feiyu

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

2014 ANNUAL REPORT

feiyu

SIMPLE & INTERESTING

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. BI Lin
Mr. CHEUNG Man Yu

COMPANY SECRETARY

Mr. CHEUNG Man Yu

LEGAL ADVISORS

As to Hong Kong law:
Brandt Chan & Partners in association with Dentons HK LLP
Suite 3201, Jardine House
1 Connaught Place
Central, Hong Kong

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

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue Central
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block, Grand Millennium Plaza,
181 Queen's Road Central,
Hong Kong

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

Floor 2, Block 2, No. 14 Wanghai Road
Ruanjian Yuan Two, Siming District
Xiamen, Fujian Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 801 & 803, 8/F
Beverley House
93–107 Lockhart Road
Wan Chai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

The Industrial and Commercial Bank of China
Xiamen Branch, Chengjian sub-branch
No. 270 Lujiang Road
Xiamen, Fujian Province
PRC

China Merchants Bank, Beijing branch
Jianwaidajie sub-branch
No. 0668, Block 6, Jianwai SOHO
No. 39 Dongsanhuan Zhonglu
Chaoyang District
Beijing, PRC

INVESTOR RELATIONS

Porda Havas International Finance
Communications Group
Units 2009-2018, 20/F, Shui On Centre,
6-8 Harbour Road, Wanchai, Hong Kong

COMPANY'S WEBSITE

www.feiyuhk.com

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

01022

DATE OF LISTING

5 December 2014

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December			
	2014	2013	2012	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	**339,071**	145,037	158,729	33,011
Gross profit	**296,778**	138,338	153,791	32,725
Profit before tax	**148,501**	61,206	121,090	24,628
Profit for the year attributable to owners of the parent	**117,885**	52,623	121,517	24,628
Non-IFRSs Measures				
– Adjusted net profit attributable to owners of the parent (unaudited) [(1)]	**185,596**	81,442	121,517	24,628
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
– Basic	**RMB0.11**	RMB0.05	RMB0.12	RMB0.02
– Diluted	**RMB0.11**	RMB0.05	RMB0.12	RMB0.02

Note:

(1) We define adjusted net profit attributable to owners of the parent as net income or loss attributable to owners of the parent excluding share-based compensation, amortization of intangible assets recognized for acquisitions and listing fees in connection with the Global Offering completed in 2014. The term of adjusted net profit attributable to owners of the parent is not defined under IFRSs. The use of adjusted net profit attributable to owners of the parent has material limitations as an analytical tool as it does not include all items that would impact our net loss or income attributable to owners of parent for the year or accounting period.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			
	2014	2013	2012	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Assets				
Non-current assets	**480,666**	492,766	13,189	1,766
Current assets	**746,653**	189,728	106,937	29,587
Total assets	**1,227,319**	682,494	120,126	31,353
Equity and liability				
Total equity	**1,150,106**	548,101	57,933	15,185
Non-current liabilities	**9,603**	11,057	482	1,816
Current liabilities	**67,610**	123,336	61,711	14,352
Total liabilities	**77,213**	134,393	62,193	16,168
Total equity and liabilities	**1,227,319**	682,494	120,126	31,353

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of the Company, I am pleased to present the annual report of the Group for the year ended 31 December 2014.

The Listing on the Main Board of the Stock Exchange on 5 December 2014 marks a giant leap for the Company's development. It has not only reflected a vote of confidence from the capital markets in the Company's development strategies and capabilities, but it has also laid a solid foundation for the development of the Company.

For the year ended 31 December 2014, revenue of the Group amounted to approximately RMB339.1 million, representing a remarkable increase of approximately 133.8% from the revenue of approximately RMB145.0 million in 2013. The unaudited adjusted net profit attributable to owners of the parent for the year of 2014 (derived by excluding share-based compensation, amortization of intangible assets recognized for acquisitions and listing fees in connection with the Global Offering completed in 2014) amounted to approximately RMB185.6 million, representing a year-on-year increase of 127.9% from approximately RMB81.4 million in 2013.

In 2014, the Group successfully transited from a web game developer to a mobile game developer and the mobile games business strategy of the Company translated into satisfactory results. In the fast-growing mobile games market, the Group continues to expand its portfolio of mobile games through devoting additional resources and attention to their development.

As at 31 December 2014, our RPG mobile games and web games had approximately 191.7 million cumulative registered users, with approximately 161.3 million users for web games and approximately 30.4 million users for mobile games; while our casual games had approximately 233.8 million cumulative activated downloads.

In addition, our average MPUs for mobile RPG games surged to approximately 176,000 in 2014, representing a significant increase of approximately 417.6% from approximately 34,000 in 2013. Our average MPUs for mobile casual games increased from nil in 2013 to approximately 808,000 in 2014 as a result of acquisition of Kailuo Tianxia on 31 December 2013. Revenue derived from mobile RPG games operation for the year ended 31 December 2014 amounted to approximately RMB215.4 million, representing an increase of approximately 275.0% from approximately RMB57.4 million in 2013. Revenue derived from mobile casual games operation also increased from nil in 2013 to approximately RMB48.8 million in 2014. The achievement resulting from the implementation of mobile business strategy is also reflected in the revenue structure of the Group. The contribution of mobile games to total revenue of the Group rose from approximately 39.6% in 2013 to approximately 77.9% in 2014.

Furthermore, the Group placed more emphasis on promoting players' in-game purchases and launching various in-game promotions and activities in 2014, such as, offering premium services, private rooms and loyalty programs, and enhancing payment convenience by streamlining payment processes. Our dedicated customer service team continued to provide timely customer services via our in-game customer service system.

CHAIRMAN'S STATEMENT

Driven by an expanding player base, intensifying competition among overseas and domestic game developers, and boosted capital investments, the mobile game market has grown rapidly in recent years. With our intense focus on driving the Shares' value, we are escalating our investment especially in mobile games to better position ourselves to capture market opportunities.

In order to further optimize our games and cooperate more closely with publishers, we have rescheduled the release of four games from late 2014 to the first half of 2015. We believe that the rescheduling would not affect the Group adversely as time invested in optimizing the new games would bring better game performance. In addition, we plan to launch approximately five to six new mobile games in 2015, including games under the Carrot Fantasy (保衛蘿蔔) series, Shen Xian Dao (神仙道) series and Jiong Xi You (囧西遊) series. The Board and management of the Company are confident about the Group's development.

The Board does not recommend declaration of a final dividend for the year ended 31 December 2014.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation and heartfelt gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

YAO Jianjun
Chairman

Hong Kong, 16 March 2015

REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Group is the development and operation of mobile games and web games, with a strategic focus on mobile games. The activities of its principal subsidiaries are set out in Note 16 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2014, and the state of the Company's and the Group's financial affairs as at that date are set out on pages 58 to 124 of this annual report.

FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group for the last four financial years is set out on page 4 of this annual report.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2014.

USE OF PROCEEDS FROM THE COMPANY'S IPO

The Shares were listed on the Main Board of the Stock Exchange on 5 December 2014. After deduction of underwriting commissions and related expenses, net proceeds from the IPO amounted to approximately HKD585.0 million. As at the date of this annual report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2014 are set out in the Consolidated Statements of Changes in Equity on page 63 of this annual report. Changes to the reserves of the Company during the year ended 31 December 2014 are set out in Note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group and the Company during the year ended 31 December 2014 are set out in Note 13 to the financial statements.

SHARE CAPITAL AND SHARE INCENTIVE SCHEMES

Details of the Company's share capital and share incentive schemes are respectively set out in Notes 24 and 25 to the financial statements and the paragraphs headed "Pre-IPO Share Option Scheme", "Post-IPO Share Option Scheme", "Pre-IPO RSU Plan" and "Post-IPO RSU Plan" below.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2014 are set out in Note 16 to the financial statements.

BORROWINGS

The Group did not record any bank loans or other borrowings as at 31 December 2014.

DONATIONS

There was no donation made by the Group during the year ended 31 December 2014.

DIRECTORS

The Directors of the Company up to the date of this annual report are:

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

Independent Non-executive Directors
Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

In accordance with article 84(1) of the Articles of Association, Messrs. YAO Jianjun, CHEN Jianyu and BI Lin will retire by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, will offer themselves for re-election thereat.

THE BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 49 to 55 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date unless terminated by not less than three months' notice in writing served by either the Executive Director or the Company on the other.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years from the Listing Date unless terminated by not less than three months' notice in writing served by either the Independent Non-executive Director or the Company on the other.

The office of an Executive Director and Independent Non-executive Director is liable to be vacated in certain circumstances under the Articles.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has or is proposed to have a service contract with any member of the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors and senior management are set out in Note 7 to the financial statements in this annual report. The annual remuneration of the Directors and senior management whose profiles are included in the section headed "Directors and Senior Management" of this annual report fell within the following bands:

Remuneration band (RMB)	**Number of individuals in year 2014**
Below 1,000,000	**11**
1,000,000–2,000,000	**1**
2,000,001–3,000,000	**–**
3,000,001–4,000,000	**2**
4,000,001–5,000,000	**–**

REMUNERATION POLICY

The remuneration of the Group's employees is determined based on their performance, experience, competence and market comparables. Their remuneration package includes salaries, bonus related to the Group's performance, allowances, equity-settled share-based payment 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 the senior management is determined on the basis of each individual's responsibilities, qualification, 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 adopted the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, Pre-IPO RSU Plan and Post-IPO RSU Plan as its long-term incentive schemes. Details of the incentive schemes are set out under the paragraphs "Pre-IPO Share Option Scheme", "Post-IPO Share Option Scheme", "Pre-IPO RSU Plan" and "Post-IPO RSU Plan" below and Note 25 to the financial statements.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors, namely, Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. MA Suen Yee Andrew, has confirmed to the Company their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has reviewed the independence of each of these Directors. The Company considers that the Independent Non-executive Directors have been independent from the date of their appointment to 31 December 2014.

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

As at 31 December 2014, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director/ Chief Executive	Capacity	Number of Shares held[1]	Approximate percentage of shareholding %
YAO Jianjun	Founder of a discretionary trust Interest in a controlled corporation[2]	470,400,000 (L)	31.23
CHEN Jianyu	Founder of a discretionary trust Interest in a controlled corporation[3]	269,088,000 (L)	17.86
BI Lin	Founder of a discretionary trust Interest in a controlled corporation[4]	126,720,000 (L)	8.41
SUN Zhiyan	Founder of a discretionary trust Interest in a controlled corporation[5]	139,488,000 (L)	9.26
LIN Jiabin	Founder of a discretionary trust Interest in a controlled corporation[6]	44,640,000 (L)	2.96
LIN Zhibin	Founder of a discretionary trust Interest in a controlled corporation[7]	44,640,000 (L)	2.96

1 The letter "L" denotes the person's long position in such Shares.

2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 470,400,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN Jianyu (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 269,088,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.

4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI Lin (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 126,720,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.

5 The entire share capital of Eastep Holdings Limited is wholly owned by Ace Kingdom Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Sun Family Trust, which was established by Mr. SUN Zhiyan (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. SUN and his family members. Mr. SUN (as founder of The Sun Family Trust) and Ace Kingdom Limited are taken to be interested in 139,488,000 Shares held by Eastep Holdings Limited pursuant to Part XV of the SFO.

6 The entire share capital of LINT Holdings Limited is wholly owned by Supreme Top Global Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Lin Family Trust, which was established by Mr. LIN Jiabin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN and his family members. Mr. LIN (as founder of The Lin Family Trust) and Supreme Top Global Limited are taken to be interested in 44,640,000 Shares held by LINT Holdings Limited pursuant to Part XV of the SFO.

7 The entire share capital of LINCHEN Holdings Limited is wholly owned by Sheen Field Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Zhi Family Trust, which was established by Mr. LIN Zhibin on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN and his family members. Mr. LIN (as founder of The Zhi Family Trust) and Sheen Field Limited are taken to be interested in 44,640,000 Shares held by LINCHEN Holdings Limited pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2014, so far as is known to any Directors or Chief Executives of the Company, none of the Directors or Chief Executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES INTERESTS

As at 31 December 2014, the following persons (other than the Directors and Chief Executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of Ordinary Shares held[1]	Approximate percentage of shareholding %
TMF (Cayman) Ltd.[2]	Trustee of the family trusts	1,094,976,000 (L)	72.69
YAO Holdings Limited[3]	Registered owner	470,400,000 (L)	31.23
Jolly Spring International Limited[3]	Interest in a controlled corporation	470,400,000 (L)	31.23
Mr. YAO Jianjun[3]	Founder of a discretionary trust Interest in a controlled corporation	470,400,000 (L)	31.23
Fishchen Holdings Limited[4]	Registered owner	269,088,000 (L)	17.86
Honour Gate Limited[4]	Interest in a controlled corporation	269,088,000 (L)	17.86
Mr. CHEN Jianyu[4]	Founder of a discretionary trust Interest in a controlled corporation	269,088,000 (L)	17.86
BILIN Holdings Limited[5]	Registered owner	126,720,000 (L)	8.41
Rayoon Limited[5]	Interest in a controlled corporation	126,720,000 (L)	8.41
Mr. BI Lin[5]	Founder of a discretionary trust Interest in a controlled corporation	126,720,000 (L)	8.41
Eastep Holdings Limited[6]	Registered owner	139,488,000 (L)	9.26
Ace Kingdom Limited[6]	Interest in a controlled corporation	139,488,000 (L)	9.26
Mr. SUN Zhiyan[6]	Founder of a discretionary trust Interest in a controlled corporation	139,488,000 (L)	9.26

Notes:

1 The letter "L" denotes the entity's long position in such shares.

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

3 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 470,400,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

4 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 269,088,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.

5 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI Lin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 126,720,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.

6 The entire share capital of Eastep Holdings Limited is wholly owned by Ace Kingdom Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Sun Family Trust, which was established by Mr. SUN Zhiyan (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. SUN and his family members. Mr. SUN (as founder of The Sun Family Trust) and Ace Kingdom Limited are taken to be interested in 139,488,000 Shares held by Eastep Holdings Limited pursuant to Part XV of the SFO.

Other than as disclosed above, as at 31 December 2014, the Directors have not been notified by any person (other than the Directors or Chief Executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations" above, at no time from the Listing Date and up to the date of this annual report was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any body corporate, and none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save for their respective interests in the Group, none of the Directors was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended 31 December 2014.

IMPLEMENTATION OF THE DEED OF NON-COMPETITION

Each of the Controlling Shareholders (together with Mr. CHEN Jianyu, Mr. SUN Zhiyan, Fishchen Holdings Limited, Eastep Holdings Limited, Honour Gate Limited and Ace Kingdom Limited) undertook to the Company in the deed of non-competition dated 17 November 2014 that each of them will not and will procure his/its controlled persons or controlled companies not to be interested or engage in business which competes with or is similar to the Group's business and to refer any potential business opportunity to the Company for consideration before engaging in or becoming interested in a restricted business. Please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus for further details of the deed of non-competition.

The Independent Non-executive Directors have conducted an annual review of the implementation of the deed of non-competition and any decision in relation to new business opportunities referred to the Company during the period from the Listing Date to 31 December 2014. There was no particular situation rendering compliance with and implementation of the deed of non-competition questionable.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2014 and up to the date of this annual report.

PRE-IPO SHARE OPTION SCHEME

The Company has conditionally adopted a Pre-IPO Share Option Scheme by a Shareholders' resolution on 17 November 2014 and a resolution of the Board on 17 November 2014. The Pre-IPO Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme does not involve grant of options by the Company to subscribe for Shares once the Company is a listed issuer. Apart from the options already granted, no further options will be granted under the Pre-IPO Share Option Scheme.

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted options to subscribe for 105,570,000 Shares, equivalent to 7.01% of the Shares of the Company in issue as at 31 December 2014, to senior management of the Group and other grantees.

The table below sets out details of the outstanding options granted to senior management and other grantees under the Pre-IPO Share Option Scheme:

Name	Number of Shares under the options granted	Date of Grant	Vesting schedule	Option period	Exercise price	Exercised since date of grant	Cancelled/ Lapsed since date of grant	Forfeited since date of grant	Outstanding at 31/12/2014
Senior management									
Ms. ZHOU Yandan	4,510,000 Ordinary Shares	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	–	–	–	4,510,000 Ordinary Shares
Mr. CHEUNG Man Yu	6,430,000 Ordinary Shares	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	–	–	–	6,430,000 Ordinary Shares
Mr. DONG Ting	7,510,000 Ordinary Shares	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	–	–	–	7,510,000 Ordinary Shares
Ms. XU Yiqing	2,250,000 Ordinary Shares	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	–	–	–	2,250,000 Ordinary Shares
Mr. LIU Tao	1,890,000 Ordinary Shares	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	–	–	–	1,890,000 Ordinary Shares
Other Grantees									
Aggregate of 117 other grantees	82,980,000 Ordinary Shares	17/11/2014	25% of options on 31 December 2015, 2016, 2017 and 2018 respectively	5 years from the Listing Date	HK$0.55	–	–	(1,050,000)	81,930,000 Ordinary Shares
Total	105,570,000 Ordinary Shares	–	–	–	–	–	–	–	104,520,000 Ordinary Shares

For further details of the Pre-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information" in the Prospectus.

POST-IPO SHARE OPTION SCHEME

The Company has adopted the Post-IPO Share Option Scheme by a Shareholders' resolution on 17 November 2014 and a resolution of the Board on 17 November 2014. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules. No option was granted under the Post-IPO Share Option Scheme from the date of its adoption to the date of this annual report.

For further details of the Post-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information" in the Prospectus.

Summary of the share option schemes

		Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1.	Purpose	To provide an incentive for participants and to reward their performance with rights which allow them to subscribe for Shares and to own the Company in proportion with their contribution to the Company or any of its subsidiaries.	To provide an incentive or reward for the participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.
2.	Eligible Participants	Full-time employees, consultants, executives or officers (including Executive, non-executive and Independent Non-executive Directors) of the Company or any of its subsidiaries who, in the absolute discretion of the Board, have contributed or will contribute to the Group.	Full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including Executive, non-executive and Independent Non-executive Directors) of the Company or any of its subsidiaries, and suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, has contributed or will contribute to the Group and whom the Board may in its absolute discretion select and think fit.

		Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
3.	Maximum number of shares	The total number of Shares subject to the Pre-IPO Share Option Scheme shall not exceed 105,570,000, i.e. 8.80% and 7.01% of the issued Shares as at 17 November 2014 and 31 December 2014 respectively. No further option could be granted under the Pre-IPO Share Option Scheme.	The total number of Shares in respect of which Options may be granted under the Post-IPO Share Option Scheme is 150,000,000 Shares which is equivalent to 12.50% and 9.96% of the issued Shares as at 17 November 2014 and 31 December 2014 respectively. The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and any other schemes must not in aggregate exceed 30% of the total number of Shares in issue from time to time.
4.	Maximum entitlement of each participant	The respective entitlement of each participant as granted on 17 November 2014	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer
5.	Option period	Options may be exercised at any time or times during the period within which the grantee may exercise the options, unless otherwise specified in his offer document.	The Board may in its absolute discretion specify conditions or performance targets at the time of grant of options which shall be satisfied by the grantee before his options may be exercised.
6.	Exercise price	HK$0.55 per Share	Exercise price shall be the highest of: (1) the official closing price of the Shares as stated on the Stock Exchange's daily quotations sheets on the date of offer of option; (2) average of the official closing prices of the Shares stated on the Stock Exchange's daily quotation sheets for the 5 business days before the date of offer and (3) nominal value of a Share.
7.	Scheme period	It shall be valid and effective from 17 November 2014 to the 5th anniversary of the Listing Date (i.e. 5 December 2019) (both dates inclusive).	It shall be valid and effective from 17 November 2014 to the 10th anniversary of the Listing Rule (i.e. 5 December 2024) (both dates inclusive).

PRE-IPO RSU PLAN

The Company has approved and adopted a Pre-IPO RSU Plan by a Shareholders' resolution on 17 November 2014 and a resolution of the Board on 17 November 2014. The Pre-IPO RSU Plan is not subject to provisions of Chapter 17 of the Listing Rules as the Pre-IPO RSU Plan does not involve the grant of options by the Company to subscribe for new Shares.

Pursuant to the Pre-IPO RSU Plan, the maximum number of Shares underlying all grants of RSUs shall not exceed 13,850,000 Shares, equivalent to approximately 0.92% of the Shares of the Company in issue as at 31 December 2014, to the senior management of the Group and other grantees.

