million for the year ended 31 December 2021. Gross profit margin for the year ended 31 December 2021 was 66.7%, compared with 70.4% for the year ended 31 December 2020.

Other income and gains

Other income and gains was RMB33.2 million for the year ended 31 December 2021, which remained steady compared with approximately RMB33.9 million for the year ended 31 December 2020.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 42.8% from approximately RMB17.9 million for the year ended 31 December 2020, to approximately RMB10.3 million for the year ended 31 December 2021. The decline was mainly attributable to a decrease in advertising fees from approximately RMB14.0 million to approximately RMB5.2 million, primarily because most of the promotional activities for *Kaki Raid (咔嘰探險隊)* were carried out a few months before the launch of *Kaki Raid (咔嘰探險隊)* in July 2020.

Administrative expenses

Administrative expenses increased by approximately 23.1% from approximately RMB43.6 million for the year ended 31 December 2020 to approximately RMB53.7 million for the year ended 31 December 2021. The increase was primarily attributable to an increase in staff costs from approximately RMB29.6 million for the year ended 31 December 2020 to approximately RMB35.0 million for the year ended 31 December 2021, as a result of the increase in severance allowance due to the Company's efforts to streamline its corporate structure. The increase in staff cost was also due to the increase in welfare costs after the holiday activities returned to normal during the year ended 31 December 2021. In addition, there was a social insurance exemption because of the COVID-19 pandemic during year ended 31 December 2020, while there was no such exemption for the year ended 31 December 2021. The increase in administrative expenses was also due to the increase in depreciation and amortisation expenses from approximately RMB1.1 million for the year ended 31 December 2020 to approximately RMB3.8 million for the year ended 31 December 2021, which was a result of the recognition of the depreciation and amortisation of approximately RMB1.0 million on the Company's R&D centre and headquarters building in Xiamen after reaching usable status on 1 August 2021. The increase in depreciation and amortisation expenses was also due to the purchase of new office equipment after the Company's R&D centre and headquarters building were put into use.

R&D costs

R&D costs increased by approximately 47.3% from approximately RMB56.8 million for the year ended 31 December 2020 to approximately RMB83.6 million for the year ended 31 December 2021. The increase was primarily due to the Company setting 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 year ended 31 December 2020, while there was no such exemption for the year ended 31 December 2021. The increase in R&D costs was also due to the increase in outsourcing fees, mainly attributable to the increase in demand for the art design of the Company's pipeline games.

Finance costs

Finance costs increased by approximately 107.2% from approximately RMB1.7 million for the year ended 31 December 2020, to approximately RMB3.5 million for the year ended 31 December 2021. The increase was primarily due to an increase in interest expenses from approximately RMB1.2 million for the year ended 31 December 2020 to approximately RMB3.3 million for the year ended 31 December 2021. The increase in interest expenses was due to the borrowing costs that are directly attributable to the construction of the Company's R&D centre and headquarters building in Xiamen ceased to be capitalised and started to be recognised as an expense when the construction was completed in mid-2021.

Other expenses

Other expenses were approximately RMB26.5 million for the year ended 31 December 2021, compared with approximately RMB12.8 million for the year ended 31 December 2020. The increase was primarily due to an impairment loss of goodwill of approximately RMB8.7 million made in 2021. The impairment loss of goodwill was mainly related to the goodwill recognised in 2017 pursuant to our acquisition of Shenzhen Zhangxin Interactive Technology Co., Ltd. (深圳掌心互動科技有限公司) ("**Shenzhen Zhangxin**"), a game development and distribution company which had been a 30%-owned associate of the Group since May 2015 and later became a direct subsidiary of the Group after the further acquisition of 21% interest in November 2017. The impairment of goodwill was made due to the recoverable amount of the Shenzhen Zhangxin cash-generating unit ("**CGU**") relating to the goodwill is expected to be less than the carrying amount. The underperformance in Shenzhen Zhangxin's revenue generation in 2021 and the intention of the Group to terminate Shenzhen Zhangxin's operations in 2022 were reasons leading to the impairment of goodwill. The increase in other expenses was also due to a full impairment of investment in associate of approximately RMB7.6 million made in 2021 where the recoverable amount of the associate is expected to be less than the carrying amount. The termination of the only game distribution agreement of the associate in March 2022 and the intention of the associate to terminate operations were reasons for the impairment. The increase in other expenses was partially offset by the decrease in exchange loss.

Income tax expense

Income tax expense increased by approximately 145.0% from approximately RMB1.2 million for the year ended 31 December 2020, to approximately RMB3.0 million for the year ended 31 December 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 year

As a result of the above, the loss for the year increased by approximately 322.5% from approximately RMB18.1 million for the year ended 31 December 2020, to approximately RMB76.6 million for the year ended 31 December 2021. Loss attributable to owners of the parent increased by approximately 263.9% from approximately RMB21.5 million for the year ended 31 December 2020, to approximately RMB78.1 million for the year ended 31 December 2021.

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

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

For the years ended 31 December 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.

	For the year ended 31 December		
	2021	2020	**Change %**
	(RMB'000)	*(RMB'000)*	
	(audited)	(audited)	
Loss for the year attributable to owners of the parent	**(78,103)**	(21,460)	263.9
Add:			
Share-based compensation	**1,480**	3,116	(52.5)
Total	**(76,623)**	(18,344)	317.7

Financial Position

As at 31 December 2021, total equity of the Group was approximately RMB493.9 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 RMB76.6 million recorded for the year ended 31 December 2021. The increase was also partially offset by the changes in fair value of the Group's debt investments and equity investments of approximately RMB11.1 million, the revaluation losses arising from transfer of property, plant and equipment and land use right to investment property of approximately RMB3.6 million and exchange difference on translation of foreign operations of approximately RMB5.0 million recognised in other comprehensive income.

