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Feiyu Technology International Company Ltd.

飛魚科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1022)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The Board is pleased to announce the unaudited consolidated interim results (the “**Interim Results**”) of the Group for the six months ended 30 June 2024 together with comparative figures for the corresponding period in 2023.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June		Change %
	2024	2023	
	(RMB'000)	(RMB'000)	
	(unaudited)	(unaudited)	
Revenue	101,752	107,902	(5.7)
Gross profit	85,587	94,870	(9.8)
(Loss)/Profit before tax	(1,635)	40,297	N/A
(Loss)/Profit for the period attributable to owners of the parent	(1,586)	40,262	N/A

(LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

– Basic & Diluted

RMB0.00

RMB0.02

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

The online game market in China in the first half of 2024 experienced a mild growth of 2.08% in its total revenue to RMB147.3 billion versus the same period of last year, according to the China Game Industry Report for January to June 2024 (《2024年1-6月中國遊戲產業報告》) 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) and China Game Industry Research Institute (中國遊戲產業研究院). Among all categories, HTML5 game was the only one that recorded strong revenue growth, increasing by 60.5% year-on-year to RMB16.6 billion.

In addition to the headwind of slowing growth, China's online game industry continued to be featured by intensified competition during the reporting period. In the meantime, the weakening consumer confidence and users' willingness to pay as a result of the challenging economic conditions added pressure to the Company's operating environment. However, there were some positive developments as well. The regulatory environment has become more favorable, with an increase in the number of new game approvals in the first six months of 2024 compared to the same period of last year. In addition, regulatory bodies have released supportive policies to encourage the inheritance of traditional Chinese culture, the development of high-quality games, and technological innovation, which also have been an essential part of the Company's core strategy and values.

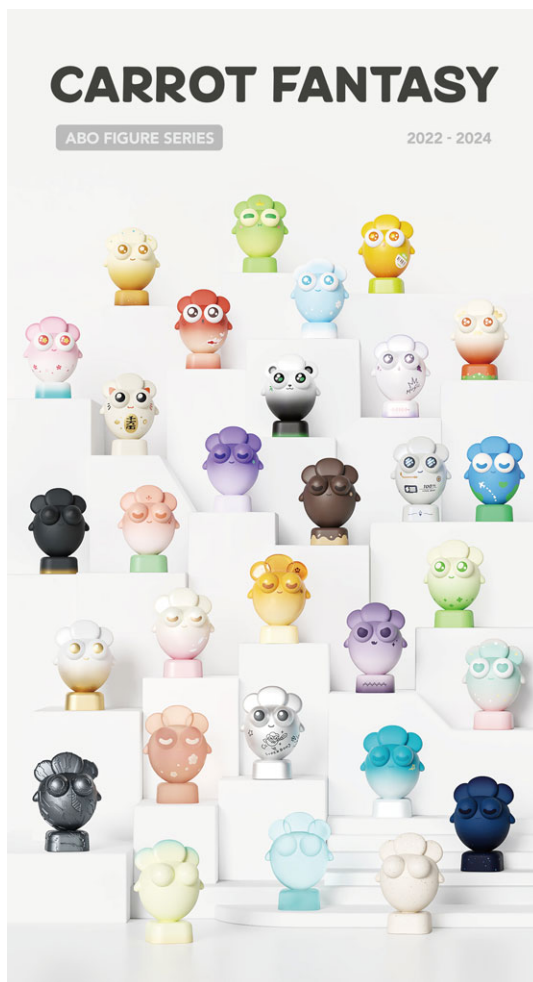
To provide users with high-quality games and engaging gameplay, the Company focused on preparing new titles in the first half of the year, mainly in the HTML5 segment. The research and development ("R&D") and publishing teams have spared no efforts in developing and conducting extensive testing of the new games, with the goal of creating unparalleled gaming experiences, albeit this had a short-term impact on the Company's financial results.

The Company recorded total revenue of RMB101.8 million for the first half of 2024, representing a slight decrease of 5.7% year-on-year. Loss for the period attributable to owners of the parent was RMB1.6 million, mainly reflecting the recognition of an investment loss of RMB11.6 million arising from the Group's investment in an unlisted limited partnership because of the decrease in its fair value. Designed to generate long-term risk-adjusted returns, the limited partnership primarily invests in emerging sectors including intelligent system, auto system and information technology.

The Company's strategy of developing premium games combined with maintaining long-term operations has allowed its existing titles to continue demonstrating strong resilience. Many games first launched in early to mid 2010s, such as *Shen Xian Dao* (神仙道), *Da Hua Shen Xian* (大話神仙), and *San Guo Zhi Ren* (三國之刃), are still making stable revenue contributions. *Carrot Fantasy 4* (保衛蘿蔔4), which debuted in June 2022, has continued to record growth in the number of active users both year-on-year and sequentially in the first half of this year, endorsing the Company's capability in crafting enduring hit titles.

As the backbone of the Company, blockbuster titles not only contribute steady and sustained revenue, but also enable the establishment of its own IP library. The *Carrot Fantasy* (保衛蘿蔔) game series' IP has continued to reach a wider audience through both online and offline channels in the first half of this year, and has also achieved new breakthroughs in the forms of the licensed products/services. In January 2024, the Company partnered with Beijing Orient Landscape & Environment Co., Ltd. (SHE: 002310) to co-develop physical theme parks, based on the *Carrot Fantasy* (保衛蘿蔔) IP. The first park “*Carrot Fantasy Kingdom* (保衛蘿蔔歡樂王國)” is located in Yunnan Province of the PRC, and is expected to officially open in the first half of 2025. The theme parks are expected to take the development of the *Carrot Fantasy* (保衛蘿蔔) IP to a new level in terms of brand exposure's length of time, spatial scale, and forms of carriers.

