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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1022)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2022, together with the comparative information for the year ended 31 December 2021.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended 31 December		
	2022	2021	**Change%**
	(RMB'000)	*(RMB'000)*	
	(audited)	(audited)	
Revenue	**191,519**	104,788	82.8
Gross profit	**154,201**	69,929	120.5
Loss before tax	**(23,129)**	(73,574)	(68.6)
Loss after tax	**(24,356)**	(76,561)	(68.2)
Loss for the year attributable to owners of the parent	**(29,637)**	(78,103)	(62.1)
Non-IFRSs Measures			
– Adjusted net loss attributable to owners of the parent (unaudited)(1)	**(31,543)**	(76,623)	(58.8)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	**RMB(0.02)**	RMB(0.05)	

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

In 2022, China's online game industry faced headwinds including intermittent COVID-19 outbreaks and lockdowns, regulatory tightening and an economic slowdown that dampened consumer sentiment. The total revenue of China's online game industry decreased by 10.3% year-over-year to RMB265.9 billion in 2022, according to the 2022 China Game Industry Report (《2022年中國遊戲產業報告》) jointly published by the Game Publishers Association Publications Committee (GPC) of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委), the China Game Industry Research Institute (中國遊戲產業研究院) and Gamma Data.

Despite these headwinds, the Company closed the year with significantly improved financial results, mainly driven by the strong performance of its new games and the long-running success of its established games. Total revenue for the year was approximately RMB191.5 million, an 82.8% year-over-year increase primarily attributable to the success of new games launched in 2022 as well as the growth of RPG mobile game *Shen Xian Dao (神仙道)*, which was first launched in 2011 and has been a hit title ever since. Gross profit margin reached 80.5%, an increase of 1,378 basis points from 2021. Loss attributable to owners of the parent narrowed by 62.1% year-over-year to RMB29.6 million.

The Company launched three new games in 2022, namely *Mushroom Wars 2 (蘑菇戰爭2)*, *Dougui (斗詭)* and *Carrot Fantasy 4 (保衛蘿蔔4)*. Developed by a Russian game studio and operated by the Company in China since May 2022, *Mushroom Wars 2 (蘑菇戰爭2)* contributed meaningful revenue to the Company during the year. The multiple award-winning Real-Time Strategy game is the newest title in a well-known series that has enjoyed 10 years of success and accumulated a large base of loyal users.

Another of the key growth drivers for the Company during the year was *Dougui (斗詭)*, an in-house developed mobile RPG game launched in May 2022. The game received a featured recommendation from Apple China App Store and was one of the top three most downloaded free applications on its launch day on the iOS platform. Within the first week of its launch, *Dougui (斗詭)* recorded over 1 million users and generated over RMB10 million in top-up spending. The game also received featured app store recommendations on multiple Android platforms including Xiaomi and Huawei, and received the Huawei Galaxy Award (華為群星獎) in August 2022.

Carrot Fantasy 4 (保衛蘿蔔4) is the latest sequel to the *Carrot Fantasy (保衛蘿蔔)* game series, which was first introduced in June 2012 and has been a blockbuster in the causal game market over the past decade. The long-anticipated launch of *Carrot Fantasy 4 (保衛蘿蔔4)* in June 2022 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 among the social media platform's hundreds of millions of active users. The game ranked No. 1 on multiple app store bestseller lists following its launch, including the Apple China App Store's Top Free List, TapTap's Popular List, Huawei's Popularity List, Xiaomi's New App List and Bilibili's Hot List. *Carrot Fantasy 4 (保衛蘿蔔4)* also won a number of awards during the year, and, in light of its sizable user base, drove increases in not only game operation revenue but also advertising revenue.

With the launch of *Carrot Fantasy 4 (保衛蘿蔔4)*, the Company ramped up its IP licensing activities in 2022 and established new partnerships with 9 business partners, allowing them to use characters and images from the *Carrot Fantasy (保衛蘿蔔)* game series in products and services ranging from Gashapon products, projectors, children's playgrounds, USB flash drives, digital collections, charity projects, stationery, stuffed toys and online games. Together with existing licensed partners, we had launched a total of 120 stock-keeping units ("**SKU**") of physical products as of the end of 2022, with another 90+ SKUs of physical products under development. The Company also sought to boost brand awareness of the *Carrot Fantasy (保衛蘿蔔)* IP through promotional activities such as offline theme carnivals, expos and fairs. The Company strongly believes that IP licensing not only provides added value to the popularity of licensed products, but also reinforces the value of the IP itself and helps prolong games' lifecycles.

Principal risks relating to the Company's business

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

- China has strict regulations and policies governing the online game industry and related businesses, and the online game industry is subject to the supervision of various authorities. Any failure of the Company to consistently obtain its license from the authorities may have an adverse impact on its business operations;

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

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

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

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

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

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

- The Company may not be able to continuously enhance its existing games and player experience and launch high-quality new games and services, which will materially and adversely affect its ability to continue to revenue and profitability. Due to the life cycle of games, changes in player preferences may cause uncertainties around the Company's ability to retain existing players and attract new players; and

- The Company utilises major social networking websites, online application stores and third-party payment vendors to generate a substantial portion of revenues and if the Company is unable to maintain a good relationship with these distribution and payment channels or if the use of these distribution or payment channels is adversely affected by any factor such as new measures imposed or intervention by any regulators or third parties, the business and results of operations of the Company will be adversely affected.

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

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

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

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

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

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

- The Company maintains and expands the game distribution platforms to deepen penetration in existing markets and expand into new markets within and outside of the PRC;

- The Company continues to manage and optimise its current game portfolio, as well as constantly enhance or upgrade its existing games, offer new and high-quality games to attract and retain players to increase player activity level and monetisation; and

- The Company attracts and retains talent, continues to manage, train, expand and motivate our workforce as well as maintains a positive corporate culture, to maintain the competitiveness of its R&D teams and operation teams.

Outlook for 2023

At the end of 2022, Chinese regulators granted a new batch of game publishing licenses, including some foreign game licenses that had been suspended for 18 months. While the Company expects the license approval process to normalise going forward, it also believes that regulatory bodies will maintain heightened scrutiny of game content in an effort to foster a healthy and prosperous online game industry that creates economic, cultural and technological value for the country. The Company is well positioned to seize the opportunities in this new phase of development in China's online game industry by leveraging its established library of IPs, game development and operation expertise across different genres and extensive distribution networks.

The Company will continue to focus on RPG games with statistic-based gameplay and casual games, both of which have enormous markets and represent the Company's core competencies. In addition, the Company will also explore opportunities to develop mobile versions of established and successful console games.

In 2023, the Company plans to launch two key new games during the year, namely *Shen Xian Dao 3 (神仙道3)* and *Meow Island (喵喵島)*. The Company has obtained publishing licenses for both games. *Shen Xian Dao 3 (神仙道3)* is a the sequel to the Company's flagship RPG game series, which has delivered robust performance since its launch in 2011. Owing to the renowned IP, a large base of loyal users and innovative gameplay, *Shen Xian Dao 3 (神仙道3)* is expected to be another hit title in the Company's mobile game portfolio. Likewise, the casual mobile game *Meow Island (喵喵島),* a multiplayer online battle arena game, is expected to be popular among casual game users once it is available.

