



Feiyu Technology International Company Ltd.

飛魚科技國際有限公司

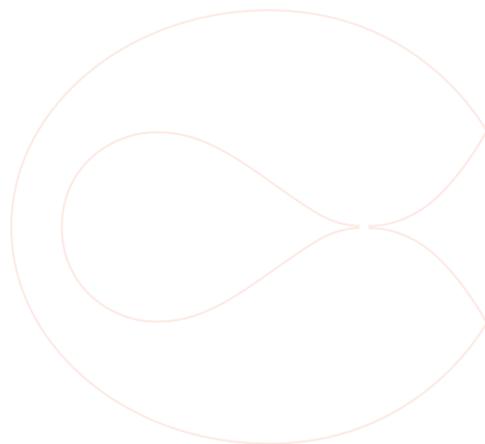
(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 1022

# 2022 INTERIM REPORT



To Better The Virtual World



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. YAO Jianjun (*Chairman and Chief Executive Officer*)  
Mr. CHEN Jianyu (*President*)  
Mr. BI Lin (*Vice President*)  
Mr. LIN Jiabin (*Vice President*) (*resigned on 30 August 2022*)  
Mr. LIN Zhibin (*Vice President*)

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUTHORISED REPRESENTATIVES

Mr. BI Lin  
Ms. LUI Mei Ka

## JOINT COMPANY SECRETARIES

Ms. LUI Mei Ka  
Ms. WEI Yulan

## LEGAL ADVISERS

*As to Hong Kong law:*

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

*As to Cayman Islands law:*

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

## AUDITORS

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

## CORPORATE INFORMATION

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### CORPORATE HEADQUARTERS

Block A, Feiyu Tower,  
No. 78 Hu'an Road, Huli District  
Xiamen, Fujian Province, PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F, Winsan Tower,  
98 Thomson Road  
Wanchai, Hong Kong

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

#### **Conyers Trust Company (Cayman) Limited**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR

#### **Computershare Hong Kong Investor Services Limited**

Shops 1712–1716, 17th Floor  
Hopewell Centre, 183 Queen's Road East  
Wanchai, Hong Kong

### PRINCIPAL BANKERS

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

No. 270 Lujiang Road  
Xiamen, Fujian Province  
PRC

#### **China Merchants Bank, Beijing branch Jianwaidajie sub-branch**

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

### INVESTOR RELATIONS

#### **Christensen China Limited**

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

### COMPANY'S WEBSITE

[www.feiyuhk.com](http://www.feiyuhk.com)

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

1022

### DATE OF LISTING

5 December 2014

# FINANCIAL HIGHLIGHTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 30 June		Change %
	2022 (RMB'000) (Unaudited)	2021 (RMB'000) (Unaudited)	
Revenue	74,343	51,670	43.9
Gross profit	57,206	36,165	58.2
Loss before tax	(6,947)	(6,020)	15.4
Loss for the period attributable to owners of the parent	(9,520)	(9,677)	(1.6)
<b>Non-IFRSs Measures</b>			
– Adjusted net loss attributable to owners of the parent <sup>(1)</sup>	(9,450)	(8,711)	8.5
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic & Diluted	RMB(0.01)	RMB(0.01)	

Note:

- (1) We define adjusted net loss attributable to owners of the parent as net loss attributable to owners of the parent excluding share-based compensation. The term of adjusted net loss attributable to owners of the parent is not defined under IFRSs. The use of adjusted net loss attributable to owners of the parent has material limitations as an analytical tool as it does not include all items that would impact our net loss attributable to owners of parent for the accounting period.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 30 June 2022 (RMB'000) (Unaudited)	As of 31 December 2021 (RMB'000) (Audited)	Change %
	<b>Assets</b>		
Non-current assets	450,016	481,546	(6.5)
Current assets	183,772	186,954	(1.7)
<b>Total assets</b>	<b>633,788</b>	668,500	(5.2)
<b>Equity and liabilities</b>			
Total equity	483,137	493,907	(2.2)
Non-current liabilities	87,496	85,792	2.0
Current liabilities	63,155	88,801	(28.9)
Total liabilities	150,651	174,593	(13.7)
Total equity and liabilities	633,788	668,500	(5.2)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

### OVERVIEW

The first half of 2022 was difficult for China's online game industry against the backdrop of recurring COVID-19 outbreaks, regulatory tightening and economic slowdown. According to the China Game Industry Report for January-June 2022 (《2022年1-6月中國遊戲產業報告》) published by the Game Publishers Association Publications Committee (GPC) of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委), China's online game industry recorded a year-over-year contraction for the first time in recent years, with total revenue declining by 1.8% to RMB147.8 billion in the first half of 2022. The number of game users also saw a slight decrease of 0.1% year-over-year to 666 million during the same period, indicating that the demographic dividend enjoyed by the industry has diminished and competition will continue to intensify.

The Company maintained stable and solid financial performance for the first half of 2022 mainly attributed to the high quality and long lifecycle of its diversified game portfolio. Total revenue for the reporting period was approximately RMB74.3 million, representing an increase of 43.9% year-over-year, primarily driven by the launch of new games in the first half of 2022 and the increase in advertising revenue contributed by existing games by virtue of their superior quality and continued popularity among users. Loss attributable to owners of the parent decreased slightly by 1.6% to RMB9.5 million from RMB9.7 million for the same period of last year.

Leveraging its established IP library, the Company is well positioned to strengthen its competitive edge in the market. In the first half of 2022, the Company launched three new games: *Mushroom Wars 2* (蘑菇戰爭2), *Dougui* (斗詭) and *Carrot Fantasy 4* (保衛蘿蔔4). In May 2022, the Company began operating *Mushroom Wars 2* (蘑菇戰爭2), developed by the Russian game studio Zillion Whales, in China. The multiple award-winning Real-Time Strategy (RTS) game is the newest title in a famous series that has been in existence for 10 years. The game's innovative gameplay and a large base of loyal users, combined with the Company's industry-leading game operation expertise, are expected to make *Mushroom Wars 2* (蘑菇戰爭2) a hit title game in the Company's portfolio.

*Dougui* (斗詭) is a mobile Role-Playing Game (RPG) developed by the Group and launched in May 2022. The game received a featured recommendation from the Apple China App Store and was one of the top three most downloaded free applications on its first day debut in the Store, and it went on to record over 1 million users and generate over RMB10 million in top-up spending in the first week of its launch.

*Carrot Fantasy 4* (保衛蘿蔔4), a sequel to the *Carrot Fantasy* (保衛蘿蔔) game series which had over 600 million cumulative registered users as at 30 June 2022, has been a blockbuster since its launch in late-June 2022. The long-expected launch received such extensive attention that it was featured in Sina Weibo's real-time Hot Search List, which reflects real-time user-generated hashtag popularity on the social media platform. The game has consecutively ranked No. 1 on multiple game distribution channels' lists since its launch, including the Apple China App Store's Top Free List, TapTap's Popular List and Bilibili's Hot List. The Company is confident in the long-term performance prospects of *Carrot Fantasy 4* (保衛蘿蔔4).

Seizing the opportunity presented by the launch of *Carrot Fantasy 4* (保衛蘿蔔4), the Company further expanded its IP licensing efforts. In the first half of 2022, the Company signed six new licensing agreements allowing counterparties to use characters and images from the *Carrot Fantasy* (保衛蘿蔔) game series in their products or services, ranging from Gashapon products, projectors, children playground, USB flash drives, digital collections as well as charity projects.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company also continued to co-develop new offerings with existing licensing partners. During the reporting period, 15 new physical licensed products were launched, including creative furniture and household items, accessories of “3C” (Computer, Communication, and Consumer) products, foods and RPG board games. In addition, the Company continued to work with Baidu and Kugou Music, launching both the Carrot Fantasy – Highlight Moment (保衛蘿蔔 – 高光時刻) themed Baidu Input Method skin and the Kugou Music skin on 30 June 2022, the launch date of *Carrot Fantasy 4* (保衛蘿蔔4).

In addition, the Company also further increased the *Carrot Fantasy* (保衛蘿蔔) brand’s exposure through offline theme carnivals where *Carrot Fantasy* (保衛蘿蔔) themed NIU electric motorcycles and Baidu Apollo autonomous driving minibuses were exhibited. The Company’s cooperation with XPeng Motors (“XPeng”), a mainstream electric vehicle maker in China, also went well in the first half of 2022. The cooperation provided *Carrot Fantasy 3* (保衛蘿蔔3) exposure through some of XPeng’s automotive display and interaction systems as well as in marketing campaigns.

### OUTLOOK FOR 2022

The slowing growth of China’s online game industry and the evolving regulatory environment pose unprecedented challenges to the industry, but they also increase barriers to entry and incentivize high-quality game developers. The Company will adhere to its high-quality game strategy and remain focused on creating and operating games with long lifecycles. In the second half of 2022, the Company plans to launch one key new game subject to approval to be received from the governmental authority. The game is the newest sequel to the Company’s other flagship game series, *Shen Xian Dao* (神仙道), which had approximately 160 million cumulative registered users as at 30 June 2022. In addition, there are seven games in the Company’s pipeline covering a wide range of genres which are targeted to be launched in 2023 and beyond.