On the licensed physical products, the licensing agreement with Shanghai Xiongchang Industrial Co., Ltd. enabled the launch of 7 models of *Carrot Fantasy* (保衛蘿蔔) & Saturday co-branded clogs in the first half of this year, which were sold through major e-commerce platforms and 58 offline Saturday retail stores, and were very well received by consumers. Additionally, in the reporting period, our licensed partner Hangzhou Jargee Culture Communication Co., Ltd., “Jargee”, had multiple launches of *Carrot Fantasy* (保衛蘿蔔) themed stuffed toys in their claw machines across Jargee's nationwide claw machine store network, leading to frequent sell-outs within just a few days and significantly driving store traffic and revenue. Furthermore, buoyed by the great popularity of the game series' IP, the exquisite design, and the superior quality, the *Carrot Fantasy* (保衛蘿蔔) blind box toys have continued to be beloved by players and enthusiasts, resulting in sell-outs of various editions.



The diverse IP licensing and co-branding collaborations have effectively expanded the reach and monetisation channels of the *Carrot Fantasy* (保衛蘿蔔) IP, further enhancing its brand influence and commercial value.

In terms of management and operations, the Company has been focusing on refined operations and the creation of high-quality games by adopting a startup mentality. To improve operational efficiency, the Company is also quick to adopt the latest technologies, such as AI-generated content.

Outlook for 2024

Despite intense industry competition, new opportunities continue to emerge, particularly in the HTML5 game space. Thanks to their easy accessibility, HTML5 games allow players to utilise their fragmented time to engage in gaming, anytime and anywhere. The Company has been proactively positioning itself in the HTML5 game segment since its early stage, having launched the HTML5 version of *Carrot Fantasy* (保衛蘿蔔), which has allowed the Company to accumulate valuable experience.

Leveraging its diverse game themes, gameplay, and game license reserves, the Company is currently focusing its efforts on developing several HTML5 games, aiming to launch 8 of them in the second half of 2024 and deliver an enjoyable gaming experience to players. On 1 August 2024, the Company officially launched a HTML5 game named *Yi Bu Liang Bu* (一步兩步) which received positive responses from users.

The IP licensing activities remain a strategic focus in the second half. By building and successfully operating the first *Carrot Fantasy* (保衛蘿蔔)-themed park in Yunnan Province, the Company expects to facilitate the investment in and building of other *Carrot Fantasy* (保衛蘿蔔)-themed parks in multiple cities across the country. In addition, the IP licensing team will continue to expand the collaboration with industry-leading online platforms, explore co-branding with offline chain stores, and increase licensed products.

Interim Dividend

The Board did not declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

FINANCIAL REVIEW

Operating Information

The Company's Games

During the first half of 2024, the Company remained committed to the long-term operation of its esteemed IP portfolio, which includes *Carrot Fantasy* (保衛蘿蔔) and *Shen Xian Dao* (神仙道), laying a sturdy groundwork for potential sequels. We focus on understanding the ever-evolving needs of our users to ensure that our products continue to meet their expectations and deliver value consistently. In addition, we are investing in the R&D and distribution of HTML5 games, aiming to capitalise on the surge of this segment.

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

	For the six months ended 30 June 2024		2023	
	(RMB'000)	(% of Total Revenue)	(RMB'000)	(% of Total Revenue)
Game Operations				
Web games	5,414	5.3	6,292	5.8
Mobile games				
RPGs	37,755	37.1	35,675	33.1
Casual	38,458	37.8	47,806	44.3
PC games	960	1.0	771	0.7
HTML5 games	387	0.4	1	0.0
Console games	338	0.3	639	0.6
Total	83,312	81.9	91,184	84.5

Revenue contributed by game operations was approximately RMB83.3 million for the six months ended 30 June 2024, representing a decrease of approximately 8.6%, compared with approximately RMB91.2 million for the corresponding period in 2023. The decrease was primarily due to the decline in revenue generated by *Carrot Fantasy 4* (保衛蘿蔔4), as we have been focusing on long term operation of the game instead of instant monetisation.

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 and continuously improve its products.

As at 30 June 2024, the Company's (i) RPG mobile games and web games had approximately 235.3 million cumulative registered users, composed of approximately 173.3 million web game users and approximately 62.0 million mobile game users; (ii) casual games had approximately 725.1 million cumulative activated downloads; (iii) HTML5 games had approximately 39.4 million cumulative registered users; (iv) PC games had approximately 2.2 million cumulative copies sold; and (v) console games had approximately 552,000 cumulative copies sold. For the month of June 2024, the Company's (i) RPG mobile games and web games had approximately 0.2 million MAUs, composed of approximately 0.1 million mobile game MAUs and approximately 0.1 million web game MAUs; and (ii) casual games had approximately 5.3 million MAUs.