As at 31 December 2021, the Group recorded net current assets of approximately RMB98.2 million, representing a decrease of 17.5% from approximately RMB118.9 million as at 31 December 2020. The decrease was mainly due to the repayment of bank loans, the investment in financial assets and the utilisation of the cash and cash equivalents for operating activities, which was partially offset by the Subscription by Tencent.

Liquidity and Capital Resources

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

	2021 ***(RMB'000)*** **(audited)**	2020 *(RMB'000)* (audited)	**Change %**
Net cash flow used in operating activities	**(53,226)**	(35,469)	50.1
Net cash flow (used in)/from investing activities	**(70,622)**	52,048	(235.7)
Net cash flow from/(used in) financing activities	**112,141**	(56,166)	(299.7)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(11,707)**	(39,587)	(70.4)
Cash and cash equivalents at the beginning of year	**139,194**	179,218	(22.3)
Effect of foreign exchange rate changes, net	**(1,226)**	(437)	180.5
Cash and cash equivalents at the end of year	**126,261**	139,194	(9.3)

Total cash and cash equivalents were approximately RMB126.3 million as at 31 December 2021, compared with approximately RMB139.2 million as at 31 December 2020. The decrease was primarily due to 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. The decrease was partially offset by the Subscription by Tencent.

As at 31 December 2021, approximately RMB34.7 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 adopts 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 31 December 2021, the Group had aggregate bank loans of approximately RMB80.0 million (31 December 2020: RMB63.8 million), of which approximately RMB10.0 million is payable within one year, approximately RMB60.0 million is payable between one and five years and approximately RMB10.0 million is payable above five years. The Group had lease liabilities of approximately RMB2.0 million (31 December 2020: RMB6.3 million), of which approximately RMB1.7 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 31 December 2021, the Group had bank loans of approximately RMB80.0 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 building on the Land.

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

As at 31 December 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 RMB179.8 million (31 December 2020: RMB138.0 million), which represented the Company's investment in straight bonds, perpetual bonds and a bond fund issued by banks or reputable companies with Standard & Poor ratings above BB–, Moody's ratings above Ba2 and coupon rates ranging from 2.25% 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 31 December 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 can be 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 31 December 2021 are presented as follows:

(A) Straight Bonds

Name of the straight bonds	*Notes*	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2021 *(RMB'000)*	Loss on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2021 *(RMB'000)*	Fair value as at 31 December 2021 *(RMB'000)*	Percentage of total FVOCI and FVPL Investments at 31 December 2021	Percentage of total assets of the Group as at 31 December 2021
Huarong Finance 2017 Co., Ltd. ("**Huarong Finance 2017**")	*2*	923	–	–	0.0%	0.0%
CHINLP Medium Term Note Programme ("**CHINLP**")	*3*	–	(595)	22,202	12.4%	3.3%
POLHON Guaranteed Notes ("**POLHON**")	*4*	363	(477)	17,964	10.0%	2.7%
NWDEVL Medium Term Note Programme ("**NWDEVL**")	*5*	510	(1,272)	22,903	12.7%	3.4%

Notes:

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

2. On 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. On 16 December 2021, the bond was fully redeemed by the Group at a consideration of US$3,135,000 (equivalent to approximately RMB20.0 million) in advance.

3. On 15 July 2021, the Group invested in a bond issued by CLP Power Hong Kong Financing Limited ("**CLP Financing**") and guaranteed by CLP Power Hong Kong Limited ("**CLP HK**") with a nominal amount of US$3,500,000 at a consideration of US$3,542,000 (equivalent to approximately RMB23.0 million). The bond has a coupon interest rate of 2.25% per annum with a maturity period of 10 years.

CLP Financing, the issuer, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of the guarantor CLP HK. CLP Financing was established to raise financing for CLP HK. The net proceeds from the issue of CHINLP will be on-lent by CLP Financing to CLP HK to be used for general corporate purposes. CLP HK, established in 1901 in Hong Kong, is one of the only two electricity providers in Hong Kong, which supplies approximately 77% of the electricity consumed in Hong Kong. CLP Holdings Limited, the parent company of CLP HK was listed on the Main Board of the Stock Exchange in 1998 with the stock code of 00002. CLP Holdings Limited, together with its subsidiaries, namely the CLP Group, is an investor and operator in the Asia-Pacific energy sector. In Hong Kong, through CLP HK, it operates a vertically-integrated electricity supply business providing a highly-reliable supply of electricity. Outside Hong Kong, CLP Group holds investments in the energy sector in Mainland China, India, Southeast Asia, Taiwan, and Australia. Its diversified portfolio of power generation assets include coal, gas, nuclear and renewables (wind, hydro, solar).

According to the annual report for the year ended 31 December 2021 of CLP Holdings Limited, total revenue was approximately HK$84.0 billion, representing an increase of 5.5% compared with corresponding period, primarily owing to higher wind source in India as well as increased demand as a result of the rebound of economic activity in both India and Hong Kong during the year 2021. The net profit after tax was approximately HK$9.5 billion, representing a decrease of 24.0% compared with corresponding period, which was mainly attributable to higher fuel cost on higher units sold and rising fuel prices.