Event after the year ended 31 December 2022

There was no material subsequent event during the period from 1 January 2023 to the date of this announcement.

Final Dividend

The Board did not declare a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

FINANCIAL REVIEW

Operating Information

The Company's Games

In 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)*, laying a solid foundation for potential sequels. In May 2022, the Company launched an RPG mobile game named *Dougui (斗詭)*, a classic landscape fighting game featuring a traditional Chinese aesthetic, and a Real-Time Strategy game named *Mushroom Wars 2 (蘑菇戰爭2)*, a popular strategic yet casual tower defence mobile game with a 10-year track record. On 30 June 2022, the Company launched a casual game named *Carrot Fantasy 4 (保衛蘿蔔4),* which is a sequel to one of the Company's hit titles.

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

	For the year ended 31 December			
	2022		2021	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000)*	*(% of Total Revenue)*
Game Operation				
Web games	**13,256**	**6.9**	13,935	13.3
Mobile games				
RPGs	**71,545**	**37.4**	27,529	26.3
Casual	**59,750**	**31.1**	16,787	16.0
PC games	**4,697**	**2.5**	8,729	8.3
HTML5 games	**130**	**0.1**	216	0.2
Console games	**4,390**	**2.3**	3,291	3.1
Total	**153,768**	**80.3**	70,487	67.2

Revenue contributed by game operations was approximately RMB153.8 million for 2022, representing a year-over-year increase of approximately 118.2%, compared with approximately RMB70.5 million for 2021. The increase was primarily due to the launch of *Dougui (斗詭)* in May 2022 and the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* in June 2022.

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 adjust its business strategies from time to time.

As at 31 December 2022, the Company's (i) RPG mobile games and web games had approximately 231.8 million cumulative registered users, composed of approximately 173.1 million web game users and approximately 58.7 million mobile game users; (ii) casual games had approximately 683.0 million cumulative activated downloads; (iii) HTML5 games had approximately 38.6 million cumulative registered users; (iv) PC games had approximately 1.8 million cumulative copies sold; and (v) console games had approximately 397,000 cumulative copies sold. For December 2022, the Company's (i) RPG mobile games and web games had approximately 0.4 million MAUs, composed of approximately 0.3 million mobile game MAUs and approximately 0.1 million web game MAUs; and (ii) casual games had approximately 6.3 million MAUs.

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

	For the year ended 31 December		
	2022	2021	**Change%**
Average MPUs			
Web games (RPGs) (000's)	**7**	7	–
Mobile games (RPGs) (000's)	**75**	17	341.2
Casual (000's)	**246**	88	179.5
ARPPU			
Web games (RPGs) (RMB)	**161.2**	164.5	(2.0)
Mobile games (RPGs) (RMB)	**79.5**	131.3	(39.5)
Casual (RMB)	**20.2**	16.7	21.2

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

Average MPUs for web games were approximately 7,000 for the year ended 31 December 2022, remaining steady as compared with the year ended 31 December 2021. Average MPUs for mobile RPG games increased from approximately 17,000 for the year ended 31 December 2021 to approximately 75,000 for the year ended 31 December 2022, primarily due to the launch of *Dougui (斗詭)* in May 2022. Average MPUs for casual games increased from approximately 88,000 for the year ended 31 December 2021 to approximately 246,000 for the year ended 31 December 2022, primarily due to the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* on 30 June 2022.

ARPPU for web games remained steady at approximately RMB161.2 for the year ended 31 December 2022, compared with approximately RMB164.5 for the year ended 31 December 2021. ARPPU for RPG mobile games decreased from approximately RMB131.3 for the year ended 31 December 2021 to approximately RMB79.5 for the year ended 31 December 2022, primarily due to the launch of *Dougui (斗詭)*, which had lower ARPPU in the early stage of its expected lifecycle. ARPPU for casual games increased from approximately RMB16.7 for the year ended 31 December 2021 to approximately RMB20.2 for the year ended 31 December 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. The increase in ARPPU for casual games was also due to the launch of *Carrot Fantasy 4 (保衛蘿蔔4)*.

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

The year ended 31 December 2022 compared with the year ended 31 December 2021

The following table sets forth the Group's income statement for the year ended 31 December 2022 as compared with the year ended 31 December 2021.

	For the year ended 31 December		
	2022	2021	**Change %**
	(RMB'000)	*(RMB'000)*	
	(audited)	(audited)	
Revenue	**191,519**	104,788	82.8
Cost of sales	**(37,318)**	(34,859)	7.1
Gross profit	**154,201**	69,929	120.5
Other income and gains	**16,181**	33,158	(51.2)
Selling and distribution expenses	**(40,444)**	(10,263)	294.1
Administrative expenses	**(64,389)**	(53,744)	19.8
Research and development costs	**(76,847)**	(83,604)	(8.1)
Finance costs	**(3,968)**	(3,534)	12.3
Other expenses	**(8,618)**	(26,530)	(67.5)
Share of losses of associates	**755**	1,014	(25.5)
LOSS BEFORE TAX	**(23,129)**	(73,574)	(68.6)
Income tax expense	**(1,227)**	(2,987)	(58.9)
LOSS FOR THE YEAR	**(24,356)**	(76,561)	(68.2)
Attributable to:			
Owners of the parent	**(29,637)**	(78,103)	(62.1)
Non-controlling interests	**5,281**	1,542	(242.5)

Revenue

The following table sets forth a breakdown of the Group's revenue for the year ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	***(RMB'000)* (audited)**	***(% of Total Revenue)***	*(RMB'000)* (audited)	*(% of Total Revenue)*
Game Operations	**153,768**	**80.3**	70,487	67.3
Online game distribution	**462**	**0.2**	7,180	6.8
Licensing and IP-related income	**7,747**	**4.0**	6,870	6.5
Advertising revenue	**21,557**	**11.3**	20,190	19.3
Game development service income	**7,651**	**4.0**	–	–
Technical service income	**334**	**0.2**	61	0.1
Total	**191,519**	**100.0**	104,788	100.0

Total revenue increased by approximately 82.8% from the year ended 31 December 2021 to approximately RMB191.5 million for the year ended 31 December 2022.

Revenue from game operations was approximately RMB153.8 million for the year ended 31 December 2022, representing an increase of approximately 118.2%, compared with approximately RMB70.5 million for the year ended 31 December 2021. The increase was primarily attributable to the launch of *Dougui (斗詭)* in May 2022 and the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* in June 2022, both of which received highly positive responses from gamers.