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

	Six Months Ended 30 June		Change %
	2024	2023	
Average MPUs			
Web games (RPGs) (000's)	5	6	(16.7)
Mobile games (RPGs) (000's)	60	313	(80.8)
Casual (000's)	155	219	(29.2)
ARPPU			
Web games (RPGs) (RMB)	179.3	181.9	(1.4)
Mobile games (RPGs) (RMB)	104.9	19.0	452.1
Casual (RMB)	41.3	36.3	13.8

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

MPUs for web games averaged approximately 5,000 for the six months ended 30 June 2024 as compared to approximately 6,000 for the six months ended 30 June 2023, primarily due to our web games reached the later stage of their expected lifecycles. Average MPUs for mobile RPG games decreased by 80.8% from approximately 313,000 for the six months ended 30 June 2023 to approximately 60,000 for the six months ended 30 June 2024, primarily due to the debut of *Shen Xian Dao 3* (神仙道3) in June 2023, which had higher number of MPUs in the early stage of its launch. Average MPUs for casual games decreased by 29.2% from approximately 219,000 for the six months ended 30 June 2023 to approximately 155,000 for the six months ended 30 June 2024, primarily attributable to our strategy of maintaining long-term operation of the game instead of instant monetisation.

ARPPU for web games decreased from approximately RMB181.9 for the six months ended 30 June 2023 to approximately RMB179.3 for the six months ended 30 June 2024. The decrease was primarily because our web games entered the later stage of their expected lifecycles. ARPPU for RPG mobile games increased from approximately RMB19.0 for the six months ended 30 June 2023 to approximately RMB104.9 for the six months ended 30 June 2024, primarily due to the launch of *Shen Xian Dao 3* (神仙道3) in June 2023, which had lower ARPPU when it was newly introduced. ARPPU for casual games increased by 12.1% from approximately RMB36.3 for the six months ended 30 June 2023 to approximately RMB41.3 for the six months ended 30 June 2024, primarily due to the increase in ARPPU for the *Carrot Fantasy* (保衛蘿蔔) game series, which was updated frequently with new features, resulting in users being more willing to pay.

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

First Half of 2024 compared with First Half of 2023

The following table sets forth the Group's income statement for the six months ended 30 June 2024 compared with the six months ended 30 June 2023.

	Six Months Ended 30 June		Change %
	2024 <i>(RMB'000)</i>	2023 <i>(RMB'000)</i>	
Revenue	101,752	107,902	(5.7)
Cost of sales	(16,165)	(13,032)	24.0
Gross profit	85,587	94,870	(9.8)
Other income and gains	8,597	17,907	(52.0)
Selling and distribution expenses	(36,213)	(17,846)	102.9
Administrative expenses	(19,711)	(21,802)	(9.6)
Research and development costs	(27,152)	(27,622)	(1.7)
Finance costs	(2,153)	(1,735)	24.1
Other expenses	(13,212)	(2,938)	349.7
Share of profits/(losses) of associates	2,622	(537)	N/A
(LOSS)/PROFIT BEFORE TAX	(1,635)	40,297	N/A
Income tax (expenses)/credit	(329)	569	N/A
(LOSS)/PROFIT FOR THE PERIOD	(1,964)	40,262	N/A
Attributable to:			
Owners of the parent	(1,586)	40,262	N/A
Non-controlling interests	(378)	604	N/A

Revenue

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2024 and 2023:

	Six Months Ended 30 June			
	2024		2023	
	<i>(RMB'000)</i>	<i>(% of Total Revenue)</i>	<i>(RMB'000)</i>	<i>(% of Total Revenue)</i>
Game operations	83,312	81.9	91,184	84.5
Online game distribution	192	0.2	279	0.2
Licensing and IP-related income	8,594	8.4	3,528	3.3
Advertising revenue	9,646	9.5	10,975	10.2
Game development service income	–	0.0	1,865	1.7
Technical service income	8	0.0	71	0.1
Total	<u>101,752</u>	<u>100.0</u>	<u>107,902</u>	<u>100.0</u>

Total revenue decreased by 5.7% to approximately RMB101.8 million for the six months ended 30 June 2024 from approximately RMB107.9 million for the six months ended 30 June 2023.

Revenue from game operations was approximately RMB83.3 million for the six months ended 30 June 2024, representing a decrease of approximately 8.6% from approximately RMB91.2 million for the six months ended 30 June 2023. The decrease was primarily due to the decline in revenue generated by *Carrot Fantasy 4* (保衛蘿蔔4), as we have been focusing on long-term operation of the game instead of instant monetisation. The decrease was also due to the postponed launch of several new HTML5 games, as the Group strategically decided to invest additional development time and resources to enhance the quality of such new games.

Revenue from online game distribution decreased by approximately 31.2% to approximately RMB0.2 million for the six months ended 30 June 2024 from approximately RMB0.3 million for the six months ended 30 June 2023. The decrease was mainly due to the decline in revenue of *Mushroom War 2* (蘑菇戰爭2) which entered the later stage of its expected lifecycle in 2024.

Licensing and IP-related income increased by approximately 143.5% from approximately RMB3.5 million for the six months ended 30 June 2023 to approximately RMB8.6 million for the six months ended 30 June 2024. The increase was primarily attributable to the recognition of a one-off licensing fee of approximately RMB4.2 million for the cloud gaming version of *Carrot Fantasy 4* (保衛蘿蔔4), while there was no such one-off licensing fee recognised for the six months ended 30 June 2023.

Advertising revenue decreased by approximately 12.1% from approximately RMB11.0 million for the six months ended 30 June 2023 to approximately RMB9.6 million for the six months ended 30 June 2024. Advertising revenue was primarily generated by *Carrot Fantasy* (保衛蘿蔔) game series, which attracted a large player base that we were able to monetise. The decrease in advertising revenue was primarily attributable to the decline in revenue generated by *Carrot Fantasy 4* (保衛蘿蔔4), as we have been focusing on long term operation of the game instead of instant monetisation.