The CLP Group has been resilient to survive and thrive through its 120 anniversaries. Leveraging the mutual benefit that springs from close integration of Hong Kong and Mainland, CLP Group is committed to maintaining the operational excellence of its assets to rebound from the pandemic and the Group is therefore optimistic about the future prospect of the bond CHINLP.

4. During the second half of July 2021, the Group successively invested in a bond issued by Ease Trade Global Limited ("**Ease Trade**") and guaranteed by Poly Property Group Co. Limited ("**Poly Property**") with an accumulated nominal amount of US$2,800,000 at an accumulated consideration of US$2,883,000 (equivalent to approximately RMB18.6 million). The bond has a coupon interest rate of 4.0% per annum with a maturity period of 5 years.

   Ease Trade, the issuer, is the direct wholly owned subsidiary of the guarantor Poly Property, which is a limited liability company incorporated in Hong Kong and is listed on the Main Board of the Stock Exchange with the stock code of 00119. Poly Property, together with its subsidiaries, namely the Poly Group, is a prominent property developer in the PRC. It is principally engaged in the business of property development, investment and management. Its projects typically comprise various types of developments, including apartments, villas, offices and commercial properties. As at 31 December 2020, China Poly Group Corporation Limited, being one of the large-scale state-owned enterprises under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (SASAC), is deemed to be interested in 47.32% of the issued share capital of Poly Property under the Securities and Futures Ordinance (Cap. 571) of Hong Kong (SFO).

   According to the annual results announcement of Poly Property for the year ended 31 December 2021, Poly Property recorded a revenue of approximately HK$36.5 billion, representing an increase of 16.7% when comparing to last year. Net profit after tax amounted to HK$2.6 billion, representing a year-on-year increase of 13%.

   Amid adverse pandemic impacts and intense market competition, Poly Group adhered to its brand philosophy and continued to improve product quality and service standard. Therefore, the Group is optimistic about the future prospect of the bond POLHON.

5. On 15 July 2021, the Group invested in a bond issued by NWD (MTN) Limited ("**NWD**") and guaranteed by New World Development Company Limited ("**New World**") with a nominal amount of US$3,500,000 at a consideration of US$3,783,000 (equivalent to approximately RMB24.5 million). The bond has a coupon interest rate of 4.5% per annum with a maturity period of 10 years.

   The issuer NWD is one of wholly owned subsidiaries of New World, the guarantor. New World is the holding company of one of the largest Hong Kong-based property developers. Established in 1970, New World was listed on the Main Board of the Stock Exchange in 1972 (Stock code:00017) and its shares are currently a constituent stock of the Hang Seng Index. New World, together with its subsidiaries, namely New World Group is one of the major property developers in Hong Kong and is engaged in the development of residential, retail, office and hotel properties. NWS Holdings Limited, one of New World's subsidiary, engaged in roads construction and aviation infrastructure, is also listed on the Main Board of the Stock Exchange (Stock Code:00659). New World China Land Limited, wholly-owned by New World, is one of the largest foreign property developers and investors in the PRC.

   According to the interim report for the six months ended 31 December 2021 of New World Group, the net profit after tax was approximately HK$3,467.8 million, representing an increase of 37.7% compared with corresponding period.

   New World Group has adhered to its strategy of steady and healthy development and increasing its presence in Mainland China. New World Group adopts the strategy of "Seeking Success through Stability, Broadening Revenue Streams and Reducing Expenditure" as it embarks on the path towards high quality development, and creates value for its shareholders and society. Therefore, the Group is optimistic about the future prospect of the bond NWDEVL.

(B) Perpetual Bonds

Name of the perpetual bonds	*Notes*	**Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2021** *(RMB'000)*	**Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2021** *(RMB'000)*	**Fair value as at 31 December 2021** *(RMB'000)*	**Percentage of total FVOCI and FVPL Investments at 31 December 2021**	**Percentage of total assets of the Group as at 31 December 2021**
CCB Life Insurance Co. Ltd 2017	*2*	437	(15)	9,624	5.4%	1.4%
Chalieco Hong Kong Corp. Ltd 2019	*3*	486	23	9,826	5.5%	1.5%
FWD Ltd 2017	*4*	607	(346)	9,575	5.3%	1.4%

Notes:

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

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

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

   Pursuant to the Quarterly Solvency Report of CCB Life Insurance for the fourth quarter of 2021, CCB Life Insurance recorded a net loss of approximately RMB243 million. Meanwhile, at the end of the fourth quarter, CCB Life Insurance had a net cash flow of RMB 64 million. The liquidity risk was controllable as a result of the sufficient high-quality current assets of RMB71.0 billion.

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

3. On 17 January 2020, the Group invested in a senior guaranteed perpetual capital bond issued by Chalieco Hong Kong Corporation Limited. ("**Chalieco HK**") and was unconditionally and irrevocably guaranteed by China Aluminum International Engineering Corporation Limited ("**Chalieco**"), shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2068) 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.

Chalieco HK and Chalieco 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 wholly-owned subsidiary of Chalieco (together with its subsidiaries, "**Chalieco Group**"), serves as a special purpose vehicle for offshore financing as well as some trading transactions which forms part of Chalieco Group's overall trading business. Chalieco Group 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 Group 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 Group in the future.

Pursuant to the annual results announcement of Chalieco Group for the year ended 31 December 2021, total revenue was approximately RMB23.3 billion, representing a year-over-year increase of 1.3% compared with corresponding period. Net loss after tax amounted to RMB0.9 billion, representing a decrease of 52.6% compared with net loss after tax of approximately RMB1.9 billion for the year ended 31 December 2020.