The table below sets out details of the outstanding RSUs granted to senior management and other grantees under the Pre-IPO RSU Plan:

Name	Number of Shares underlying the RSUs granted	Date of Grant	RSU period	Consideration paid	Vested since date of grant	Cancelled/ Lapsed since date of grant	Outstanding on 31/12/2014
Senior management							
Ms. ZHOU Yandan	1,050,000 Ordinary Shares	17/11/2014	5 years from date of grant	Nil	–	–	1,050,000 Ordinary Shares
Mr. CHEUNG Man Yu	1,500,000 Ordinary Shares	17/11/2014	5 years from date of grant	Nil	–	–	1,500,000 Ordinary Shares
Mr. DONG Ting	5,260,000 Ordinary Shares	17/11/2014	5 years from date of grant	Nil	–	–	5,260,000 Ordinary Shares
Mr. LIU Tao	260,000 Ordinary Shares	17/11/2014	5 years from date of grant	Nil	–	–	260,000 Ordinary Shares
Other grantees							
Aggregate of 5 other grantees	5,780,000 Ordinary Shares	17/11/2014	5 years from date of grant	Nil	–	–	5,780,000 Ordinary Shares
Total	13,850,000 Ordinary Shares	–	–	–	–	–	13,850,000 Ordinary Shares

For further details of the Pre-IPO RSU Plan, please refer to the section headed "Statutory and General Information" in the Prospectus.

POST-IPO RSU PLAN

The Company has approved and adopted the Post-IPO RSU Plan by a Shareholders' resolution on 17 November 2014 and a resolution of the Board on 17 November 2014.

Pursuant to the Post-IPO RSU Plan, the maximum number of Shares underlying all grants of RSUs shall not exceed 45,000,000 Shares, equivalent to approximately 2.99% of the Shares of the Company in issue as at 31 December 2014. No RSU was granted under the Post-IPO RSU Plan from the date of its adoption to the date of this annual report.

For further details of the Post-IPO RSU Plan, please refer to the section headed "Statutory and General Information" in the Prospectus.

Summary of the restricted share unit plans

	Pre-IPO RSU Plan	Post-IPO RSU Plan
1. Purpose	To reward the participants for their contribution to the success of the Group and to provide incentives to them to further contribute to the Group, and to attract suitable personnel for further development of the Group.	Same as the Pre-IPO RSU Plan
2. Eligible Participants	(i) Full-time employees or officers (including Executive, non-executive and Independent Non-executive Directors) of the Company; (ii) Full-time employees of any subsidiaries and the PRC Operating Entities; (iii) Suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, have contributed or will contribute to the Group; and (iv) Any other person who, in the absolute discretion of the Board, has contributed or will contribute to the Group.	Same as the Pre-IPO RSU Plan

		Pre-IPO RSU Plan	Post-IPO RSU Plan
3.	Maximum number of Shares	The total number of Shares subject to the Pre-IPO RSU Plan shall not exceed 13,850,000 Shares, i.e. 1.15% and 0.92% of the issued Shares as at 17 November 2014 and 31 December 2014 respectively.	The total number of Shares subject to the Post-IPO RSU Plan shall not exceed 45,000,000 Shares, i.e. 3.75% and 2.99% of the issued Shares as at 17 November 2014 and 31 December 2014 respectively.
		No further award of RSUs could be granted under the Pre-IPO RSU Plan.	If the limit of the Post-IPO RSU Plan is refreshed with prior approval of the Shareholders, the total number of Shares underlying the awards shall not exceed 3% of the number of issued Shares as of the date of approval of the refreshed limit.
4.	Term of the RSU Plan	Valid and effective for a period of 5 years from 17 November 2014.	Same as the Pre-IPO RSU Plan
5.	Grant of Award	The Board may grant an award of RSUs any time during the term of the respective RSU Plan on terms and conditions specified by it.	Same as the Pre-IPO RSU Plan
6.	Rights attached	An award of RSUs does not carry any right to vote at general meetings of the Company. No grantee shall enjoy any right of a shareholder by virtue of the grant of award unless and until the Shares underlying the award are allotted and issued or transferred (as the case may be) to the grantee. Notwithstanding the foregoing, the Board may specify in its sole discretion that a grantee may enjoy rights to cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the award.	Same as the Pre-IPO RSU Plan

MANAGEMENT CONTRACTS

Other than the service contract of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company from the Listing Date and up to the date of this annual report.

CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Director, or any of the Company's subsidiaries or fellow subsidiaries or a Controlling Shareholder of the Company was a party, or in which a Director had a material interest, whether directly or indirectly, subsisted at as 31 December 2014 or at any time.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

According to the Administration of Foreign Invested Telecommunications Enterprises, which was issued on 11 December 2011 and subsequently amended on 10 September 2008, foreign ownership of companies that provide value-added telecommunication services, including the operation of online games and mobile games, is limited to 50%. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas ("**Qualification Requirement**"). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. Therefore, in order for the Company to be able to carry on its business in the PRC, the Group has entered into a series of agreements (i) among Xiamen Feiyou, Xiamen Guanghuan and the Relevant Shareholders, and (ii) among Xiamen Feiyou, Xiamen Youli, Kailuo Tianxia and Xiamen Guanghuan to enable the Company to exercise and maintain control over operations of the PRC Contractual Entities and to consolidate these companies' financial results into the Company's results under IFRSs as if they were wholly-owned subsidiaries of the Company.

Despite the lack of clear guidance or interpretation on the Qualification Requirement, the Company has been gradually building up a track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests of the PRC Operating Entities when the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in the PRC.

After the Listing, the Company kept implementing its expansion plan in target overseas markets such as Hong Kong, Taiwan, Vietnam, Korea, Thailand and Indonesia. As at 31 December 2014, expenditure amounting to RMB818,000 had been incurred in taking steps to satisfy the Qualification Requirement. As at 31 December 2014, the Company had generated revenue from the overseas markets which amounted to RMB119,000.

Up to the date of this annual report, there is no further update in relation to the Qualification Requirement.

The Contractual Arrangements which were in place during the year ended 31 December 2014 are as follows:

1. Exclusive Business Cooperation Agreement dated 4 September 2014 pursuant to which Xiamen Feiyou agreed to provide exclusive technical and management consulting services to Xiamen Guanghuan, and Xiamen Guanghuan agreed to pay service fees to Xiamen Feiyou;

2. Exclusive Business Cooperation Agreements dated 31 October 2014 pursuant to which Xiamen Feiyou agreed to provide exclusive technical and management consulting services to Xiamen Youli and Kailuo Tianxia, and Xiamen Youli and Kailuo Tianxia agreed to pay service fees to Xiamen Feiyou;

3. Powers of Attorney dated 4 September 2014 pursuant to which the Relevant Shareholders irrevocably delegated the voting rights and other shareholder rights of Xiamen Guanghuan to Xiamen Feiyou or designee(s) of Xiamen Feiyou;

4. Powers of Attorney dated 31 October 2014 pursuant to which Xiamen Guanghuan irrevocably delegated the voting rights and other shareholder rights of Xiamen Youli and Kailuo Tianxia to Xiamen Feiyou or designee(s) of Xiamen Feiyou;

5. Equity Interest Pledge Agreement dated 4 September 2014 pursuant to which the Relevant Shareholders pledged all their equity interests in Xiamen Guanghuan to Xiamen Feiyou to provide security on the performance of contractual obligations of the Relevant Shareholders under the Contractual Arrangements;

6. Equity Interest Pledge Agreements dated 31 October 2014 pursuant to which Xiamen Guanghuan pledged all its equity interests in Xiamen Youli and Kailuo Tianxia to Xiamen Feiyou to provide security on the performance of contractual obligations of Xiamen Guanghuan under the Contractual Arrangements;

7. Exclusive Option Agreement dated 4 September 2014 pursuant to which the Relevant Shareholders and Xiamen Guanghuan agreed to irrevocably, unconditionally and exclusively grant an exclusive option to Xiamen Feiyou which entitles Xiamen Feiyou to elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests of Xiamen Guanghuan from the Relevant Shareholders by itself or through its appointee(s); and

8. Exclusive Option Agreements dated 31 October 2014 pursuant to which Xiamen Guanghuan, Xiamen Youli and Kailuo Tianxia agreed to irrevocably, unconditionally and exclusively grant an exclusive option to Xiamen Feiyou which entitles Xiamen Feiyou to elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests of Xiamen Youli and Kailuo Tianxia from Xiamen Guanghuan by itself or through its appointee(s).

Apart from the above, no new Contractual Arrangement was entered into, renewed or reproduced among the Group, PRC Contractual Entities, Xiamen Guanghuan and the Relevant Shareholders during the financial year ended 31 December 2014.

Waiver from the Stock Exchange and Annual Review

As Messrs. YAO Jianjun, BI Lin, CHEN Jianyu, SUN Zhiyan, LIN Jiabin and LIN Zhibin are the Executive Directors, and where applicable, Controlling Shareholders or substantial Shareholders of the Company, they are the Company's connected persons pursuant to Rule 14A.07 of the Listing Rules. Each of the PRC Contractual Entities is directly or indirectly controlled by the Controlling Shareholders and the Executive Directors, they are therefore each an associate of the Controlling Shareholders and the Executive Directors, and a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

The Stock Exchange has granted a waiver to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section "Connected Transactions" in the Prospectus.

The Directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

Pursuant to Rule 14A.40 of the Listing Rules, the Directors, including the Independent Non-executive Directors, have reviewed the Contractual Arrangements set out above and have confirmed that the Contractual Arrangements were entered into on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Independent Non-executive Directors have also confirmed that:

1. the transactions carried out during the year ended 31 December 2014 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and have been operated so that the revenue generated by the PRC Contractual Entities has been mainly retained by the Group;

2. no dividends or other distributions have been made by the PRC Contractual Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

3. there was no new contract entered into, renewed or reproduced between the Group and the PRC Contractual Entities during the year ended 31 December 2014.

Further, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing his conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2014 has been provided by the Company to the Stock Exchange.

TRANSFER OF NON-RESTRICTED BUSINESS

The transfer of trademarks from Xiamen Guanghuan and Xiamen Yidou to Xiamen Feiyou, Feiyou Guangqu, Feiyu Guangyu and/or Feiyou Zhangxin is expected to occur no later than 30 June 2015 upon completion of registration of trademark transfers filed with the PRC Trademark Office. Please refer to the section headed "Our History, Reorganization and Corporate Structure" in the Prospectus for further details.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision under the Articles of Association or the Companies Law which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code throughout the period from the Listing Date to 31 December 2014.

The Company has also published the "Corporate Governance Manual Procedures" on terms no less exacting than the Model Code for securities transactions by employees who are likely to possess inside information of the Company. No incident of non-compliance of the Corporate Governance Manual Procedures by the employees was noted by the Company throughout the period from the Listing Date to 31 December 2014.

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

During the period from the Listing Date to 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this annual report, the Company has always maintained sufficient public float as required under the Listing Rules since the Listing Date.

EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event during the period from 31 December 2014 to the approval date of these consolidated financial statements by the Board on 16 March 2015.

BOARD COMMITTEES

The Company established the Audit Committee, Remuneration Committee and Nomination Committee on 17 November 2014. For further details, please refer to pages 41 to 44 of this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code. Throughout the period from the Listing Date to 31 December 2014, save as disclosed in this annual report, the Company has complied with the mandatory code provisions in the CG Code.

AUDITORS

The Company has appointed Ernst & Young as the auditor of the Company for the year ended 31 December 2014. The Financial Statements of the Group for the year ended 31 December 2014 have been audited by Ernst & Young.

Ernst & Young shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be prepared at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 2 June 2015 to Thursday, 4 June 2015, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the annual general meeting to be held on Thursday, 4 June 2015. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30p.m. on Monday, 1 June 2015.

On behalf of the Board
YAO Jianjun
Chairman

Hong Kong, 16 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS

Our Games

We are one of the few game development companies based in the PRC that offers games in both RPG and casual categories. During 2014, we continued to leverage this integrated business model to differentiate ourselves from our peers.

We are a reputable developer and operator of mobile games and web games, with a strategic focus on mobile games. During 2014, we have placed more emphasis on the development of mobile games. To ensure our games' success, our creative and talented game development teams, led by our senior management, focused on developing player-centric game environments that provide superior game experience to foster longer-term player retention.

During 2014, the Group's revenue from the game operation has increased by approximately 135.1% to approximately RMB316.9 million. This increase was primarily due to increase in revenue derived from (i) mobile games, resulting from our acquisition of Kailuo Tianxia on 31 December 2013, and (ii) the launch of San Guo Zhi Ren (三國之刃) on Tencent platforms which were partially offset by a decrease in revenue derived from web games.

As at 31 December 2014, our game portfolio included five mobile games and two web games, which are all self-developed games. The five mobile games are Shen Xian Dao (神仙道), Carrot Fantasy (保衛蘿蔔), Carrot Fantasy 2 (保衛蘿蔔2), Jiong Xi You (囧西遊) and San Guo Zhi Ren (三國之刃). The two web games are Shen Xian Dao (神仙道) and Da Hua Shen Xian (大話神仙). Our key titles have not only performed well financially, but have also received broad industry recognition. For example, Jiong Xi You (囧西遊) received the Golden Plume Award 2014 for "The Best Original Mobile Game" (金翎獎2014:最佳原創移動遊戲) while Carrot Fantasy 2 (保衛蘿蔔2) received the Golden Plume Award 2014 for "The Most Anticipated Single Player Mobile Game" (金翎獎2014:最期待的移動單機遊戲), Baidu Award 2014 for "The Most Popular Single Player Game" (2014年百度:最具人氣單機手遊獎) and 2014 "Top Ten Most Popular Original Mobile Games" (China Gaming Industry Gaming Conference) (2014十大受歡迎的原創移動遊戲(中國遊戲產業年會)). One of our pipeline games, Ba Qin (霸秦), which was in beta-testing, received the Golden Plume Award 2014 for "The Most Anticipated Web Game" (金翎獎2014:玩家最期待的網頁遊戲). Lastly, San Guo Zhi Ren (三國之刃) received GameLook Award for "The Best Annual Mobile Game" (GameLook年度最佳移動遊戲獎).

According to App Annie's daily analysis of Apple Inc.'s App Store rankings, in 2014, Jiong Xi You (囧西遊) ranked among the top 20 daily adventure games in terms of gross billings in China for 333 days and Luan Shi Zhi Ren 2 (亂世之刃2) (now titled San Guo Zhi Ren (三國之刃) and a game exclusively distributed on Tencent platforms) ranked among the top 20 daily action games in terms of gross billings in China for 158 days. In addition, after the iOS version of San Guo Zhi Ren (三國之刃) was launched on Tencent platforms on 19 October 2014, for the period from 22 October 2014 to 31 December 2014, based on App Annie's daily analysis of Apple Inc.'s App Store rankings, it ranked the first in terms of gross billings in China for 31 days and ranked second for 21 days. On the mobile side, we have launched and operated a total of 5 mobile games during 2014, and as of 31 December 2014, we have 5 mobile games in operation. according to App Annie's daily analysis of Apple Inc.'s App Store rankings, during the six months ended 30 June 2014, our more recently launched game Jiong Xi You (囧西遊) was ranked among the daily top 20 adventure games in terms of gross billings in China for 181 days and Luan Shi Zhi Ren 2 (亂世之刃2) (now titled San Guo Zhi Ren (三國之刃) and exclusively distributed on Tencent platforms) was ranked among the daily top 20 action games in terms of gross billings in China for 142 days. In addition, after the iOS version of San Guo Zhi Ren (三國之刃) was launched on Tencent platforms on 19 October 2014, for the period from 22 October through 16 November 2014, it was ranked first based on App Annie's daily analysis of Apple Inc.'s App Store rankings in terms of gross billings in China for 23 days and ranked second for three days.

The table below presents a breakdown of our revenue from game operation in absolute amounts and as a percentage of our total revenue for the years indicated:

	For the year ended 31 December			
	2014		2013	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
Game Operation				
Web games	**52,659**	**15.5**	77,322	53.3
Mobile games				
RPGs	**215,444**	**63.5**	57,447	39.6
Casual	**48,789**	**14.4**	–	–
Total	**316,892**	**93.4**	134,769	92.9

The contribution to total revenue of the Group from mobile games rose from approximately 39.6% in 2013 to approximately 77.9% in 2014, demonstrating that the Group has successfully transited from a web game developer to a mobile game developer.

As game testing time was longer than expected, our four new games which were supposedly launched in late 2014 will now be launched in the first half of 2015. One of those four new games is an action-based web RPG game entitled Ba Qin (霸秦), the theme of which is based on the historical warring states period in China. The other three mobile games are Battery Run (電池快跑), a parkour game, a game under the Carrot Fantasy (保衛蘿蔔) Series and a RPG collectible card game entitled Mei Ren Wu Shuang (美人無雙). In addition, we plan to launch approximately five to six new mobile games in 2015.

Our players

As at 31 December 2014, (i) our RPG mobile games and web games, had approximately 191.7 million cumulative registered users, with approximately 161.3 million users for web games and approximately 30.4 million users for mobile games; and (ii) our casual games had approximately 233.8 million cumulative activated downloads. For the month of December 2014, (i) our RPG mobile games and web games had 5.0 million MAUs in aggregate, with approximately 3.8 million MAUs for mobile games and approximately 1.2 million MAUs for web games; and (ii) our casual games had approximately 15.6 million MAUs.

Driven by the success of our games and strategic focus that we placed on our mobile game business, our active player base continued to experience significant growth in 2014. The following table sets forth certain operational statistics relating to our business for the years indicated:

	For the year ended 31 December		
	2014	2013	Change %
Average MPUs			
Web games (RPGs) (000's)	**57**	121	(52.9)
Mobile games RPG (000's)	**176**	34	417.6
Casual (000's)	**808**	–	N/A
ARPPU			
Web games (RPGs) (RMB)	**76.9**	53.2	44.5
Mobile games (RPGs) (RMB)	**102.2**	142.8	(28.4)
Casual (RMB)	**5.0**	–	N/A

Note:

(1) Duplicated paying users of our games published on our own platforms were not eliminated during calculation.

Our average MPUs for mobile RPG games has surged to approximately 176,000 in 2014 from approximately 34,000 in 2013. This was mainly driven by (i) the launch of San Guo Zhi Ren (三國之刃) on Tencent platforms in 2014 and (ii) the continued growth in popularity of some of our previously launched games. Our average MPUs for mobile casual games increased from nil for the year ended 31 December 2013 to approximately 808,000 for the year ended 31 December 2014, mainly as a result of acquisition of Kailuo Tianxia on 31 December 2013, which brought Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2) to our existing game portfolio. Our MPUs for web games decreased from approximately 121,000 in 2013 to 57,000 in 2014 as our web games were in the late stage of their expected life cycles in 2014 and because of our shift in focus to developing mobile games.

Our ARPPU of RPG mobile games decreased from approximately RMB142.8 in 2013 to approximately RMB102.2 in 2014. The decrease was primarily due to the launch of San Guo Zhi Ren (三國之刃) on Tencent platforms which offered a revenue sharing percentage lower than that of the games operated by ourselves in 2013. Our ARPPU of web games has increased from approximately RMB53.2 in 2013 to approximately RMB76.9 in 2014. The increase was primarily due to an increase in ARPPU of the web version of Shen Xian Dao (神仙道), a game that is in its mature life cycle when loyal players are willing to spend more. Our ARPPU for casual games increased from nil in 2013 to RMB5.0 in 2014 as a result of the acquisition of Kailuo Tianxia on 31 December 2013, which brought Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2) to our existing game portfolio.

As part of our mobile games business strategy and to enhance growth in ARPPU of our mobile games, we shall continue to increase our effort in promoting players' in-game purchases, launching various in-game promotions and activities, such as, offering premium services, private rooms and loyalty programs, enhancing payment convenience and streamlining the payment processes.

Our dedicated customer service team, which comprised of approximately 19 service representatives as at 31 December 2014, continued to provide timely customer services via our in-game customer service system. We believe such played a significant role in retaining our players and expansion of our player base.

Outlook for 2015

The year of 2015 will be a critical year presenting both challenges and opportunities for Feiyu. With our intense focus on driving the Shares' value, we are escalating our investment especially in mobile games to better position ourselves to capture market opportunities.