Game development service income for the six months ended 30 June 2023 represented the service income for the completion of a commissioned game development in early 2023 and there was no such commissioned game development in 2024.

Cost of sales

Cost of sales increased by 24.0% to approximately RMB16.2 million for the six months ended 30 June 2024 from approximately RMB13.0 million for the six months ended 30 June 2023. The increase was mainly attributable to the increased staff cost from approximately RMB9.3 million for the six months ended 30 June 2023 to approximately RMB11.5 million for the six months ended 30 June 2024 as a result of the Company's preparation for the launch of new HTML5 games. The increase in cost of sales was also attributable to the increase of server cost from approximately RMB1.4 million for the six months ended 30 June 2023 to approximately RMB2.1 million for the six months ended 30 June 2024 as a result of the server cost associated with *Shen Xian Dao 3* (神仙道3) which was initially operated by a third-party agency and later transferred to in-house operation at the end of 2023.

Gross profit and gross profit margin

Gross profit decreased by 9.8% to approximately RMB85.6 million for the six months ended 30 June 2024 from approximately RMB94.9 million for the six months ended 30 June 2023. Gross profit margin for the six months ended 30 June 2024 was 84.1%, compared with 87.9% for the corresponding period in 2023.

Other income and gains

Other income and gains decreased by approximately 52.0% from approximately RMB17.9 million for the six months ended 30 June 2023, to approximately RMB8.6 million for the six months ended 30 June 2024. The decrease was primarily attributable to the lower investment income of approximately RMB0.7 million for the six months ended 30 June 2024, as compared to approximately RMB10.5 million for the six months ended 30 June 2023, which was primarily driven by the fair value changes in the Company's financial assets at fair value through profit or loss.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 102.9% from approximately RMB17.8 million for the six months ended 30 June 2023, to approximately RMB36.2 million for the six months ended 30 June 2024. The increase was mainly attributable to the increase in promotional and advertising expenses from approximately RMB3.4 million for the six months ended 30 June 2023 to approximately RMB22.4 million for the six months ended 30 June 2024, as the promotional activities and related expenses for *Shen Xian Dao 3* (神仙道3) were undertaken by the Company after the game was transferred to in-house operation from a third-party agency at the end of 2023.

Administrative expenses

Administrative expenses decreased by approximately 9.6% from approximately RMB21.8 million for the six months ended 30 June 2023, to approximately RMB19.7 million for the six months ended 30 June 2024. The decrease was mainly attributable to the decrease in staff costs as a result of the Company's efforts to streamline its corporate structure to allocate resources to units generating higher business value.

R&D costs

R&D costs were approximately RMB27.2 million for the six months ended 30 June 2024, decreasing by approximately 1.7% compared with approximately RMB27.6 million for the six months ended 30 June 2023.

Finance costs

Finance costs increased by approximately 24.1% from approximately RMB1.7 million for the six months ended 30 June 2023 to approximately RMB2.2 million for the six months ended 30 June 2024. The increase was primarily due to the increase in interest expenses resulting from the further utilisation of bank facility in conjunction with the operation of the Company's R&D centre and headquarters building in Xiamen in the second half of 2023.

Other expenses

Other expenses were approximately RMB13.2 million for the six months ended 30 June 2024, compared with approximately RMB2.9 million for the six months ended 30 June 2023. The increase was primarily due to a recognition of an investment loss of approximately RMB11.6 million for the six months ended 30 June 2024 from the Group's investment in an unlisted limited partnership. The change was primarily due to a decrease in fair value of several investments of this unlisted limited partnership which primarily invested in the sectors of intelligent system, auto system and information technology. The unlisted limited partnership expects to realise its investments at a later stage in order to capitalise on an improved market environment. The increase in other expenses was partially offset by the fair value changes of the Company's R&D centre and headquarters building in Xiamen.

Income tax expense

The Company recorded an income tax expense of approximately RMB0.3 million for the six months ended 30 June 2024 as compared to an income tax credit of approximately RMB0.6 million for the six months ended 30 June 2023. The change was primarily attributable to the change in deferred tax expenses resulted from the fair value changes of the investment properties.

Loss for the period

As a result of the above, loss for the six months ended 30 June 2024 was approximately RMB2.0 million, as compared to a profit for the six months ended 30 June 2023 of approximately RMB40.9 million. Loss attributable to owners of the parent for the six months ended 30 June 2024 was approximately RMB1.6 million, as compared to a profit attributable to owners of the parent for the six months ended 30 June 2023 of approximately RMB40.3 million.

Financial Position

As at 30 June 2024, total equity of the Group was approximately RMB529.6 million, which remained steady as compared with approximately RMB525.9 million as at 31 December 2023.

As at 30 June 2024, the Group had net current assets of approximately RMB98.5 million, representing a decrease of approximately 31.3% from approximately RMB143.4 million as at 31 December 2023. The decrease was mainly due to the purchase of time deposits of approximately RMB50.0 million in the first half of 2024.

Liquidity and Financial Resources

	30 June 2024 <i>(RMB'000)</i>	31 December 2023 <i>(RMB'000)</i>	Change %
Cash at bank and on hand	<u>92,912</u>	<u>160,678</u>	(42.2)
Total	<u>92,912</u>	<u>160,678</u>	(42.2)

Total cash and cash equivalents were approximately RMB92.9 million as at 30 June 2024, compared with approximately RMB160.7 million as at 31 December 2023. The decrease was primarily due to the purchase of time deposits of approximately RMB50.0 million.