Revenue from online game distribution decreased by approximately 93.6% to approximately RMB0.5 million for the year ended 31 December 2022 from approximately RMB7.2 million for the year ended 31 December 2021. The decrease was primarily due 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 increased by approximately 12.8% from approximately RMB6.9 million for the year ended 31 December 2021 to approximately RMB7.7 million for the year ended 31 December 2022. The increase was primarily attributable to the increase in the sales of blind boxes and other merchandise based on *Carrot Fantasy (保衛蘿蔔)* IP from approximately RMB0.7 million for the year ended 31 December 2021 to approximately RMB2.0 million resulting from the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* in June 2022 and the tenth anniversary of *Carrot Fantasy (保衛蘿蔔)* in 2022.

Advertising revenue increased by approximately 6.8% from approximately RMB20.2 million for the year ended 31 December 2021 to approximately RMB21.6 million for the year ended 31 December 2022. The increase was primarily attributable to the launch of Carrot Fantasy 4 (*保衛蘿蔔4*) in June 2022.

Game development service income was approximately RMB7.7 million for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil), primarily due to the commissioned game development in 2022.

Technical service income increased from approximately RMB61,000 for the year ended 31 December 2021 to approximately RMB334,000 for the year ended 31 December 2022, primarily due to the commercial operation of the Company's game operation platform in 2022.

Cost of sales

Cost of sales increased by 7.1% to approximately RMB37.3 million for the year ended 31 December 2022 from approximately RMB34.9 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in staff cost resulting from the preparation for the launch of new games.

Gross profit and gross profit margin

Gross profit increased by approximately 120.5% from approximately RMB69.9 million for the year ended 31 December 2021, to approximately RMB154.2 million for the year ended 31 December 2022. Gross profit margin for the year ended 31 December 2022 was 80.5%, compared with 66.7% for the year ended 31 December 2021.

Other income and gains

Other income and gains decreased by approximately 51.2% from approximately RMB33.2 million for the year ended 31 December 2021, to approximately RMB16.2 million for the year ended 31 December 2022. The decrease 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 294.1% from approximately RMB10.3 million for the year ended 31 December 2021 to approximately RMB40.4 million for the year ended 31 December 2022. The increase was mainly attributable to an increase in promotional and advertising fees from approximately RMB5.2 million to approximately RMB15.3 million, primarily due to the 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 a rise in channel fees from approximately RMB1.9 million for the year ended 31 December 2021 to approximately RMB20.1 million for the year ended 31 December 2022. The increase in channel fees was mainly due to the launch of *Dougui (斗詭)* and *Carrot Fantasy 4 (保衛蘿蔔4)* on Apple Inc.'s App Store in May 2022 and June 2022 respectively, where the revenue was recognised on a gross basis and the App Store channel fees in selling and distribution expenses.

Administrative expenses

Administrative expenses increased by approximately 19.8% from approximately RMB53.7 million for the year ended 31 December 2021 to approximately RMB64.4 million for the year ended 31 December 2022. The increase was mainly attributable to an increase in severance allowance from RMB3.1 million for the year ended 31 December 2021 to approximately RMB7.5 million for the year ended 31 December 2022 due to the streamlining of the Company's corporate structure. The increase was also due to the recognition of irrecoverable licensing fees and advanced revenue as bad debt in 2022, while no such expenses were recognised in 2021.

R&D costs

R&D costs decreased by approximately 8.1% from approximately RMB83.6 million for the year ended 31 December 2021 to approximately RMB76.8 million for the year ended 31 December 2022. The decrease was primarily attributable to the decrease in employee costs from approximately RMB72.5 million for the year ended 31 December 2021 to approximately RMB67.0 million for the year ended 31 December 2022 due to the decreased average number of R&D employees in 2022 as a result of the Company's efforts to streamline its corporate structure. The decrease was also due to the decrease in share-based compensation expenses by approximately RMB0.8 million, attributable to the lapse of share options granted.

Finance costs

Finance costs increased by approximately 12.3% from approximately RMB3.5 million for the year ended 31 December 2021 to approximately RMB4.0 million for the year ended 31 December 2022. The increase was primarily due to an increase in interest expenses from approximately RMB3.3 million for the year ended 31 December 2021 to approximately RMB3.7 million for the year ended 31 December 2022. Interest expenses increased because the borrowing costs 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 RMB8.6 million for the year ended 31 December 2022, compared with approximately RMB26.5 million for the year ended 31 December 2021. The decrease was primarily due to an impairment loss of goodwill of approximately RMB8.7 million made in 2021, while no such impairment loss was made in 2022. The impairment loss of goodwill was mainly related to the goodwill recognised in 2017 pursuant to our acquisition of Shenzhen Zhangxin Interactive Technology Co., Ltd. (深圳掌心互動科技有限公司) ("**Shenzhen Zhangxin**"), a game development and distribution company which had been a 30%-owned associate of the Group since May 2015 and later became a direct subsidiary of the Group after the further acquisition of 21% interest in November 2017. The impairment of goodwill was made because the recoverable amount of the Shenzhen Zhangxin cash-generating unit ("**CGU**") relating to the goodwill is expected to be less than the carrying amount. The underperformance of Shenzhen Zhangxin's revenue generation in 2021 and the intention of the Group to terminate Shenzhen Zhangxin's operations in 2022 led to the impairment of goodwill. The decrease in other expenses was also due to a full impairment of investment in an associate of approximately RMB7.6 million made in 2021 where the recoverable amount of the associate is expected to be less than the carrying amount, while no such impairment was made in 2022. The termination of the only game distribution agreement of the associate in March 2022 and the intention of the associate to terminate operations were reasons for the impairment.

Income tax expense

Income tax expense decreased by approximately 58.9% from approximately RMB3.0 million for the year ended 31 December 2021, to approximately RMB1.2 million for the year ended 31 December 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 year ended 31 December 2021 and the 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 2021.

Loss for the year

As a result of the above, the loss for the year decreased by approximately 68.2% from approximately RMB76.6 million for the year ended 31 December 2021, to approximately RMB24.4 million for the year ended 31 December 2022. Loss attributable to owners of the parent decreased by approximately 62.1% from approximately RMB78.1 million for the year ended 31 December 2021, to approximately RMB29.6 million for the year ended 31 December 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.

For the years ended 31 December 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.

	For the year ended 31 December		
	2022	2021	**Change %**
	(RMB'000)	*(RMB'000)*	
	(audited)	(audited)	
Loss for the year attributable to owners of the parent	**(29,637)**	(78,103)	(62.1)
Add:			
Share-based compensation	**(1,906)**	1,480	(228.8)
Total	**(31,543)**	(76,623)	(58.8)

Financial Position

As at 31 December 2022, total equity of the Group was approximately RMB456.5 million, compared with approximately RMB493.9 million as at 31 December 2021. The decrease was mainly due to the loss of approximately RMB24.4 million recorded for the year ended 31 December 2022 and the changes in fair value of the Group's equity investments at fair value through other comprehensive income of approximately RMB13.8 million.

As at 31 December 2022, the Group recorded net current assets of approximately RMB112.9 million, representing an increase of approximately 15.0% from approximately RMB98.2 million as at 31 December 2021. The increase was mainly due to the increase in receivables due from third-party game distribution platforms and payment channels as a result of the launch of new games in 2022.