The Group considers Chalieco Group has made an enormous progress in reviving from the pandemic and is still optimistic about the future prospect of the bond issued by Chalieco HK.

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

   On 24 January 2022, the bond with an aggregated nominal amount of US$1,500,000 was fully redeemed by FWD in advance.

(C) Bond Fund

Name of the bond fund	*Note*	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2021 *(RMB'000)*	Loss on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2021 *(RMB'000)*	Fair value as at 31 December 2021 *(RMB'000)*	Percentage of total FVOCI and FVPL Investments as at 31 December 2021	Percentage of total assets of the Group as at 31 December 2021
UBS Asian Bonds Series 5 (USD)	2	423	(1,802)	8,631	4.8%	1.3%

Notes:

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

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

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

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

(D) Unlisted Equity Investments

Company Name	*Note*	Percentage of Shareholdings as at 31 December 2021	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2021 *(RMB'000)*	Fair value as at 31 December 2021 *(RMB'000)*	Percentage of total FVOCI and FVPL investments as at 31 December 2021	Percentage of the total assets of the Group as at 31 December 2021
Xiamen eName Technology Co., Ltd. ("**eName**")	*2*	2%	111	22,292	12.4%	3.3%
Xiamen Relian Tianxia Technology Co., Ltd. ("**Xiamen Relian**")	*3*	10%	(4,949)	5,316	3.0%	0.8%
Others	*4*	–	(2,972)	2,294	1.2%	0.3%

Notes:

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

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

   Pursuant to eName's interim report for the six months ended 30 June 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.

3. 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 31 December 2021, Xiamen Relian recorded revenue of approximately RMB1.0 million and net loss after tax of approximately RMB1.0 million. With the growing normalisation of COVID-19 epidemic, the hotel industry is still not fully recovered in 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.

4. Others comprised two unlisted limited liability companies and none of these investments accounted for more than 0.3% of the total assets of the Group as at 31 December 2021.

(E) Unlisted Debt Investments

Company Name	*Note*	**Percentage of Shareholdings as at 31 December 2021**	**Gain on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2021** *(RMB'000)*	**Fair value as at 31 December 2021** *(RMB'000)*	**Percentage of total FVOCI and FVPL investments as at 31 December 2021**	**Percentage of the total assets of the Group as at 31 December 2021**
Future Capital Discovery Fund II, L.P. ("**Future Capital**")	2	1.8797%	15,135	43,489	24.2%	6.5%
Others	3	–	506	5,636	3.1%	0.8%

Notes:

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

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

   Pursuant to Future Capital's financial statements for the year ended 31 December 2021, Future Capital recorded income of approximately US$2,663, net realised gain in investment of approximately US$4.1 million (31 December 2020: minus US$1.4 million) and net increase in partners' capital resulting from operations of approximately US$188.4 million. The significant increase of net realised gain in investment was mainly due to the Future Capital's exit from several portfolios. 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. Future Capital expected to realise its investments at a later stage in order to enjoy a higher capital appreciation.

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

3. Others comprised two unlisted debt investments and none of these investments accounted for more than 0.4% of the total assets of the Group as at 31 December 2021.

There was no impairment made for any investments in debt instruments for the year ended 31 December 2021. Investments in equity instruments did not involve any separate impairment accounting under IFRS 9 – Financial Instruments.

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

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

Gearing ratio

On the basis of total liabilities divided by total assets, the Group's gearing ratio was 26.1% as at 31 December 2021 and 22.9% as at 31 December 2020.

Capital expenditures

The following table sets forth the Group's capital expenditures for the year ended 31 December 2021 and 2020:

	For the year ended 31 December		
	2021 *(RMB'000)*	2020 *(RMB'000)*	**Change %**
Property, plant and equipment	**3,206**	1,436	123.3
Construction in progress	**27,733**	18,282	51.7
Total	**30,939**	19,718	56.9

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 year ended 31 December 2021 were approximately RMB30.9 million, compared with RMB19.7 million for the year ended 31 December 2020, representing an increase of approximately 56.9%, which was primarily due to the increase in construction costs for the Company's R&D centre and headquarters building in Xiamen, from approximately RMB18.3 million for the year ended 31 December 2020 to approximately RMB27.7 million for the year ended 31 December 2021. The increase in total capital expenditures was also due to the increase in the purchase of new office equipment after the Company's R&D centre and headquarters building were put into use in the second half of 2021.

Pledge of Assets

As at 31 December 2021, bank loans of approximately RMB80.0 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, properties and investment properties on the Land with a total carrying value of approximately RMB248.8 million.

Contingent liabilities and guarantees

As at 31 December 2021, the Company did not have any unrecorded significant contingent liabilities, guarantees or litigation with claims against it.

Subscription of New Shares under General Mandate

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

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

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

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

As at 31 December 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 *(HK$ million)*	Actual use of net proceeds up to 31 December 2021 *(HK$ million)*	Unutilised net proceeds up to 31 December 2021 *(HK$ million)*	Expected timeline for intended use of the net proceeds
Supporting new product development	119.1	31.9	69.1	By 30 June 2023
Attracting suitable personnel		8.3		
Increase the publishing and marketing budget		9.8		
Total	119.1	50.0	69.1	

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Company had 464 full-time employees, the majority of whom are based in Xiamen, the PRC. The following table sets forth the number of employees categorised by function as at 31 December 2021:

	Number of Employees	% of Total
Development	287	61.9
Operations	88	19.0
Administration	79	17.0
Sales and marketing	10	2.1
Total	464	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.