As at 30 June 2024, approximately RMB7.6 million of financial resources (31 December 2023: RMB7.4 million) were held in deposits denominated in non-RMB currencies. The Company currently does not hedge transactions undertaken in foreign currencies, rather it manages foreign exchange exposure by limiting such exposure and constantly monitoring foreign currency levels. The Group adopts a prudent cash and financial management policy. In order to better control costs and minimise the cost of funds, the Group's treasury activities were centralised and cash was generally deposited at banks, denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

As at 30 June 2024, the Group had aggregate bank loans of approximately RMB92.5 million (31 December 2023: RMB95.5 million), of which approximately RMB6.0 million is payable within one year, approximately RMB25.3 million is payable between one and five years and approximately RMB61.2 million is payable after five years. The Group had lease liabilities of approximately RMB0.7 million (31 December 2023: RMB1.7 million), which is payable within one year.

As at 30 June 2024, the Group's bank loans of approximately RMB92.5 million were used by the Company for the operation of the Company's R&D centre. The interest rate was approximately 3.95% 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 30 June 2024, 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 RMB138.1 million (31 December 2023: RMB147.0 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 the interest held by the Group in six unlisted companies and one company listed on the National Equities Exchange And Quotations of the PRC.

The principal of the debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income, and financial assets at fair value through profit or loss as at 30 June 2024 were not protected.

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

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

Details of the Group’s debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income, and financial assets at fair value through profit or loss as at 30 June 2024 are presented as follows:

(A) *Straight Bonds*

Name of the straight bonds	Notes	Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2024 (RMB'000)	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2024 (RMB'000)	Fair value as at 30 June 2024 (RMB'000)	Percentage of	Percentage of
					total FVOCI and FVPL Investments as at 30 June 2024	total assets of the Group as at 30 June 2024
CHINLP Medium Term Note Programme (“CHINLP”)	2	279	(590)	20,556	14.9%	3.0%
POLHON Guaranteed Notes (“POLHON”)	3	397	(259)	18,506	13.4%	2.7%
NWDEVL Medium Term Note Programme (“NWDEVL”)	4	558	74	18,559	13.4%	2.8%

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 80% of the electricity consumed in Hong Kong. CLP Holdings Limited, the parent company of CLP HK was listed on the Main Board of the Stock Exchange in 1998 with the stock code of 00002. CLP Holdings Limited, together with its subsidiaries, namely the CLP Group, is an investor and operator in the Asia-Pacific energy sector. In Hong Kong, through CLP HK, it operates a vertically-integrated electricity supply business providing a highly-reliable supply of electricity. Outside Hong Kong, CLP Group holds investments in the energy sector in Mainland China, India, Southeast Asia, Taiwan, and Australia. Its diversified portfolio of power generation assets include coal, gas, nuclear and renewables (wind, hydro, solar).

According to the interim report for the six months ended 30 June 2024 of CLP Holdings Limited, consolidated revenue was stable with a modest increase of 1.8% to HK\$44,086 million. CLP Group operating earnings before fair value movements increased 22.0% to HK\$5,683 million for the first half of 2024 thanks to a solid performance across the CLP Group along with an improved earnings contribution from EnergyAustralia, more than offsetting the lower generation volumes from the two nuclear power plants in Mainland China due to planned outages.

While the world's energy industry grapples with major issues, the opportunities in pursuit of a net-zero future remain enormous. CLP Group, possessing a world-class supply reliability of 99.999%, is dedicated to investing in these opportunities in a manner that increases shareholder value while providing reliable and sustainable energy at a reasonable tariff to its customers and communities everywhere it does business. 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 2023, 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 the law of Hong Kong.

According to the annual report for the year ended 31 December 2023 issued by Poly Property, the profit attributable to owners of Poly Property for the year ended 31 December 2023 was RMB1,445 million, representing a year-on-year increase of 77.0%. Poly Property achieved cost reduction and efficiency gains by strengthening operational and tax control. The core net profit attributable to parent company of Poly Property after deducting the changes in fair value of investment property and financial assets and exchange gains and losses was RMB1,761 million, representing a year-on-year increase of 15.9%. During the year, Poly Property realized a net cash inflow from operating activities of approximately RMB5.4 billion and proactively adjusted its leverage level. As at the end of 2023, total debt decreased by 7.7% year-on-year to RMB73.9 billion and the net gearing ratio decreased by 22.8 percentage points year-on-year to 93.1%. The structure of existing debts continued to be optimized through replacement.

According to the profit warning issued by Poly Property, it is expected that the profit attributable to owners of the Poly Property for the six months period ended 30 June 2024 would drop by about 41% period-on-period. The decrease was mainly due to the decrease in recognised property sales during the period and the decline in gross profit margin due to the market downturn.

Poly Property controlled leverage to prevent risks, stabilised operations and then sought development. Poly Property has a 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 2023 of New World Group, recorded revenue from continuing operations was approximately HK\$17,066 million for the six months ended 31 December 2023, representing a year-over-year decrease of 25.1% compared to HK\$22,786 million in 2022, due to less bookings from property development in both Hong Kong and mainland China; however, gross profit was up by 2.4% to HK\$7,257 million contributed by higher margin from property investment in K11 portfolio. Net profit after tax from continuing operation for the six months ended 31 December 2023 amounted to HK\$1,543 million, representing an increase of 15.8% compared to the HK\$1,332 million for the corresponding period in 2022.