Liquidity and Capital Resources

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

	2022 *(RMB'000)* **(audited)**	2021 *(RMB'000)* (audited)	**Change %**
Net cash flow used in operating activities	**(4,496)**	(53,226)	(91.6)
Net cash flow from/(used in) investing activities	**22,329**	(70,622)	(131.6)
Net cash flow (used in)/from financing activities	**(13,655)**	112,141	(112.2)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**4,178**	(11,707)	(135.7)
Cash and cash equivalents at the beginning of year	**126,261**	139,194	(9.3)
Effect of foreign exchange rate changes, net	**2,714**	(1,226)	(321.4)
Cash and cash equivalents at the end of year[(1)]	**133,153**	126,261	5.5

Note:

(1) As at 31 December 2022, the Group had restricted cash and bank balances of approximately RMB846,000. The restricted cash and bank balances represented the deposits held in designated bank accounts frozen for legal dispute concerning the settlement of construction contract between the main contractor and one of its suppliers for the construction of building. As at the date of this announcement, the aforementioned amounts have been unfrozen.

Total cash and cash equivalents were approximately RMB133.2 million as at 31 December 2022, increasing by approximately 5.5% year-on-year compared with approximately RMB126.3 million as at 31 December 2021. The increase was primarily due to the early redemption of two perpetual bonds and sale of one perpetual bond, partially offset by the partial repayment of bank loans used by the Company for the construction of the R&D center.

As at 31 December 2022, approximately RMB10.2 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, but it manages foreign exchange exposure by limiting foreign currency exposure and constantly monitoring foreign currency levels. The Group adopts a prudent cash and financial management policy. In order to better control costs and minimise the cost of funds, the Group's treasury activities were centralised and cash was generally deposited at banks, denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

As at 31 December 2022, the Group had aggregate bank loans of approximately RMB70.0 million (31 December 2021: RMB80.0 million), of which approximately RMB10.0 million is payable within one year and approximately RMB60.0 million is payable between one and five years. The Group had lease liabilities of approximately RMB4.3 million (31 December 2021: RMB2.0 million), of which approximately RMB2.6 million is payable within one year and approximately RMB1.7 million is payable between one and five years as set out in the agreements.

As at 31 December 2022, the Group's bank loans of approximately RMB70.0 million were used by the Company for the construction of the Company's R&D center. The interest rate was approximately 5.05% per annum and the loans were secured by the land use rights, investment properties and building on the Land.

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

As at 31 December 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 RMB126.3 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 five unlisted companies and one company listed on the National Equities Exchange And Quotations of the PRC.

The principal of the debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss as at 31 December 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.

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

Details of the Group's debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss as at 31 December 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 year ended 31 December 2022 *(RMB'000)*	Loss on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2022 *(RMB'000)*	Fair value as at 31 December 2022 *(RMB'000)*	Percentage of total FVOCI and FVPL Investments at 31 December 2022	Percentage of total assets of the Group as at 31 December 2022
CHINLP Medium Term Note Programme ("**CHINLP**")	*2*	528	(4,670)	19,559	15.5%	3.1%
POLHON Guaranteed Notes ("**POLHON**")	*3*	751	(927)	18,570	14.7%	3.0%
NWDEVL Medium Term Note Programme ("**NWDEVL**")	*4*	1,056	(4,835)	19,992	15.8%	3.2%

Notes:

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

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

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

According to the annual report for the year ended 31 December 2022 of CLP Holdings Limited, total revenue was approximately HK$100,662 million, representing an increase of 19.9% compared with corresponding period in 2021. The net profit after tax for the year ended 31 December 2022 was approximately HK$1,487 million, compared with HK$9,474 million for the corresponding period in 2021. During the year, extreme and exceptional price surges have occurred in the Australian National Electricity Market (NEM) driven by the confluence of the unavailability of major coal-fired power stations and high fuel prices. As a consequence, forward electricity prices have been elevated as compared to historic levels and resulted in an unrealised fair value loss on electricity forward contracts not qualifying for hedge accounting of HK$2,937 million (after tax) included in fuel and other operating expenses for the year. In addition, while generation revenue has increased in 2022, the operating earnings in Australia (before the unrealised fair value loss) reduced by HK$2,581 million as compared with 2021 mainly due to short positions caused by lower generation from Yallourn because of unplanned outages and Mount Piper due to coal supply constraints. Collectively the unrealised fair value loss and the operating challenges were the primary reasons for the significant decrease in CLP Group's earnings for the year.

Despite the energy crisis caused by conflict in Ukraine as well as the lingering impact of the pandemic, CLP Group worked hard in reducing the impact of the energy shocks and other disruptions by virtue of its fuel diversification strategy, long-term planning and solid fundamentals. Meanwhile it continued to invest in growth opportunities, underpinned by robust performance in its core markets in Hong Kong and Mainland China. The Group is therefore optimistic about the future prospect of the bond CHINLP.

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 2022, 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 48.09% of the issued share capital of Poly Property under the Securities and Futures Ordinance (Cap. 571) of Hong Kong (SFO).

According to the annual results announcement of Poly Property for the year ended 31 December 2022, Poly Property recorded a revenue of approximately RMB41,127.3 million, representing an increase of 35.7% when compared to last year. Net profit after tax amounted to RMB1,009.3 million, representing a year-on-year decrease of 53.3%. The decrease in net profit was mainly attributable to significantly declined gross margin of certain projects with recognised sales due to the weak sales of the mainland real estate market and the increased provision for impairment of property inventory due to the uncertain industry outlook.

In 2022, contracted sales of Poly Property decreased by 11% compared with last year, a smaller decline than that of the industry. According to the CRIC, the sales amount of the top 100 real estate enterprises declined by more than 40% year on year. Meanwhile, Poly Property ranked the 40th on the CRIC list in term of the total sales amount, a significant rise of 20 rankings compared with that at the end of 2021, which showed its strong development resilience despite the weak market confidence and intensive industry competition. 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 2022 of New World Group, NWD recorded a revenue of approximately HK$40,193.3 million for the six months ended 31 December 2022, representing an increase of 13.0% when compared to HK$35,572.8 million for the corresponding period in 2021. Net profit after tax for the six months ended 31 December 2022 amounted to HK$2,786.8 million, representing a decrease of 19.4% when compared to the HK$3,456.0 million for the corresponding period in 2021.

   After three years of turbulence and correction under the pandemic, the real estate industry is heading to high-quality development in the future. As a premium enterprise that adheres to sound and high-quality development, NWD will pioneer to capitalise on the favourable market and policies as well as gaining advantages from the recovery of the market. Therefore, the Group is optimistic about the future prospect of the bond NWDEVL.