We see users shifting to mid-to-hard-core games as they become more familiar with mobile games, smartphone capability improves, mobile bandwidth continues to upgrade and mobile payment becomes increasingly popular. Despite more competitive market conditions, we expect that we could continue to derive benefit from advancement of the online games industry as we have competitive advantages in developing sophisticated games and keeping users engaged.

We aim at implementing the following strategies to further capture players and improve monetization of our games:

- further strengthen and expand our mobile games portfolio by developing additional high-quality RPG mobile and casual mobile games and offering more mobile specific value-adding features to enrich users' game experience on mobile devices;
- leverage our intellectual properties to extend the life cycle of our games (for example, the brands of Shen Xian Dao (神仙道) and Carrot Fantasy (保衛蘿蔔));
- further explore monetization opportunities by enhancing player engagement through improving the design and settings of our games, frequently updating our games with new features and contents, and creating new and innovative game playing methods;
- strengthen our relationships with major international game publishing and distribution partners to expand the reach of our games to new countries and regions;
- continue to expand our international operations and global user base by customizing the existing games to target overseas audiences and strengthening our relationships with major international game publishing and distribution partners; and
- apart from developing online games by our existing teams, we also seek opportunities to acquire developed games and their development teams for boosting our game development capabilities and game portfolio.

We have a solid pipeline covering "mid-core" and casual mobile games. In order to further optimize the games and cooperate with publishers, we have delayed release of four games that were scheduled for launch in late 2014 to the first half of 2015. We believe that the delayed release of new games would not affect the Group adversely as time spent on optimising the new games would bring better game performance. In addition, we plan to launch approximately five to six new mobile games in 2015, including games under the Carrot Fantasy (保衛蘿蔔) series, Shen Xian Dao (神仙道) series and Jiong Xi You (囧西遊) series.

Based on the existing games' performance and our solid game pipeline, we expect a positive growth in our market share in 2015.

FINANCIAL REVIEW

The following table sets forth the income statement of our Group for the year ended 31 December 2014 as compared to the year ended 31 December 2013.

	For the year ended 31 December		
	2014 (RMB'000)	2013 (RMB'000)	Change %
Revenue	**339,071**	145,037	133.8
Cost of sales	**(42,293)**	(6,699)	531.3
Gross profit	**296,778**	138,338	114.5
Other income and gains	**6,273**	2,649	136.8
Selling and distribution expenses	**(35,278)**	(15,541)	127.0
Administrative expenses	**(60,717)**	(37,746)	60.9
Research and development costs	**(57,783)**	(26,741)	118.3
Other expenses	**(266)**	(23)	1,056.5
Share of losses of an associate	**(506)**	–	N/A
PROFIT BEFORE TAX	**148,501**	61,206	142.6
Income tax expense	**(6,133)**	(10,249)	(40.2)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**142,368**	50,957	179.4
Attributable to:			
Owners of the parent	**117,885**	52,623	124.0
Non-controlling interests	**24,483**	(1,666)	(1,569.6)

Revenue

The following table sets forth a breakdown of our revenue for the years ended 31 December 2014 and 2013:

	For the year ended 31 December			
	2014		2013	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
Game Operation	**316,892**	**93.4**	134,769	92.9
Online game distribution	**2,246**	**0.7**	3,708	2.6
Licensing income	**2,697**	**0.8**	1,942	1.3
Advertising revenue	**16,802**	**5.0**	389	0.3
Technical service income	**434**	**0.1**	4,229	2.9
Total	**339,071**	**100**	145,037	100

Our total revenue increased by approximately 133.8% to approximately RMB339.1 million for the year ended 31 December 2014 from the year ended 31 December 2013. Revenue from game operation increased by approximately 135.1% to approximately RMB316.9 million for the year ended 31 December 2014 from the year ended 31 December 2013. The increase was primarily driven by the acquisition of Kailuo Tianxia on 31 December 2013 and the launch of San Guo Zhi Ren (三國之刃) on Tencent platforms. Revenue from online game distribution decreased by 39.4% to RMB2.2 million for the year ended 31 December 2014 from the year ended 31 December 2013. Such decrease was primarily due to the disposal of our 737.com platform. Licensing income increased by approximately 38.9% to approximately RMB2.7 million for the year ended 31 December 2014 from the year ended 31 December 2013, primarily due to a new contract with licensing fee clause being entered into. Revenue from advertising increased by approximately 4,219.3% to approximately RMB16.8 million for the year ended 31 December 2014 from the year ended 31 December 2013. The increase was due to the acquisition of Kailuo Tianxia on 31 December 2013.

Technical service income recorded in 2013 was derived from the sale of intellectual property rights related to an online game which development was not completed, there was no such transaction in 2014. Technical service income recorded in 2014 was derived from the provision of technical support services for 737.com platform after its disposal.

Cost of sales

Our cost of sales increased by approximately 531.3% from approximately RMB6.7 million for the year ended 31 December 2013 to approximately RMB42.3 million for the year ended 31 December 2014, primarily due to amortization of intangible assets, arising from the acquisition of Kailuo Tianxia, of approximately RMB20.5 million for the year 2014. The increase was also due to a RMB1.1 million charge related to share options granted in 2014 and an increase in salaries and welfare from approximately RMB5.9 million for the year ended 31 December 2013 to approximately RMB16.7 million for the year ended 31 December 2014, which in turn was due to an increase in the number of operations employees hired in 2014 after the launch of Jiong Xi You (囧西遊) and Luan Shi Zhi Ren 2 (亂世之刃2) (now titled San Guo Zhi Ren (三國之刃)), and the acquisition of Kailuo Tianxia on 31 December 2013.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 114.5% from approximately RMB138.3 million for the year ended 31 December 2013 to approximately RMB296.8 million for the year ended 31 December 2014. Our gross profit margin for 2014 was 87.5%, as compared to 95.4% for 2013.

Other income and gains

Our other income and gains increased by approximately 136.8% from approximately RMB2.6 million for the year ended 31 December 2013 to approximately RMB6.3 million for the year ended 31 December 2014, primarily due to an increase in government grants granted by the local government in Xiamen to foster development of the information technology sector from approximately RMB899,000 for the year ended 31 December 2013 to approximately RMB1.5 million for the year ended 31 December 2014 and an approximate RMB2.0 million gain on disposal of our 737.com platform.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 127.0% from approximately RMB15.5 million for the year ended 31 December 2013 to approximately RMB35.3 million for the year ended 31 December 2014, primarily due to an increase in app store channel fees, which increased from approximately RMB5.9 million for the year ended 31 December 2013 to approximately RMB14.9 million for the year ended 31 December 2014, mainly arising from an increase in revenue from Jiong Xi You (囧西遊), Luan Shi Zhi Ren 2 (亂世之刃2) (now titled San Guo Zhi Ren (三國之刃)), Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2). The rise in expenses was also due to an increase in advertisement fees from approximately RMB9.1million for the year ended 31 December 2013 to approximately RMB13.3 million for the year ended 31 December 2014, relating to the launch of Jiong Xi You (囧西遊) in July 2013 and Luan Shi Zhi Ren 2 (亂世之刃2) (now titled San Guo Zhi Ren (三國之刃)) in December 2013, an increase in other channel fees of approximately RMB2.9 million relating to Carrot Fantasy (保衛蘿蔔) and Carrot Fantasy 2 (保衛蘿蔔2) as a result of the acquisition of Kailuo Tianxia and a RMB1.0 million charge related to share options granted in 2014.

Administrative expenses

Our administrative expenses increased by approximately 60.9% from approximately RMB37.7 million for the year ended 31 December 2013 to approximately RMB60.7 million for the year ended 31 December 2014. This increase was primarily due to listing expenses relating to the Global Offering of approximately RMB33.1 million incurred in the year ended 31 December 2014, an increase in salaries, pension schemes contribution and welfare from approximately RMB3.2 million for the year ended 31 December 2013 to approximately RMB12.8 million for the year ended 31 December 2014 with more administrative employees being hired and an approximate RMB2.5 million charge related to share options granted in 2014. The increase was partially offset by a deemed share based compensation made to our Chairman, Mr. YAO Jianjun, in 2013. The share based compensation was made as part of the disposal of all shareholding interests in the Company by Mr. Ye Bin, one of our founders.

Research and development costs

Our research and development costs increased by approximately 118.3% from RMB26.5 million for the year ended 31 December 2013 to approximately RMB57.8 million for the year ended 31 December 2014. This increase was primarily due to an increase in salaries, pension schemes contribution and welfare from approximately RMB21.4 million for the year ended 31 December 2013 to approximately RMB38.0 million for the year ended 31 December 2014 as more game development personnel were hired to support our existing games, newly launched games and games under development, and transfer of personnel from Kailuo Tianxia. The increase was also due to an approximate RMB9.5 million charge related to share options granted in 2014.

Other expenses

Our other expenses increased by approximately 1,056.5% from approximately RMB23,000 for the year ended 31 December 2013 to RMB266,000 for the year ended 31 December 2014, primarily due to an approximate RMB156,000 loss on disposal of our subsidiary.

Income tax expense
Our income tax expense decreased by approximately 40.2% from approximately RMB10.2 million for the year ended 31 December 2013 to approximately RMB6.1 million for the year ended 31 December 2014. Our effective income tax rate decreased from 16.7% for the year ended 31 December 2013 to 4.1% for the year ended 31 December 2014. Xiamen Guanghuan, a subsidiary of the Company, which operated our major web games and mobile games in 2013 including Shen Xian Dao (神仙道) and Da Hua Shen Xian (大話神仙), was taxed at 12.5% in 2013 and 2014. The decline in revenue and profit from these web and mobile games in 2014 as compared with 2013 contributed to the decrease in related income tax expense. At the same time, Kailuo Tianxia, acquired at the end of 2013, contributed a revenue of approximately RMB65,699,000 and profit of approximately RMB37,788,000 to the Group in 2014 while it was exempted from income tax for being qualified as a certified software enterprise. Furthermore, our popular game, San Guo Zhi Ren (三國之刃), published in 2014, was operated by subsidiaries which benefited from certain tax exemption in 2014 for being certified software enterprises. Therefore, although our profit increased in 2014 as compared with 2013, both our income tax expense and effective income tax rate decreased in 2014.

Profit for the year
As a result of the foregoing, our profit attributable to owners of the parent increased by 124.0% from approximately RMB52.6 million in 2013 to approximately RMB117.9 million in 2014.

Non-IFRSs measures – adjusted net profit attributable to owners of the parent
In addition to our consolidated financial statements which are presented in accordance with IFRSs, we also provide further information based on the adjusted net profit attributable to owners of the parent as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of our business performance. We also believe that these non-IFRSs measures provide additional information to investors and others, helping them to understand and evaluate our consolidated results of operations in the same manner as our management and to compare financial results across accounting periods and with those of our peer companies.

We define adjusted net profit attributable to owners of the parent as net income or loss attributable to owners of the parent excluding share-based compensation, amortization of intangible assets recognized for acquisitions and listing fees in connection with the IPO completed in 2014. The term of adjusted net profit attributable to owners of the parent is not defined under IFRSs. The use of adjusted net profit attributable to owners of the parent has material limitations as an analytical tool as it does not include all items that would impact our net loss or income attributable to owners of parent for the year or accounting period.

	For the year ended 31 December		
	2014 (RMB'000)	2013 (RMB'000)	Change %
Profit for the year attributable to owners of the parent	**117,885**	52,623	124.0
Add:			
Share-based compensation	**14,168**	28,819	(50.8)
Listing fees in connection with the IPO	**33,058**	–	N/A
Amortization of intangible assets recognized for acquisitions	**20,485**	–	N/A
Total	**185,596**	81,442	127.9

FINANCIAL POSITION

As at 31 December 2014, the total equity of the Group amounted to approximately RMB1,150.1 million, as compared to the total equity of the Group of approximately RMB548.1 million as at 31 December 2013. The increase was mainly due to the increase in share premium arising from issue of ordinary Shares related to the Global Offering, net of underwriting commission and other issuance costs. The Group's net current assets amounted to approximately RMB679.0 million as at 31 December 2014, as compared to approximately RMB66.4 million as at 31 December 2013. This increase was primarily due to rise in cash generated from our operating activities as well as net proceeds received from the IPO which was completed in December 2014.

LIQUIDITY AND CAPITAL RESOURCES

The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	2014 (RMB'000)	2013 (RMB'000)	Change %
Net cash flow from operating activities	**149,350**	94,567	57.9
Net cash flow (used in)/from investing activities	**(112,176)**	25,774	(535.2)
Net cash flow from/(used in) financing activities	**386,608**	(35,430)	(1,191.2)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**423,782**	84,911	399.1
Cash and cash equivalents at the beginning of year	**123,426**	38,515	220.5
Effect of foreign exchange rate changes, net	**(1,697)**	–	N/A
Cash and cash equivalents at the end of year	**545,511**	123,426	342.0

Operating activities
Net cash flows from operating activities increased from approximately RMB94.6 million in 2013 to RMB149.4 million in 2014, which was primarily attributable to the Group's enhanced operational performance in 2014.

Investing activities
Net cash flows used in investing activities was approximately RMB112.2 million in 2014, as compared to net cash flows from investing activities of approximately RMB25.8 million in 2013. The increase was primarily attributable to (i) an increase of purchases of property, plant and equipment and intangible assets; (ii) our acquisition of Kailuo Tanxia at a consideration of RMB31.0 million; (iii) an increase in transfer of deposit to an account held with a domestic securities company which can be further used to purchase financial products through the securities company at the instructions of the Group.

Financing activities
Net cash flows from financing activities was approximately RMB386.6 million in 2014, as compared to net cash flows used in financing activities of approximately RMB35.4 million in 2013, which was primarily attributable to the net proceeds from the IPO and partially offset by the increase in dividends paid in 2014.

Cash and cash equivalents
Our total cash and cash equivalent amounted to approximately RMB545.5 million as at 31 December 2014, as compared to approximately RMB123.4 million as at 31 December 2013, the increase was primarily due to cash generated from operating activities and the net proceeds received from the IPO completed in December 2014.

As at 31 December 2014, approximately RMB473.9 million of our financial resources (31 December 2013: nil) were held in deposits denominated in non-RMB currencies. We currently do not hedge transactions undertaken in foreign currencies but manage our foreign exchange exposure through limiting our foreign currency exposure and constant monitoring. The Group adopts a prudent cash and financial management policy. In order to better control costs and minimize costs of funds, the Group's treasury activities are centralized and cash is generally deposited at banks and denominated mostly in Renminbi, Hong Kong dollars and U.S. dollars.

Available-for-sale investments

As at 31 December 2014, we had available-for-sale investments of approximately RMB28.2 million (2013: RMB6.1 million). The available-for-sale investments were structured financial products issued by banks and assets management companies with an expected interest rate of 7.0% per annum and a maturity period of 90-180 days in the PRC. The principal of such investments is not protected. The fair value of the financial products approximately equals to their cost plus expected interest. According to our current internal investment management policies, no less than 70% of our total investment is invested in risk-free or principal protected investments while the remaining of up to 30% of the total investment is invested in low risk products. These wealth management products do not carry a derivative element and we have a diversified investment portfolio to mitigate risks, besides, the above investments were made in line with our effective capital and investment management policies and strategies.

Our available-for-sale investments as at 31 December 2014 were managed by registered PRC asset management companies that manage a wide range of assets, including bonds, private placements, stock pledge financings, trust benefiting rights and real estate financing. Major PRC banking institutions acted as trustee for each of these investments. All of the available-for-sale investments as at 31 December 2014 were dominated in RMB. Based on past performance, all matured available-for-sale investments were without any loss to the principal investment, we expect that the maximum gain from such products to be interest incurred during the maturity period equalling to the highest potential interest rate multiplied by the principal investment amount and the maximum loss from such products would be loss of the principal investment amount.

Foreign currency risk

In the year ended 31 December 2014, 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, the Group has no other significant interest-bearing assets. The Directors do not anticipate any significant impact on the interest-bearing bank deposits resulting from changes in interest rates, because the interest rates of bank deposits are not expected to change significantly. Therefore, the Group has not adopted any hedging policy to mitigate interest rate risk.

Significant acquisitions and disposals

Save as disclosed in the Prospectus, the Group had no significant acquisitions and disposals of subsidiaries and associates during the year ended 31 December 2014.

Capital expenditures

The following table sets forth our capital expenditures for the year ended 31 December 2014 and 2013:

	For the year ended 31 December		
	2014 (RMB'000)	2013 (RMB'000)	Change %
Property, plant and equipment	**11,019**	2,390	361.1
Intangible assets	**1,713**	–	N/A
Total	**12,732**	2,390	432.7

Our capital expenditures comprised addition of property, plant and equipment, such as company cars for employees' use, and intangible assets, such as software. The total capital expenditures were approximately RMB12.7 million and RMB2.4 million for the years ended 31 December 2014 and 2013 respectively. The increase of approximately RMB10.3 million in total capital expenditures for the year ended 31 December 2014 from the year ended 31 December 2013 was primarily due to the increase in purchase of property and equipment, such as, company cars for employees' use and leasehold improvements for the offices of our PRC Operational Entities in the sum of approximately RMB8.6 million. The rise was also due to the increase in purchase of intangible assets, such as, software, of approximately RMB1.7 million. These capital expenditures were funded by cash flow generated from operations.

Future plans for major investment

The Group currently has no specific plan for major investment or acquisition of major capital assets or other businesses in the year of 2015. However, the Group will continue to identify new opportunities for business development.

INDEBTEDNESS

Pledge of asset

As at 31 December 2014, we did not have any pledged asset.

Contingent liabilities and guarantees

As at 31 December 2014, we did not have any significant contingent liability, guarantee or any litigation with claims made against us.

Gearing ratio

On the basis of total assets divided by total liabilities, the Group's gearing ratio was 1,589.5% for the year ended 31 December 2014 and 507.8% for the year ended 31 December 2013.

EMPLOYEES

As at 31 December 2014, we had 318 full-time employees, the majority of whom are based in Xiamen, the PRC. The following table sets forth the number of our employees segregated by functions as at 31 December 2014:

	Number of Employees	% of Total
Development	231	72.6
Operations	37	11.6
Administration	32	10.1
Sales and marketing	18	5.7
Total	318	100.0

For details of employees' remuneration, remuneration policies and incentive schemes, please refer to pages 9 to 10 of this annual report.

POST BALANCE SHEET EVENT

There was no material subsequent event during the period from 1 January 2015 to the date of this annual report.

CORPORATE GOVERNANCE REPORT

The Board is dedicated to establishing a sound corporate governance system to ensure formality and transparency of procedures, enhance corporate value and accountability and safeguard interests of the Shareholders.

The Company has applied the principles as set out in the CG Code as its own code of corporate governance and confirms that it has complied with all code provisions under the CG Code during the year ended 31 December 2014, save for certain deviations which were primarily due to the short period of time since the Listing Date to the end of year 2014 and are explained in the relevant paragraphs in this corporate governance report.

The Company will review and commit to making necessary arrangement to comply with all the code provisions under the CG Code and the rising expectations of the Shareholders and investors.

The following sets forth a detailed discussion of the corporate governance practices adopted and complied with by the Company during the year ended 31 December 2014.

THE BOARD

The Board currently comprises nine Directors, including six Executive Directors and three Independent Non-executive Directors:

Executive Directors	Mr. YAO Jianjun *(Chairman and Chief Executive Officer)* Mr. CHEN Jianyu Mr. BI Lin Mr. SUN Zhiyan Mr. LIN Jiabin Mr. LIN Zhibin
Independent Non-executive Directors	Ms. LIU Qianli Mr. LAI Xiaoling Mr. MA Suen Yee Andrew

Biographical details of the Directors are set out on pages 49 to 53 of this annual report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company and dispatched from time to time in accordance with the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. The Company maintains on its website and on the Stock Exchange's website an updated list of all Directors identifying their role and function and whether they are Independent Non-executive Directors.

Save as disclosed in the Prospectus and in this annual report, to the best knowledge of the Company, there is no financial, business, family or other material relationship among members of the Board.

During the year ended 31 December 2014, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent in accordance with guidelines set out in the Listing Rules.

Prior to the respective appointment of the Independent Non-executive Directors, each of them has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules.

The Company has arranged for appropriate insurance cover to protect Directors from possible legal action against them.

FUNCTIONS AND RESPONSIBILITIES OF THE BOARD

Management function

The Board is responsible for leading and controlling the Group and is responsible for promoting success of the Group by directing and supervising its affairs. The Board has formed various Board committees and has delegated different responsibilities to these committees as set out in their respective terms of reference published on the Stock Exchange's and the Company's websites.