Foreign currency risk

For the year ended 31 December 2021, the Group did not encounter significant foreign currency risk from its operations and did not hedge against any fluctuation in foreign currency.

Interest rate risk

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

Corporate Social Responsibility

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

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

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

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

Compliance with Relevant Laws and Regulations

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

In relation to game development and operation, the Company is committed to complying with the laws and regulations such as Personal Information Protection Act of the PRC (2021), Data Security Act of the PRC (2021), Civil Code of the PRC (2020), Law on the Protection of Minors (2020 Amendment), the Copyright Law of the PRC (2020 Amendment), Online Publishing Service Management Rules (2016), Anti-addiction Notice (2019), Provisions on Ecological Governance of Network Information Content (2019), Notice Regarding Commencement of Authentication of Real Names for Anti-addiction System on Online Games and Notice by the General Administration of Press and Publication of Preventing Minors from Indulging in Online Games.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

	Notes	**2021** *RMB'000*	2020 *RMB'000*
REVENUE	*4*	**104,788**	117,004
Cost of sales		**(34,859)**	(34,585)
Gross profit		**69,929**	82,419
Other income and gains	*4*	**33,158**	33,902
Selling and distribution expenses		**(10,263)**	(17,939)
Administrative expenses		**(53,744)**	(43,647)
Research and development costs		**(83,604)**	(56,769)
Other expenses		**(26,530)**	(12,786)
Finance costs		**(3,534)**	(1,706)
Share of profits/(losses) of associates		**1,014**	(374)
LOSS BEFORE TAX	*5*	**(73,574)**	(16,900)
Income tax expense	*6*	**(2,987)**	(1,219)
LOSS FOR THE YEAR		**(76,561)**	(18,119)
Attributable to:			
Owners of the parent		**(78,103)**	(21,460)
Non-controlling interests		**1,542**	3,341
		(76,561)	(18,119)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic and diluted		**RMB(0.05)**	RMB(0.01)

	2021 *RMB'000*	2020 *RMB'000*
LOSS FOR THE YEAR	**(76,561)**	(18,119)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**(2,344)**	932
Reclassification adjustments for losses included in the consolidated statement of profit or loss	**(1,578)**	–
Exchange differences on translation of financial statements	**(4,967)**	(9,566)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(8,889)**	(8,634)
Other comprehensive (loss)/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	**(7,810)**	4,656
Income tax effect	**644**	(1,588)
	(7,166)	3,068
Transfer of property, plant and equipment and land use right to investment properties:		
Revaluation losses	**(4,820)**	–
Income tax effect	**1,205**	–
	(3,615)	–
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(10,781)**	3,068
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(19,670)**	(5,566)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(96,231)**	(23,685)
Attributable to:		
Owners of the parent	**(97,773)**	(27,025)
Non-controlling interests	**1,542**	3,340
	(96,231)	(23,685)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**60,272**	130,228
Investment property		**158,531**	–
Right-of-use assets		**34,946**	104,329
Goodwill	*9*	**11,427**	20,121
Other intangible assets		**879**	1,107
Investments in associates		**10,455**	18,023
Prepayments, other receivables and other assets	*11*	**24,592**	17,349
Equity investments designated at fair value through other comprehensive income	*12*	**29,902**	37,712
Debt investments at fair value through other comprehensive income	*12*	**63,069**	22,025
Financial assets at fair value through profit or loss	*12*	**86,781**	78,214
Deferred tax assets		**692**	1,814
Total non-current assets		**481,546**	430,922
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	*10*	**26,623**	30,902
Prepayments, other receivables and other assets	*11*	**20,931**	21,986
Other current assets		**13,139**	11,059
Cash and cash equivalents		**126,261**	139,194
Total current assets		**186,954**	203,141
CURRENT LIABILITIES			
Other payables and accruals		**65,908**	65,100
Interest-bearing bank loans		**10,000**	10,000
Lease liabilities		**1,646**	3,696
Tax payable		**1,996**	1,705
Contract liabilities		**9,251**	3,716
Total current liabilities		**88,081**	84,217
NET CURRENT ASSETS		**98,153**	118,924
TOTAL ASSETS LESS CURRENT LIABILITIES		**579,699**	549,846

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**70,000**	53,840
Lease liabilities		**318**	2,578
Deferred tax liabilities		**1,134**	1,239
Contract liabilities		**14,340**	3,023
Total non-current liabilities		**85,792**	60,680
Net assets		**493,907**	489,166
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**1**	1
Share premium		**597,945**	498,453
Reserves		**(104,226)**	(138)
		493,720	498,316
Non-controlling interests		**187**	(9,150)
Total equity		**493,907**	489,166

1. CORPORATE AND GROUP INFORMATION

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Date of incorporation	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Feiyu Technology Hong Kong Ltd.	Hong Kong	HK$1	25 March 2014	100	–	Investment holding
Xiamen Guanghuan Information Technology Co., Ltd. ("Xiamen Guanghuan")	PRC/Mainland China	RMB10,000,000	12 January 2009	–	100	Game development and distribution
Xiamen Youli Information Technology Co., Ltd. ("Xiamen Youli")	PRC/Mainland China	RMB150,000,000	19 September 2011	–	100	Game development and distribution
Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou")	PRC/Mainland China	RMB10,000,000	11 June 2012	–	100	Game development
Beijing Kailuo Tianxia Technology Co., Ltd. ("Kailuo Tianxia")	PRC/Mainland China	RMB60,000,000	3 May 2012	–	100	Game development and distribution
Xiamen Feiyu Technology Co., Ltd.* ("Xiamen Feiyu")	PRC/Mainland China	US$20,000,000	24 June 2014	–	100	Investment holding Game development
Beijing Baicai Tianxia Technology Co., Ltd. ("Baicai Tianxia")	PRC/Mainland China	RMB10,000,000	10 July 2015	–	100	Game development and distribution
Xiamen Feixiangyue Investment Management Co., Ltd. ("Xiamen Feixiangyue")	PRC/Mainland China	RMB200,000,000	9 August 2016	–	100	Asset management
Xiamen Feiyu Tianxia Information Technology Co., Ltd.** ("Feiyu Tianxia")	PRC/Mainland China	US$10,000,000	21 July 2021	–	100	Game development