In the second half of 2024, New World Group will successively launch a number of residential projects in phases and provide over 2,500 units. It will also continuously solicit sales for its Grade A office projects including remaining units at NCB Innovation Centre and projects at both Wing Hong Street and King Lam Street, Cheung Sha Wan. Therefore, the Group is optimistic about the future prospect of the bond NWDEVL.

(B) Bond Fund

Name of the bond fund	Note	Interest income recognised in consolidated statement of profit or loss for the six months ended 30 June 2024 (RMB'000)	Loss on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2024 (RMB'000)	Fair value as at 30 June 2024 (RMB'000)	Percentage of total FVOCI and FVPL Investments as at 30 June 2024	Percentage of total assets of the Group as at 30 June 2024
UBS Asian Bonds Series 5 (USD)	2	232	(97)	7,302	5.3%	1.1%

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. The Sub-Fund has matured on 28 June 2024 and the Group has recovered the funds of US\$1,024,506.36 on 5 July 2024.

(C) *Unlisted Equity Investments*

Company Name	Notes	Percentage of Shareholdings as at 30 June 2024	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the six months ended 30 June 2024 (RMB'000)	Fair value as at 30 June 2024 (RMB'000)	Percentage of total FVOCI and FVPL investments as at 30 June 2024	Percentage of the total assets of the Group as at 30 June 2024
Xiamen eName Technology Co., Ltd. ("eName")	2	2%	5,738	28,501	20.6%	4.2%
Others	3	-	(200)	11,241	8.1%	1.7%

Notes:

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

Pursuant to eName's interim report for the six months ended 30 June 2024, eName recorded revenue of approximately RMB128.3 million, representing a decrease of 12.6% compared with the corresponding period, and net profit attributable to the shareholders of approximately RMB10.8 million, representing a decrease of 6.2% from RMB11.5 million for the six months ended 30 June 2023.

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. Others comprised four unlisted limited liability companies and none of these investments accounted for more than 1.1% of the total assets of the Group as at 30 June 2024.

(D) *Unlisted Debt Investments*

Company Name	Notes	Percentage of Shareholdings as at 30 June 2024	Gain/(loss) on fair value changes recognised in consolidated statement of profit or loss for the six months ended 30 June 2024 (RMB'000)	Fair value as at 30 June 2024 (RMB'000)	Percentage of total FVOCI and FVPL investments as at 30 June 2024	Percentage of the total assets of the Group as at 30 June 2024
Future Capital Discovery Fund II, L.P. ("Future Capital")	2	1.8797%	(11,566)	31,070	22.5%	4.6%
Others	3	–	482	2,359	1.7%	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 30 June 2024, the Company held approximately 1.8797% partnership interests in Future Capital.

Pursuant to Future Capital's financial statements for the six months ended 30 June 2024, Future Capital recorded income of approximately US\$10,847 and net decrease in partners' capital resulting from operations of approximately US\$115.3 million. The substantial decrease in partners' capital resulting from operations was primarily due to an 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.

3. Others comprised one unlisted debt investments and none of these investments accounted for more than 0.3% of the total assets of the Group as at 30 June 2024.

There was no impairment made for any investments in debt instruments for the six months ended 30 June 2024. Investments in equity instruments did not involve any separate impairment accounting under IFRS 9 – Financial Instruments.

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

Save as disclosed in this announcement, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2024. Except for those disclosed in this announcement, there was no plan authorised by the Board for other significant investments or acquisitions of major capital assets or other businesses in the first half of 2024. However, the Group will continue to identify new opportunities for business development.

Gearing ratio

The Group's gearing ratio, which is calculated based on total liabilities divided by total assets, was 21.5% as at 30 June 2024 and 25.1% as at 31 December 2023.

Capital expenditures

The following table sets forth the Group's capital expenditures for the six months ended 30 June 2024 and 2023:

	Six Months Ended 30 June		Change %
	2024	2023	
	(RMB'000)	(RMB'000)	
Property, plant and equipment	<u>311</u>	<u>1,359</u>	(77.1)
Total	<u>311</u>	<u>1,359</u>	(77.1)

Capital expenditures consisted of property, plant and equipment which include but are not limited to office equipment, company vehicles for employees' use and leasehold improvements. The total capital expenditures for the six months ended 30 June 2024 were approximately RMB0.3 million, compared with RMB1.4 million for the six months ended 30 June 2023, representing a decrease of approximately 77.1%. The decrease was mainly attributable to the decrease in purchase of office equipment and company vehicles.

Pledge of Assets

As at 30 June 2024, bank loans of approximately RMB92.5 million (under a loan facility of up to RMB100.0 million) were used for the operation of the Company's R&D centre. The bank loans were secured by the land use rights, investment properties and building on the Land with a total carrying value of approximately RMB239.1 million.