The second half of 2022 continues to be a key timeframe for the Company’s IP licensing activities given the launch of *Carrot Fantasy 4* (保衛蘿蔔4) at the end of the first half. The IP licensing team will mainly focus on growing the number of licensed products featuring elements of *Carrot Fantasy 4* (保衛蘿蔔4) in categories including fast-moving consumer goods, stationery and costumes. Offline theme carnivals are another major area that the Company will further explore, although progress in this area will be subject to the COVID-19 situation and government policies in response to outbreaks.

### INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Operating Information

##### *The Company's Games*

During the six months ended 30 June 2022, the Company continued to focus on developing high-quality games that meet the rapidly evolving demands of gamers and strengthening its game distribution capabilities. The Company successfully enlarged the user base and enhanced the recognition of its reputable IP portfolio, including *Carrot Fantasy* (保衛蘿蔔) and *Shen Xian Dao* (神仙道), which laid a solid foundation for potential sequels. During the six months ended 30 June 2022, the Company launched one RPG mobile game named *Dougui* (斗詭), a classic landscape fighting game featuring a traditional Chinese aesthetic, in May 2022, one real-time strategy game named *Mushroom Wars 2* (蘑菇戰爭2), a popular strategic yet casual tower defense mobile game with an IP history of about 10 years, in May 2022 and one casual game named *Carrot Fantasy 4* (保衛蘿蔔4) which is a sequel to one of the Company's hit titles, on 30 June 2022.

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

	For the six months ended 30 June			
	2022	(% of Total Revenue)	2021	(% of Total Revenue)
	(RMB'000)		(RMB'000)	
Game Operations				
Web games	7,004	9.4	7,135	13.8
Mobile games				
RPGs	37,156	50.0	12,468	24.1
Casual	9,655	13.0	7,516	14.5
PC games	3,131	4.2	3,869	7.5
HTML5 games	61	0.1	139	0.3
Console games	1,845	2.5	1,960	3.8
<b>Total</b>	<b>58,852</b>	<b>79.2</b>	<b>33,087</b>	<b>64.0</b>

Revenue contributed by game operations was approximately RMB58.9 million for the six months ended 30 June 2022, representing an increase of approximately 77.9%, compared with approximately RMB33.1 million for the corresponding period in 2021. The increase was primarily due to the launch of *Dougui* (斗詭) in May 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### The Company's Players

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

As at 30 June 2022, the Company's (i) RPG mobile games and web games had approximately 230.6 million cumulative registered users, composed of approximately 173.0 million web game users and approximately 57.6 million mobile game users; (ii) casual games had approximately 658.3 million cumulative activated downloads; (iii) HTML5 games had approximately 37.9 million cumulative registered users; (iv) PC games had approximately 1.6 million cumulative copies sold; and (v) console games had approximately 366,000 cumulative copies sold. For the month of June 2022, the Company's (i) RPG mobile games and web games had approximately 0.6 million MAUs, composed of approximately 0.4 million mobile game MAUs and approximately 0.2 million web game MAUs; (ii) casual games had approximately 8.9 million MAUs; and (iii) HTML5 games had approximately 0.3 million MAUs.

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

	Six Months Ended 30 June		Change %
	2022	2021	
Average MPUs			
Web games (RPGs) (000's)	7	7	–
Mobile games (RPGs) (000's)	146	23	534.8
Casual (000's)	72	70	2.9
ARPPU			
Web games (RPGs) (RMB)	160.8	161.7	(0.6)
Mobile games (RPGs) (RMB)	42.5	91.6	(53.6)
Casual (RMB)	22.2	18.0	23.3

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

MPUs for web games were approximately 7,000 for the six months ended 30 June 2022, which remained steady as compared with the six months ended 30 June 2021. Average MPUs for mobile RPG games increased from approximately 23,000 for the six months ended 30 June 2021 to approximately 146,000 for the six months ended 30 June 2022, primarily due to the launch of *Dougui* (斗詭) in May 2022. Average MPUs for casual games increased from approximately 70,000 for the six months ended 30 June 2021 to approximately 72,000 for the six months ended 30 June 2022, primarily due to the launch of *Carrot Fantasy 4* (保衛蘿蔔4) on 30 June 2022, which had marginal contribution to the average MPUs for the first half of 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

ARPPU for web games was approximately RMB160.8 for the six months ended 30 June 2022, which remained steady as compared with the six months ended 30 June 2021. ARPPU for RPG mobile games decreased from approximately RMB91.6 for the six months ended 30 June 2021 to approximately RMB42.5 for the six months ended 30 June 2022, primarily due to the launch of *Dougui* (斗詭), with lower ARPPU in the early stage of its expected lifecycle. ARPPU for casual games increased from approximately RMB18.0 for the six months ended 30 June 2021 to approximately RMB22.2 for the six months ended 30 June 2022, primarily due to the increase in ARPPU for the *Carrot Fantasy* (保衛蘿蔔) game series, which was updated frequently with new features, resulting in users being 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 had a significant impact on retaining active players and expanding the active player base of the Group.

### First Half of 2022 compared with First Half of 2021

The following table sets forth the Group's income statement for the six months ended 30 June 2022 compared with the six months ended 30 June 2021.

	Six Months Ended 30 June		Change %
	2022 (RMB'000)	2021 (RMB'000)	
<b>Revenue</b>	<b>74,343</b>	51,670	43.9
Cost of sales	<b>(17,137)</b>	(15,505)	10.5
<b>Gross profit</b>	<b>57,206</b>	36,165	58.2
Other income and gains	<b>11,524</b>	15,115	(23.8)
Selling and distribution expenses	<b>(14,661)</b>	(3,910)	275.0
Administrative expenses	<b>(22,062)</b>	(21,130)	4.4
Research and development costs	<b>(36,866)</b>	(31,352)	17.6
Finance costs	<b>(2,105)</b>	(1,101)	91.2
Other expenses	<b>(230)</b>	(164)	40.2
Share of profits/(losses) of associates	<b>247</b>	357	(30.8)
<b>LOSS BEFORE TAX</b>	<b>(6,947)</b>	(6,020)	15.4
Income tax expense	<b>(826)</b>	(2,483)	(66.7)
<b>LOSS FOR THE PERIOD</b>	<b>(7,773)</b>	(8,503)	(8.6)
Attributable to:			
Owners of the parent	<b>(9,520)</b>	(9,677)	(1.6)
Non-controlling interests	<b>1,747</b>	1,174	48.8

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2022 and 2021:

	Six Months Ended 30 June			
	2022 (RMB'000)	(% of Total Revenue)	2021 (RMB'000)	(% of Total Revenue)
Game operations	58,852	79.2	33,087	64.0
Online game distribution	693	0.9	3,941	7.6
Licensing and IP-related income	1,447	1.9	5,826	11.3
Advertising revenue	11,089	14.9	8,800	17.1
Game development service income	1,922	2.6	–	–
Technical service income	340	0.5	16	–
<b>Total</b>	<b>74,343</b>	<b>100.0</b>	<b>51,670</b>	<b>100.0</b>

Total revenue increased by 43.9% to approximately RMB74.3 million for the six months ended 30 June 2022 from approximately RMB51.7 million for the six months ended 30 June 2021.

Revenue from game operations was approximately RMB58.9 million for the six months ended 30 June 2022, representing an increase of approximately 77.9%, compared with approximately RMB33.1 million for the six months ended 30 June 2021. The increase was primarily attributable to the launch of *Dougui* (斗詭) in May 2022, which received highly positive response from gamers.

Revenue from online game distribution decreased by approximately 82.4% to approximately RMB0.7 million for the six months ended 30 June 2022 from approximately RMB3.9 million for the six months ended 30 June 2021. The decrease was primarily attributable to the expiration of the exclusive license agreement for *Horcrux College* (魂器學院) at the end of 2021.

Licensing and IP-related income decreased by approximately 75.2% from approximately RMB5.8 million for the six months ended 31 June 2021 to approximately RMB1.4 million for the six months ended 30 June 2022. The decrease was primarily attributable to the recognition of the licensing fee of approximately RMB2.5 million for *Sprites Legend* (靈妖記—神仙道外傳) and a one-off licensing fee for a simulation game of approximately RMB2.0 million upon termination of the licensing agreement for the six months ended 30 June 2021, while no such licensing fees were recognised for the six months ended 30 June 2022.

Advertising revenue increased by approximately 26.0% to approximately RMB11.1 million for the six months ended 30 June 2022, primarily due to an increase in advertising revenue contributed by *Carrot Fantasy 3* (保衛蘿蔔3), which successfully retained existing gamers and attracted new players during the period.

Game development service income was approximately RMB1.9 million for the six months ended 30 June 2022 (first half of 2021: nil), primarily due to the commissioned game development in the first half of 2022.