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the 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 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 Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate as at 31 December 2021. For the Loan Prime Rate-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments 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 the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 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. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[2]

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

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

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

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

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

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

Information about geographical areas

Since 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 assets and liabilities were located in Mainland China, no geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

Information about a major customer

No revenue from the Company's sales to a single customer amounted to 10% or more of the Group's revenue for the year ended 31 December 2021 (2020: Revenue from continuing operations of approximately RMB14,977,000 was derived from a single customer for game operation).

4. REVENUE, OTHER INCOME AND GAINS

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

	2021 *RMB'000*	2020 *RMB'000*
Types of goods or services		
Online web and mobile games	**41,680**	41,594
Single-player mobile games	**28,807**	24,163
Game operation	**70,487**	65,757
– Gross basis	**10,353**	6,535
– Net basis	**60,134**	59,222
Online game distribution	**7,180**	29,083
Licensing income	**6,141**	5,125
Advertising revenue	**20,190**	16,815
Sale of goods	**729**	184
Technical service income	**61**	40
Total revenue from contracts with customers	**104,788**	117,004
Timing of revenue recognition		
Services transferred over time	**6,141**	5,125
Services and goods transferred at a point of time	**98,647**	111,879
Total revenue from contracts with customers	**104,788**	117,004
Other income		
Government grants	**5,280**	8,135
Interest income	**4,017**	3,284
Rental income	**4,618**	86
	13,915	11,505
Gains		
Fair value gains, net:		
Financial assets	**15,284**	21,910
Fair value gains on investment properties	**2,667**	–
Gain on disposal of items of property, plant and equipment	**99**	6
Others	**1,193**	481
	19,243	22,397
	33,158	33,902

5. LOSS BEFORE TAX

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

	2021 *RMB'000*	2020 *RMB'000*
Channel costs	**1,930**	2,005
Rental fee	**4,027**	3,080
Depreciation of property, plant and equipment	**5,089**	2,445
Depreciation of right-of-use assets	**3,304**	4,074
Lease payments not included in the measurement of lease liabilities	**4,027**	3,080
Rent concessions related to COVID-19	**–**	(177)
Impairment of goodwill*	**8,694**	–
Amortisation of intangible assets	**228**	755
Impairment of investments in associates*	**7,649**	10,164
Reversal of impairment of financial assets included in prepayments, other receivables and other assets	**–**	(600)
Advertising expenses	**5,184**	14,024
Auditor's remuneration	**1,900**	1,950
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):		
Wages and salaries	**109,826**	93,767
Pension scheme contributions	**9,867**	1,827
Equity-settled share option expense	**1,480**	3,116
	121,173	98,710
Foreign exchange differences, net*	**812**	1,411
(Gain)/loss on disposal of items of property, plant and equipment, net	**(52)**	1

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

6. INCOME TAX

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

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Xiamen Yidou, which was certified as High and New Technology Enterprise ("HNTE") and entitled to a preferential income tax rate of 15% from 2021 to 2024, and Xiamen Feixin, Kailuo Tianxia, Xiamen Xiyu and Xiamen Guangling 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB354,572,000 at 31 December 2021 (2020: RMB375,046,000).

	2021	2020
	RMB'000	*RMB'000*
Current tax expense	**122**	(69)
Deferred tax	**2,865**	1,288
Total tax expense for the year	**2,987**	1,219

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

	2021	2020
	RMB'000	*RMB'000*
Loss before tax	**(73,574)**	(16,900)
Tax at the applicable tax rate	**(21,353)**	(6,027)
Lower tax rates enacted by local authorities	**1,238**	(316)
Expenses not deductible for tax	**618**	1,079
Other tax credit	**(8,562)**	(7,374)
Profits and losses attributable to associates	**(319)**	1
Tax losses utilised from previous years	**(2,081)**	(3,395)
Deferred tax assets not recognised	**33,446**	17,251
Tax expense	**2,987**	1,219

7. DIVIDENDS

The Board does not recommend the payment of a final dividend to the ordinary equity holders of the Company for the year ended 31 December 2021 (for the year ended 31 December 2020: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,659,491,244 (2020: 1,546,943,455) in issue during the year, as adjusted to reflect the share issuance, repurchase and treasury shares on hand during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilution effect in the basic loss per share amounts presented.