Contingent liabilities and guarantees

As at 30 June 2024, the Company did not have any unrecorded significant contingent liabilities, guarantees or any litigation with claims made against it.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Company had 345 full-time employees, the majority of whom were based in Xiamen, Fujian Province of the PRC. The following table sets forth the number of employees categorised by function as at 30 June 2024:

	Number of Employees	% of Total
Development	208	60.3
Operations	65	18.8
Administration	57	16.5
Sales and marketing	15	4.3
Total	345	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 programs 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 2024 Share Option Scheme and 2024 Restricted Share Unit Scheme as long-term incentive schemes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	<i>Notes</i>	2024 RMB'000 (Unaudited)	2023 <i>RMB'000</i> <i>(Unaudited)</i>
REVENUE	4	101,752	107,902
Cost of sales		<u>(16,165)</u>	<u>13,032</u>
Gross profit		85,587	94,870
Other income and gains	4	8,597	17,907
Selling and distribution expenses		(36,213)	(17,846)
Administrative expenses		(19,711)	(21,802)
Research and development costs		(27,152)	(27,622)
Finance costs		(2,153)	(1,735)
Other expenses		(13,212)	(2,938)
Share of profits and losses of associates		<u>2,622</u>	<u>(537)</u>
(LOSS)/PROFIT BEFORE TAX	5	(1,635)	40,297
Income tax (expense)/credit	6	<u>(329)</u>	<u>569</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(1,964)</u>	<u>40,866</u>
Attributable to:			
Owners of the parent		(1,586)	40,262
Non-controlling interests		<u>(378)</u>	<u>604</u>
		<u>(1,964)</u>	<u>40,866</u>
(LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
For (loss)/profit for the year		<u>RMB0.00</u>	<u>RMB0.02</u>
Diluted			
For (loss)/profit for the year		<u>RMB0.00</u>	<u>RMB0.02</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	<u>(1,964)</u>	<u>40,866</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	(775)	84
Exchange differences:		
Exchange differences on translation of foreign operations	<u>821</u>	<u>4,239</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>46</u>	<u>4,323</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>5,538</u>	<u>975</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>5,538</u>	<u>975</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>5,584</u>	<u>5,298</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>3,620</u>	<u>46,164</u>
Attributable to:		
Owners of the parent	3,997	45,556
Non-controlling interests	<u>(377)</u>	<u>608</u>
	<u>3,620</u>	<u>46,164</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		59,306	60,577
Investment properties		155,120	156,154
Right-of-use assets		31,209	32,601
Goodwill	9	11,427	11,427
Other intangible assets		302	417
Investment in associates		15,432	10,210
Prepayments, other receivables and other assets	11	20,487	19,261
Time deposits		90,000	40,000
Equity investments designated at fair value through other comprehensive income	12	39,742	34,204
Debt investments at fair value through other comprehensive income	12	57,621	58,177
Financial assets at fair value through profit or loss	12	40,731	54,644
		<hr/>	<hr/>
Total non-current assets		521,377	477,672
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	10	33,299	36,940
Prepayments, other receivables and other assets	11	16,547	15,843
Cash and cash equivalents		92,912	160,678
Other current assets		10,128	10,796
		<hr/>	<hr/>
Total current assets		152,886	224,257
CURRENT LIABILITIES			
Other payables and accruals		41,469	61,840
Interest-bearing bank loans		6,000	6,000
Lease liabilities		694	1,569
Tax payable		2,014	2,013
Contract liabilities		4,249	9,419
		<hr/>	<hr/>
Total current liabilities		54,426	80,841
		<hr/>	<hr/>
NET CURRENT ASSETS		98,460	143,416
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		619,837	621,088
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	86,500	89,500
Lease liabilities	–	106
Deferred tax liabilities	2,498	2,169
Contract liabilities	1,234	3,373
	<hr/>	<hr/>
Total non-current liabilities	90,232	95,148
	<hr/>	<hr/>
Net assets	529,605	525,940
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	1	1
Share premium	604,624	604,566
Reserves	(89,149)	(93,133)
	<hr/>	<hr/>
	515,476	511,434
	<hr/>	<hr/>
Non-controlling interests	14,129	14,506
	<hr/>	<hr/>
Total equity	529,605	525,940
	<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2024

1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) 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. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

Information about geographical areas

Since no revenue or operating profit from transactions with a single geographical area other than Chinese Mainland accounted for 10% or more of the Group's revenue 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 major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue for the six months ended 30 June 2024 (2023: 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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Game operations	83,312	91,184
– Gross basis	37,702	38,334
– Net basis	45,610	52,850
Online game distribution	192	279
Licensing income	6,498	2,456
Advertising revenue	9,646	10,975
Sale of goods	2,096	1,072
Technical service income	8	71
Game Development service income	–	1,865
	101,752	107,902
Timing of revenue recognition		
Services transferred over time	6,498	4,321
Services and goods transferred at a point of time	95,254	103,581
Total revenue from contracts with customers	101,752	107,902

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income		
Government grants	1,418	2,155
Interest income	2,970	1,543
Gross rental income from investment property operating leases	3,152	3,072
	<u>7,540</u>	<u>6,770</u>

Gains

Fair value gains, net:		
Financial assets	651	10,466
Other gains	406	671
	<u>8,597</u>	<u>17,907</u>

5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Channel costs	11,782	11,952
Advertising expenses	22,359	3,430
Outsource fee	147	646
Depreciation of property, plant and equipment	1,387	1,725
Depreciation of right-of-use assets	1,193	1,777
Amortisation of other intangible assets	115	115
Lease payments not included in the measurement of lease liabilities	1,053	656
Loss/(gain) on disposal of items of property, plant and equipment	140	(149)
Fair value gains, net		
Fair value loss/(gain), net:		
Financial assets at fair value through profit or loss	11,012	(10,165)
Changes in fair value of investment properties, net	1,034	2,293
Exchange difference, net	(181)	(32)
	<u>(181)</u>	<u>(32)</u>