The Board is also responsible for major matters of the Group including approving and monitoring major policies of the Group, overall strategies and budgets, internal control and risk management systems, notifiable and connected transactions, nomination of directors and company secretary, and other significant financial and operational matters.

All Directors, including the Independent Non-executive Directors, have contributed a wide range of valuable business experience, knowledge and professionalism to the Board, ensuring its effective and efficient operations. The Independent Non-executive Directors contribute to the Group and its strategies and policies by providing independent, constructive and informed comments. The Directors also have full and timely access to all relevant information, and advice and services of the company secretary to guarantee full compliance with Board procedures and the relevant laws and regulations.

Under code provision A.1.6 of the CG Code, the Board may, if appropriate, authorize the Directors to seek independent professional advice at the expense of the Company. As the Company was only listed on the Stock Exchange on 5 December 2014, the Company did not adopt a policy relating to such procedure until the Board meeting held on 16 March 2015 as the need of Directors seeking independent professional advice did not arise after the Listing, and as such, the policy was not formalised by then.

The day-to-day management, administration and operation of the Group are delegated to the senior management who are given clear directions as to their powers. The delegated functions are periodically reviewed by the Board. Authorisation has to be obtained from the Board before any significant transaction is entered into by the senior management.

The Directors of the Company are accountable to all Shareholders for their leadership and supervision over the Group's operations, and are committed to increasing Shareholders' value. All Directors have carried out their duties in good faith and in compliance with the applicable laws and regulations, and have acted in the best interests of the Group and the Shareholders at all times.

Corporate Governance Functions

The Board is responsible for the performance of functions of corporate governance. From the Listing Date to 31 December 2014, the Board has performed the functions set out in code provision D.3.1 of the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. YAO Jianjun and the duties of the Chief Executive Officer are also discharged by Mr. YAO Jianjun. Although the dual roles of Chairman and Chief Executive Officer is a deviation from code provision A.2.1 of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person like Mr. YAO Jianjun provides the Company with strong and consistent leadership, allowing the Company to more effectively plan and implement business decisions and strategies. Besides, taking into account the ever changing business environment and the Company's new listing, Mr. YAO Jianjun's extensive experience in the industry, personal profile, and role in the Group and its historical development is appropriate and beneficial to the Group's business prospects. Therefore, the Board considers that separation of the role of the Chairman and Chief Executive Officer of Mr. YAO Jianjun may result in unnecessary costs for the Group's daily operations.

Under the leadership of Mr. YAO Jianjun, the Board is responsible for approving and supervising the Group's general development strategy, sanctioning the annual budget and business plans, consenting to material investment projects related to the Group's business development, ensuring good corporate practices and procedures are established, evaluating of the Group's performance and supervising work of the management, and ensuring that the Board acts in the best interests of the Group, operates effectively, performs the necessary duties and discusses all significant and appropriate issues of the Company's business in a timely manner. All major decisions have been made in consultation with members of the Board, which comprises experienced and high caliber individuals, appropriate Board committees and the senior management team.

All Directors are entitled to propose to include any item in the agenda of a board meeting for appropriate discussion. Mr. YAO Jianjun, as Chairman of the Board, has appointed the company secretary to draft the Board meeting agendas. Under the assistance of the Executive Directors and the company secretary, the Chairman will ensure that all Directors are properly briefed on issues arising at board meetings and are provided, in a timely manner, with sufficient, clear, accurate, complete and reliable information required for necessary analysis based on their expertise. The Chairman will also encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board resolutions fairly reflect the Board's consensus.

As the Chief Executive Officer of the Company, Mr. YAO Jianjun has delegated sufficient authority for the operation and management of the Group's business to the Executive Directors and other senior management members, who are in-charge of daily management of the Group in every aspect, including consistent implementation of the Board's resolutions. The Executive Directors and members of senior management are accountable to the Chief Executive Officer for the Group's business operations in various aspects, while the Chief Executive Officer is accountable to the Board for the Group's operations as a whole.

The Board is of the view that there are adequate balance of power and safeguards in place. Nonetheless, the Board will continue to monitor and review the Company's current structure and make necessary changes when necessary.

BOARD MEETINGS AND GENERAL MEETINGS

According to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication.

As the Company's Shares were only listed on the Main Board of the Stock Exchange on 5 December 2014, no board meeting was held from that date to 31 December 2014. From 2015 onwards, the Board will meet four times a year.

The Company has not held any general meeting during the period from the Listing Date to 31 December 2014.

According to Code Provision A.2.7 of the CG Code, the Chairman should at least hold annual meetings with the Independent Non-executive Directors without the presence of the Executive Directors. As the Company's Shares were only listed on 5 December 2014, no such meeting was held from that date to 31 December 2014. From 2015 onwards, the Chairman will meet at least once with the Independent Non-executive Directors (without presence of the other Executive Directors) every year.

Practices and Conduct of Meetings

Annual meeting schedules and draft agendas of each meeting are made available to the Directors in advance. Notice of regular Board meetings are served to all Directors at least 14 days before the meetings to give them an opportunity to attend. For other Board and committee meetings, reasonable notice is generally given. The Company has not held any board meeting during the period from the Listing Date to 31 December 2014.

For regular Board and Board committee meetings, all agendas, board papers, together with all applicable, complete and reliable information are sent to all the Directors at least three days before each meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management of the Company whenever necessary. Queries raised by the Directors should receive prompt and full response wherever possible.

All Directors may propose any business to be included in the agenda of the Board or Board committee meetings and contact the company secretary to ensure full compliance with all Board procedures and applicable regulations.

Matters discussed and resolved at Board meetings and Board committee meetings will be recorded in detail by the company secretary who shall prepare and file the minutes or resolutions. Generally, draft minutes of Board meeting are circulated to the Directors within a reasonable time after each meeting for their comments, and the final version is open for inspection by the Directors.

The Articles contain a provision requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associate(s) has/have a material interest. This provision has been complied with.

If a substantial Shareholder or Director has a conflict of interest in a matter to be discussed by the Board which the Board considers material, such matter shall be considered at a Board meeting instead of resolved by written resolutions. Independent Non-executive Directors who and whose close associates have no material interest in the matter should be present at such a Board meeting.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of the Directors are laid down in the Articles. The Nomination Committee is responsible for reviewing the Board's composition, developing and formulating relevant procedures for nomination and appointment of the Directors, monitoring appointment and succession planning of the Directors, and assessing independence of the Independent Non-executive Directors.

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years, commencing from the Listing Date, which shall be renewed as determined by the Board or the Shareholders. The appointment of each of the Executive Director may be terminated by either party by giving at least three month's written notice to the other.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years, commencing from the Listing Date, which shall be renewed as determined by the Board or the Shareholders. The appointment of each of the Independent Non-executive Directors may be terminated by either party by giving at least three month's written notice to the other.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

According to the Articles, one-third of the Directors (or if their number is not a multiple of three, the number nearest to but no less than one-third) are subject to retirement by rotation and shall be eligible for re-election and re-appointment at least once every three years. Directors who are required to retire by rotation shall be those who have held the longest term of office since their last appointment or re-election. Any new Director appointed to fill casual vacancy shall hold office until the first general meeting of the Company after his appointment. Any Director appointed as an addition to the Board shall hold office until the next following annual general meeting of the Company.

Any other appointment, resignation, removal or re-designation of Directors will be timely disclosed to the Shareholders by announcement and shall include in such announcement the reasons given by the Director for his resignation.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of the Directors and senior management of the Group. The amount of remuneration that the Directors receive is determined on the basis of the relevant Director's experience, responsibility, performance, seniority, position, qualification and the time he/she devotes to the Group's business. The Directors may from time to time be entitled to share options and RSUs.

Details of the remuneration of each of the Directors for the year ended 31 December 2014 are set out in Note 7 to the financial statements of this annual report.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

On appointment to the Board, each Director received a comprehensive induction package to ensure that he/she has a proper understanding of the business and operations of the Company and is fully aware of his/her responsibilities and obligations, compliance practice under the Listing Rules, other relevant legal and regulatory requirements and the Company's business and governance policies.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are kept updated on the statutory and regulatory development, and business and market development so as to facilitate proper discharge of their responsibilities. Continuous briefing and professional development were arranged by the Group and its legal advisers for the Directors.

All Directors participated in professional development training courses arranged by the Group's legal advisers relating to roles, functions and duties of a listed company director, continuing and disclosure obligations of listed companies and its directors, and amendments to the Listing Rules and SFO in relation to inside information. A summary of training received by the Directors for the year ended 31 December 2014 according to the records provided by the Directors is as follows:

Name of the Directors	Attending relevant training sessions
Executive Directors:	
Mr. YAO Jianjun	✓
Mr. CHEN Jianyu	✓
Mr. BI Lin	✓
Mr. SUN Zhiyan	✓
Mr. LIN Jiabin	✓
Mr. LIN Zhibin	✓
Independent Non-executive Directors:	
Ms. LIU Qianli	✓
Mr. LAI Xiaoling	✓
Mr. MA Suen Yee Andrew	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Group's affairs. All of these three committees of the Company are governed by defined written terms of reference which are available on the Company's and the Stock Exchange's websites. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

The majority of the members of the Nomination Committee and Remuneration Committee are Independent Non-executive Directors, while all members of Audit Committee are Independent Non-executive Directors.

Nomination Committee

The Board established the Nomination Committee on 17 November 2014 with terms of reference in compliance with paragraphs A.5 and D.3 of the CG Code. The Nomination Committee comprises three Directors with Mr. YAO Jianjun (Executive Director) as the chairman, and Ms. LIU Qianli (Independent Non-executive Director) and Mr. MA Suen Yee Andrew (Independent Non-executive Director) as committee members.

The role and functions of the Nomination Committee are set out in its terms of reference. Its primary responsibilities include (i) conducting annual review of the structure, size and composition (including the skills, knowledge and experience) of the Board, and making recommendations on any proposed changes (if any) to the Board to complement the Company's corporate strategy; (ii) identifying, selecting and recommending individuals suitably qualified to become Board members and selecting or making recommendations to the Board on selection of individuals nominated for directorships; (iii) assessing the independence of the Independent Non-executive Directors; and (iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executives.

To comply with the new provisions in the CG Code on board diversity which became effective on 1 September 2013, the Board has adopted a policy concerning diversity of Board members setting out a number of factors which the Nomination Committee would consider in reviewing and assessing the composition of the Board, and making recommendations on changes to the composition of the Board. When vacancies on the Board arise, the Nomination Committee will carry out a selection process in accordance with the board diversity policy and consider all aspects of diversity set out in it, including but not limited to, gender, age, race, cultural and educational background, communication style, interpersonal skills, functional expertise, problem solving skills, professional qualifications, knowledge, industry and regional experience, and other qualities. All appointments to the Board will be based on merits, the Company's own business model and specific needs arising from time to time. The Nomination Committee will review the board diversity policy and its effectiveness regularly, discuss any need for changes with the Board and recommend changes to the board diversity policy to the Board for its consideration and approval.

Prior to the Listing, the composition and diversity of the Board was considered by taking into account the necessary balance of skills and experience suitable for business development of the Group and for effective leadership. All the Executive Directors possess extensive information technology expertise and mobile game development experience, while the Independent Non-executive Directors possess extensive experience in investment banking, corporate finance, investment and business management.

As the Company was listed on 5 December 2014, the Nomination Committee considered that it was not necessary to review the size and composition of the Board or identify any new Board member and no Nomination Committee meeting was held between the Listing Date and 31 December 2014.

As at the date of this annual report, the Nomination Committee has convened one meeting. The particulars of the attendance of said meeting are set forth as follows:

Name of member of the Nomination Committee	**Attendance/ Number of Nomination Committee meeting**
Chairman:	
Mr. YAO Jianjun	1/1
Members:	
Ms. LIU Qianli	1/1
Mr. MA Suen Yee Andrew	1/1

Remuneration Committee

The Board established the Remuneration Committee on 17 November 2014 with terms of reference in compliance with paragraphs B.1 and D.3 of the CG Code. The Remuneration Committee comprises three Directors with Ms. LIU Qianli (Independent Non-executive Director) as chairwoman, and Mr. BI Lin (Executive Director) and Mr. LAI Xiaoling (Independent Non-executive Director) as committee members.

The role and functions of the Remuneration Committee are set out in its terms of reference. The primary duties of the Remuneration Committee include, but not limited to, the following: (i) making recommendations to the Board on the Company's policy and structure for remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) determining the specific remuneration packages of the Directors and senior management; and (iii) reviewing and approving the management's performance based remuneration with reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee should consult the Chairman and/or chief executive about its remuneration proposals for other Executive Directors.

As the Company was listed on 5 December 2014, the Remuneration Committee considered that it was not necessary to review the remuneration policy and packages of the Directors and senior management, and no Remuneration Committee meeting was held during between the Listing Date and 31 December 2014.

As at the date of this annual report, the Remuneration Committee has convened one meeting. The particulars of the attendance of said meeting are set forth as follows:

Name of member of the Remuneration Committee	Attendance/ Number of Remuneration Committee meeting
Chairwoman:	
Ms. LIU Qianli	1/1
Members:	
Mr. Bi Lin	1/1
Mr. LAI Xiaoling	1/1

Details of the remuneration of each of the Directors for the year ended 31 December 2014 are set out in Note 7 to the financial statements of this annual report.

Audit Committee

The Board established the Audit Committee on 17 November 2014 with terms of reference in compliance with Rule 3.21 of the Listing Rules, and paragraphs C.3 and D.3 of the CG Code. The Audit Committee comprises three Independent Non-executive Directors with Ms. LIU Qianli (Independent Non-executive Director) as chairwoman, and Mr. LAI Xiaoling (Independent Non-executive Director) and Mr. MA Suen Yee Andrew (Independent Non-executive Director) as committee members. The chairwoman of the Audit Committee, Ms. LIU Qianli, holds appropriate professional qualifications required under Rules 3.10(2) and 3.21 of the Listing Rules. The Board considered that the members of the Audit Committee possess sufficient professional knowledge and experience relating to accounting and financial management for discharge of their responsibilities.

The role and functions of the Audit Committee are set out in its terms of reference. The primary duties of the Audit Committee are (i) serving as a focal point for communication between the Directors, and the external auditors and the internal auditors (where an internal audit function exists) as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time; (ii) assisting the Board by providing an independent view of effectiveness of the financial reporting process, internal control and risk management systems of the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) reviewing and monitoring the relationship between the external auditors and the Group, especially independence and effectiveness of the external auditors; (v) reviewing the Group's financial information, ensuring compliance with accounting standards and reviewing significant adjustments from audit; and (vi) reviewing the Company's financial controls, internal control and risk management system.

As the Company was listed on 5 December 2014, the Audit Committee considered that it was not necessary to review the financial results and reports, internal control and risk management of the Company, and no Audit Committee meeting was held between the Listing Date and 31 December 2014. Going forward, the Audit Committee will meet at least twice a year, with the Company's auditors, and will review the Group's annual results and annual report, financial reporting and compliance procedures, report from the Company's management on internal control and risk management systems and processes, and re-appointment of external auditors.

As at the date of this annual report, the Audit Committee has convened one meeting. The particulars of the attendance of said meeting are set forth as follows:

Name of member of the Audit Committee	Attendance/ Number of Audit Committee meeting
Chairwoman:	
Ms. LIU Qianli	1/1
Members:	
Mr. LAI Xiaoling	1/1
Mr. MA Suen Yee Andrew	1/1

Minutes of Audit Committee meetings shall be kept by the company secretary of the Company. Draft and final meeting minutes shall be sent to all members of the Audit Committee for their comments and record within a reasonable time after the related meeting.

The Group's annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee on 16 March 2015, and it considers that the said annual results are in compliance with the relevant accounting standards, rules and regulations, and appropriate disclosures have been duly made.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code since the Company's listing on 5 December 2014 to 31 December 2014.

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 in the period from the Listing Date to 31 December 2014.

SHAREHOLDING INTEREST OF SENIOR MANAGEMENT MEMBERS

For details of the shareholding interest and short positions of the Directors and senior management of the Group, please refer to pages 10 to 11 of this annual report.

REMUNERATION OF EXTERNAL AUDITORS

The statement of the external auditor of the Company, Ernst & Young, about their reporting responsibilities on the financial statements is set out in the independent auditors' report on page 56.

The external auditor of the Company will be invited to attend the forthcoming annual general meeting to answer questions about conduct of the audit, preparation for and contents of the auditor's report and auditor's independence.

During the year ended 31 December 2014, the total fee paid/payable to Ernst & Young in respect of audit and non-audit services is set out below:

Items of auditors' services	Amount (RMB'000)
Audit service	**5,894**
Non-audit service (Tax and internal control advisory service)	**894**
Total	**6,788**

For the year ended 31 December 2014, the fees paid/payable to Ernst & Young for the audit of the financial statements of the Group are RMB5.89 million, of which RMB3.99 million represents audit fees paid in relation to the Listing of the Company.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of external auditors. Such appointment, re-appointment and removal are subject to the approval by the Board and the Shareholders in the general meetings of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014 which give a true and fair view of the state of affairs of the Group as well as results and cash flow during that period.

The Directors consider that in preparing for the financial statements, the Group has ensured that statutory requirements are met, appropriate and consistently adopted accounting policies are applied, and judgments and estimates which are reasonable and prudent in accordance with the applicable accounting standards are made.

The Directors are responsible for ensuring that proper accounting records are kept so that the Group could prepare financial statements in accordance with statutory requirements and the Group's accounting policies, safeguarding the assets of the Group and taking reasonable steps for preventing and detecting fraud and other irregularities within the Group. They are also responsible for presenting balanced, clear and understandable annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and statutory provisions.

The senior management has provided such explanation and information, and monthly updates to the Board as are necessary to enable the Board to carry out a balanced and informed assessment of the financial information, position and prospect of the Group.

During the year ended 31 December 2014, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Group's internal control system has been designed to safeguard the assets of the Group, assure proper maintenance of accounting records, and ensure compliance with the relevant laws and regulations by the Group.

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group, which includes a defined management structure with limits of authority, and is designed to ensure proper application of accounting standards, provision of reliable financial information for internal use, publication and compliance with the relevant laws and regulations. The system is developed to provide reasonable, but not absolute, assurance against material misstatement or losses and to manage, but not fully eliminate, risk of operational system failure and the Group's failure in meeting the standards. The Board will review the internal control system on an annual basis through the Audit Committee.

During the year ended 31 December 2014, the Board has performed a review of effectiveness of the Group's internal control system, including the financial, operational, compliance control and risk management aspects of the Group. It has also assessed the accounting and financial reporting functions of the Group, its budget, resources and training programmes, and performed appraisals of the staff's qualifications and experience. The Board considers that the existing internal control system covers the current operations of the Group, and is effective and adequate.

The internal control system of the Group will be constantly optimized to match the continuous business development of the Group.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions are proposed for each substantially separate issue at general meetings, including the election of individual Directors. Except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Putting Forward Proposals at General Meetings

The annual general meeting and other general meetings of the Company are the primary forum for communication between the Company and its Shareholders. The Company shall provide the Shareholders with information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable the Shareholders to make an informed decision on the proposed resolution(s).

There is no provision in the Articles of Association or the Companies Law for the Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the below paragraph.

With regard to proposing a person for election as a director of the Company, please refer to the procedures posted on the Company's website.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company, require an extraordinary general meeting to be called by the Board for transaction of business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) may do so himself (themselves) in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Board believes that effective communication with investors is essential for building investors' confidence and attracting new investors with improved understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparent and timely disclosure of corporate information which will enable investors to make informed investment decisions.

General meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The Chairman of the Board, and chairman/chairwoman (where applicable) of the Nomination Committee, Remuneration Committee and Audit Committee and, in their absence, other members of the respective committees are available to answer questions at general meetings. The Chairman shall ensure that appropriate steps are taken to provide effective communication with the Shareholders and that their views are communicated to the Board as a whole.

The Company has disclosed necessary information and updates on the Group's business developments and operations, financial information and corporate governance measures to the Shareholders in compliance with Listing Rules and such are made available for public access on the Company's website at www.feiyuhk.com. The Company has devised a shareholders' communication policy since the Listing Date, which shall be reviewed on a regular basis to ensure its effectiveness.