(B) Perpetual Bonds

Name of the perpetual bonds	*Notes*	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2022 *(RMB'000)*	Gain/(loss) on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2022 *(RMB'000)*	Fair value as at 31 December 2022 *(RMB'000)*	Percentage of total FVOCI and FVPL Investments at 31 December 2022	Percentage of total assets of the Group as at 31 December 2022
CCB Life Insurance Co. Ltd 2017	*2*	226	187	–	–	–
Chalieco Hong Kong Corp. Ltd 2019	*3*	–	(40)	–	–	–
FWD Ltd 2017	*4*	314	–	–	–	–

Notes:

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

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

3. On 17 January 2020, the Group invested in a senior guaranteed perpetual capital bond issued by Chalieco Hong Kong Corporation Limited. ("**Chalieco HK**") with a nominal amount of US$1,500,000 at a consideration of US$1,546,000 (equivalent to approximately RMB10.7 million) and a coupon interest rate of 5.0% per annum with no fixed redemption date. The bond was unconditionally and irrevocably guaranteed by China Aluminum International Engineering Corporation Limited ("**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.

4. On 2 March 2020, the Group invested in a subordinated perpetual capital bond issued by FWD LIMITED (together with its subsidiaries, "**FWD**") with a nominal amount of US$1,500,000 at a consideration of US$1,553,000 (equivalent to approximately RMB10.8 million). The bond has a coupon interest rate of 6.25% per annum without fixed maturity date. On 24 January 2022, the bond was fully redeemed by FWD at a consideration of US$1,500,000 (equivalent to approximately RMB9.5 million) in advance.

(C) Bond Fund

Name of the bond fund	*Note*	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2022 *(RMB'000)*	Loss on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2022 *(RMB'000)*	Fair value as at 31 December 2022 *(RMB'000)*	Percentage of total FVOCI and FVPL Investments as at 31 December 2022	Percentage of total assets of the Group as at 31 December 2022
UBS Asian Bonds Series 5 (USD)	2	439	(1,755)	7,605	6.0%	1.2%

Notes:

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

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

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

   Pursuant to UBS (CAY) Investment Fund Series Reports and Financial Statements for the 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 USD97 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 takes 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 experience. The Manager, in general, actively monitors and reviews all the securities in the Sub-Fund's portfolio on a regular basis and takes appropriate action where necessary (including but not limited to re-investing proceeds from securities that have matured prior to the Sub-Fund's maturity date). Therefore, the Group is optimistic about the Sub-Fund operated by the Manager in the future.

(D) *Unlisted Equity Investments*

Company Name	*Notes*	**Percentage of Shareholdings as at 31 December 2022**	**Loss on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2022** *(RMB'000)*	**Fair value as at 31 December 2022** *(RMB'000)*	**Percentage of total FVOCI and FVPL investments as at 31 December 2022**	**Percentage of the total assets of the Group as at 31 December 2022**
Xiamen eName Technology Co., Ltd. ("**eName**")	*2*	2%	(10,236)	12,056	9.5%	1.9%
Xiamen Relian Tianxia Technology Co., Ltd. ("**Xiamen Relian**")	*3*	10%	(3,015)	2,301	1.8%	0.4%
Others	*4*	–	(446)	1,848	1.5%	0.3%

Notes:

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

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

   Pursuant to eName's interim report for six months ended 30 June 2022, eName recorded revenue of approximately RMB49.5 million, representing a decrease of 42.7% compared with the corresponding period in 2021, and net profit attributable to the shareholders of approximately RMB1.7 million, compared with RMB3.9 million for six months ended 30 June 2021. 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 the gloomy industry environment. The Group is therefore optimistic about the domain service market in China and the performance of eName in the future.

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

   Pursuant to Xiamen Relian's financial statements for the year ended 31 December 2022, Xiamen Relian recorded revenue of approximately RMB0.6 million and net loss after tax of approximately RMB1.5 million. With the growing normalisation of COVID-19 epidemic, the hotel industry is still not fully recovered in the year of 2022. Xiamen Relian therefore maintained current scale of operation, instead of large-scale expansion.

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

4. Others comprised two unlisted limited liability companies and none of these investments accounted for more than 0.3% of the total assets of the Group as at 31 December 2022.

(E) Unlisted Debt Investments

Company Name	*Notes*	**Percentage of Shareholdings as at 31 December 2022** *(RMB'000)*	**Gain on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2022** *(RMB'000)*	**Fair value as at 31 December 2022**	**Percentage of total FVOCI and FVPL investments as at 31 December 2022**	**Percentage of the total assets of the Group as at 31 December 2022**
Future Capital Discovery Fund II, L.P. ("**Future Capital**")	*2*	1.8797%	(4,828)	42,508	33.7%	6.8%
Others	*3*	–	(1,082)	1,829	1.4%	0.3%

Notes:

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

2. Future Capital is an unlisted limited partnership principally engaged in investment in companies which are primarily in the sectors of intelligent system, auto system and information technology to achieve earnings in the form of medium to long term capital appreciation. The aggregate investment cost of the investment in Future Capital was USD1,452,197.91. As at 31 December 2022, the Company held approximately 1.8797% partnership interests in Future Capital.

   Pursuant to Future Capital's financial statements for the year ended 31 December 2022, Future Capital recorded income of approximately US$10,241 and net decrease in partners' capital resulting from operations of approximately US$50.9 million. The substantial decrease in partners' capital resulting from operations was primarily due to a decrease in fair value changes on several Future Capital's investments. Future Capital expected to realise its investments at a later stage in order to enjoy a higher capital appreciation.

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

3. Others represented one unlisted debt investments which accounted for 0.3% of the total assets of the Group as at 31 December 2022.

There was no impairment made for any investments in debt instruments for the year ended 31 December 2022. Investments in equity instruments did not involve any separate impairment accounting under IFRS 9 – Financial Instruments.

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

Save as disclosed in this announcement, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2022. Apart from those disclosed in this announcement, there were no plans authorised by the Board for other significant investments or acquisitions of major capital assets or other businesses in 2022. However, the Group will continue to identify and access new opportunities for business development.

Gearing ratio

On the basis of total liabilities divided by total assets, the Group's gearing ratio was 27.0% as at 31 December 2022 and 26.1% as at 31 December 2021.

Capital expenditures

The following table sets forth the Group's capital expenditures for the year ended 31 December 2022 and 2021 respectively:

	For the year ended 31 December		
	2022	2021	**Change %**
	(RMB'000)	*(RMB'000)*	
Property, plant and equipment	**5,579**	3,206	74.0
Construction in progress	**–**	27,733	(100)
Intangible assets	**13**	–	N/A
Total	**5,592**	30,939	(81.9)

Capital expenditures consisted of property, plant and equipment and construction in progress, of which the former include but are not limited to office equipment, company vehicles for employees' use and leasehold improvements. The total capital expenditures for the year ended 31 December 2022 were approximately RMB5.6 million, compared with RMB30.9 million for the year ended 31 December 2021, representing a decrease of approximately 81.9%. In 2021, there were capital expenditures of approximately RMB27.7 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 year ended 31 December 2022.