Technical service income increased from approximately RMB16,000 for the six months ended 30 June 2021 to approximately RMB340,000 for the six months ended 30 June 2022, primarily due to the commercial operation of the Company's game operation platform in the first half of 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS



### Cost of sales

Cost of sales increased by 10.5% to approximately RMB17.1 million for the six months ended 30 June 2022 from approximately RMB15.5 million for the six months ended 30 June 2021. The increase was mainly attributable to the increase in staff cost resulting from the increased number of personnels in preparation for the launch of new games.

### Gross profit and gross profit margin

Gross profit increased by 58.2% to approximately RMB57.2 million for the six months ended 30 June 2022 from approximately RMB36.2 million for the six months ended 30 June 2021. Gross profit margin for the six months ended 30 June 2022 was 77.0%, compared with 70.0% for the corresponding period in 2021.

### Other income and gains

Other income and gains decreased by approximately 23.8% from approximately RMB15.1 million for the six months ended 30 June 2021, to approximately RMB11.5 million for the six months ended 30 June 2022. The decrease was primarily due to lower investment income of approximately RMB3.6 million for the six months ended 30 June 2022, as compared to approximately RMB7.9 million for the six months ended 30 June 2021 which was primarily due to the fair value changes of the Company's financial assets at fair value through profit or loss.

### Selling and distribution expenses

Selling and distribution expenses increased by approximately 275.0% from approximately RMB3.9 million for the six months ended 30 June 2021, to approximately RMB14.7 million for the six months ended 30 June 2022. The increase was mainly attributable to an increase in promotional and advertising fees from approximately RMB2.0 million to approximately RMB7.3 million, primarily due to the increased number of promotional activities for *Dougui* (斗詭), *Carrot Fantasy 4* (保衛蘿蔔4) and *Mushroom Wars 2* (蘑菇戰爭2) which were launched in the first half of 2022. The increase was also due to an increase in channel fees from approximately RMB0.8 million for the six months ended 30 June 2021 to approximately RMB5.7 million for the six months ended 30 June 2022. The increase in channel fees was mainly due to the launch of *Dougui* (斗詭) on Apple Inc.'s App Store in May 2022 where we recognised its revenue on a gross basis and its App Store channel fees in selling and distribution expenses.

### Administrative expenses

Administrative expenses were approximately RMB22.1 million for the six months ended 30 June 2022, which remained steady compared with approximately RMB21.1 million for the six months ended 30 June 2021.

### R&D costs

R&D costs increased by approximately 17.6% from approximately RMB31.4 million for the six months ended 30 June 2021 to approximately RMB36.9 million for the six months ended 30 June 2022. The increase was primarily due to the establishment of a development team in late 2020, the average staff number of which was relatively lower in the early stage of its establishment in the first half of 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance costs

Finance costs increased by approximately 91.2% from approximately RMB1.1 million for the six months ended 30 June 2021 to approximately RMB2.1 million for the six months ended 30 June 2022. The increase was primarily due to an increase in interest expenses from approximately RMB1.0 million for the six months ended 30 June 2021 to approximately RMB1.9 million for the six months ended 30 June 2022. The increase in interest expenses was due to the fact that 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 after the construction was completed in mid-2021.

### Other expenses

Other expenses were approximately RMB0.2 million for the six months ended 30 June 2022, which remained steady compared with approximately RMB0.2 million for the six months ended 30 June 2021.

### Income tax expense

The income tax expense decreased by approximately 66.7% from approximately RMB2.5 million for the six months ended 30 June 2021, to approximately RMB0.8 million for the six months ended 30 June 2022. The decrease was primarily due to the recognition of deferred tax expenses based on the difference between the fair value and the book value of the investment properties for the six months ended 30 June 2021 and increase of income tax expense resulted from a reversal of deferred tax assets previously recognised from a subsidiary with deductible losses, following an internal reorganisation in the first half of 2021.

### Loss for the period

As a result of the above, the loss for the period decreased by approximately 8.6% from approximately RMB8.5 million for the six months ended 30 June 2021, to approximately RMB7.8 million for the six months ended 30 June 2022. Loss attributable to owners of the parent decreased by approximately 1.6% from approximately RMB9.7 million for the six months ended 30 June 2021, to approximately RMB9.5 million for the six months ended 30 June 2022.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2022 and 2021, the Company defined the adjusted net loss attributable to owners of the parent as net loss attributable to owners of the parent excluding share-based compensation. The term of adjusted net loss or profit attributable to owners of the parent was not defined under IFRSs. The use of adjusted net loss attributable to owners of the parent has material limitations as an analytical tool as it did not include all items that would impact net loss attributable to owners of the parent for the accounting period.

	Six Months Ended 30 June		Change %
	2022 (RMB'000)	2021 (RMB'000)	
<b>Loss for the period attributable to owners of the parent</b>	<b>(9,520)</b>	(9,677)	(1.6)
Add:			
Share-based compensation	<b>70</b>	966	(92.8)
<b>Total</b>	<b>(9,450)</b>	(8,711)	8.5

### Financial Position

As at 30 June 2022, total equity of the Group was approximately RMB483.1 million, compared with approximately RMB493.9 million as at 31 December 2021. The decrease was mainly due to the loss of approximately RMB7.8 million recorded for the six months ended 30 June 2022.

As at 30 June 2022, the Group recorded net current assets of approximately RMB120.6 million, representing an increase of approximately 22.9% from approximately RMB98.2 million as at 31 December 2021. The increase was mainly due to an increase in receivables due from third-party game distribution platforms and payment channels as a result of the launch of new games in the first half of 2022.

### Liquidity and Financial Resources

	30 June 2022 (RMB'000)	31 December 2021 (RMB'000)	Change %
Cash at bank and on hand	<b>107,771</b>	126,261	(14.6)
<b>Total</b>	<b>107,771</b>	126,261	(14.6)

Total cash and cash equivalents were approximately RMB107.8 million as at 30 June 2022, compared with approximately RMB126.3 million as at 31 December 2021. The decrease was primarily due to the utilisation of cash and cash equivalents for operating activities and the partial repayment of bank loans used by the Company for the construction of the Company's R&D center.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, approximately RMB25.6 million of financial resources (31 December 2021: RMB34.7 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 30 June 2022, the Group had aggregate bank loans of approximately RMB75.0 million (31 December 2021: RMB80.0 million), of which approximately RMB10.0 million is payable within one year and approximately RMB65.0 million is payable between one and five years. The Group had lease liabilities of approximately RMB7.1 million (31 December 2021: RMB2.0 million), of which approximately RMB3.7 million is payable within one year and approximately RMB3.4 million is payable between one and five years as set out in the agreements.

As at 30 June 2022, the Group's bank loans of approximately RMB75.0 million 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 30 June 2022, 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 RMB148.2 million (31 December 2021: RMB179.8 million), which represented the Company's investment in straight bonds and a bond fund issued by banks or reputable companies with coupon rates ranging from 2.25% to 4.5% per annum, and interest held by the Group in six unlisted companies and one company listed on the National Equities Exchange And Quotations of the PRC.

The principal of the debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income, and financial assets at fair value through profit or loss as at 30 June 2022 were not protected.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Details of the Group's debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income, and financial assets at fair value through profit or loss as at 30 June 2022 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 six months ended 30 June 2022 (RMB'000)	Loss on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2022 (RMB'000)	Fair value as at 30 June 2022 (RMB'000)	Percentage of	Percentage of
					total FVOCI and FVPL Investments as at 30 June 2022	total assets of the Group as at 30 June 2022
CHINLP Medium Term Note Programme ("CHINLP")	2	255	(3,547)	19,661	13.3%	3.1%
POLHON Guaranteed Notes ("POLHON")	3	362	(544)	18,181	12.3%	2.9%
NWDEVL Medium Term Note Programme ("NWDEVL")	4	509	(2,997)	20,862	14.1%	3.3%

Notes:

- 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 17 to the financial statements for details of the investment in straight bonds.

## MANAGEMENT DISCUSSION AND ANALYSIS

2. 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 interim report for the six months ended 30 June 2022 of CLP Holdings Limited, total revenue was approximately HK\$47,594 million, representing an increase of 16.9% compared with corresponding period in 2021. The net loss after tax was approximately HK\$4,954 million, mostly due to the fair value loss of energy hedging contracts in Australia of HK\$7,957 million triggered by unprecedented market volatility as well as lower earnings from its generation portfolio in Australia and continued high coal prices, despite a strong performance in Hong Kong and from the zero-emission portfolio in Mainland China. It is important to note that the fair value loss of HK\$7,957 million is an unrealised loss which will be unwound once EnergyAustralia’s generating assets are available to meet the contracted supply on the contract settlement date.

The CLP Group has been resilient to survive and thrive through its 121 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

3. 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 2021, 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 interim results announcement of Poly Property for the six months ended 30 June 2022, Poly Property recorded a revenue of approximately HK\$22.3 billion, representing an increase of 58.2% when compared to last year. Net profit after tax amounted to HK\$1.5 billion, representing a year-on-year decrease of 16.7%. During the period, Poly Property recorded contracted sales of RMB16.5 billion despite the unfavorable market conditions. Meanwhile, Poly Property commenced construction on a total of nine new projects and acquired six new projects.