Shareholders may also make a request for the Company's information any time to the extent that such information is publicly available. Corporate communication of the Company will be provided to the Shareholders in plain language and in both Chinese and English versions to facilitate their understanding. Shareholders have a right to choose the language (either Chinese or English) or means of receipt of corporate communications (in hard copy or through electronic means).

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company as follows:

Address:	Floor 2, Block 2, No. 14 Wanghai Road, Ruanjian Yuan Two, Siming District, Xiamen, Fujian Province, PRC
Email:	IR@feiyu.com

Note: The Company will not normally deal with verbal or anonymous enquiries.

Shareholders should direct enquires about their shareholdings to the Company's Hong Kong Branch Share Registrar, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

GENERAL MEETINGS

The Company has not held any general meeting during the period from the Listing Date to 31 December 2014.

According to paragraph A.6.7 of the CG Code, Independent Non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders.

The forthcoming annual general meeting of the Company will be held on 4 June 2015. The notice of the annual general meeting will be sent to the Shareholders at least 20 clear business days before the annual general meeting.

CONSTITUTIONAL DOCUMENTS

For the period from the Listing Date to 31 December 2014, the Company has not made any changes to its memorandum and articles of association.

COMPANY SECRETARY

Mr. CHEUNG Man Yu is the company secretary of the Company. Mr. CHEUNG Man Yu has day-to-day knowledge of the Group's affairs. He is also the Chief Financial Officer of the Company and he reports to the Chairman and Chief Executive Officer. All Directors have access to the advice and services of the company secretary to ensure that the Board procedures, and all applicable law, rules and regulations are followed.

Mr. CHEUNG Man Yu has complied with requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the year ended 31 December 2014.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Directors of the Company during the year ended 31 December 2014 and up to the date of this report were:

Executive Directors
Mr. YAO Jianjun
Mr. CHEN Jianyu
Mr. BI Lin
Mr. SUN Zhiyan
Mr. LIN Jiabin
Mr. LIN Zhibin

Independent Non-executive Directors
Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors
YAO Jianjun (姚劍軍), aged 32, is the founder of the Group. He joined the Group on 12 January 2009 and was appointed as Chairman, Executive Director and Chief Executive Officer of the Company on 6 March 2014. He is responsible for the overall management and strategic planning and development of the Group. Mr. Yao also sits on the boards of various companies within the Group, including acting as Chairman of Xiamen Guanghuan since 1 January 2011 and director of Xiamen Feiyou since 24 June 2014, director of Xiamen Zhangxin since 27 October 2014 and director of Xiamen Yidou since 3 September 2014.

Mr. Yao has more than 14 years of experience in the internet industry, including establishing and operating various websites and developing online games. He had founded a number of websites, including CNZZ.com (站長統計) (a website providing statistical services for PRC websites; the website subsequently received venture capital investments from IDG and Google and was eventually acquired by Alibaba), Chinaz.com (站長之家) (a website providing various technology and other services to PRC webmasters), Wo Ai Wo Wang (我愛我網), Yongchun Information Habour (永春信息港) and Changan City Gaming Community (長安城遊戲社區) (a website operating martial arts multiple user domain games). In 2012, Mr. Yao was elected as one of the 30 representative entrepreneurs under age 30 by Forbes China.

Mr. Yao is a founder of Xiamen Guanghuan. He has also been the executive director of Xiamen Xianglian Technology Co., Ltd. (廈門享聯科技有限公司), an internet technology development and services company, since August 2013 and served as its general manager in charge of its website operation and the overall management from July 2005 to August 2013. Prior to that, from March 2002 to July 2005, Mr. Yao devoted himself to the development of Chinaz.com (站長之家).

Mr. Yao graduated from the Financial and Trading School of Wanzhou District of Chongqing City (重慶萬縣財政貿易學校) in July 2000 with a senior high school diploma. Mr. Yao is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years. Mr. Yao is the chairman of the Nomination Committee.

CHEN Jianyu (陳劍瑜), aged 32, joined the Group on 31 December 2013 and was appointed as Executive Director and President of the Company on 6 March 2014. He is responsible for strategic planning, product research and development, and operations of the Group. Mr. Chen has also been the chief executive officer of Kailuo Tianxia since 3 May 2012.

Mr. Chen has over 13 years of experience in the internet industry and has developed, or been responsible for developing, a number of internet software products, including Shengshengkan Software (省省看公益軟件) (a free power management software for promoting environmental protection concept), IQ Browser (IQ瀏覽器) (an internet browser software) and Meitu Viewer (美圖看看) (an image viewing software).

Mr. Chen is one of the founders of Kailuo Tianxia and has served as its chief executive officer and the head of the research and development department since August 2013, primarily responsible for product development and overall management of Kailuo Tianxia. In July 2010, Mr. Chen co-founded Beijing Meitu Creative Advertisement Co., Ltd. (北京美圖創想廣告有限公司), a wholly-owned subsidiary of Xiamen Meituwang Technology Company Limited (廈門美圖網科技有限公司) and the developer of Meitu Viewer (美圖看看) (an image viewing software), and served as its general manager from inception to July 2013, primarily responsible for its overall management. From April 2008 to May 2010, Mr. Chen worked at Kulanuo Information Technology (Beijing) Co., Ltd. (庫拉諾信息技術(北京)有限公司), a social networking website and software product developing company, and served as the general manager of its internet browser project, IQ Browser (IQ瀏覽器). Prior to that, from July 2006 to March 2008, Mr. Chen served as the head of the design department of Trend Media Corporation Limited (網際快車信息技術有限公司), a company developing internet download managing software, including Flashget, a leading internet download managing software, primarily responsible for managing its product design department and user experience department. From May 2005 to June 2006, he was the head of the design department of Beijing Zhitong Wuxian Technology Co., Ltd (北京智通無限科技有限公司), a company developing and operating internet electronic magazine publishing platforms, including ZCOM electronic magazine software, primarily responsible for managing the software's product design department and user experience department.

Mr. Chen graduated from Beijing Institute of Fashion Technology (北京服裝學院) in July 2005 with a bachelor's degree in computer art design. Mr. Chen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BI Lin (畢林), aged 33, is a founder of the Group. He joined the Group on 12 January 2009 and was appointed as Executive Director and Vice President of the Company on 6 March 2014. He is in charge of the Group's research and development of web games. Mr. Bi also sits on the boards of various companies within the Group, including acting as director of Feiyu Hong Kong since 25 March 2014, director of Xiamen Guanghuan since 16 August 2011, director of Xiamen Youli since 19 September 2011, director of Xiamen Guangyu since 10 November 2014 and director of Xiamen Guangqu since 10 November 2014.

Mr. Bi has over 6 years of experience in the internet industry. Since March 2014, he has been the vice chairman of the Xiamen Animation and Game Industry Association (廈門市動漫遊戲產業協會), an industry association established by Xiamen Software Association (廈門軟件行業協會). He is a co-founder of Xiamen Guanghuan and has served as its executive director and general manager since August 2011, primarily responsible for coordinating management discussions and shareholder meetings on business development plans, operating strategies and investment plans. In April 2007, Mr. Bi co-founded Xiamen Creative Times Technology Co., Ltd. (廈門創想時代科技有限公司), an internet technology, electronic commerce, graphic design and exhibition planning services company, with Mr. Lin Jiabin, one of our Founders and executive Directors, and Mr. Lin Zhibin, one of our Founders and vice presidents, and served as its general manager from its inception to December 2008, primarily responsible for its business development. In July 2004, Mr. Bi founded Xiamen Visual Parameters Design Co., Ltd. (廈門視覺參數設計有限公司), a graphics art design company, and served as its general manager from its inception to May 2006, primarily responsible for its business development.

Mr. Bi graduated from Xiamen Yingcai School (廈門英才學校) in July 2000 with a senior high school diploma. Mr. Bi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years. Mr. Bi is a member of the Remuneration Committee.

SUN Zhiyan (孫志炎), aged 34, joined the Group on 31 December 2013 and was appointed as Executive Director and Chief Technology Officer of the Company on 26 August 2014. He is in charge of technology development and support for the Group's games.

Mr. Sun has over 10 years of experience in the internet industry and has been responsible for the technology development and management of a number of internet software products, including Shengshengkan Software (省省看公益軟件) (a free power management software for promoting environmental protection), IQ Browser (IQ瀏覽器) (an internet browser software) and Meitu Viewer (美圖看看) (an image viewing software).

Mr. Sun is one of the founders of Kailuo Tianxia and has served as its chief technology officer since May 2012, primarily responsible for technology development. From July 2010 to July 2013, Mr. Sun also served as the chief technology officer of Beijing Meitu Creative Advertisement Co., Ltd. (北京美圖創想廣告有限公司), a wholly-owned subsidiary of Xiamen Meituwang Technology Company Limited (廈門美圖網科技有限公司) and the developer of Meitu Viewer (美圖看看) (an image viewing software), primarily responsible for technology development. Prior to that, from April 2008 to May 2010, Mr. Sun worked at Kulanuo Information Technology (Beijing) Co., Ltd. (庫拉諾信息技術(北京)有限公司), a social networking website and software product developing company, and served as the head of the technology support in charge of its internet browser project, IQ Browser (IQ瀏覽器). From July 2006 to March 2008, Mr. Sun was a technology manager in charge of technology development in the technology department of Trend Media Corporation Limited (網際快車信息技術有限公司), a company developing internet download managing software, including Flashget, a leading internet download managing software. From May 2005 to June 2006, he worked as a technology manager in the technology department of Beijing Zhitong Wuxian Technology Co., Ltd (北京智通無限科技有限公司), a company developing and operating internet electronic magazine publishing platforms, including ZCOM electronic magazine software.

Mr. Sun is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LIN Jiabin (林加斌), aged 33, is a founder of the Group. He joined the Group on 12 January 2009 and was appointed as Executive Director and Vice President of the Company on 26 August 2014. He is in charge of the operations of the Group's web and mobile games. Mr. Lin has also been the director of Xiamen Youli since 5 February 2012.

Mr. Lin has more than 10 years of experience in the internet industry. He is a co-founder of Xiamen Guanghuan and has been involved in its shareholder decision making processes since its inception in January 2009. He has also been the executive director of Xiamen Youli since February 2012, primarily responsible for game marketing and operations. Mr. Lin co-founded China Badminton Online (中羽在線網), a badminton sport internet portal in the PRC, in May 2003 with Mr. Lin Zhibin, Mr. Lin's brother who is also one of our Founders. Mr. Lin also co-founded Xiamen Creative Times Technology Co., Ltd. (廈門創想時代科技有限公司), an internet technology, electronic commerce, graphic design and exhibition planning services company, in April 2007 with Mr. Bi Lin, one of our Founders and executive Directors, and Mr. Lin Zhibin who served as an engineer in its technology department from April 2007 to January 2009. Prior to that, from December 2005 to November 2007, Mr. Lin served as a website designer in Xiamen Wanshang Shengshi Network Co., Ltd. (廈門萬商盛世網絡有限公司).

Mr. Lin graduated from Xiamen University (廈門大學) in July 2005, majoring in electronic commerce. Mr. Lin is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Lin Jiabin is the brother of Mr. Lin Zhibin, an executive Director of the Company.

LIN Zhibin (林志斌), aged 33, is a Founder of the Group. He joined the Group on 12 January 2009 and was appointed as Executive Director and Vice President of the Company on 26 August 2014. He is in charge of the Group's product design and management.

Mr. Lin has more than 10 years of experience in the internet industry. He is a co-founder of Xiamen Guanghuan and has served as its chief designer since its inception in January 2009. Mr. Lin co-founded China Badminton Online (中羽在線網), a badminton internet portal in the PRC, in May 2003 with Mr. Lin Jiabin, Mr. Lin's brother and one of our Founders and executive Directors. Mr. Lin also co-founded Xiamen Creative Times Technology Co., Ltd. (廈門創想時代科技有限公司), an internet technology, electronic commerce, graphic design and exhibition planning services company, in April 2007 with Mr. Bi Lin, one of our Founders and executive Directors, and Mr. Lin Jiabin and served as its chief designer from its inception to January 2009, primarily responsible for product design, research and development. Prior to that, from July 2005 to December 2006, Mr. Lin served as website designer of Xiamen Advantage Interactive Network Technology Company Limited (廈門優勢互動網絡科技有限公司) (formerly known as Xiamen Youwang Technology Company Limited (廈門優網科技有限公司)), a website designing company.

Mr. Lin graduated from Xiamen University (廈門大學) in July 2005, majoring in electronic commerce. Mr. Lin is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Lin Zhibin is the brother of Mr. Lin Jiabin, an executive Director of the Company.

Independent Non-executive Directors

LIU Qianli (劉千里), aged 39, was appointed as an Independent Non-executive Director on 17 November 2014.

Ms. Liu has over 11 years of experience in investment banking and corporate finance. She has been an independent non-executive director of BAIOO Family Interactive Limited, a children's web game developer listed on the main board of the Stock Exchange (Stock Code: 2100), since March 2014. From December 2010 to July 2013, Ms. Liu served as the chief financial officer of Phoenix New Media Limited, a media company listed on the New York Stock Exchange (Stock Symbol: FENG). Prior to that, she served as the chief financial officer of ChinaEDU Corp. from October 2008 to November 2010. From June 2007 to August 2008, she served as the chief financial officer of MainOne Information Technology Company Ltd. (銘萬信息技術有限公司), an information technology company. Ms. Liu worked as a vice president at Lehman Brothers investment banking in Hong Kong and as an associate at Lehman Brothers investment banking in New York from July 2003 to June 2007.

Ms. Liu received her MBA degree from MIT Sloan School of Management in June 2003 and her bachelor of arts degree from Dartmouth College in June 1997. Ms. Liu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years. Ms. Liu is the chairwoman of the Audit Committee and the Remuneration Committee, as well as a member of the Nomination Committee.

LAI Xiaoling (賴曉凌), aged 39, was appointed as an Independent Non-executive Director on 17 November 2014.

Mr. Lai has over 11 years of experience in investment and business management. He has been a partner of Innovation Ark (Beijing) Investment Management Consulting Company Limited (創新方舟(北京)投資管理諮詢有限公司), a venture capital fund, since June 2013. He was primarily responsible for investment strategy, personnel recruitment and training and portfolio management. Between June 2012 and April 2013, he served as a principal for Chengwei Investment Advisory (Shanghai) Co., Ltd. (成為投資諮詢(北京)有限公司), a venture capital fund. From October 2007 to February 2012, he worked as an investment manager and vice president for Morningside TMT (Shanghai) Limited (晨創啟興(上海)投資管理諮詢有限公司), a venture capital fund, primarily responsible for deal sourcing, execution and portfolio management.

Mr. Lai received his MBA degree from Chinese University of Hong Kong in December 2007 and a bachelor of engineering degree in engineering physics from Tsinghua University (清華大學) in July 1999. Mr. Lai is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years. Mr. Lai is a member of the Audit Committee and Remuneration Committee.

MA Suen Yee Andrew (馬宣義), aged 42, was appointed as an Independent Non-Executive Director on 17 November 2014.

Mr. Ma has over 16 years of experience in investment and business management. He has been with VMS Investment Group (HK) Limited, a member of VMS Group of Companies which is a multi-strategy investment group with businesses covering proprietary investment, asset management, securities broking and corporate finance advisory, serving as a managing director since January 2014 and an executive director from January 2011 to December 2013, primarily responsible for sourcing and executing structured finance and other debt related transactions as well as managing the daily operations of the structured finance team; a senior investment manager from January 2009 to December 2010, primarily responsible for investment deal sourcing and leading the investment team for execution of investment deals; and an analyst from May 2007 to December 2008, primarily responsible for executing and monitoring private equity investment deals. Prior to joining VMS Investment Group, he worked and held various positions in World Family Limited, a distributor and promoter of licensed Disney products, from September 1999 to April 2007, most recently as a senior regional credit & customer relation manager.

Mr. Ma received a master of science degree in investment management from the Hong Kong University of Science and Technology in November 2007 and a bachelor of science degree in mathematics from University of Technology, Sydney in May 1999. Mr. Ma is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years. Mr. Ma is a member of the Audit Committee and Nomination Committee.

Save as disclosed above, there was no other matter with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the date of this annual report.

Biographical Details of the Senior Management

The senior management is responsible for day-to-day management of the Group's business. The table below shows certain information in respect of the senior management of the Group:

Name	Age	Position/title	Date of appointment
ZHOU Yandan (周彥丹)	31	Vice President	26 August 2014
CHEUNG Man Yu (張文宇)	40	Chief Financial Officer	26 August 2014
XU Yiqing (許藝清)	37	Vice President	10 December 2014
DONG Ting (董挺)	32	Vice President	3 January 2015
LIU Tao (劉濤)	34	Vice President	3 January 2015

ZHOU Yandan (周彥丹) (alias: Zhou Tongyu (周桐羽)), aged 31, joined the Group on 31 December 2013 and was appointed as Vice President on 26 August 2014, and is responsible for the Group's company and product marketing and promotion.

Ms. Zhou has over 6 years of experience in marketing and promotion and the internet industry. Ms. Zhou has served as the head of the marketing department of Kailuo Tianxia since November 2013, primarily responsible for management of marketing and promotional activities. Prior to that, from August 2010 to October 2013, Ms. Zhou served as the head of the marketing department of Beijing Youjia Century Advertisement Co., Ltd. (北京遊家世紀廣告有限公司), an online game promoting company. From November 2009 to May 2010, Ms. Zhou worked as a public relations manager in the marketing department of Sichuan Xunyou Network Technology Co., Ltd. (四川迅遊網絡科技股份有限公司). From November 2007 to October 2009, Ms. Zhou served as a public relations manager of Trend Media Corporation Limited (網際快車信息技術有限公司), a company developing internet download managing software, including Flashget, a leading internet download managing software.

Ms. Zhou completed the professional post-graduate program (專業研究生課程) in diplomacy (public relations and media) at the School of International Studies of Renmin University of China (中國人民大學國際關係學院) in June 2008. Ms. Zhou is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CHEUNG Man Yu (張文宇), aged 40, joined the Group on 8 February 2014 and was appointed as Chief Financial Officer on 26 August 2014, and is responsible for the Group's overall financial reporting and management.

Mr. Cheung has over 16 years of experience in financial reporting, management and services. Since December 2012, he has been an independent non-executive director and a member of the audit committee of China LESSO Group Holdings Limited (中國聯塑集團控股有限公司), a manufacturer of plastic pipes and pipe fittings listed on the main board of the Stock Exchange (Stock Code: 2128). He has also served as the vice general manager of ZTE Urban Digital Culture Media (Beijing) Co., Ltd. (中興都市數字文化傳媒(北京)有限責任公司), a media company, since December 2012, primarily focusing on its financial and internal control matters. From February 2011 to November 2012, Mr. Cheung was the vice president of China Forestry Holdings Co., Ltd. (中國森林控股有限公司), a forestry resource management and timber log processor operating in the PRC and listed on the main board of the Stock Exchange (Stock Code: 930), primarily focusing on its financial and internal control matters. Prior to that, from April 2004 to March 2011, Mr. Cheung worked as a vice president or director at the respective investment banking division of BNP Paribas Capital (Asia Pacific) Limited, UBS AG and J.P. Morgan Securities (Asia Pacific) Limited. Mr. Cheung worked as a manager at the audit department of Ernst & Young, an international accounting firm, from February 2000 to April 2004.

Mr. Cheung graduated from the Hong Kong Polytechnic University in November 1997 with a bachelor of arts degree in accountancy and is a member of Hong Kong Institute of Certified Public Accountants. Mr. Cheung is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

XU Yiqing (許藝清), aged 37, joined our Group on 10 December 2014, and was appointed as our vice president on the same day. She is responsible for human resources development and administrative and organisational management.

Ms. Xu has over 10 years of corporate management experience in the internet industry and information technology industry. From January 2011 to December 2014, Ms. Xu worked at Xiamen Jizhi Hudong Online Technology Company Limited (廈門極致互動網路技術有限公司), a company which develops and operates online games. She served as the vice general manager and was responsible for human resources, administrative management and strategic planning. From March 2007 to December 2010, Ms. Xu worked at Gillion New Software Co., Ltd. (吉聯新軟體股份有限公司), an information technology and logistics information technology services company, and served as the general manager of its integrated management department. She was responsible for the company's human resources, administrative management and strategic planning. From December 2005 to March 2007, Ms. Xu worked at Xiamen Longtop System Co., Ltd. (廈門東南融通系統有限公司), a company specialising in providing software support and services to financial institutions. She served as the supervisor of the human resources department and was responsible for recruitment and training. From August 1997 to December 2005, Ms. Xu worked at Top (Xiamen) Computer System Co., Ltd. (鼎盛（廈門）電腦系統有限公司), a company specialising in providing software support and services to financial institutions. She was the manager of its human resources and administration department and was responsible for personnel and administrative management.