9. GOODWILL

	RMB'000
Cost at 1 January 2020, net of accumulated impairment	20,121
Impairment during the year	–
At 31 December 2020	20,121
At 31 December 2020	
Cost	432,278
Accumulated impairment	(412,157)
Net carrying amount	20,121
Cost at 1 January 2021, net of accumulated impairment	20,121
Impairment during the year	(8,694)
At 31 December 2021	11,427
At 31 December 2021	
Cost	432,278
Accumulated impairment	(420,851)
Net carrying amount	11,427

Impairment testing of goodwill

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

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

The recoverable amounts of the above cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by the board of directors. The discount rates applied to the cash flow projections are 22% to 26% (2020: 21% to 36%). The growth rate used to extrapolate the cash flows of the relevant games beyond the five-year period is 3%. The carrying amount of goodwill allocated to each cash-generating unit is as follows:

	2021	2020
	RMB'000	*RMB'000*
Veewo cash-generating unit	**11,040**	11,040
Shenzhen Zhangxin cash-generating unit	**–**	8,694
Sanguo Zhiren cash-generating unit	**387**	387
Carrying amount of goodwill	**11,427**	20,121

Management recognised an impairment of goodwill of Shenzhen Zhangxin cash-generating unit due to the underperformance in revenue generating activities of My Turn. The recoverable amount of the CGU was its value in use. The recoverable amount was nil for this CGU.

Assumptions were used in the value-in-use calculation of the cash-generating units for the years ended 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

10. ACCOUNTS RECEIVABLE AND RECEIVABLES DUE FROM THIRD-PARTY GAME DISTRIBUTION PLATFORMS AND PAYMENT CHANNELS

The Group's credit terms with customers generally range from one month to four months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its receivable balances. These receivables are non-interest-bearing.

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**26,623**	30,902

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

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

As at 31 December 2021

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**
Gross carrying amount (RMB'000)	**26,623**	**–**	**–**	**–**	**26,623**
Expected credit losses (RMB'000)	**–**	**–**	**–**	**–**	**–**

As at 31 December 2020

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

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	RMB'000	*RMB'000*
Non-current		
Prepayments	**12,510**	3,889
Prepaid land lease payments related deposits	**1,605**	1,605
Other receivables	**18,082**	19,460
	32,197	24,954
Impairment allowance	**(7,605)**	(7,605)
	24,592	17,349
Current		
Prepayments	**7,877**	4,957
Deposits	**3,874**	6,540
Investment property rental income	**2,875**	–
Other receivables	**19,349**	14,593
	33,975	26,090
Impairment allowance	**(13,044)**	(4,104)
	20,931	21,986

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**11,709**	23,509
Impairment losses recognised	**8,940**	–
Impairment allowance written off	**–**	(11,200)
Reversal of impairment losses	**–**	(600)
At end of year	**20,649**	11,709

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. Except for prepayments, other receivables and other assets amounting to RMB20,649,000 (2020: RMB11,709,000) included in the above balances, the above assets are neither past due nor impaired. Other than the aforementioned impaired receivables, the financial assets included in the above balances related to receivables for which there was no recent history of default.

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

		2021	2020
	Notes	***RMB'000***	*RMB'000*
Debt investments at fair value through other comprehensive income			
Straight bonds	*(1)*	**63,069**	22,025
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value	*(2)*	**29,902**	37,712
Financial assets at fair value through profit or loss			
Unlisted debt investments, at fair value	*(3)*	**49,125**	37,282
Bond fund	*(4)*	**8,631**	10,711
Perpetual bonds	*(5)*	**29,025**	30,221
		86,781	78,214

(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. On 16 December 2021, the bond with an aggregate nominal amount of US$3,000,000 was fully redeemed by Huarong Finance 2017 Co., Ltd. in advance at an aggregated consideration of US$3,135,000 (equivalent to approximately RMB20.0 million).

On 15 July 2021, the Group invested in a bond issued by CLP Power Hong Kong Financing Limited with a nominal amount of US$3,500,000 at a consideration of US$3,542,000 (equivalent to approximately RMB23.0 million). The bond has a coupon interest rate of 2.25% per annum with a maturity period of 10 years.

During the second half of July 2021, the Group successively invested in a bond issued by Ease Trade Global Limited with an accumulated nominal amount of US$2,800,000 at an accumulated consideration of US$2,883,000 (equivalent to approximately RMB18.6 million). The bond has a coupon interest rate of 4.0% per annum with a maturity period of 5 years.

On 15 July 2021, the Group invested in a bond issued by New World Development Company Limited with a nominal amount of US$3,500,000 at a consideration of US$3,783,000 (equivalent to approximately RMB24.5 million). The bond has a coupon interest rate of 4.5% 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) 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 an income stream from a diversified portfolio at a consideration of US$1,614,000 (equivalent to approximately RMB11.1 million).

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

13. SHARE CAPITAL

Shares

	2021	2020
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	**–**	**–**	**(156)**	**(156)**
At 31 December 2021	**1,718,826,062**	**1**	**597,945**	**597,946**

The Company issued 171,882,607 subscription shares to THL H Limited, which is a 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 31 December 2021, Tencent Holdings Limited was interested in approximately 15.24% of the total issued share capital of the Company.

(1) Share option schemes

The Company approved and adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a post-IPO share option scheme (the "Post-IPO Share Option Scheme", together as the "Schemes") pursuant to shareholders' written resolutions and directors' written resolution passed on 17 November 2014. The purpose of the Schemes is to provide rewards to eligible participants for their services 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% and 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% and 56% of the number of shares on 31 December 2021 and 2022, respectively. 22,000,000 share options granted will be vested in three tranches as to 32%, 32%, 36% of the number of shares on 31 December 2020, 2021 and 2022, respectively. Each option granted if not exercised subsequently will expire on 21 January 2024.

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

	2021		2020	
	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**0.41**	**139,300**	1.35	28,800
Granted during the year	**–**	**–**	0.18	112,000
Forfeited during the year	**0.18**	**(1,000)**	1.10	(1,500)
At 31 December	**0.41**	**138,300**	0.41	139,300

No share options were exercised during 2021 and 2020.