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.

4. 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 in 2020.

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (B) Perpetual Bonds

Name of the perpetual bonds	Notes	Interest income	Gain/(loss) on fair	Fair value	Percentage of	Percentage of
		recognised in consolidated statement of profit or loss for the six months ended 30 June 2022 (RMB'000)	value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2022 (RMB'000)		total FVOCI and FVPL Investments as at 30 June 2022	total assets of the Group as at 30 June 2022
CCB Life Insurance Co.Ltd 2017	2	218	180	-	-	-
Chalieco Hong Kong Corp.Ltd 2019	3	-	(38)	-	-	-
FWD Ltd 2017	4	303	-	-	-	-

#### Notes:

- The Group's investment in perpetual bonds has been accounted for as financial assets at fair value through profit or loss. The fair value of the perpetual bonds was observed from Thomson Reuters Eikon system. Please refer to note 17 to the financial statements for details of the investment in perpetual bonds.
- On 17 January 2020, the Group invested in a bond issued by CCB Life Insurance Company Limited ("**CCB Life Insurance**") with a nominal amount of US\$1,500,000 at a consideration of US\$1,547,000 (equivalent to approximately RMB10.6 million). The bond has a coupon interest rate of 4.5% per annum with the maturity date on 21 April 2077 and extendable for an additional 60 calendar years with no limit on the number of extension times at issuer's option. On 21 April 2022, the bond was fully redeemed by CCB Life Insurance at a consideration of US\$1,500,000 (equivalent to approximately RMB9.6 million) in advance.
- On 17 January 2020, the Group invested in a senior guaranteed perpetual capital bond issued by Chalieco Hong Kong Corporation Limited. ("**Chalieco HK**") with a nominal amount of US\$1,500,000 at a consideration of US\$1,546,000 (equivalent to approximately RMB10.7 million) and a coupon interest rate of 5.0% per annum with no fixed redemption date. The bond was unconditionally and irrevocably guaranteed by China Aluminum International Engineering Corporation Limited ("**Chalieco**"), shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2068). 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. On 8 April 2022, the bond was completely sold by the Company at a consideration of US\$1,534,000 (equivalent to approximately RMB9.8 million) in advance.
- 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 was fully redeemed by FWD at a consideration of US\$1,500,000 (equivalent to approximately RMB9.5 million) in advance.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (C) Bond Fund

Name of the bond fund	Note	Interest income	Loss on fair	Fair value	Percentage of	Percentage of
		recognised in consolidated statement of profit or loss for the six months ended 30 June 2022 (RMB'000)	value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2022 (RMB'000)		total FVOCI and FVPL Investments as at 30 June 2022	
UBS Asian Bonds Series 5 (USD)	2	211	(1,455)	7,528	5.1%	1.2%

#### Notes:

- The Group's investment in bond fund, UBS Asian Bonds, has been accounted for as financial assets at fair value through profit or loss. The fair value of the bond fund represented the net asset value of the sub-fund determined by UBS Asset Management (Singapore) Ltd, as manager (the "Manager") in consultation with HSBC Trustee (Cayman) Limited as trustee (the "Trustee"). Please refer to note 17 to the financial statements for details of the UBS Asian Bonds.
- On 23 January 2020, the Group invested in 16,000 units of the UBS (CAY) Investment Fund Series – UBS Asian Bonds Series 5 (USD) Class A-qdist (USD) Units (the "Sub-Fund") at the subscription price of US\$100 per unit with a consideration of US\$1,614,000 (equivalent to approximately RMB11.1 million). The Sub-Fund has a maturity period of 4.5 years and a target yield to maturity of 4.8% to 5.3% per annum, assuming no defaults and is held to maturity.

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

Pursuant to UBS (CAY) Investment Fund Series Reports and Financial Statements for the year ended 31 December 2021, the Sub-Fund recorded income of approximately USD –71 million and a decrease in net assets attributable to unitholders from operations of approximately USD 97 million, which was mainly attributable to unsatisfactory performance in Asian bonds market and a number of clients chose to reduce their positions.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### (D) Unlisted Equity Investments

Company Name	Notes	Percentage of Shareholdings as at 30 June 2022	(Loss)/gain on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2022 (RMB'000)	Fair value as at 30 June 2022 (RMB'000)	Percentage of total FVOCI and FVPL investments as at 30 June 2022	Percentage of the total assets of the Group as at 30 June 2022
Xiamen eName Technology Co., Ltd. ("eName")	2	2%	(2,546)	19,746	13.3%	3.1%
Xiamen Relian Tianxia Technology Co., Ltd. ("Xiamen Relian")	3	10%	(1,722)	3,594	2.4%	0.6%
Others	4	-	24	2,318	1.5%	0.4%

#### Notes:

- The Group's unlisted equity investments have been accounted for as equity investments designated at fair value through other comprehensive income. The fair value of the unlisted equity investments was assessed by management or employed by other available methods.
- eName is a company listed on China New Third Board (Stock Code: 838413) principally engaged in domain related businesses and providing domain registration, transfer and transaction services for internet customers. It is a well-known domain service provider in China.

Pursuant to eName's annual report for the year ended 31 December 2021, eName recorded revenue of approximately RMB139.3 million, representing a decrease of 21.5% compared with the corresponding period in 2020, and net profit attributable to the shareholders of approximately RMB0.9 million, compared with RMB3.9 million for the year ended 31 December 2020. The abovementioned decrease was mainly attributable to eName ceased to control one of its holding subsidiaries, therefore the subsidiary together with its wholly-owned subsidiaries were no longer absorbed into consolidated statements.

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 therefore optimistic about the domain service market in China and the performance of eName in the future.

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

Pursuant to Xiamen Relian's financial statements for the six months ended 30 June 2022, Xiamen Relian recorded revenue of approximately RMB0.3 million and net loss after tax of approximately RMB0.8 million. With the growing normalisation of COVID-19 epidemic, the hotel industry is still not fully recovered in the first half of 2022. Xiamen Relian therefore maintained current scale of operation, instead of large-scale expansion.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 0.4% of the total assets of the Group as at 30 June 2022.

### (E) Unlisted Debt Investments

Company Name	Notes	Percentage of Shareholdings as at 30 June 2022	Gain on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2022 (RMB'000)	Fair value as at 30 June 2022 (RMB'000)	Percentage of total FVOCI and FVPL investments as at 30 June 2022	Percentage of the total assets of the Group as at 30 June 2022
Future Capital Discovery Fund II, L.P. ("Future Capital")	2	1.8797%	4,565	50,501	34.1%	8.0%
Others	3	-	10	5,778	3.9%	0.9%

Notes:

- The Group's unlisted debt investments have been accounted for as financial assets at fair value through profit or loss. The fair value of the unlisted debt investments was assessed by management or employed by other available methods.
- Future Capital is an unlisted limited partnership principally engaged in investment in companies which are primarily in the sectors of intelligent system, auto system and information technology to achieve earnings in the form of medium to long term capital appreciation. The aggregate investment cost of the investment in Future Capital was USD1,452,197.91.

Pursuant to Future Capital's financial statements for the six months ended 30 June 2022, Future Capital recorded income of approximately US\$1,280 and net increase in partners' capital resulting from operations of approximately US\$51.1 million. The substantial increase in partners' capital resulting from operations was primarily due to an increase in fair value changes on two 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.

- Others comprised two unlisted debt investments and none of these investments accounted for more than 0.5% of the total assets of the Group as at 30 June 2022.

There was no impairment made for any investments in debt instruments for the six months ended 30 June 2022. Investments in equity instruments did not involve any separate impairment accounting under IFRS 9 – Financial Instruments.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Save as disclosed in this interim report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022. Except for those disclosed in this interim report, there was no plan authorised by the Board for other significant investments or acquisitions of major capital assets or other businesses in the first half of 2022. However, the Group will continue to identify new opportunities for business development.

### Gearing ratio

The Group's gearing ratio, which is calculated based on total liabilities divided by total assets, was 23.8% as at 30 June 2022 and 26.1% as at 31 December 2021.

### Capital expenditures

The Group's capital expenditures for the six months ended 30 June 2022 and 2021:

	Six Months Ended 30 June		Change %
	2022 (RMB'000)	2021 (RMB'000)	
Property, plant and equipment	2,572	447	475.4
Construction in progress	–	17,252	(100.0)
<b>Total</b>	<b>2,572</b>	<b>17,699</b>	<b>(85.5)</b>

Capital expenditures consisted of property, plant and equipment and construction in progress, of which the former include but are not limited to office equipment, company vehicles for employees' use and leasehold improvements. The total capital expenditures for the six months ended 30 June 2022 were approximately RMB2.6 million, compared with RMB17.7 million for the six months ended 30 June 2021, representing a decrease of approximately 85.5%. During the six months ended 30 June 2021, there were capital expenditures of approximately RMB17.3 million for the construction of the Company's R&D centre and headquarters building in Xiamen. Since the construction was completed in mid-2021, there were no such construction costs for the six months ended 30 June 2022. The decrease in total capital expenditures was partially offset by the increase in leasehold improvements for our offices.