Ms. Xu graduated from the Faculty of Computer Science of Xiamen Zhongxin International Computer Institute (廈門中新國際電腦學院) in July 1996.

DONG Ting (董挺), aged 32, joined our Group on 28 February 2012 and was appointed as our vice president on 3 January 2015. He is responsible for the overall management of production planning, design and development of our Group's RPG games.

Mr. Dong has over 9 years of experience in online game development and the internet information technology industry. From May 2010 to February 2012, Mr. Dong worked at 4399 Network Co., Limited (廈門四三九九網路股份有限公司), a company developing and operating online games, and served as the manager of the open platform department and game development department, responsible for open platform development and web game development. From December 2005 to May 2010, Mr. Dong worked at Tencent Holdings Limited (騰訊控股有限公司), a supplier of integrated internet services, as an engineer and was involved in projects such as QQVideo, Qiye QQ (企業QQ) and QQ Meishi (QQ美食).

Mr. Dong graduated from the Huazhong University of Science and Technology (華中科技大學) in July 2005 and received a computer science bachelor degree.

LIU Tao (劉濤), aged 34, joined our Group on 31 December 2013 and was appointed as our vice president on 3 January 2015. He is responsible for the overall management of production planning, design and development of our Group's casual mobile games.

Mr. Liu has over 8 years of experience in product planning and creative design in the internet industry. Since May 2012, Mr. Liu has been the game producer of Kailuo Tianxia (凱羅天下), primarily responsible for product research and development of Carrot Fantasy Series (保衛蘿蔔系列). From April 2008 to January 2010, Mr. Liu worked at KGIM (庫拉諾資訊技術（北京）有限公司), a social network and software development company, and served as the production manager of its internet community projects. Before that, from July 2006 to March 2008, Mr. Liu worked at Wangyou Tianxia Technology Company Limited (網友天下科技有限公司), an internet community company which shares and publishes original videos, songs and literary work of registered users. During such time, he served as the branding manager and was primarily responsible for creative planning and brand operations of community products.

Mr. Liu graduated from the High School attached to Hebei University (河北大學附屬中學) in June 2000 and received a secondary certificate specialising in international tourism.

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Feiyu Technology International Company Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 124, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

16 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	339,071	145,037
Cost of sales		(42,293)	(6,699)
Gross profit		296,778	138,338
Other income and gains	5	6,273	2,649
Selling and distribution expenses		(35,278)	(15,541)
Administrative expenses		(60,717)	(37,746)
Research and development costs		(57,783)	(26,471)
Other expenses		(266)	(23)
Share of losses of an associate		(506)	–
PROFIT BEFORE TAX	6	148,501	61,206
Income tax expense	9	(6,133)	(10,249)
PROFIT FOR THE YEAR		142,368	50,957
Attributable to:			
Owners of the parent	11	117,885	52,623
Non-controlling interests		24,483	(1,666)
		142,368	50,957
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
– Basic		RMB0.11	RMB0.05
– Diluted		RMB0.11	RMB0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR		**142,368**	50,957
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**2,142**	1,661
Reclassification adjustments for gains included in the consolidated statement of profit or loss	5	**(1,961)**	(1,711)
Exchange differences on translation of foreign operations		**(1,697)**	–
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(1,516)**	(50)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(1,516)**	(50)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**140,852**	50,907
Attributable to:			
Owners of the parent		**116,369**	52,573
Non-controlling interests		**24,483**	(1,666)
		140,852	50,907

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**14,448**	8,165
Goodwill	14	**408,619**	407,262
Other intangible assets	15	**55,798**	75,710
Long term receivables		**399**	–
Deferred tax assets	17	**1,402**	1,629
Total non-current assets		**480,666**	492,766
CURRENT ASSETS			
Accounts receivable	18	**3,062**	3,457
Receivables due from third-party game distribution platforms and payment channels	18	**118,370**	51,610
Prepayments, deposits and other receivables	19	**51,475**	1,847
Due from shareholders	30(c)	**–**	3,334
Available-for-sale investments	20	**28,235**	6,054
Cash and cash equivalents	21	**545,511**	123,426
Total current assets		**746,653**	189,728
CURRENT LIABILITIES			
Other payables and accruals	22	**50,055**	52,036
Tax payable		**2,719**	6,764
Deferred revenue	23	**14,836**	4,536
Dividends payable	10	**–**	60,000
Total current liabilities		**67,610**	123,336
NET CURRENT ASSETS		**679,043**	66,392
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,159,709**	559,158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,159,709**	559,158
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	**6,769**	6,769
Deferred revenue	23	**2,834**	4,288
Total non-current liabilities		**9,603**	11,057
Net assets		**1,150,106**	548,101
EQUITY			
Equity attributable to owners of the parent			
Issued capital	24	**1**	–
Share premium	24	**498,034**	–
Reserves	26	**627,702**	549,100
		1,125,737	549,100
Non-controlling interests		**24,369**	(999)
Total equity		**1,150,106**	548,101

Yao Jianjun
Director

Chen Jianyu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent							
	Issued capital RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	–	500	1,000	104	55,949	57,553	380	57,933
Profit for the year	–	–	–	–	52,623	52,623	(1,666)	50,957
Other comprehensive income for the year:								
Changes in fair value of available-for-sale investments, net of tax	–	–	–	(50)	–	(50)	–	(50)
Total comprehensive income for the year	–	–	–	(50)	52,623	52,573	(1,666)	50,907
Contribution by non-controlling shareholders	–	–	–	–	–	–	250	250
Acquisition of non-controlling interests	–	–	(5,712)	–	–	(5,712)	37	(5,675)
Share based payment to a director	–	–	28,819	–	–	28,819	–	28,819
Acquisition of a subsidiary	–	–	486,921	–	–	486,921	–	486,921
Distribution to the then shareholders of a subsidiary (note 10)	–	–	–	–	(71,054)	(71,054)	–	(71,054)
Transfer from retained profits	–	108	–	–	(108)	–	–	–
At 31 December 2013	–	608*	511,028*	54*	37,410*	549,100	(999)	548,101

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Share option reserves RMB'000	Other reserves RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	-	-	608	-	511,028	54	-	37,410	549,100	(999)	548,101
Profit for the year	-	-	-	-	-	-	-	117,885	117,885	24,483	142,368
Other comprehensive income for the year:											
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	181	-	-	181	-	181
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,697)	-	(1,697)	-	(1,697)
Total comprehensive income for the year	-	-	-	-	-	181	(1,697)	117,885	116,369	24,483	140,852
Contribution by shareholders	-	-	-	-	9,000	-	-	-	9,000	25	9,025
Contribution to non-controlling shareholders	-	-	-	-	(935)	-	-	-	(935)	935	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	1,096	1,096
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	1,229	1,229
Issue of shares	1	(1)	-	-	-	-	-	-	-	-	-
Issuance of shares for the initial public offering ("IPO")	-	522,589	-	-	-	-	-	-	522,589	-	522,589
Issuance of shares under the over-allotment option	-	11,222	-	-	-	-	-	-	11,222	-	11,222
Share issuance expenses	-	(35,776)	-	-	-	-	-	-	(35,776)	-	(35,776)
Equity-settled share-based payment expense	-	-	-	14,168	-	-	-	-	14,168	-	14,168
Distribution to the then shareholders of a subsidiary (note 10)	-	-	-	-	-	-	-	(60,000)	(60,000)	-	(60,000)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(2,400)	(2,400)
Transfer from retained profits	-	-	10,324	-	-	-	-	(10,324)	-	-	-
At 31 December 2014	1	498,034*	10,932*	14,168*	519,093*	235*	(1,697)*	84,971*	1,125,737	24,369	1,150,106

* These reserve accounts comprise the consolidated reserves of RMB1,125,736,000 (2013: RMB549,100,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from operating activities:			
Profit before tax		148,501	61,206
Adjustments for:			
Bank interest income	5	(298)	(39)
Depreciation	13	4,487	3,271
Amortisation	15	21,625	1,140
Share-based payment to a director		–	28,819
Gain on disposal of items of property, plant and equipment		(25)	–
Loss on disposal of a subsidiary		156	–
Equity-settled share-based payment expense		14,168	–
Fair value gains, net:			
Available-for-sale investments (transfer from equity on disposal)	5	(1,961)	(1,711)
Share of losses of an associate		506	–
Gain on disposal of an associate		(506)	–
		186,653	92,686
Decrease in accounts receivable		395	–
(Increase)/decrease in receivables due from third-party game distribution platforms and payment channels		(66,760)	16,914
(Increase)/decrease in prepayments, deposits and other receivables		(4,862)	1,483
Increase in long term receivables		(399)	–
Increase/(decrease) in other payables and accruals		32,094	(1,144)
Increase in deferred revenue		8,846	3,425
Increase in amounts due from related parties		–	(11,054)
Decrease/(Increase) in amounts due from shareholders		3,334	(2,393)
Cash generated from operations		159,301	99,917
Income tax paid		(9,951)	(5,350)
Net cash flows from operating activities		149,350	94,567

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from investing activities:			
Interest received		298	39
Purchases of items of property, plant and equipment		(11,019)	(2,390)
Additions to other intangible assets		(1,713)	–
Proceeds from disposal of items of property, plant and equipment		256	1,325
Purchase of available-for-sale investments		(56,900)	(66,500)
Proceeds from disposal of available-for-sale investments		36,862	72,211
Deposit transferred to an account in a domestic securities company		(43,729)	–
Acquisition of non-controlling interests		(2,375)	(550)
Investment in an associate		(4,750)	–
Acquisition of subsidiaries		(31,010)	8,259
Disposal of a subsidiary	28	1,154	–
Repayment of loans from an associate		750	–
Repayment of loans from shareholders		–	13,380
Net cash flows (used in)/from investing activities		(112,176)	25,774
Cash flows from financing activities:			
Proceeds from capital injection of subsidiaries by the then shareholders		9,025	–
Proceeds from issue of shares		533,812	–
Payment of listing expenses		(33,829)	–
Capital contribution by non-controlling shareholders		–	250
Dividends paid		(122,400)	(35,680)
Net cash flows from/(used in) financing activities		386,608	(35,430)
Net increase in cash and cash equivalents		423,782	84,911
Cash and cash equivalents at beginning of year		123,426	38,515
Effect of foreign exchange rate changes, net		(1,697)	–
Cash and cash equivalents at end of year		545,511	123,426
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the statement of financial position	21	545,511	123,426
Major non-cash transactions			
Dividends payable offset with amounts due from shareholders		–	9,320
Dividends declared in current year to offset with an amount due from a related party: Light beam Information Technology Co., Ltd.		–	11,054

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	16	14,168
Total non-current assets		14,168
CURRENT ASSETS		
Due from subsidiaries	16	24,252
Cash and cash equivalents	21	458,202
Total current assets		482,454
CURRENT LIABILITIES		
Due to subsidiaries	16	7,649
Other payables and accruals	22	7,138
Total current liabilities		14,787
NET CURRENT ASSETS		467,667
Net assets		481,835
EQUITY		
Issued capital	24	1
Share premium	24	498,034
Reserves	26	(16,200)
Total equity		481,835

Yao Jianjun
Director

Chen Jianyu
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION

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

2.1 BASIS OF PRESENTATION

Through a group reorganisation (the "Reorganisation") as set out in the section headed "Our History, Reorganization and Corporate Structures" in the prospectus dated 25 November 2014 for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the companies now comprising the group.

Under the prevailing laws and regulations in the People's Republic of China (the "PRC"), companies with foreign ownership are prohibited from operating the game operation business in Mainland China. The Group historically operated its online game business and single player game business in Mainland China through Xiamen Guanghuan Information Technology Co., Ltd. ("Xiamen Guanghuan") and its subsidiaries.

A series of contractual agreements (the "Guanghuan Structured Contracts") was effectuated on 4 September 2014 among Xiamen Guanghuan, Xiamen Feiyou Information Technology Co., Ltd. ("Xiamen Feiyou") and Mr. Yao Jianjun, Mr. Chen Jianyu, Mr. Bi Lin, Mr. Sun Zhiyan, Mr. Lin Zhibin, Mr. Lin Jiabin, Ms. Chen Yongchun and Mr. Cai Wensheng (collectively, the "Registered Shareholders") who are the legal shareholders of Xiamen Guanghuan.

The Guanghuan Structured Contracts provide the Group, through Xiamen Feiyou, with effective control over Xiamen Guanghuan. In particular, Xiamen Feiyou undertakes to provide Xiamen Guanghuan with certain technical services as required to support their operations. In return, Xiamen Feiyou is entitled to substantially all of the operating profits and residual benefits generated by Xiamen Guanghuan through intercompany charges levied on these services rendered. The Registered Shareholders are also required to transfer their interests in Xiamen Guanghuan to Xiamen Feiyou or Xiamen Feiyou's designee upon a request made by Xiamen Feiyou when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Xiamen Guanghuan have also been pledged by the Registered Shareholders to Xiamen Feiyou in respect of the continuing obligations of Xiamen Guanghuan. Xiamen Feiyou intends to continuously provide to or assist Xiamen Guanghuan in obtaining financial support when deemed necessary. Accordingly, Xiamen Feiyou has rights to variable returns from its involvement with Xiamen Guanghuan and has the ability to affect those returns through its power over Xiamen Guanghuan.

As a result, Xiamen Guanghuan was accounted for as a subsidiary of the Company. The formation of the Guanghuan Structured Contracts for Xiamen Guanghuan was accounted for as a transaction without substance and the Group consolidated Xiamen Guanghuan as if it was in the Group from the beginning of the year ended 31 December 2013.

For further information, on 31 October 2014, a new set of contractual agreements was effectuated among two subsidiaries of Xiamen Guanghuan, namely Xiamen Youli Information Technology Co., Ltd. ("Xiamen Youli") and Beijing Kailuo Tianxia Technology Co., Ltd. ("Kailuo Tianxia"), and Xiamen Feiyou and Xiamen Guanghuan (the "Youli and Kailuo Structured Contracts").

2.1 BASIS OF PRESENTATION (Continued)

The Youli and Kailuo Structured Contracts provide the Group, through Xiamen Feiyou, with effective control over Xiamen Youli and Kailuo Tianxia. In particular, Xiamen Feiyou undertakes to provide Xiamen Youli and Kailuo Tianxia with certain technical services as required to support their operations. In return, Xiamen Feiyou is entitled to substantially all of the operating profits and residual benefits generated by Xiamen Youli and Kailuo Tianxia through intercompany charges levied on these services rendered. Xiamen Guanghuan, being the registered shareholder of Xiamen Youli and Kailuo Tianxia, is also required to transfer its interests in Xiamen Youli and Kailuo Tianxia to Xiamen Feiyou or Xiamen Feiyou's designee upon a request made by Xiamen Feiyou when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Xiamen Youli and Kailuo Tianxia have also been pledged by Xiamen Guanghuan to Xiamen Feiyou in respect of the continuing obligations of Xiamen Youli and Kailuo Tianxia. Xiamen Feiyou intends to continuously provide to or assist Xiamen Youli and Kailuo Tianxia in obtaining financial support when deemed necessary. Accordingly, Xiamen Feiyou has rights to variable returns from its involvement with Xiamen Youli and Kailuo Tianxia and has the ability to affect those returns through its power over Xiamen Youli and Kailuo Tianxia.

2.2 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"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for available-for-sale investments 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 2014. The financial statements of the subsidiaries are prepared for the same reporting year 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 in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.2 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC21	*Levies*
Amendments to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendments to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendments to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendments to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

2.4 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties
A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Electronic equipment	19%–32%
Office equipment and furniture	19%–32%
Motor vehicles	24%
Leasehold improvement	20%–33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software – Software assets are amortised on a straight-line basis over the shorter of the estimated useful lives or as stipulated by law. The estimated useful lives are 3 years.

Game intellectual properties and licences – Games named Carrot Fantasy I and Carrot Fantasy II acquired from business combinations are amortised over their estimated beneficial years on straight-line basis. The estimated useful lives range from 3 years to 4 years, respectively.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases
Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category 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.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (continued)
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition
Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

(a) *Game operation*

1. Online web and mobile games

The Group's online games allow players to play for free. Players can purchase in-game virtual currency, which can be used to obtain in-game items and premium features, commonly known as virtual items, to enhance their game-playing experience. The Group operates its online games through cooperation with various third-party game distribution platforms including online application stores, web-based and mobile game portals and derives its revenue from sales of in-game currency and items. The Group is responsible for providing ongoing updates of new contents, technical support for the operation of the games. The platforms are responsible for distribution, marketing, platform maintenance and payment collections from players. Players purchase the Group's in-game currency through the platforms' own charging systems by remitting the payment directly to the platforms. After deducting the commission charged by the platforms, the platforms remit the rest of net proceeds to the Group. The portion of the proceeds received by the Group is calculated based on the standard price of in-game virtual currency sold and the agreed share ratio in the contracts with platforms.

Certain third-party platforms like mobile game portals offer various marketing discounts from time to time to players to encourage spending on these platforms. The actual prices paid by individual players may be lower than the standard prices of virtual currency. Such marketing discounts are neither available to be tracked reliably nor borne by the Group. As such, the Group is not able to make a reasonable estimate of the gross revenue (ie. the actual prices paid by the players). For revenue related to these platforms, it is measured at the fair value of the consideration received or receivable, which is the net amount from these third-party platforms. The other third-party platforms like Apple application stores do not offer discounts to players and deduct a fixed percentage of purchase amount by players. For these platforms, revenue is recognised at gross amount and commission charged by these platforms is recorded in selling and distribution expenses as channel cost.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

(a) Game operation (continued)

1. Online web and mobile games (continued)

The in-game items and premium features, which are purchased by virtual currency, are considered value-added services and rendered over a pre-specified period or throughout the whole game life. Once the players purchase virtual currency, the proceeds are recorded in deferred revenue and recognised in revenue after the virtual currency is used to purchase in-game items or premium features which is either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life of paying players as appropriate. The Group monitors the operational statistics and usage patterns of the virtual items.

2. Single player mobile games

The Group's single player games are played on individual mobile devices and allow players to play for free. Players can purchase in-game items and premium features,commonly known as virtual items, to enhance their game-playing experience. The Group distributes its single player games through cooperation with various third-party game distribution platforms including mobile operators, online application stores, mobile game portals and derives its revenue from the sale of in-game virtual items. The Group is responsible for technical support for the operation of the games. The third-party platforms are responsible for distribution, marketing, platform maintenance and payment collections from players. Players purchase the Group's in-game items through the platforms' own charging systems by remitting the payment directly to the platforms. After deducting the commission charged by the platforms, the platforms remit the rest of net proceeds to the Group. The portion of the proceeds received by the Group is calculated based on the standard price of in-game virtual items sold and the agreed share ratio in the contracts with platforms.

Certain third-party platforms like mobile operators offer various marketing discounts from time to time to players to encourage spending in these platforms. The actual prices paid by individual players may be lower than the standard prices of virtual item. Such marketing discounts are neither available to be tracked reliably nor borne by the Group. As such, the Group is not able to make a reasonable estimate of the gross revenue (ie. the actual prices paid by the players). For revenue related to these platforms, it is measured at the fair value of the consideration received or receivable, which is the net amount from these third party platforms. The other third party platforms like Apple application stores do not offer discounts to players and deduct a fixed percentage of purchase amount by players. For these platforms, revenue is recognised at gross amount and commission charged by these platforms is recorded in selling and distribution expenses as channel cost.

Since the single player games are downloaded and installed on each individual mobile device, the Group does not have the obligation for game maintenance once the game is downloaded and neither has the access to the game data on each mobile device. Revenue is recognised upon the purchase of virtual items by players. The cost of providing on going technical support for the operation of the games is considered to be insignificant.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

(b) *Online game distribution*

The Group publishes third party developers' games on its own game distribution platform, 737 Platform. The Group generates its revenue by charging commission to game developers based on a certain portion of the purchase amount for in-game currency remitted by players through the Group's charging system. After deducting the commission charged by the Group, the Group remits the rest of the amount to the game developers. Revenue is measured at the amount of the commission and recognised upon the purchase action by players.