Pledge of Assets

As at 31 December 2022, bank loans of approximately RMB70.0 million (under a loan facility of up to RMB120.0 million) were used for the construction of the Company's R&D center. The bank loans were secured by land use rights, properties and investment properties on the Land with a total carrying value of approximately RMB246.9 million.

Contingent liabilities and guarantees

As at 31 December 2022, the Company did not have any unrecorded significant contingent liabilities, guarantees or litigation with claims 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 31 December 2022, the utilisation of and expected timeline for the intended use of the net proceeds from the Subscription are as follows:

	Intended use of net proceeds *(HK$ million)*	**Actual use of net proceeds up to 31 December 2022** *(HK$ million)*	**Unutilised net proceeds up to 31 December 2022** *(HK$ million)*	**Expected timeline for intended use of the net proceeds**
Supporting new product development	119.1	40.6	13.4	By 30 June 2023
Attracting suitable personnel		36.2		
Increase the publishing and marketing budget		28.9		
Total	119.1	105.7	13.4	

During the year ended 31 December 2022, the net proceeds from the Subscription were utilised, or were proposed to be utilised, according to the intentions previously disclosed by the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Company had 365 full-time employees, the majority of whom are based in Xiamen, Fujian Province of the PRC. The following table sets forth the number of employees categorised by function as at 31 December 2022:

	Number of Employees	% of Total
Development	216	59.2
Operations	64	17.5
Administration	68	18.6
Sales and marketing	17	4.7
Total	365	100.0

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

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

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

Foreign currency risk

For the year ended 31 December 2022, the Group did not encounter significant foreign currency risk from its operations and did not hedge against any fluctuation in foreign currency.

Interest rate risk

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

Corporate Social Responsibility

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

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

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

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

Compliance with Relevant Laws and Regulations

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	*4*	**191,519**	104,788
Cost of sales		**(37,318)**	(34,859)
Gross profit		**154,201**	69,929
Other income and gains	*4*	**16,181**	33,158
Selling and distribution expenses		**(40,444)**	(10,263)
Administrative expenses		**(64,389)**	(53,744)
Research and development costs		**(76,847)**	(83,604)
Other expenses		**(8,618)**	(26,530)
Finance costs		**(3,968)**	(3,534)
Share of profits of associates		**755**	1,014
LOSS BEFORE TAX	*5*	**(23,129)**	(73,574)
Income tax expense	*6*	**(1,227)**	(2,987)
LOSS FOR THE YEAR		**(24,356)**	(76,561)
Attributable to:			
Owners of the parent		**(29,637)**	(78,103)
Non-controlling interests		**5,281**	1,542
		(24,356)	(76,561)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic and diluted		**RMB(0.02)**	RMB(0.05)

	2022 *RMB'000*	2021 *RMB'000*
LOSS FOR THE YEAR	**(24,356)**	(76,561)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**(10,432)**	(2,344)
Reclassification adjustments for losses included in the consolidated statement of profit or loss	**–**	(1,578)
Exchange differences on translation of financial statements	**13,107**	(4,967)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**2,675**	(8,889)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(13,697)**	(7,810)
Income tax effect	**(120)**	644
	(13,817)	(7,166)
Transfer of property, plant and equipment and land use right to investment properties:		
Revaluation losses	**–**	(4,820)
Income tax effect	**–**	1,205
	–	(3,615)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(13,817)**	(10,781)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(11,142)**	(19,670)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(35,498)**	(96,231)
Attributable to:		
Owners of the parent	**(40,782)**	(97,773)
Non-controlling interests	**5,284**	1,542
	(35,498)	(96,231)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**62,182**	60,272
Investment property		**159,166**	158,531
Right-of-use assets		**36,088**	34,946
Goodwill	*9*	**11,427**	11,427
Other intangible assets		**648**	879
Investments in associates		**10,910**	10,455
Prepayments, other receivables and other assets	*11*	**18,370**	24,592
Equity investments designated at fair value through other comprehensive income	*12*	**16,205**	29,902
Debt investments at fair value through other comprehensive income	*12*	**58,121**	63,069
Financial assets at fair value through profit or loss	*12*	**51,942**	86,781
Deferred tax assets		**–**	692
Total non-current assets		**425,059**	481,546
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	*10*	**41,373**	26,623
Prepayments, other receivables and other assets	*11*	**15,413**	20,931
Other current assets		**10,659**	13,139
Cash and cash equivalents		**133,153**	126,261
Total current assets		**200,598**	186,954
CURRENT LIABILITIES			
Other payables and accruals		**59,609**	65,908
Interest-bearing bank loans		**10,000**	10,000
Lease liabilities		**2,640**	1,646
Tax payable		**2,010**	1,996
Contract liabilities		**13,436**	9,251
Total current liabilities		**87,695**	88,801
NET CURRENT ASSETS		**112,903**	98,153
TOTAL ASSETS LESS CURRENT LIABILITIES		**537,962**	579,699

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**60,000**	70,000
Lease liabilities		**1,614**	318
Deferred tax liabilities		**1,789**	1,134
Contract liabilities		**18,056**	14,340
Total non-current liabilities		**81,459**	85,792
Net assets		**456,503**	493,907
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**1**	1
Share premium		**597,945**	597,945
Reserves		**(151,727)**	(104,226)
		446,219	493,720
Non-controlling interests		**10,284**	187
Total equity		**456,503**	493,907

1. CORPORATE AND GROUP INFORMATION

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Date of incorporation	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Feiyu Technology Hong Kong Ltd.	Hong Kong	HK$1	25 March 2014	100	–	Investment holding
Xiamen Guanghuan Information Technology Co., Ltd. ("Xiamen Guanghuan")	PRC/Mainland China	RMB10,000,000	12 January 2009	–	100	Game development and distribution
Xiamen Youli Information Technology Co., Ltd. ("Xiamen Youli")	PRC/Mainland China	RMB150,000,000	19 September 2011	–	100	Game development and distribution
Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou")	PRC/Mainland China	RMB20,000,000	11 June 2012	–	100	Game development
Beijing Kailuo Tianxia Technology Co., Ltd. ("Kailuo Tianxia")	PRC/Mainland China	RMB60,000,000	3 May 2012	–	100	Game development and distribution
Xiamen Feiyu Technology Co., Ltd.* ("Xiamen Feiyu")	PRC/Mainland China	US$20,000,000	24 June 2014	–	100	Investment holding Game development
Beijing Baicai Tianxia Technology Co., Ltd. ("Baicai Tianxia")	PRC/Mainland China	RMB10,000,000	10 July 2015	–	100	Game development and distribution
Xiamen Feixiangyue Investment Management Co., Ltd. ("Xiamen Feixiangyue")	PRC/Mainland China	RMB200,000,000	9 August 2016	–	100	Asset management
Xiamen Feiyu Tianxia Information Technology Co., Ltd.* ("Feiyu Tianxia")	PRC/Mainland China	US$10,000,000	21 July 2021	–	100	Game development
Xiamen Veewo Games Co., Ltd. ("Xiamen Veewo")	PRC/Mainland China	RMB1,350,000	29 February 2016	–	51	Game development

* Xiamen Feiyu Technology Co., Ltd. and Xiamen Feiyu Tianxia Information Technology Co., Ltd. are registered as wholly-foreign-owned enterprises under PRC law.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3,	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group 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* (the "Conceptual Framework") 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 business combinations during the year, 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 as determined by IAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendment to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is 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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

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

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

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

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

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

Information about geographical areas

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

Information about a major customer

No revenue from the Company's sales to a single customer amounted to 10% or more of the Group's revenue for the year ended 31 December 2022 (2021: No revenue from the Company's sales to a single customer amounted to 10% or more of the Group's revenue).