### Pledge of Assets

As at 30 June 2022, bank loans of approximately RMB75.0 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 the land use rights, investment properties and building on the Land with a total carrying value of approximately RMB248.0 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Contingent liabilities and guarantees

As at 30 June 2022, the Company did not have any unrecorded significant contingent liabilities, guarantees or any litigation with claims made against it.

### Use of Net Proceeds from Subscription of New Shares by THL H Limited

Net proceeds of the Subscription by Tencent (through its wholly-owned subsidiary named THL H Limited) in 2021 were approximately HK\$119.1 million after deducting the relevant expenses of the Subscription.

As at 30 June 2022, the utilisation of and expected timeline for the intended use of the net proceeds from the Subscription are as follows:

	<b>Intended use of net proceeds (HKD million)</b>	<b>Actual use of net proceeds up to 30 June 2022 (HKD million)</b>	<b>Unutilised net proceeds up to 30 June 2022 (HKD million)</b>	<b>Expected timeline for intended use of the net proceeds</b>
Supporting new product development	119.1	62.7	25.3	By 30 June 2023
Attracting suitable personnel		10.1		
Increase the publishing and marketing budget		21.0		
<b>Total</b>	119.1	93.8	25.3	

During the six months ended 30 June 2022, the net proceeds from the Subscription were utilised, or were proposed to be utilised, according to the intentions previously disclosed by the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Company had 451 full-time employees, the majority of whom were based in Xiamen, Fujian Province of the PRC. The following table sets forth the number of employees categorised by function as at 30 June 2022:

	Number of Employees	% of Total
Development	284	63.0
Operations	79	17.5
Administration	73	16.2
Sales and marketing	15	3.3
<b>Total</b>	<b>451</b>	<b>100.0</b>

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

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

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

# OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Long positions in Shares

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

Notes:

- 1 As at 30 June 2022, TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Lin Family Trust and The Zhi Family Trust.
- 2 These interests represented:
  - (a) 8,485,500 Shares held directly by Mr. YAO; and
  - (b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 161,538,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.
- 4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 77,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.
- 5 The entire share capital of LINT Holdings Limited is wholly owned by Supreme Top Global Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Lin Family Trust, which was established by Mr. LIN Jiabin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Jiabin and his family members. Mr. LIN Jiabin (as founder of The Lin Family Trust) and Supreme Top Global Limited are taken to be interested in 36,477,000 Shares held by LINT Holdings Limited pursuant to Part XV of the SFO.  
  
Mr. LIN Jiabin has tendered his resignation as an Executive Director on 30 August 2022.
- 6 The entire share capital of LINCHEN Holdings Limited is wholly owned by Sheen Field Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Zhi Family Trust, which was established by Mr. LIN Zhibin on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN and his family members. Mr. LIN (as founder of The Zhi Family Trust) and Sheen Field Limited are taken to be interested in 37,390,500 Shares held by LINCHEN Holdings Limited pursuant to Part XV of the SFO.
- 7 The percentage is calculated on the basis of 1,718,826,062 Shares in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

#### POST-IPO SHARE OPTION SCHEME

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

As at 30 June 2022, the total number of options granted under the Post-IPO Share Option Scheme was 146,160,000, which represented approximately 8.50% of the Shares in issue as at 30 June 2022. As at 30 June 2022, 48,140,000 options granted under the Post-IPO Share Option Scheme, which represented approximately 2.80% of the Shares in issue as at 30 June 2022, were vested to the named grantees.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

The table below sets out details of the outstanding options granted to the grantee under the Post-IPO Share Option Scheme and movements during the six months ended 30 June 2022:

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

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Shares					
						Granted on the date of grant	Outstanding as at 1/1/2022	Granted during the six months ended 30/6/2022	Exercised during the six months ended 30/6/2022	Cancelled/Lapsed during the six months ended 30/6/2022	Outstanding as at 30/6/2022
Ms. LUI Mei ka	21/1/2020	10% of options on 31 December 2020, 40% of options on 31 December 2021 and 50% of options on 31 December 2022, subject to performance targets	4 years from the date of grant	HK\$0.1804	HK\$0.164	10,000,000 <sup>(1)</sup>	9,000,000	-	-	(4,000,000) <sup>(2)</sup>	5,000,000
Mr. SHENG Xiang	21/1/2020	1/3 of options (i.e. 4,000,000, among which 3,000,000 are subject to performance targets) on 31 December 2020, 2021, 2022 respectively	4 years from the date of grant	HK\$0.1804	HK\$0.164	12,000,000 <sup>(1)</sup>	12,000,000	-	-	(1,500,000) <sup>(2)</sup>	10,500,000
<b>Other Grantees</b>											
1 other grantee	5/7/2016	25% of options on 31 December 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK\$1.634	HK\$1.57	1,000,000 <sup>(1)</sup>	-	-	-	-	-
9 other grantees	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK\$1.256	HK\$1.24	3,560,000 <sup>(1)</sup>	2,700,000	-	-	-	2,700,000
2 other grantee	15/5/2017	25% of options on 15 May 2018, 2019, 2020 and 2021 respectively	10 years from the date of grant	HK\$1.10	HK\$1.11	5,000,000 <sup>(1)</sup>	-	-	-	-	-
<b>Total</b>						<b>146,160,000</b>					<b>132,800,000</b>

### Notes:

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

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 3) On 27 March 2017, 10,160,000 share options were granted to three senior management and other 9 eligible participants with exercise price of HK\$1.256 per Share, which represents the highest of: (i) the closing price of HK\$1.23 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 27 March 2017; (ii) the average of the closing price of HK\$1.256 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- 4) On 15 May 2017, 5,000,000 share options were granted to two eligible participant with exercise price of HK\$1.10 per Share, which represents the highest of: (i) the closing price of HK\$1.10 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 15 May 2017; (ii) the average of the closing price of HK\$1.096 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- 5) On 13 November 2017, 15,000,000 share options were granted to a senior management with exercise price of HK\$1.026 per Share, which represents the highest of: (i) the closing price of HK\$0.99 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 13 November 2017; (ii) the average of the closing price of HK\$1.026 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US\$0.0000001.
- 6) On 21 January 2020, 112,000,000 share options, of which 90,000,000 share options (the "Conditional Grant") were subject to the approval of the independent Shareholders, were granted to 5 senior management with exercise price of HK\$0.1804 per Share, which represents the highest of: (i) the closing price of HK\$0.165 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer of the Share Options, i.e. 21 January 2020; (ii) the average of the closing price of HK\$0.1804 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of offer of the Share Options, i.e. 21 January 2020; and (iii) the nominal value of a Share of US\$0.0000001. At the extraordinary general meeting of the Company held on 8 May 2020, the resolutions in respect of approving the Conditional Grant were duly passed by the independent Shareholders. For details, please refer to the Company's announcement dated 21 January 2020, circular dated 8 April 2020 and poll results announcement dated 8 May 2020.
- 7) 4,000,000 share options granted to a senior management lapsed during the six months ended 30 June 2022 upon the annual performance targets for the year ended 31 December 2021 having not been fulfilled.
- 8) 1,500,000 share options granted to a senior management lapsed during the six months ended 30 June 2022 upon the annual performance target for the year ended 31 December 2021 having not been fulfilled.
- 9) Mr. Yang has tendered his resignation as vice president of the Company due to his personal reasons, effective from 23 August 2022.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### SUMMARY OF THE POST-IPO SHARE OPTION SCHEME

- 1. Purpose**

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

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

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

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

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

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

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

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

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

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS



### RESTRICTED SHARE UNIT PLAN

#### RSU PLAN II

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

As approved by the Shareholders at the annual general meeting held on 27 May 2022, the maximum number of Shares underlying all grants of RSUs under the annual mandate of the RSU Plan II given to the Directors shall not exceed 45,000,000 Shares, which represented approximately 2.62% and 2.62% of the Shares in issue as at 30 June 2022 and the date of this interim report respectively. No RSU was granted under the RSU Plan II from the date of its adoption up to the date of this interim report.

#### Summary of the RSU Plan II

- 1. Purpose**

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

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

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

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

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

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

As at 30 June 2022, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

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

Notes:

- 1 As at 30 June 2022, TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Lin Family Trust and The Zhi Family Trust.
- 2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

- 3 These interests represented:
  - (a) 8,485,500 Shares held directly by Mr. YAO; and
  - (b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 shares held by YAO Holdings Limited pursuant to Part XV of the SFO.
- 4 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 161,538,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.
- 5 Tencent holds 261,882,607 Shares indirectly through its wholly-owned subsidiary, THL H Limited, a company incorporated under the laws of British Virgin Islands.
- 6 The percentage is calculated on the basis of 1,718,826,062 Shares in issue as at 30 June 2022.

Other than as disclosed above, as at 30 June 2022, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

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

During the six months ended 30 June 2022, neither the Company, its subsidiaries nor any of the PRC Operating Entities has purchased, sold or redeemed any of the Company's listed securities.