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

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		

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.

The fair value of the share options granted during the year was nil (2020: RMB6,015,000), of which the Group recognised a share option expense of nil (2020: RMB2,129,000) during the year ended 31 December 2021.

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

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

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

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

At the end of the reporting period, the Company had 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, additional share capital of approximately RMB88 and a share premium of approximately RMB48,154,263.

Subsequent to the end of the reporting period, on 31 March 2022, 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 RMB1,480,000 for the year ended 31 December 2021 (2020: RMB3,116,000).

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

The Board proposes that certain amendments be made to the Articles of Association to, among other things, (i) bring the Articles of Association in alignment with the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules and make corresponding changes to the Articles of Association; (ii) provide flexibility to the Company to convene and hold hybrid general meetings and electronic general meetings; (iii) reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules; and (iv) incorporate certain housekeeping amendments (collectively the "**Proposed Amendments**"). Accordingly, the Board proposes to adopt the amended and restated Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association.

The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the forthcoming annual general meeting of the Company (the "**AGM**"), and will become effective upon the approval by the Shareholders at the AGM. Prior to the passing of the relevant special resolution at the AGM, the existing Articles of Association shall remain valid.

After the Proposed Amendments come into effect, the full text of the amended and restated Articles of Association will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

A circular containing, among other things, details of the Proposed Amendments, together with a notice convening the AGM, will be despatched to the Shareholders in due course.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Annual General Meeting

The 2022 AGM is scheduled to be held on Friday, 27 May 2022. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Articles of Association and the Listing Rules in due course.

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

During the year ended 31 December 2021, neither the Company, its subsidiaries nor any of the PRC Operating Entities has purchased, sold or redeemed any of the Company's listed securities.

Final Dividend

The Board did not declare a final dividend for the year ended 31 December 2021 (the year ended 31 December 2020: Nil).

Closure of Register of Members

To ascertain the eligibility of the Shareholders to attend and vote at the AGM to be held on Friday, 27 May 2022, the register of members of the Company will be closed as set out below:

Latest time to lodge transfer	At 4:30 p.m. on Monday, 23 May 2022
Closure of Register of Members	Tuesday, 24 May 2022 to Friday, 27 May 2022, (both days inclusive)
Record date	Friday, 27 May 2022

During the above closure period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

Audit Committee

The Company established the Audit Committee on 17 November 2014 with written terms of reference adopted in compliance with the CG Code and the terms of reference was amended on 28 December 2015 and 27 December 2018 respectively. As at the date of this announcement, the Audit Committee comprises Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. MA Suen Yee Andrew, all of whom are independent non-executive Directors.

The Audit Committee, together with the Board and the auditors of the Company, has reviewed the accounting standards and practices adopted by the Group and the consolidated financial statements of the Company for the year ended 31 December 2021.

Scope of Work of The Company's Auditors in Respect of The Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The auditors made no comments as to the reasonableness or appropriateness of those assumptions of the "Non-IFRSs Measures" as presented in the preliminary announcement. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

Compliance with the CG Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Save as disclosed herein below, the Company has complied with all applicable code provisions under the CG Code for the year ended 31 December 2021.

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

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code

The Company has adopted the Model Code for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the year ended 31 December 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 year ended 31 December 2021.

Publication of the 2021 Annual Report

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

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their continued support and contribution.

GLOSSARY

"Articles of Association"	the articles of association of the Company currently in force
"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 the then Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company" or "Feiyu"	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
"Director(s)"	director(s) of the Company
"Group" or "the Group"	the Company, its subsidiaries and the PRC Operating Entities
"HK$" or "Hong Kong dollars" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"IAS(s)"	International Accounting Standards
"IASB"	International Accounting Standard Board
"IFRS(s)"	International Financial Reporting Standards, amendments and interpretations issued by the IASB
"IP"	Intellectual Property
"Land"	the land located in Huli District, Xiamen, the PRC as disclosed in the Company's announcement dated 21 July 2016
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"MAUs"	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPUs for a particular period is the average of the MPUs in each month during that period
"PC"	personal computer
"Post-IPO Share Option Scheme"	the post-IPO Share Option Scheme adopted by the Shareholders on 17 November 2014
"PRC Operating Entities"	Xiamen Guanghuan and its subsidiaries and "PRC Operating Entity" means any one of them
"R&D"	research and development

"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"RPG"	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more "characters" who develop specific skill sets (such as melee combat or casting magic spells) and control the character's actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
"RSU(s)"	restricted share units or any one of them
"RSU Plan II"	the RSU Plan II adopted by the Shareholders on 28 May 2018
"Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of US$0.0000001 each
"Share Subscription Agreement"	the subscription agreement dated 23 April 2021 entered into between the Company and THL H Limited in relation to the Subscription
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	approximately HK$0.6941 per subscription share
"Subscription Share(s)"	171,882,607 newly allotted and issued Shares
"Subscription"	the subscription of the Subscription Shares by Tencent (through its wholly-owned subsidiary named THL H Limited) at the Subscription Price
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
"Tencent"	Tencent Holdings Limited, a limited liability company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 700)
"US$", "United States Dollars" or "USD"	United States dollars, the lawful currency of the United States of America

"Xiamen Guanghuan"	Xiamen Guanghuan Information Technology Co., Ltd. (廈門光環信息科技有限公司), a limited company incorporated under the laws of the PRC on 12 January 2009

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

Hong Kong, 30 March 2022

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