4. REVENUE, OTHER INCOME AND GAINS

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

	2022 *RMB'000*	2021 *RMB'000*
Types of goods or services		
Online web and mobile games	**84,938**	41,680
Single-player mobile games	**68,830**	28,807
Game operation	**153,768**	70,487
– Gross basis	**64,714**	10,353
– Net basis	**89,054**	60,134
Online game distribution	**462**	7,180
Licensing income	**5,747**	6,141
Game development service	**7,651**	–
Advertising revenue	**21,557**	20,190
Sale of goods	**2,000**	729
Technical service income	**334**	61
Total revenue from contracts with customers	**191,519**	104,788
Timing of revenue recognition		
Services transferred over time	**13,398**	6,141
Services and goods transferred at a point of time	**178,121**	98,647
Total revenue from contracts with customers	**191,519**	104,788
Other income		
Government grants	**3,735**	5,280
Interest income	**3,181**	4,017
Rental income	**5,861**	4,618
	12,777	13,915
Gains		
Fair value gains, net:		
Financial assets	**1,479**	15,284
Fair value gains on investment properties	**635**	2,667
Gain on disposal of items of property, plant and equipment	**499**	99
Others	**791**	1,193
	3,404	19,243
	16,181	33,158

5. LOSS BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Channel costs	**20,145**	1,930
Rental fee	**3,088**	4,027
Depreciation of property, plant and equipment	**3,533**	5,089
Depreciation of right-of-use assets	**4,822**	3,304
Lease payments not included in the measurement of lease liabilities	**3,088**	4,027
Impairment of goodwill*	**–**	8,694
Amortisation of intangible assets	**244**	228
Impairment of investments in associates*	**–**	7,649
Impairment of prepayments, other receivables and other assets	**9,695**	8,940
Advertising expenses	**15,456**	5,184
Auditor's remuneration	**1,950**	1,900
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**112,437**	109,826
Pension scheme contributions	**8,910**	9,867
Equity-settled share option expense	**(1,906)**	1,480
	119,441	121,173
Foreign exchange differences, net	**(365)**	812
Gain on disposal of items of property, plant and equipment, net	**(492)**	(52)
Fair value losses/(gains), net	**6,450**	(15,284)

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

6. INCOME TAX

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

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Kailuo Tianxia, which was certified as High and New Technology Enterprise ("HNTE") and entitled to a preferential income tax rate of 15% from 2022 to 2024, and Xiamen Feixin, Xiamen Yidou, Xiamen Youli and Xiamen Feiyu which were certified as High and New Technology Enterprises ("HNTEs") in 2021 and entitled to a preferential income tax rate of 15% from 2021 to 2023.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB315,703,000 at 31 December 2022 (2021: RMB354,572,000).

	2022	2021
	RMB'000	*RMB'000*
Current tax expense	**–**	122
Deferred tax	**1,227**	2,865
Total tax expense for the year	**1,227**	2,987

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

	2022	2021
	RMB'000	*RMB'000*
Loss before tax	**(23,129)**	(73,574)
Tax at the applicable tax rate	**(3,555)**	(21,353)
Lower tax rates enacted by local authorities	**(1,700)**	1,238
Expenses not deductible for tax	**267**	618
Other tax credit	**(11,608)**	(8,562)
Profits and losses attributable to associates	**(189)**	(319)
Tax losses utilised from previous years	**(13,391)**	(2,081)
Tax losses not recognised	**31,403**	33,446
Tax expense	**1,227**	2,987

7. DIVIDENDS

The Board does not recommend the payment of a final dividend to the ordinary equity holders of the Company for the year ended 31 December 2022 (for the year ended 31 December 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,718,826,062 (2021: 1,659,491,244) in issue during the year, as adjusted to reflect the share issuance, repurchase and treasury shares on hand during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilution effect in the basic loss per share amounts presented.

9. GOODWILL

	RMB'000
Cost at 1 January 2021, net of accumulated impairment	20,121
Impairment during the year	(8,694)
At 31 December 2021	11,427
At 31 December 2021	
Cost	432,278
Accumulated impairment*	(420,851)
Net carrying amount	11,427
Cost at 1 January 2022, net of accumulated impairment	11,427
Impairment during the year	–
At 31 December 2022	11,427
At 31 December 2022	
Cost	432,278
Accumulated impairment*	(420,851)
Net carrying amount	11,427

* The Group recognised an accumulated full impairment amounting to RMB419,441,000 (2021: RMB419,441,000) for Carrot Fantasy cash-generating unit, Shenzhen Zhangxin cash-generating unit, Chengdu Guangcheng cash-generating unit and Jiong Xi You cash-generating unit and an accumulated impairment amounting to RMB1,410,000 (2021: RMB1,410,000) for Veewo cash-generating unit in prior years.

Impairment testing of goodwill

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

- Veewo cash-generating unit
- Sanguo Zhiren cash-generating unit

The recoverable amounts of the above cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by the senior management. The discount rates applied to the cash flow projections are 23% to 34% (2021: 22% to 26%). The growth rate used to extrapolate the cash flows of the relevant games beyond the five-year period is 2.3%. The carrying amount of goodwill allocated to each cash-generating unit is as follows:

	2022	2021
	RMB'000	*RMB'000*
Veewo cash-generating unit	**11,040**	11,040
Sanguo Zhiren cash-generating unit	**387**	387
Carrying amount of goodwill	**11,427**	11,427

Assumptions were used in the value-in-use calculation of the cash-generating units for the years ended 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**41,373**	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.

The balances consist of receivables from third parties which have no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Non-current		
Prepayments	**14,649**	12,510
Prepaid land lease payments related deposits	**1,605**	1,605
Other receivables	**16,651**	18,082
Deposits	**740**	–
	33,645	32,197
Impairment allowance	**(15,275)**	(7,605)
	18,370	24,592
Current		
Prepayments	**6,804**	7,877
Investment property rental income	**4,393**	2,875
Deposits	**253**	3,874
Contract costs	**370**	–
Other receivables	**18,662**	19,349
	30,482	33,975
Impairment allowance	**(15,069)**	(13,044)
	15,413	20,931

Except for the allowance for prepayments amounting to RMB4,342,000 (2021: RMB3,000,000), the movements in the loss allowance for impairment of other receivables and deposits are as follows:

	2022	2021
	RMB'000	*RMB'000*
	Stage 3	Stage 3
At beginning of year	**17,649**	8,709
Impairment losses recognised	**8,353**	8,940
At end of year	**26,002**	17,649

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The increase of impairment was due to the increase of debtors' probability of default under the current conditions and forecasts of future economic conditions. Other than the aforementioned impaired receivables and deposits, the financial assets included in the above balances related to receivables and deposits for which there was no recent history of default and are classified as stage 1, the loss allowance is minimal.