6. INCOME TAX EXPENSE

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

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Kailuo Tianxia and Xiamen Feixin, which were certified as High and New Technology Enterprises (“HNTes”) and entitled to a preferential income tax rate of 15% from 2022 to 2025, and 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 2024. Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	–	–
Deferred tax	329	(569)
	<hr/>	<hr/>
Total tax charge/(credit) for the period	329	(569)
	<hr/>	<hr/>

7. DIVIDEND

The Board does not recommend the payment of an interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,733,746,210 (for the six months ended 30 June 2023: 1,726,184,979) in issue during the period, as adjusted to reflect the share issuance during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	(1,586)	40,262
	<hr/>	<hr/>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,733,746,210	1,726,184,979
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	5,640,987
	<hr/>	<hr/>
	1,733,746,210	1,731,825,966
	<hr/>	<hr/>

9. GOODWILL

RMB'000

At 30 June 2024 and 31 December 2023:

Cost	432,278
Accumulated impairment	(420,851)
	<hr/>
Net carrying amount	11,427
	<hr/>

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

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

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	33,299	36,940

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 30 June 2024 and 31 December 2023, the loss allowance was assessed to be minimal.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Non-current		
Prepayments	8,178	10,669
Prepaid land lease payments related deposits	1,605	1,605
Other receivables	19,827	21,464
Deposits	89	698
	<u>29,699</u>	<u>34,436</u>
Impairment allowance	(9,212)	(15,175)
	<u>20,487</u>	<u>19,261</u>
Current		
Prepayments	4,754	4,591
Investment property rental income	4,725	4,834
Deposits	767	529
Other receivables	18,927	20,958
	<u>29,173</u>	<u>30,912</u>
Impairment allowance	(12,626)	(15,069)
	<u>16,547</u>	<u>15,843</u>

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

		30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Debt investments at fair value through other comprehensive income			
Straight bond	(1)	<u>57,621</u>	<u>58,177</u>
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value	(2)	<u>39,742</u>	<u>34,204</u>
Financial assets at fair value through profit or loss			
Unlisted debt investments, at fair value	(3)	<u>33,429</u>	47,297
Bond fund	(4)	<u>7,302</u>	<u>7,347</u>
		<u>40,731</u>	<u>54,644</u>

- (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 four unlisted entities incorporated in the PRC and Singapore.
- (3) The above unlisted debt investments represented the investments in two unlisted limited partnerships, and one unlisted entity incorporated in the Cayman Islands.
- (4) In January 2020, the Group invested in a bond fund issued by UBS (CAY) Fund Series with a nominal amount of US\$1,600,000 and with income stream from a diversified portfolio at a consideration of US\$1,614,000 (equivalent to approximately RMB11.1 million).

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

During the six months ended 30 June 2024, neither the Company, its subsidiaries nor any of the PRC Operating Entities had purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Company established the Audit Committee on 17 November 2014 with written terms of reference adopted in compliance with the CG Code and the written terms of reference were updated on 28 December 2015, 27 December 2018 and 26 March 2024 respectively. As at the date of this announcement, the Audit Committee comprises Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. CAO Xi, all of whom are independent non-executive Directors.

The Audit Committee, together with the Board and the auditors of the Company, has reviewed the accounting standards and practices adopted by the Group and the unaudited consolidated interim results of the Company for the six months ended 30 June 2024.

Compliance with the CG Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Save as disclosed below, the Company has complied with all applicable code provisions under the CG Code for the six months ended 30 June 2024.

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 act as both Chairman and Chief Executive Officer. Furthermore, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. YAO Jianjun should help to provide strong and consistent leadership, allowing the Company to more effectively plan and implement business decisions and strategies. Besides, all major decisions have been made in consultation with members of the Board, which comprises experienced and high caliber individuals, appropriate Board committees, as well as the senior management team. The Board is, therefore, of the view that there are adequate checks and balances in place. Nevertheless, the Board will continue to monitor and review the Company's current structure and make necessary changes at an appropriate time.

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

Compliance with Model Code

The Company has adopted the Model Code for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2024.

Senior management, executives and staff who, because of their work at the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2024.

Publication of the Interim Results Announcement and 2024 Interim Report

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.feiyuhk.com), and the 2024 interim report containing all the information required by the Listing Rules will be published on the abovementioned websites in due course.

APPRECIATION

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

GLOSSARY

“2024 Restricted Share Unit Scheme”	the restricted share unit scheme adopted by the Shareholders on 24 May 2024
“2024 Share Option Scheme”	the share option scheme adopted by the Shareholders on 24 May 2024
“ARPPU”	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Cayman Islands”	the Cayman Islands
“CG Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules

“Chairman”	the chairman of the Board
“Chief Executive Officer”	the chief executive officer of the Company
“China” or “PRC” or “Mainland China”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “Feiyu”	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
“Director(s)”	director(s) of the Company
“Group” or “the Group”	the Company, its subsidiaries and the PRC Operating Entities
“HK\$”, “Hong Kong dollars” or “HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IAS(s)”	International Accounting Standards
“IASB”	International Accounting Standard Board
“IFRS(s)”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“IP”	intellectual properties
“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 C3 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
“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
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0000001 each
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“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, being a company which the Group does not own but can exercise and maintain control over, and to consolidate its financial results as a wholly-owned subsidiary of the Company by virtue of certain contractual arrangements

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

Hong Kong, 28 August 2024

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 CAO Xi, as independent non-executive Directors.