### **SUFFICIENCY OF THE PUBLIC FLOAT**

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this interim report, the Company has always maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2022 and up to the date of this interim report.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

#### Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. Save as disclosed herein below, the Company has complied with all applicable code provisions under the CG Code during the six months ended 30 June 2022.

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

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

#### Constitutional Documents

In order to (i) bring the Company's 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, amendments were made to the articles of association of the Company. The New Articles of Association took effect on 27 May 2022. For details, please refer to Appendix III to the circular of the Company dated 22 April 2022 and poll results announcement dated 27 May 2022.

The New Articles of Association is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

#### The Board

Mr. LIN Jiabin has resigned as an Executive Director since 30 August 2022.

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

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

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS



### **Model Code for Securities Transactions**

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code during the six months ended 30 June 2022.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2022.

### **Review of Interim Results**

The Audit Committee, comprising three Independent Non-executive Directors, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

The unaudited interim results of the Group for the six months ended 30 June 2022 have been reviewed by Ernst & Young, the external auditors of the Company.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' biographical details since the date of the 2021 annual report of the Company are as follows:

- (i) Mr. YAO Jianjun (姚劍軍), an Executive Director, has been acting as director of FEIYU TECHNOLOGY PTE. LTD. which is the newly founded subsidiary of the Company since 1 February 2022.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2021 annual report of the Company and up to the date of this interim report.

# INDEPENDENT REVIEW REPORT



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

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

## INTRODUCTION

We have reviewed the accompanying interim financial information set out on page 37 to 74, which comprises the interim condensed consolidated statement of financial position of Feiyu Technology International Company Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2022 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by International Accounting Standards Board.

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

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

30 August 2022

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Six months ended 30 June 2022

	Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>74,343</b>	51,670
Cost of sales		<b>(17,137)</b>	(15,505)
<b>Gross profit</b>		<b>57,206</b>	36,165
Other income and gains	4	<b>11,524</b>	15,115
Selling and distribution expenses		<b>(14,661)</b>	(3,910)
Administrative expenses		<b>(22,062)</b>	(21,130)
Research and development costs		<b>(36,866)</b>	(31,352)
Finance costs		<b>(2,105)</b>	(1,101)
Other expenses		<b>(230)</b>	(164)
Share of profits and losses of associates	14	<b>247</b>	357
<b>LOSS BEFORE TAX</b>	5	<b>(6,947)</b>	(6,020)
Income tax expense	6	<b>(826)</b>	(2,483)
<b>LOSS FOR THE PERIOD</b>		<b>(7,773)</b>	(8,503)
Attributable to:			
Owners of the parent		<b>(9,520)</b>	(9,677)
Non-controlling interests		<b>1,747</b>	1,174
		<b>(7,773)</b>	(8,503)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
– Basic & Diluted		<b>RMB(0.01)</b>	RMB(0.01)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>LOSS FOR THE PERIOD</b>	<b>(7,773)</b>	(8,503)
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	(7,088)	(8,073)
Exchange differences:		
Exchange differences on translation of foreign operations	7,681	(1,918)
<b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>	<b>593</b>	(9,991)
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</b>		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(4,244)	(4,477)
Income tax effect	584	587
Transfer of property, plant and equipment and land use right to investment properties:	(3,660)	(3,890)
Revaluation gains	-	887
Income tax effect	-	(222)
<b>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</b>	<b>(3,660)</b>	665
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(3,067)</b>	(13,216)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(10,840)</b>	(21,719)
Attributable to:		
Owners of the parent	(12,589)	(22,893)
Non-controlling interests	1,749	1,174
	<b>(10,840)</b>	(21,719)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	61,074	60,272
Investment properties	10	158,989	158,531
Right-of-use assets	11	39,829	34,946
Goodwill	12	11,427	11,427
Other intangible assets	13	774	879
Investment in associates	14	10,403	10,455
Prepayments, other receivables and other assets	16	18,647	24,592
Equity investments designated at fair value through other comprehensive income	17	25,658	29,902
Debt investments at fair value through other comprehensive income	17	58,704	63,069
Financial assets at fair value through profit or loss	17	63,807	86,781
Deferred tax assets		704	692
<b>Total non-current assets</b>		<b>450,016</b>	481,546
<b>CURRENT ASSETS</b>			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	15	39,494	26,623
Prepayments, other receivables and other assets	16	24,016	20,931
Cash and cash equivalents	18	107,771	126,261
Other current assets		12,491	13,139
<b>Total current assets</b>		<b>183,772</b>	186,954
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	19	40,911	65,908
Interest-bearing bank loans	20	10,000	10,000
Lease liabilities		3,723	1,646
Tax payable		2,154	1,996
Contract liabilities	21	6,367	9,251
<b>Total current liabilities</b>		<b>63,155</b>	88,801
<b>NET CURRENT ASSETS</b>		<b>120,617</b>	98,153
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>570,633</b>	579,699

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans	20	65,000	70,000
Lease liabilities		3,383	318
Deferred tax liabilities		1,239	1,134
Contract liabilities	21	17,874	14,340
Total non-current liabilities		87,496	85,792
<b>Net assets</b>		<b>483,137</b>	493,907
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	22	1	1
Share premium	22	597,945	597,945
Reserves		(116,745)	(104,226)
		471,201	493,720
<b>Non-controlling interests</b>		<b>1,936</b>	187
<b>Total equity</b>		<b>483,137</b>	493,907

**YAO Jianjun**  
Director

**CHEN Jianyu**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent										
	Share capital	Share premium	Statutory reserve	Equity-settled share-based payment reserve	Other reserve	Financial assets revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	1	597,945	18,731	152,772	333,287	(7,717)	22,195	(623,494)	493,720	187	493,907
Loss for the period	-	-	-	-	-	-	-	(9,520)	(9,520)	1,747	(7,773)
Other comprehensive loss for the period:											
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	(7,088)	-	-	(7,088)	-	(7,088)
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(3,660)	-	-	(3,660)	-	(3,660)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	7,679	-	7,679	2	7,681
Total comprehensive loss for the period	-	-	-	-	-	(10,748)	7,679	(9,520)	(12,589)	1,749	10,840
Equity-settled share-based payment expenses	-	-	-	70	-	-	-	-	70	-	70
At 30 June 2022 (unaudited)	1	597,945	18,731*	152,842*	333,287*	(18,465)*	29,874*	(633,014)*	481,201	1,936	483,137

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

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

\* These reserve accounts comprise the consolidated negative reserves of RMB116,745,000 (For the six months ended 30 June 2021: RMB27,238,000) in the consolidated statement of financial position.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Loss before tax	(6,947)	(6,020)
Adjustments for:		
Finance costs	2,105	1,101
Interest income	(1,778)	(1,505)
Depreciation of property, plant and equipment	1,768	1,652
Depreciation of right-of-use assets	2,814	1,736
Amortisation of other intangible assets	116	113
(Gain)/loss on disposal of items of property, plant and equipment	(5)	16
Gain on disposal of right-of-use assets	-	(32)
Equity-settled share-based payment expenses	70	966
Fair value gains, net:		
Financial assets at fair value through profit or loss	(3,605)	(7,891)
Changes in fair value of investment properties	(458)	(2,109)
Share of profits and losses of associates	(247)	(357)
	<b>(6,167)</b>	(12,330)
(Increase)/decrease in accounts receivable and receivables due from third-party game distribution platforms and payment channels	(12,871)	1,844
Decrease/(increase) in prepayments, other receivables and other assets	2,866	(2,626)
Decrease in other payables and accruals	(17,788)	(16,352)
Decrease/(increase) in other current assets	648	(1,331)
Increase/(decrease) in contract liabilities	650	(1,242)
Cash used in operations	(32,662)	(32,037)
Interest paid	(2,116)	(1,101)
Income tax received	-	199
Net cash flows used in operating activities	<b>(34,778)</b>	(32,939)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received		2,375	2,140
Purchases of items of property, plant and equipment		(9,770)	(9,166)
Proceeds from disposal of items of property, plant and equipment		7	25
Additions to other intangible assets		(11)	–
Purchase of equity investments designated at fair value through other comprehensive income		–	(5,000)
Purchase of financial assets at fair value through profit or loss		(281,500)	(259,750)
Proceeds from disposal of financial assets		310,513	248,582
Dividends received from associates		300	300
Net cash flows from/(used in) investing activities		21,914	(22,869)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Addition of bank loans		–	4,580
Repayment of bank loans		(5,000)	(5,000)
Principal portion of lease payments		(2,555)	(1,861)
Proceeds from issue of shares		–	99,648
Share issue expenses		–	(140)
Net cash flows (used in)/from financing activities		(7,555)	97,227
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		126,261	139,194
Effect of foreign exchange rate changes, net		1,929	(821)
Cash and cash equivalents at end of period		107,771	179,792
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the statement of financial position	18	107,771	179,792

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

## 1. CORPORATE INFORMATION

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

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

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3  
Amendments to IAS 16  
Amendments to IAS 37  
*Annual Improvements to  
IFRS Standards 2018-2020*