(c) *Licensing income*

The Group receives royalty income from third-party licencees in exchange for the exclusive operation of the Group's self-developed games in certain regions and providing related technical support. The royalty fees include an upfront fee and, in certain cases, an additional fee during the contracted licence period, which is determined based on an agreed amount when accumulated virtual currency purchased by the players with accounts registered with the third parties exceeds certain amounts. The upfront fee is recognised ratably over the contracted licence period. The additional royalty fee is recognised when the actual purchase by the players exceeds the agreed amount in contract.

(d) *Advertising revenue*

Online advertising revenue is derived principally from online advertising arrangements. The Group enters into advertising arrangements with advertisers to allow them to place advertisements on particular areas of the Group's games. Advertising revenue from an advertising arrangement is recognised either ratably over the displaying period of the advertisement or upon a particular action by players, ie., click, download or activate.

(e) *Technical service income*

The Group derives revenue from technical services. Technical service revenue is recognised when technical support services are rendered.

(f) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

Equity-settled share-based payment

The Company operates certain share schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to the financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding shares is reflected as additional share dilution in the computation of earnings per share.

Other share-based payment

The shareholders have granted to a director certain shares in a subsidiary of the Company as a reward for the director's services to the Group. The reward cost was measured at the fair value of the granted shares and expensed to the statement of profit or loss as directors' and chief executive's remuneration.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The functional currency of the Company is the Hong Kong dollar ("HK$"). These financial statements are presented in RMB, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB408,619,000 (2013: RMB407,262,000). Further details are given in note 14.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets relating to tax losses were recognised at 31 December 2014 (2013: Nil).The amount of unrecognised tax losses at 31 December 2014 was RMB7,543,000 (2013: RMB4,606,000). Further details are contained in note 17 to the financial statement.

Online game revenue recognition

Estimation of the sales value of unutilised virtual items and unconsumed virtual items.

Some of the Group's in-game items and premium features are consumable virtual items and consumed immediately upon purchase using in-game virtual currency. Therefore, for the purpose of revenue recognition, the related online game revenue is recognised based on the actual consumption of the virtual currency. The rest of the Group's in-game items and premium features are consumed over a certain period after purchase. The related online game revenue is recognised upon the actual consumption of these virtual items.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Impairment of goodwill (continued)

Online game revenue recognition (continued)

Income received in respect of unutilised virtual currency and unconsumed virtual items are recognised as deferred revenue. As to the amount of deferred revenue in respect of unutilised virtual currency, management's estimation is required in determining the average sales value of those unutilised virtual currency because besides virtual currencies sold to players, there are a number of virtual currencies that were granted to players free of charge after players complete certain tasks within the games. In assessing the amount of average sales value for the virtual currency, management considers the weighted average sales value of both virtual currency sold and virtual currencies granted for free. As to the amount of deferred revenue in respect of unconsumed virtual items, management estimates the average sales value of each unconsumed virtual item by multiplying the number of virtual currency required for the purchase of the virtual item by the above estimated average sales value of the virtual currency.

4. OPERATING SEGMENT INFORMATION

Information about geographical areas

Since over 90% of the Group's revenue and operating profit were generated from the provision of online game services in Mainland China and all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 Operating Segments.

Information about major customers

No revenue from the Company's sales to a single customer amounted to 10% or more of the Group's revenue during the year.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the services rendered after allowances for chargebacks, and the royalties derived from licensing agreements.

An analysis of revenue and other income is as follows:

Revenue	2014 RMB'000	2013 RMB'000
Online web and mobile games	268,103	134,769
Single-player mobile games	48,789	–
Game operation	316,892	134,769
– Gross basis	60,679	18,432
– Net basis	256,213	116,337
Online game distribution	2,246	3,708
Licensing income	2,697	1,942
Advertising revenue	16,802	389
Technical service income	434	4,229
	339,071	145,037

Other income	2014 RMB'000	2013 RMB'000
Government grants	1,483	899
Bank interest income	298	39
	1,781	938
Gains		
Fair value gains, net:		
Available-for-sale investments (transfer from equity on disposal)	1,961	1,711
Disposal of 737 Platform	2,000	–
Gain on disposal of items of property, plant and equipment	25	–
Gain on disposal of an associate	506	–
	4,492	1,711
	6,273	2,649

6. PROFIT BEFORE TAX

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

Group

	2014 RMB'000	2013 RMB'000
Research and development costs	57,783	26,471
Channel costs	17,795	5,880
Rental fee (including servers)	6,515	2,956
Depreciation	4,487	3,271
Amortisation	21,625	1,140
Advertising expenses	13,308	9,083
Auditors' remuneration	1,900	170
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Salaries and wages	52,755	28,044
Pension scheme contributions	4,939	2,509
Share-based payment expenses	14,168	28,819
	71,862	59,372
Impairment of other receivables	–	1,200
Bank interest income	(298)	(39)
Government grants	(1,483)	(899)
Listing expense	33,058	–
Gain on disposal of items of property, plant and equipment	25	–

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration during the year, disclosed pursuant to the Listing Rules and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

Group

	2014 RMB'000	2013 RMB'000
Fees	1,242	–
Other emoluments:		
Salaries, allowances and benefits in kind	2,724	1,751
Performance related bonuses	800	434
Other share-based payment expense	–	28,819
Pension scheme contributions	201	105
	4,967	31,109

(a) Independent Non-Executive Directors

Mr. Lai Xiaoling, Ms. Liu Qianli and Mr. Ma Suen Yee Andrew were appointed as independent non-executive directors of the Company on 17 November 2014.

The fees paid to the independent non-executive directors during the year were as follows:

	2014 RMB'000
Mr. Lai Xiaoling	20
Ms. Liu Qianli	20
Mr. Ma Suen Yee Andrew	20
	60

There were no other emoluments payable to the independent non-executive directors during the year.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive Directors and the Chief Executive

	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014					
Executive directors					
Mr. Bi Lin	197	536	101	31	865
Mr. Sun Zhiyan	197	360	156	34	747
Mr. Chen Jianyu	197	360	156	34	747
Mr. Lin Zhibin	197	541	141	40	919
Mr. Lin Jiabin	197	543	105	22	867
	985	2,340	659	161	4,145
Chief executive					
Mr. Yao Jianjun	197	384	141	40	762
	1,182	2,724	800	201	4,907

	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Performance related bonuses RMB'000	Other share-based payment expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2013						
Executive directors						
Mr. Bi Lin	–	389	111	–	28	528
Mr. Lin Zhibin	–	505	65	–	34	604
Mr. Lin Jiabin	–	537	97	–	8	642
	–	1,431	273	–	70	1,774
Chief executive						
Mr. Yao Jianjun	–	320	161	28,819	35	29,335
	–	1,751	434	28,819	105	31,109

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals for the year ended 31 December 2014 are all non-directors (2013: three directors and the chief executive). Details of their remuneration for the year ended 31 December 2014 (2013: one) are as follows:

Group

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	3,237	550
Performance related bonuses	1,078	61
Equity-settled share-based payment expenses	8,616	–
Pension scheme contributions	124	37
	13,055	648

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

Group

	2014 Number of individual	2013 Number of individual
Nil to RMB1,000,000	–	1
RMB1,000,001 to RMB2,000,000	2	–
RMB2,000,001 to RMB3,000,000	–	–
RMB3,000,001 to RMB4,000,000	3	–
	5	1

9. 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 are subject to income tax at a statutory rate of 25%for the year on their respective taxable income, except for Xiamen Guanghuan, Xiamen Youli,Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou") and Kailuo Tianxia, which were certified as Software Enterprises and are exempted from income tax for two years starting from the first year in which it generates taxable profit, followed by a 50% reduction for the next three years. 2011, 2013, 2013 and 2014 are the first profitable years for Xiamen Guanghuan, Xiamen Youli, Kailuo Tianxia and Xiamen Yidou, respectively.

9. INCOME TAX (continued)

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 2014, 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 RMB118,656,000 at 31 December 2014 (2013: RMB37,410,000).

Group

	2014 RMB'000	2013 RMB'000
Current tax	**5,906**	11,878
Deferred tax (note 17)	**227**	(1,629)
Total tax charge for the year	**6,133**	10,249

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

	2014 RMB'000	2013 RMB'000
Profit before tax	**148,501**	61,206
Tax at the applicable tax rate (25%)	**37,125**	15,302
Lower tax rates enacted by local authorities	**(42,134)**	(11,025)
Expenses not deductible for tax	**11,199**	8,332
Income not subject to tax	**–**	(692)
Additional deduction for research and development expenses	**(1,187)**	(1,764)
Tax losses utilised from previous years	**(541)**	(907)
Deferred tax assets not recognised	**1,671**	1,003
Tax charge	**6,133**	10,249

10. DISTRIBUTION TO THE THEN SHAREHOLDERS

The distribution amount set out in the consolidated statement of changes in equity of RMB60,000,000 for the year ended 31 December 2014 (2013: RMB71,054,000) represented the dividends declared by a subsidiary of the Company to the then shareholders during the year.

Dividends payable as at 31 December 2013 represented the outstanding dividends payable to the then shareholders of a subsidiary of the Company, which were paid during the year ended 31 December 2014.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB28,634,000 which has been dealt with in the financial statements of the Company (note 26).

12. EARNINGS 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,046,884,732 (2013:1,000,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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.

	2014 RMB'000	2013 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	117,885	52,623
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,046,884,732	1,000,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options and RSU shares	2,832,743	–
	1,049,717,475	1,000,000,000

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Office equipment and furniture RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2014					
At 31 December 2013 and at 1 January 2014:					
Cost	1,257	3,519	6,723	1,338	12,837
Accumulated depreciation	(221)	(1,655)	(2,053)	(743)	(4,672)
Net carrying amount	1,036	1,864	4,670	595	8,165
At 1 January 2014, net of accumulated depreciation	1,036	1,864	4,670	595	8,165
Addition	1,684	1,373	372	7,590	11,019
Acquisition of a subsidiary (note 27)	7	45	–	–	52
Disposals	–	(5)	(217)	(9)	(231)
Disposal of a subsidiary (note 28)	(70)	–	–	–	(70)
Depreciation provided during the year	(651)	(1,263)	(1,805)	(768)	(4,487)
At 31 December 2014, net of accumulated depreciation	2,006	2,014	3,020	7,408	14,448
At 31 December 2014					
Cost	2,828	4,933	6,747	8,911	23,419
Accumulated depreciation	(822)	(2,919)	(3,727)	(1,503)	(8,971)
Net carrying amount	2,006	2,014	3,020	7,408	14,448

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Office equipment and furniture RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2013					
At 1 January 2013:					
Cost	249	2,489	7,949	1,338	12,025
Accumulated depreciation	(28)	(628)	(860)	(294)	(1,810)
Net carrying amount	221	1,861	7,089	1,044	10,215
At 1 January 2013, net of accumulated depreciation	221	1,861	7,089	1,044	10,215
Addition	911	841	638	–	2,390
Acquisition of a subsidiary	49	107	–	–	156
Disposals	–	–	(1,325)	–	(1,325)
Depreciation provided during the year	(145)	(945)	(1,732)	(449)	(3,271)
At 31 December 2013, net of accumulated depreciation	1,036	1,864	4,670	595	8,165
At 31 December 2013 and at 1 January 2014:					
Cost	1,257	3,519	6,723	1,338	12,837
Accumulated depreciation	(221)	(1,655)	(2,053)	(743)	(4,672)
Net carrying amount	1,036	1,864	4,670	595	8,165

14. GOODWILL

	2014 RMB'000	2013 RMB'000
Cost at 1 January	407,262	789
Acquisition of subsidiaries	1,357	406,473
Cost and net carrying amount	408,619	407,262

Impairment Testing of Goodwill

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

- Kailuo Tianxia
- Others

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a six-year period approved by senior management. The discount rate applied to the cash flow projections is 20% and cash flows beyond the six-year period are extrapolated using a growth rate of 3%, which is the same as the long term growth rate range of the industry. The carrying amount of goodwill allocated to each cash-generating unit is as follows:

	2014 RMB'000	2013 RMB'000
Kailuo Tianxia	406,473	406,473
Others	2,146	789
Carrying amount of goodwill	408,619	407,262

Assumptions were used in the value in use calculation of the cash-generating unit for the year ended 31 December 2014. 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 game life cycle and the Group's strategy in operation. The income growth rates during the six-year period range from 3% to 107%. The Company believes this budgeted income is justified given the strong game development capability and experience of Kailuo Tianxia, the corporation with major third-party distribution platform and the successful record of developing its Carrot Fantasy Series.

In the opinion of the Company's directors, a decrease in the budgeted income by 10% before discounting during the six-year period would cause the carrying amount of the cash-generating unit to exceeds its recoverable amount, and any reasonably possible change in other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Discount rates – The discount rates used are before tax and reflects specific risks relating to the cash-generating unit.

15. OTHER INTANGIBLE ASSETS

	Software RMB'000	Game intellectual properties and licences RMB'000	Total RMB'000
31 December 2014			
At 31 December 2013 and 1 January 2014:			
Cost	2,309	74,636	76,945
Accumulated amortisation	(1,235)	–	(1,235)
Net carrying amount	1,074	74,636	75,710
Cost at 1 January 2014, net of accumulated amortisation	1,074	74,636	75,710
Additions	1,713	–	1,713
Amortisation provided during the year	(1,140)	(20,485)	(21,625)
At 31 December 2014	1,647	54,151	55,798
At 31 December 2014:			
Cost	4,022	74,636	78,658
Accumulated amortisation	(2,375)	(20,485)	(22,860)
Net carrying amount	1,647	54,151	55,798
31 December 2013			
At 1 January 2013:			
Cost	2,280	–	2,280
Accumulated amortisation	(95)	–	(95)
Net carrying amount	2,185	–	2,185
Cost at 1 January 2013, net of accumulated amortisation	2,185	–	2,185
Additions	29	74,636	74,665
Amortisation provided during the year	(1,140)	–	(1,140)
At 31 December 2013	1,074	74,636	75,710
At 31 December 2013 and 1 January 2014:			
Cost	2,309	74,636	76,945
Accumulated amortisation	(1,235)	–	(1,235)
Net carrying amount	1,074	74,636	75,710

16. INVESTMENTS IN SUBSIDIARIES

Company

	2014 RMB'000
Unlisted shares, at cost	–
Capital contribution in respect of employee share-based compensation	14,168
	14,168

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB24,252,000 and RMB7,649,000 respectively, are unsecured, interest-free and are repayable on demand or within one year.

Particulars of the 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	Percentage of equity attributable to the Company Indirect	Principal activities
Xiamen Guanghuan	PRC/Mainland China	RMB10,000,000	12 January 2009	–	100%	Game development and distribution
Xiamen Youli	PRC/Mainland China	RMB10,000,000	19 September 2011	–	100%	Game development and distribution
Xiamen Maisi Internet Technology Co., Ltd. ("Xiamen Maisi")	PRC/Mainland China	RMB500,000	25 September 2008	–	75%	Game development and distribution
Xiamen Yidou	PRC/Mainland China	RMB1,000,000	11 June 2012	–	75%	Game development and distribution
Xiamen Heihuo Internet Technology Co., Ltd. ("Xiamen Heihuo")	PRC/Mainland China	RMB1,000,000	7 June 2013	–	100%	Game development and distribution
Kailuo Tianxia	PRC/Mainland China	RMB10,000,000	3 May 2012	–	100%	Game development and distribution
Feiyu Technology Hong Kong Ltd. ("Feiyu Hong Kong")	Hong Kong	HK$1	25 March 2014	100%	–	Investment holding
Xiamen Feiyou	PRC/Mainland China	USD1,000,000	24 June 2014	–	100%	Investment holding

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Date of incorporation	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Xiamen Feixin Internet Technology Co., Ltd. ("Xiamen Feixin")	PRC/Mainland China	RMB100,000	13 November 2014	–	100%	Game development and distribution
Chengdu Guangcheng Interactive Technology Co., Ltd. ("Chengdu Guangcheng")*	PRC/Mainland China	RMB100,000	13 May 2014	–	60%	Game development and distribution
Xiamen Zhangxin Interactive Technology Co., Ltd. ("Xiamen Zhangxin")	PRC/Mainland China	RMB100,000	27 October 2014	–	75%	Game development and distribution
Beijing Feixiang Interactive Technology Co., Ltd. ("Beijing Feixiang")	PRC/Mainland China	RMB1,000,000	1 December 2014	–	100%	Game development and distribution
Xiamen Guangyu Investment Management Co., Ltd. ("Xiamen Guangyu")	PRC/Mainland China	RMB100,000	10 November 2014	–	100%	Game development and distribution
Xiamen Guangqu Investment Management Co., Ltd. ("Xiamen Guangqu")	PRC/Mainland China	RMB100,000	10 November 2014	–	100%	Game development and distribution

* On 25 August 2014, the Group acquired 60% equity interest of Chengdu Guangcheng. Please refer to note 27 for details.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests:		
Xiamen Yidou	25%	25%

	2014 RMB'000	2013 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Xiamen Yidou	20,907	(423)
Dividends paid to non-controlling interests of Xiamen Yidou:	2,400	–
Accumulated balances of non-controlling interests at the reporting dates:		
Xiamen Yidou	18,041	85

16. INVESTMENTS IN SUBSIDIARIES (Continued)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Xiamen Yidou	2014 RMB'000	2013 RMB'000
Revenue	92,577	664
Total expense	(8,948)	(2,357)
Profit/(loss) for the year	83,629	(1,693)
Total comprehensive income/(loss) for the year	83,629	(1,693)
Current assets	80,834	214
Non-current assets	262	131
Current liabilities	(8,934)	(2,285)
Non-current liabilities	–	–
Net cash flows from/(used in) operating activities	9,829	(151)
Net cash flows from investing activities	–	–
Net cash flows used in financing activities	(9,600)	–
Net increase/(decrease) in cash and cash equivalents	229	(151)

17. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax assets during the year are as follows:

Deferred Tax Assets
Group

	Deferred revenue RMB'000	**Accruals** RMB'000	**Total** RMB'000
At 1 January 2013	–	–	–
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 9)	1,155	474	1,629
At 31 December 2013	1,155	474	1,629
At 1 January 2014	1,155	474	1,629
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 9)	(211)	(16)	(227)
At 31 December 2014	944	458	1,402

Deferred tax assets have not been recognised in respect of tax losses of RMB7,543,000 as at 31 December 2014 (2013: RMB4,606,000), as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

17. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Deferred Tax Liabilities

Group

	Value appreciation of intangible assets during acquisition of Kailuo Tianxia RMB'000	Total RMB'000
At 1 January 2013	–	–
Acquisition of a subsidiary	6,769	6,769
At 31 December 2013	6,769	6,769
At 1 January 2014	6,769	6,769
Deferred tax recognised in the consolidated statement of profit or loss during the year(note 9)	–	–
At 31 December 2014	6,769	6,769

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 in the foreseeable future. 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 RMB118,656,000 as at 31 December 2014 (2013: RMB37,410,000).

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

Group

	2014 RMB'000	2013 RMB'000
Accounts receivable from advertising customers	3,062	3,457
Receivables due from third-party game distribution platforms and payment channels	118,370	51,610
	121,432	55,067

The Group's credit terms with its advertising customers are generally two months. The Group's credit terms with the third-party game distribution platforms and payment channels 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 aged analysis of the receivables as at the end of the year based on the invoice date,is as follows:

Accounts receivable from advertising customers

	2014 RMB'000	2013 RMB'000
Within 3 months	3,062	2,482
3 to 6 months	–	706
6 months to 1 year	–	269
	3,062	3,457

Receivables due from third-party game distribution platforms and payment channels

	2014 RMB'000	2013 RMB'000
Within 3 months	118,370	24,195
3 to 6 months	–	21,193
6 months to 1 year	–	6,222
	118,370	51,610

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

The aged analysis of the receivables that are not considered to be impaired is as follows:

Accounts receivable from advertising customers

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	3,062	2,353
Less than 6 months past due	–	1,104
	3,062	3,457

Receivables due from third-party game distribution platforms and payment channels

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	118,370	24,214
Less than 6 months past due	–	27,396
	118,370	51,610

All of the receivables that were neither past due or impaired mainly relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2014 RMB'000	2013 RMB'000
Deposit in an account in a domestic securities company*	43,729	–
Prepayments	1,809	912
Deposits	1,047	708
Other receivables	4,890	1,427
Impairment	–	(1,200)
	51,475	1,847

* The deposit stands for the balance in the account of the Group in a domestic securities company, which can be further used to purchase financial products through the securities company at the instruction of the Group. The deposit has no restriction and can be withdrawn at the discretion of the Group.