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

	Notes	2022 RMB'000	2021 RMB'000
Debt investments at fair value through other comprehensive income			
Straight bonds	*(1)*	**58,121**	63,069
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value	*(2)*	**16,205**	29,902
Financial assets at fair value through profit or loss			
Unlisted debt investments, at fair value	*(3)*	**44,337**	49,125
Bond fund	*(4)*	**7,605**	8,631
Perpetual bonds	*(5)*	**–**	29,025
		51,942	86,781

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

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

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

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

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

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

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

(5) On 17 January 2020, the Group invested in a perpetual bond issued by CCB Life Insurance Company Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 4.5% per annum at a consideration of US$1,547,000 (equivalent to approximately RMB10.6 million). On 21 April 2022, the bond was fully redeemed by CCB Life Insurance Company Limited 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 Chalieco Hong Kong Corporation Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 5.0% per annum at a consideration of US$1,546,000 (equivalent to approximately RMB10.7 million). On 8 April 2022, the bond was disposed 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 Limited at a consideration of US$1,500,000 (equivalent to approximately RMB9.5 million) in advance.

13. SHARE CAPITAL

Shares

	2022	2021
Issued and fully paid or credited as fully paid:		
Ordinary shares of US$0.0000001 each	**1,718,826,062**	1,718,826,062
Equivalent to RMB'000	**1**	1

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

	Number of issued and fully paid ordinary shares	**Nominal value of ordinary shares** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
At 1 January 2021	1,546,943,455	1	498,453	498,454
At 31 December 2021 and 1 January 2022	1,718,826,062	1	597,945	597,946
At 31 December 2022	**1,718,826,062**	**1**	**597,945**	**597,946**

(1) Share option schemes

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

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

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

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

	2022 Weighted average exercise price *HK$ per share*	**2022** Number of options *'000*	2021 Weighted average exercise price *HK$ per share*	2021 Number of options *'000*
At 1 January	**0.41**	**138,300**	0.41	139,300
Forfeited during the year	**0.68**	**(30,000)**	0.18	(1,000)
At 31 December	**0.34**	**108,300**	0.41	138,300

No share options were exercised during 2022 and 2021.

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

2022

Number of options *'000*	**Exercise price*** *HK$ per share*	**Exercise period**
5,800	1.26	31-12-2017 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
72,000	0.18	31-12-2020 to 20-01-2024
108,300		

2021

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
3,000	3.93	10-06-2016 to 09-06-2025
6,300	1.26	31-12-2017 to 26-03-2027
3,000	1.26	30-06-2017 to 26-03-2027
15,000	1.03	13-11-2018 to 12-11-2027
21,000	0.18	31-12-2020 to 20-01-2024
90,000	0.18	31-12-2020 to 20-01-2024
138,300		

* 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.

At the end of the reporting period, the Company had 108,300,000 share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 108,300,000 additional ordinary shares of the company, additional share capital of approximately RMB75 and a share premium of approximately RMB34,354,910.

At the date of approval of these financial statements, the Company had 108,300,000 share options outstanding under the Schemes, which represented 6.3% of the Company's shares in issue as at that date.

The Group reversed total share option expenses of RMB1,906,000 for the year ended 31 December 2022 (The Group recognised total share option expenses of RMB1,480,000 for the year ended 31 December 2021).

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Annual General Meeting

The 2023 AGM is scheduled to be held on Thursday, 25 May 2023. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Articles of Association and the Listing Rules in due course.

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

During the year ended 31 December 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.

Final Dividend

The Board did not declare a final dividend for the year ended 31 December 2022 (the year ended 31 December 2021: Nil).

Closure of Register of Members

To ascertain the eligibility of the Shareholders to attend and vote at the AGM to be held on Thursday, 25 May 2023, the register of members of the Company will be closed as set out below:

Latest time to lodge transfer	At 4:30 p.m. on Friday, 19 May 2023
Closure of Register of Members	Monday, 22 May 2023 to Thursday, 25 May 2023, (both days inclusive)
Record date	Thursday, 25 May 2023

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

Audit Committee

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

The Audit Committee, together with the Board and the auditors of the Company, has reviewed the accounting standards and practices adopted by the Group and the consolidated financial statements of the Company for the year ended 31 December 2022.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The auditors made no comments as to the reasonableness or appropriateness of those assumptions of the "Non-IFRSs Measures" as presented in the preliminary announcement. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

Compliance with the CG Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Save as disclosed herein below, the Company has complied with all applicable code provisions under the CG Code for the year ended 31 December 2022.

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

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

Compliance with the Model Code

The Company has adopted the Model Code for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the year ended 31 December 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 year ended 31 December 2022.

Publication of the 2022 Annual Report

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.feiyuhk.com), and the 2022 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the abovementioned websites in due course.

APPRECIATION

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

GLOSSARY

"ARPPU"	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
"Articles of Association"	the articles of association of the Company currently in force
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Cayman Islands"	the Cayman Islands
"CG Code"	Corporate Governance Code as set out in the then Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"Company" or "Feiyu"	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
"Director(s)"	director(s) of the Company
"Group" or "the Group"	the Company, its subsidiaries and the PRC Operating Entities
"HK$" or "Hong Kong dollars" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"IAS(s)"	International Accounting Standards
"IASB"	International Accounting Standard Board
"IFRS(s)"	International Financial Reporting Standards, amendments and interpretations issued by the IASB
"IP"	Intellectual Property
"Land"	the land located in Huli District, Xiamen, the PRC as disclosed in the Company's announcement dated 21 July 2016
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"MAUs"	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPUs for a particular period is the average of the MPUs in each month during that period

"PC"	personal computer
"Post-IPO Share Option Scheme"	the post-IPO Share Option Scheme adopted by the Shareholders on 17 November 2014
"PRC Operating Entities"	Xiamen Guanghuan and its subsidiaries and "PRC Operating Entity" means any one of them
"R&D"	research and development
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"RPG"	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more "characters" who develop specific skill sets (such as melee combat or casting magic spells) and control the character's actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
"RSU(s)"	restricted share units or any one of them
"RSU Plan II"	the RSU Plan II adopted by the Shareholders on 28 May 2018
"Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of US$0.0000001 each
"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"	Tencent Holdings Limited, a limited liability company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 700)

"US$", "United States Dollars" or "USD"	United States dollars, the lawful currency of the United States of America
"Xiamen Guanghuan"	Xiamen Guanghuan Information Technology Co., Ltd. (廈門光環信息科技有限公司), a limited company incorporated under the laws of the PRC on 12 January 2009

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

Hong Kong, 30 March 2023

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