*Reference to the Conceptual Framework*  
*Property, Plant and Equipment: Proceeds before Intended Use*  
*Onerous Contracts – Cost of Fulfilling a Contract*  
Amendments to IFRS 1, IFRS 9, Illustrative Examples  
accompanying IFRS 16, and IAS 41

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

- (a) Amendments to IFRS 3 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 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

(d) *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 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- 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

### Information about geographical areas

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

### Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 5. LOSS BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2022 RMB'000 (Unaudited)</b>	2021 RMB'000 (Unaudited)
Channel costs	5,687	768
Rental fee	1,702	1,723
Depreciation of property, plant and equipment	1,768	1,652
Depreciation of right-of-use assets	2,814	1,736
Amortisation of other intangible assets	116	113
Advertising expenses	7,253	2,024
Outsource fee	3,204	2,393
Auditor's remuneration	550	550
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	51,243	45,282
Pension scheme contributions	3,929	3,413
Equity-settled share-based payment expenses	70	966
	<b>55,242</b>	49,661
Fair value gains, net:		
Financial assets	<b>(3,605)</b>	(7,891)
Interest income	<b>(1,778)</b>	(1,505)
Government grants	<b>(2,590)</b>	(1,701)
Exchange difference, net	<b>(164)</b>	122

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 6. INCOME TAX EXPENSE

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

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Xiamen Yidou and Xiamen Youli, which was certified as High and New Technology Enterprise (“HNTE”) and entitled to a preferential income tax rate of 15% from 2021 to 2024. Xiamen Feixin, Kailuo Tianxia, Xiamen Xiyu and Xiamen Guangling were certified HNTE and entitled to a preferential income tax rate of 15% from 2019 to 2022.

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax	150	115
Deferred tax	676	2,368
Total tax charge for the period	826	2,483

### 7. DIVIDEND

The Board does not recommend the payment of an interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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 period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,718,826,062 (for the six months ended 30 June 2021: 1,598,886,001) in issue during the period, as adjusted to reflect the share issuance during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the impact of the share option outstanding had an anti-dilution effect in the basic loss per share amounts presented.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of RMB2,572,000 (for the six months ended 30 June 2021: RMB18,316,000). Depreciation for items of property, plant and equipment was RMB1,768,000 during the period (for the six months ended 30 June 2021: RMB1,652,000). Construction in progress has been completed in 2021, nil was transferred to investment properties during the period (for the six months ended 30 June 2021: RMB90,696,000).

During the six months ended 30 June 2022, the Group disposed property, plant and equipment amounting to RMB2,000 (for the six months ended 30 June 2021: RMB41,000).

### 10. INVESTMENT PROPERTIES

	30 June 2022 RMB'000 (Unaudited)
Carrying amount at 1 January	158,531
Net gain from a fair value adjustment	458
Carrying amount at 30 June	158,989

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

#### Fair value hierarchy

	Fair value measurement as at 30 June 2022 using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for: Commercial property	-	-	158,989	158,989
	-	-	158,989	158,989

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 11. LEASES

During the six months ended 30 June 2022, the addition on right-of-use assets amounting to RMB7,697,000 (six months ended 30 June 2021: RMB726,000) and the depreciation incurred for the period amounting to RMB2,814,000 (six months ended 30 June 2021: RMB2,353,000).

### 12. GOODWILL

	RMB'000
At 30 June 2022 and 31 December 2021:	
Cost	432,278
Accumulated impairment	(420,851)
Net carrying amount	11,427

### 13. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2022, the Group acquired items of intangible asset with a cost of RMB11,000 (for the six months ended 30 June 2021: Nil). Amortisation for intangible assets were RMB116,000 during the period (for the six months ended 30 June 2021: RMB113,000).

No intangible asset was disposed of for the six months ended 30 June 2022 and 2021.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 14. INVESTMENT IN ASSOCIATES

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Shares of net assets	<b>3,378</b>	3,430
Goodwill on acquisition	<b>7,025</b>	7,025
	<b>10,403</b>	10,455

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	30 June 2021 RMB'000 (Unaudited)
Share of the associates' profits and losses for the period	<b>247</b>	357

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

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

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 3 months	<b>39,494</b>	26,623

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

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

As at 30 June 2022

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount (RMB'000)	39,494	-	-	-	39,494
Expected credit losses (RMB'000)	-	-	-	-	-

As at 31 December 2021

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
<b>Non-current</b>		
Prepayments	<b>12,746</b>	12,510
Prepaid land lease payments related deposits	<b>1,605</b>	1,605
Other receivables	<b>11,901</b>	18,082
	<b>26,252</b>	32,197
Impairment allowance	<b>(7,605)</b>	(7,605)
	<b>18,647</b>	24,592
<b>Current</b>		
Prepayments	<b>7,989</b>	7,877
Deposits	<b>3,295</b>	3,874
Investment property rental income	<b>4,260</b>	2,875
Capitalized fulfilment	<b>220</b>	–
Other receivables	<b>21,876</b>	19,349
	<b>37,640</b>	33,975
Impairment allowance	<b>(13,624)</b>	(13,044)
	<b>24,016</b>	20,931

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 17. 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

		<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
<b>Debt investments at fair value through other comprehensive income</b>			
Straight bond	(1)	<b>58,704</b>	63,069
<b>Equity investments designated at fair value through other comprehensive income</b>			
Unlisted equity investments, at fair value	(2)	<b>25,658</b>	29,902
<b>Financial assets at fair value through profit or loss</b>			
Unlisted debt investments, at fair value	(3)	<b>56,279</b>	49,125
Bond fund	(4)	<b>7,528</b>	8,631
Perpetual bonds	(5)	<b>–</b>	29,025
		<b>63,807</b>	86,781

(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.

### 17. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- (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 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 21 April 2022, the bond was fully redeemed by CCB Life Insurance at a consideration of US\$1,500,000 (equivalent to approximately RMB9.6 million) in advance.

On 17 January 2020, the Group invested in a perpetual bond issued by Chalico 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 8 April 2022, the bond was completely sold by the Company at a consideration of US\$1,534,000 (equivalent to approximately RMB9.8 million) in advance.

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). On 24 January 2022, the bond was fully redeemed by FWD at a consideration of US\$1,500,000 (equivalent to approximately RMB9.5 million) in advance.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 18. CASH AND CASH EQUIVALENTS

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Cash and cash equivalents	<b>107,771</b>	126,261
Denominated in RMB	<b>82,181</b>	91,610
Denominated in United States Dollars ("US\$")	<b>22,309</b>	31,634
Denominated in Hong Kong Dollars ("HK\$")	<b>3,089</b>	3,017
Denominated in Singapore Dollars ("SG\$")	<b>192</b>	–
Cash and cash equivalents	<b>107,771</b>	126,261

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

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

### 19. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Salaries and welfare payables	<b>21,494</b>	38,446
Other payables and accruals	<b>17,578</b>	25,102
Other tax payables	<b>1,629</b>	2,066
Advance from customers	<b>210</b>	294
	<b>40,911</b>	65,908

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 20. INTEREST-BEARING BANK LOANS

	As at 30 June 2022			As at 31 December 2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	5.047	2023	10,000	5.047	2022	10,000
			10,000			10,000
<b>Non-current</b>						
Other – secured bank loans	5.047-5.050	2023-2027	65,000	5.047-5.050	2023-2027	70,000
			75,000			80,000
				<b>30 June 2022</b>	31 December 2021	
				<b>RMB'000</b>	RMB'000	
				<b>(Unaudited)</b>	<b>(Audited)</b>	
Analysed into:						
Bank loans repayable:						
Within one year or on demand				10,000	10,000	
In the second year				12,500	10,000	
In the third to fifth years, inclusive				32,500	50,000	
Beyond five years				20,000	10,000	
				75,000	80,000	

Note:

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 21. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2022 and 31 December 2021 are as follows:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
<i>Short-term advances received</i>		
Online web and mobile games	<b>4,157</b>	4,120
Licensing income	<b>1,811</b>	4,731
Rental income	<b>399</b>	400
	<b>6,367</b>	9,251
<i>Long-term advances received</i>		
Online web and mobile games	<b>5,438</b>	4,914
Licensing income	<b>12,203</b>	8,994
Rental income	<b>233</b>	432
	<b>17,874</b>	14,340
Total contract liabilities	<b>24,241</b>	23,591

Contract liabilities mainly represented prepaid unconsumed virtual currencies, virtual items from players and upfront revenue sharing and remaining upfront licenses fee for online game services from game distribution platforms, for which the related services had not been rendered as at 30 June 2022.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 22. SHARE CAPITAL

#### Shares

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Issued and fully paid or credited as fully paid:		
Ordinary shares of US\$0.0000001 each	<b>1,718,826,062</b>	1,718,826,062
Equivalent to RMB'000	<b>1</b>	1

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

	<b>Number of issued and fully paid ordinary shares</b>	<b>Nominal value of ordinary shares RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total RMB'000</b>
At 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 and 1 January 2022	1,718,826,062	1	597,945	597,946
<b>At 30 June 2022</b>	<b>1,718,826,062</b>	<b>1</b>	<b>597,945</b>	<b>597,946</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 23. EQUITY-SETTLED SHARE-BASED PAYMENT

#### Share option schemes

The Company approved and adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a post-IPO share option scheme (the “Post-IPO Share Option Scheme”, together as the “Schemes”) pursuant to shareholders’ written resolutions and directors’ written resolution passed on 17 November 2014. The purpose of the Schemes is to provide rewards to eligible participants for their service to the Group. Eligible participants include any full-time employees, consultants, executives or officers of the Company and any of its subsidiaries who, in the sole opinion of the Board, have contributed or will contribute to the Group.

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

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 23. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

#### Share option schemes (Continued)

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

	2022	
	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.41	138,300
Forfeited during the period	0.18	(5,500)
At 30 June	0.42	132,800

	2021	
	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.41	139,300
Forfeited during the year	0.18	(1,000)
At 31 December	0.41	138,300

No share options were exercised during 2022 and 2021.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 23. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

#### Share option schemes (Continued)

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

#### 30 June 2022

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
15,500	0.18	31-12-2020 to 20-01-2024
90,000	0.18	31-12-2020 to 20-01-2024
<b>132,800</b>		

#### 31 December 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
<b>138,300</b>		

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 23. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

#### Share option schemes (Continued)

At the end of the reporting period, the Company had 132,800,000 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 132,800,000 additional ordinary shares of the Company, an additional share capital of approximately RMB89 and a share premium of approximately RMB49,520,000.

At the date of approval of these financial statements, the Company had 132,800,000 share options outstanding under the Schemes, which represented 7.73% of the Company's shares in issue as at that date.

The Group recognised total share option expenses of RMB70,000 for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB966,000).

### 24. COMMITMENTS

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for: Game operation	<b>14,318</b>	13,598

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## 25. RELATED PARTY TRANSACTIONS

### (a) Name and relationship of related parties

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

### (b) Transactions with related parties

The following transactions were carried out with related parties:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cloud sever service from (note (i)) Tencent*	1,619	424
Revenue sharing to (note (ii)) Shanghai Kamao	-	273
Revenue from (note (iii)) Tencent*	2,826	388
Rental income from (note (iv)) Xianglian	200	166

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 25. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Transactions with related parties (Continued)

Notes:

- (i) The purchase of service from Tencent was mutually agreed after taking into account the prevailing market prices.
- (ii) The online game's revenue sharing to Shanghai Kamao was mutually agreed after taking into account the prevailing market prices.
- (iii) The revenue from Tencent was mutually agreed after taking into account the prevailing market prices.
- (iv) The rental income from Xianglian was mutually agreed after taking into account the prevailing market prices.

#### (c) Balances with related parties:

Due from related parties

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Shanghai Kamao	4,463	4,463
Tencent	4,693	7,111
	<b>9,156</b>	11,574

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 25. RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties: (Continued)

Due to related parties

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Xiamen Chenxing	(167)	(167)
Xianglian	(711)	(1,069)
	<b>(878)</b>	(1,236)

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

	<b>For the six months ended 30 June 2022 RMB'000 (Unaudited)</b>	2021 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	3,015	3,022
Equity-settled share-based payment expenses	70	966
Pension scheme contributions	165	98
	<b>3,250</b>	4,086

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 26. FINANCIAL INSTRUMENTS BY CATEGORY

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

#### Financial assets

As at 30 June 2022

	Financial assets at fair value through other comprehensive income				Total RMB'000 (Unaudited)
	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Debt investments RMB'000 (Unaudited)	Equity investments RMB'000 (Unaudited)	Financial assets at amortised cost RMB'000 (Unaudited)	
Debt investments at fair value through other comprehensive income	-	58,704	-	-	58,704
Equity investments designated at fair value through other comprehensive income	-	-	25,658	-	25,658
Financial assets at fair value through profit or loss	63,807	-	-	-	63,807
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	-	-	-	39,494	39,494
Financial assets included in prepayments, other receivables and other assets	-	-	-	24,944	24,944
Cash and cash equivalents	-	-	-	107,771	107,771
	63,807	58,704	25,658	172,209	320,378

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 26. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

#### Financial assets (Continued)

As at 31 December 2021

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost RMB'000	Total RMB'000
		Debt investments RMB'000	Equity investments RMB'000		
Debt investments at fair value through other comprehensive income	–	63,069	–	–	63,069
Equity investments designated at fair value through other comprehensive income	–	–	29,902	–	29,902
Financial assets at fair value through profit or loss	86,781	–	–	–	86,781
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	–	–	26,623	26,623
Financial assets included in prepayments, other receivables and other assets	–	–	–	28,136	28,136
Cash and cash equivalents	–	–	–	126,261	126,261
	86,781	63,069	29,902	181,020	360,772

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 26. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

#### Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial liabilities included in other payables and accruals	5,804	7,897
Interest-bearing bank loans	75,000	80,000
	<b>80,804</b>	<b>87,897</b>

### 27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2022 and 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Certain equity investments (2022: four equity investments 2021: four equity investments)	Valuation multiple	Average EV/Revenue multiple of peers	2022: 3.8 to 7.9 (2021: 3.6 to 6.8)	5% (2021:5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB1,052,000/RMB1,092,000 (2021: RMB1,236,000/RMB1,240,000)
		Discount for lack of marketability	2022: 10% to 23% (2021: 6% to 16%)	5% (2021:5%) increase/decrease in multiple would result in decrease/increase in fair value by RMB193,000/RMB196,000 (2021: RMB180,000/RMB180,000)

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

## 27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted price in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Debt investments at fair value through other comprehensive income	–	58,704	–	58,704
Equity investments designated at fair value through other comprehensive income	–	63,807	–	63,807
Financial assets at fair value through profit or loss	–	–	25,658	25,658
	–	122,511	25,658	148,169

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Debt investments at fair value through other comprehensive income	–	63,069	–	63,069
Financial assets at fair value through profit or loss	–	86,781	–	86,781
Equity investments designated at fair value through other comprehensive income	–	–	29,902	29,902
	–	149,850	29,902	179,752

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

For the period ended 30 June 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

### 28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the board of the directors on 30 August 2022.

# GLOSSARY

“ARPPU”	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Cayman Islands”	the Cayman Islands
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“Chief Executive Officer”	the chief executive officer of the Company
“China” or “PRC” or “Mainland China”	the People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”, “our Company”, “we”, “us” or “our”	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
“Director(s)”	director(s) of the Company
“Executive Director(s)”	the executive Director(s)
“Global Offering”	the offer of 30,000,000 Shares for subscription by the public in Hong Kong pursuant to the Hong Kong Public Offering and the offer of 270,000,000 Shares for subscription by institutional, professional, corporate and other investors pursuant to the International Offering (as respectively defined in the Prospectus)
“Group”	the Company, its subsidiaries and the PRC Operating Entities
“HK\$”, “Hong Kong dollars” or “cents”	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

## GLOSSARY

“IAS(s)”	International Accounting Standards
“IASB”	International Accounting Standard Board
“IFRS(s)”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“Independent Non-executive Director(s)”	the independent non-executive Director(s)
“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including, iPhones, iPods, and iPads
“IP(s)”	Intellectual Propert(ies)
“Kailuo Tianxia”	Beijing Kailuo Tianxia Technology Co., Ltd (北京凱羅天下科技有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
“Land”	the land located in Huli District, Xiamen, the PRC as disclosed in the Company’s announcement dated 21 July 2016
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date which dealings in Shares first commence on the Stock Exchange, i.e. 5 December 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“MAUs”	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period

## GLOSSARY

“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
“New Articles of Association”	the amended and restated articles of association of the Company adopted by the Shareholders at the Annual General Meeting held on 27 May 2022
“Nomination Committee”	the nomination committee of the Board
“PC”	personal computer
“Post-IPO Share Option Scheme”	the post-IPO Share Option Scheme adopted by the Shareholders on 17 November 2014
“PRC Operating Entities”	Xiamen Guanghuan and its subsidiaries and “PRC Operating Entity” means any one of them
“Prospectus”	the prospectus dated 25 November 2014 issued by the Company
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“RPG”	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more “characters” who develop specific skill sets (such as melee combat or casting magic spells) and control the character’s actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
“RSU(s)”	restricted share unit(s)
“RSU Plan II”	the RSU Plan II adopted by the Shareholders on 28 May 2018

## GLOSSARY

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of US\$0.0000001 each
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 171,882,607 newly allotted and issued Shares by Tencent (through its wholly-owned subsidiary named THL H Limited) at approximately HK\$0.6941 per subscription share under the subscription agreement dated 23 April 2021 as detailed in the Company’s announcements dated 23 April 2021 and 6 May 2021
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“Tencent”, together with its subsidiaries, “Tencent Group”	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\$”, “U.S. dollars”, “USD” or “United States Dollars”	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, being a company which the Group does not own but can exercise and maintain control over, and to consolidate its financial results as a wholly-owned subsidiary of the Company by virtue of certain contractual arrangements

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