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	(1,200)	–
Impairment loss recognised	–	(1,200)
Write-off	1,200	–
At 31 December	–	(1,200)

20. AVAILABLE-FOR-SALE INVESTMENTS

	2014 RMB'000	2013 RMB'000
Financial products at fair value	28,235	6,054

The available-for-sale investments were structured financial products issued by banks and asset management companies with an expected interest rate of 7.0% per annum and a maturity period of 90 to 180 days in the PRC. The principal is not protected. The fair value of the financial products approximates to their cost plus expected interest.

21. CASH AND CASH EQUIVALENTS

	Group		Company
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**
Cash and bank balances	**545,511**	123,426	**458,202**
Denominated in HK$	**472,504**	–	**458,202**
Denominated in RMB	**71,629**	123,426	**–**
Denominated in United States dollars ("US$")	**1,378**	–	**–**
Cash and bank balances	**545,511**	123,426	**458,202**

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

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

22. OTHER PAYABLES AND ACCRUALS

Group

	2014 **RMB'000**	2013 RMB'000
Salaries and welfare payables	**26,523**	9,036
Other payables and accruals	**14,717**	3,271
Other tax payables	**7,410**	3,102
Advance from customers	**1,405**	242
Payables for acquisition of subsidiaries	**–**	36,385
	50,055	52,036

Company

	2014 **RMB'000**
Other payables	**7,138**

Other payables and payables for acquisition of subsidiaries are non-interest-bearing.

23. DEFERRED REVENUE

Deferred revenue mainly represents service fees prepaid by game players or licensees for online game services to which related services have not been rendered as at the end of the year.

24. ISSUED CAPITAL

Shares

	2014
Authorised:	
Ordinary shares (of US$0.0000001 each)	500,000,000,000
Issued and fully paid or credited as fully paid:	
Ordinary shares (of US$0.0000001 each)	1,506,463,500
Equivalent to RMB'000	1

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

	Number of issued and fully paid ordinary shares	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Total RMB'000
Issuance of shares (a)	100,000	1	(1)	–
Issuance and subdivision of shares (b)	1,199,900,000	–	–	–
Issuance of shares for the IPO (c)	300,000,000	–	522,589	522,589
Issuance of shares under the Over-allotment Option (d)	6,463,500	–	11,222	11,222
Share issuance expenses	–	–	(35,776)	(35,776)
At 31 December 2014	1,506,463,500	1	498,034	498,035

a. The Company was incorporated in the Cayman Islands on 6 March 2014 with an initial authorised share capital of US$50,000 divided into 50,000,000 shares of a par value of US$0.001 each. On the date of incorporation, 100,000 shares with a total par value of US$0.001 were allotted, issued and credited as fully paid to its then shareholders by way of capitalisation of the sum of US$100 (equivalent to approximately RMB1,000) standing to the credit of the share premium account.

24. ISSUED CAPITAL (Continued)

Shares (Continued)

b. On 17 November 2014, the Company underwent a share sub-division whereby one ordinary share of par value of US$0.001 each was sub-divided into 10 ordinary shares of par value of US$0.0001 each (the "Subdivision"). Upon completion of the Subdivision, the authorised share capital was US$50,000 divided into 500,000,000 shares of par value of US$0.0001 each.

On the same date, a total of 200,000 shares of US$0.0001 each were allotted and issued for cash at par.

After that, on the same date, the Company further underwent a share sub-division whereby one ordinary share of par value of US$0.0001 each was sub-divided into 1,000 shares of par value of US$0.0000001 each (the "Further Subdivision"). Upon completion of the Further Subdivision,the authorised share capital was US$50,000 divided into 500,000,000,000 shares of par value of US$0.0000001 each. 1,200,000,000 shares of par value of US$0.0000001 each have been allotted and issued as at that date.

c. In connection with the Company's IPO, 300,000,000 shares of US$0.0000001 each were issued at a price of HK$2.20 per share for a total cash consideration, before listing expenses, of approximately HK$660,000,000 (equivalent to approximately RMB522,589,000). Dealings of these shares on the Stock Exchange commenced on 5 December 2014.

d. On 30 December 2014, 6,463,500 ordinary shares of US$0.0000001 each (the "Over-allotment Shares") were issued by partial exercise of the over-allotment option at a price of HK$2.20 per share for a total cash consideration, before listing expenses, of approximately HK$14,220,000 (equivalent to approximately RMB11,222,000).

25. EQUITY-SETTLED SHARE-BASED PAYMENT

(1) Pre-IPO Share Option Scheme

The Company approved and adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") pursuant to shareholders' written resolutions and directors' written resolution passed on 17 November 2014. The purpose of the Pre-IPO Share Option Scheme is to provide rewards to eligible participants for their service to the Group. Eligible participants of the Pre-IPO Share Option Scheme include any full-time employees, consultants, executives or officers of the Company and any of its subsidiaries who has contributed or will contribute to the Group in the absolute discretion of the Board. The total number of ordinary shares subject to the Pre-IPO Share Option Scheme is 105,570,000. On 17 November 2014, share options were granted to 2 members of the senior management and 120 other employees to subscribe for 105,570,000 shares at an exercise price of HK$0.55. 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 will be expired on 5 December 2019.

25. EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

(1) Pre-IPO Share Option Scheme (Continued)

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year ended 31 December 2014:

	Exercise price* HK$ per share	2014 Number of options '000
Granted during the year	0.55	105,570
Forfeited during the year	0.55	(1,050)
As at 31 December 2014	0.55	104,520

No share options was exercised during the year ended 31 December 2014.

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

The fair value of the share options granted during the year was approximately RMB104,908,000 of which the Group recognised a share option expense of RMB7,112,000 during the year ended 31 December 2014.

The fair value of the share options granted during the year was estimated at the date of grant, that is 17 November 2014, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists out inputs used in the model:

Dividend yield (%)	0.00
Expected volatility (%)	46.00
Risk-free interest rate (%)	1.65
Expected life of options (year)	5
Share price (HK$ per share)	1.93

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

As at 31 December 2014, the Company had 104,520,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 104,520,000 additional ordinary shares of the Company, an additional share capital of approximately RMB64 and a share premium of approximately RMB45,351,000 (before issue expenses). As at the date of approval of these financial statements, the Company had 104,520,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 6.94% of the Company's shares in issue as at that date.

25. EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

(2) Pre-IPO Restricted Share Unit ("RSU") Plan

The Company approved and adopted a pre-IPO restricted share unit plan ("Pre-IPO RSU Plan") on 17 November 2014 for the purpose of rewarding eligible participants for their contribution to the Group. Eligible participants of the Pre-IPO RSU Plan include full-time employees, officers or suppliers, customers, consultants, agents or advisers of the Group, and any other person who, in the sole opinion of the Board, has contributed or will contribute to the Group. The total number of ordinary shares underlying awards made pursuant to the Pre-IPO RSU Plan is 13,850,000. On 17 November 2014, RSUs to subscribe for 13,850,000 shares were granted to 2 members of the senior management and 7 employees. All RSUs granted will be vested in full on 1 April 2015.

The fair value of the RSUs granted as at the date of grant was approximately RMB21,168,000 (HK$1.93 each), of which the Group recognised a total RSU award expense of RMB7,056,000 during the year ended 31 December 2014.

As at 31 December 2014, the Company had 13,850,000 RSUs outstanding under the Pre-IPO RSU Plan which represented 0.92% of the Company's shares in issue as at that date.

26. RESERVES

(a) Group

Statutory reserve

Pursuant to the relevant PRC rules and regulations and Articles of Association, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 16 to the financial statements are required to transfer no less than 10% of their profit after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

(b) Company

	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Total comprehensive income for the year	–	(1,734)	(28,634)	(30,368)
Equity-settled share-based payment expense	14,168	–	–	14,168
At 31 December 2014	14,168	(1,734)	(28,634)	(16,200)

27. BUSINESS COMBINATIONS

Pursuant to the agreement between the Group and Chengdu Guangcheng dated in May 2014, the Group would acquire 60% interests in Chengdu Guangcheng at a total consideration of RMB3,000,000 in the way of capital injection. The first instalment amounting to RMB1,000,000 was injected on 25 August 2014, after which the Group obtained control over and entitled to 60% interests in Chengdu Guangcheng. The second and third instalments, amounting to RMB1,000,000 each,should be injected once the cash balance of Chengdu Guangcheng is lower than RMB500,000 for the first and second time, respectively. The second instalment was injected on 19 November 2014 pursuant to the agreement.

The fair values of the identifiable assets and liabilities of Chengdu Guangcheng upon acquisition were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	13	52
Prepayments, deposits and other receivables		2,069
Cash and cash equivalents		1,000
Other payables and accruals		(382)
Total identifiable net assets at fair value		2,739
Non-controlling interests		(1,096)
Identifiable net assets at fair value acquired		1,643
Goodwill on acquisition	14	1,357
Consideration		3,000
– Cash paid in 2014		2,000
– Consideration payable		1,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid in 2014	(2,000)
Cash and cash equivalents acquired	2,000
Net outflow of cash and cash equivalents included in cash flows from investing activities	–

Since the acquisition, Chengdu Guangcheng contributed zero to the Group's turnover and loss of RMB670,000 to the consolidated profit for the year ended 31 December 2014.

Had the acquisition taken place at the beginning of the year ended 31 December 2014, the revenue and profit of the Group for that year would have been RMB339,071,000 and RMB142,068,000, respectively.

28. DISPOSAL OF A SUBSIDIARY

On 31 August 2014, the Group disposed 60% of the equity interest of Shenzhen Tianxia Jiayou Technology Co., Ltd. ("Tianxia Jiayou"), an unlisted company based in Guangdong Province that specialises in the development of its own games, along with receivables from Tianxia Jiayou of RMB3,500,000 for a consideration of RMB1,500,000. The Group disposed of Tianxia Jiayou because Tianxia Jiayou had been constantly loss-making. The consolidated financial statements include there sults of Tianxia Jiayou for the eight months period until the disposal date. The net assets of Tianxia Jiayou and the receivables from Tianxia Jiayou as at the date of disposal were:

	Note	2014 RMB'000
Net assets disposed of:		
Property, plant and equipment	13	70
Cash and bank balances		346
Prepayments, deposits and other receivables		32
Accruals and other payables		(3,521)
Non-controlling interests		1,229
		(1,844)
Other receivables from the subsidiary disposed of		3,500
		1,656
Loss of disposal of a subsidiary		(156)
		1,500
Satisfied by:		
Cash		1,500

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2014 RMB'000
Cash consideration	1,500
Cash and bank balances disposed of	(346)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	1,154

29. OPERATING LEASE ARRANGEMENT

Operating lease commitments
The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the year, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

As lessee

	2014 RMB'000	2013 RMB'000
Within one year	4,287	2,346
In the second to third years, inclusive	6,403	1,603
In the fourth to fifth years	6,305	2,709
	16,995	6,658

30. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Mr. Yao Jianjun	Shareholder of the Company
Mr. Bi Lin	Shareholder of the Company
Mr. Chen Jianyu	Shareholder of the Company
Ms. Tao Lili	Spouse of Mr. Chen Jianyu
Lightbeam Information Technology Co., Ltd. ("Lightbeam")	Owned by shareholders of the Company
Xiamen Xianglian Technology Co,. Ltd. ("Xianglian")	Controlled by Mr. Yao Jianjun

30. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

The following transactions were carried out with related parties:

Group

	2014 RMB'000	2013 RMB'000
Revenue collection on behalf of the Group		
Lightbeam (note (i))	–	23,912
Mr. Bi Lin	–	2,059
Technology service fee (note (ii))		
Xianglian	32	185
Advertising fee (note (ii))		
Xianglian	–	599

Notes:

(i) The online game operation revenue from overseas agents, such as South Korea and Vietnam,was collected by Lightbeam, which is located in Hong Kong, on behalf of the Group in the year ended 31 December 2013. The amounts of revenue collected as at 31 December 2013 of RMB11,054,000 had been offset with dividends declared in 2013.

(ii) Xianglian provides technology service and online advertising service to the Group. The prices are mutually agreed after taking into account the prevailing market prices.

(c) Balances with related parties

Group

	2014 RMB'000	2013 RMB'000
Due from shareholders		
Mr. Bi Lin	–	2,059
Ms. Tao Lili	–	1,275
	–	3,334

30. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personal of the Group

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	2,865	796
Performance related bonuses	864	216
Equity-settled share-based payment expenses	5,648	28,819
Pension scheme contributions	119	46
	9,496	29,877

Further details of directors' and the chief executive's emoluments are included in note 7 to the financial statements.

31. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets
Group
As at 31 December 2014

	Available-for-sale financial assets RMB'000	Loans and receivables RMB'000	Total RMB'000
Accounts receivable	–	3,062	3,062
Receivables due from third-party game distribution platforms and payment channels	–	118,370	118,370
Financial assets included in prepayments, deposits and other receivables (note 19)	–	50,065	50,065
Available-for-sale investments	28,235	–	28,235
Cash and cash equivalents	–	545,511	545,511
	28,235	717,008	745,243

31. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets (Continued)

Group (Continued)

As at 31 December 2013

	Available for-sale financial assets RMB'000	Loans and receivables RMB'000	Total RMB'000
Accounts receivable	–	3,457	3,457
Receivables due from third-party game distribution platforms and payment channels	–	51,610	51,610
Financial assets included in prepayments, deposits and other receivables (note 19)	–	935	935
Available-for-sale investments	6,054	–	6,054
Due from shareholders	–	3,334	3,334
Cash and cash equivalents	–	123,426	123,426
	6,054	182,762	188,816

Company

As at 31 December 2014

	Loans and receivables RMB'000
Due from subsidiaries	24,252
Cash and cash equivalents	458,202
	482,454

31. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost		
	Group		Company
	2014 RMB'000	2013 RMB'000	2014 RMB'000
Financial liabilities included in other payables and accruals (note 22)	14,717	39,434	7,138
Due to subsidiaries	–	–	7,649
	14,717	39,434	14,787

32. FAIR VALUE AND FAIR VALUE HIERARCHY

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, receivables due from third-party game distribution platforms and payment channels, financial assets included in prepayments, deposits and other receivables, amounts due from related parties,amounts due from shareholders and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of unlisted available-for-sale investments have been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows from future proceeds when the investments mature. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the year.

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

	Fair value measurement as at 31 December 2014 using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Available-for-sale investments	–	28,235	–	28,235

32. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

	Fair value measurement as at 31 December 2013 using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Available-for-sale investments	–	6,054	–	6,054

During the year ended 31 December 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and receivables due from third-party game distribution platforms and payment channels, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit term are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments and other receivables, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 86% (2013: 51%) of the Group's accounts receivable and receivables due from third-party game distribution platforms and payment channels were due from the Group's largest counterparty.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The maturity profile of the Group's financial liabilities at the end of the year, based on the contractual undiscounted payments, is as follows:

Group

	2014					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Less than 1 year RMB'000	Over 5 years RMB'000	Total RMB'000
Other payables (note 22)	14,717	–	–	–	–	14,717

	2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Less than 1 year RMB'000	Over 5 years RMB'000	Total RMB'000
Other payables (note 22)	3,049	–	–	–	–	3,049
Payables for acquisition of subsidiaries (note 22)	36,385	–	–	–	–	36,385
	39,434	–	–	–	–	39,434

Company

	2014					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Less than 1 year RMB'000	Over 5 years RMB'000	Total RMB'000
Due to subsidiaries	7,649	–	–	–	–	7,649
Other payables (note 22)	7,138	–	–	–	–	7,138
	14,787	–	–	–	–	14,787

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management
The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue news hares.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the board of the directors on 16 March 2015.

DEFINITION

"Android"	an operating system developed and maintained by Google Inc.
"App Annie"	App Annie Inc., an independent application store market data provider
"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" or "Articles"	the articles of association of the Company adopted on 17 November 2014, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors" or "our Board"	the board of Directors of the Company
"Cayman Companies Law" or "Companies Law"	the Companies Law of the Cayman Islands, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Cayman Islands"	the Cayman Islands
"CG Code"	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Chairman"	the Chairman of the Board
"Chief Executive Officer"	the chief executive officer of our Company
"China" or "PRC"	the People's Republic of China; for the purpose of this annual report, "PRC" does not include Taiwan, the Macau Special Administrative Region of PRC and Hong Kong
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time

DEFINITION

"Company", "our Company", "we", "us", "our" or "Feiyu"	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014, and, except where the context otherwise requires, all of its subsidiaries and PRC Operating Entities or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries and PRC Operating Entities was engaged in and which was subsequently assumed by it
"Contractual Arrangements"	a series of contractual arrangements entered into by Xiamen Feiyou, the PRC Contractual Entities and the Relevant Shareholders
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, depending on the context, refers to Mr. YAO Jianjun, Mr. BI Lin, YAO Holdings Limited, BILIN Holdings Limited, Jolly Spring International Limited and Rayoon Limited
"Executive Director(s)"	the executive Directors of the Company
"Feiyou Guangqu"	Xiamen Guangqu Investment Management Co., Ltd. (廈門光趣投資管理有限公司), a direct and wholly-owned subsidiary of Xiamen Feiyou and a limited company incorporated under the laws of the PRC on 10 November 2014
"Feiyou Guangyu"	Xiamen Guangyu Investment Management Co., Ltd. (廈門市光娛投資管理有限公司), a direct and wholly-owned subsidiary of Xiamen Feiyou and a limited company incorporated under the laws of the PRC on 10 November 2014
"Feiyu Hong Kong"	Feiyu Technology Hong Kong Limited (飛魚科技香港有限公司), a direct and wholly-owned subsidiary of our Company and a limited company incorporated under the laws of Hong Kong on 25 March 2014
"Feiyou Zhangxin"	Xiamen Zhangxin Interactive Technology Co., Ltd. (廈門掌心互動科技有限公司), a limited company incorporated under the laws of the PRC on 27 October 2014, 75% equity interest of which is owned by Xiamen Feiyou and 25% owned by Mr. Dong Ting, the supervisor of Feiyou Zhangxin

"Group", "our Group" or "the Group"	our Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as the subsidiaries of the our Company by virtue of the Contractual Arrangements), or where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be) and the PRC Operating Entities
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IAS(s)"	International Accounting Standards
"IASB"	International Accounting Standards Board
"IFRS(s)"	International Financial Reporting Standards, amendments and interpretations issued by the IASB
"Independent Non-executive Director(s)"	the independent non-executive Director(s) of the Company
'iOS"	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including, iPhones, iPods, and iPads
"IPO"	initial public offering of the Shares on the Main Board of the Stock Exchange
"iResearch"	Shanghai iResearch Co., Ltd, an independent industry consultant

DEFINITION

"Kailuo Tianxia"	Beijing Kailuo Tianxia Technology Co., Ltd. (北京凱羅天下科技有限公司), a limited company incorporated under the laws of the PRC on 3 May 2012 and a direct and wholly-owned subsidiary of Xiamen Guanghuan since 31 December 2013
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date which dealings in Shares first commence on the Stock Exchange, i.e. 5 December 2014
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"MAU"	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
"Memorandum of Association" or "Memorandum"	the memorandum of association of the Company adopted on 17 November 2014, as amended from time to time
"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
"Nomination Committee"	the nomination committee of the Company
"Pre-IPO RSU Plan"	the pre-IPO restricted share unit plan adopted by the Shareholders on 17 November 2014
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Shareholders on 17 November 2014

"PRC Contractual Entities"	Xiamen Guanghuan, Xiamen Youli and Kailuo Tianxia and "PRC Contractual Entity" means any one of them
"PRC Operating Entities"	Xiamen Guanghuan and its subsidiaries and "PRC Operating Entity" means any one of them
"Prospectus"	the prospectus dated 25 November 2014 issued by the Company
"Relevant Shareholder(s)"	Messrs. YAO Jianjun, BI Lin, CHEN Jianyu, SUN Zhiyan, LIN Jiabin, LIN Zhibin, CAI Wensheng and Ms. CHEN Yongchun, being the registered shareholders of Xiamen Guanghuan
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	holder(s) of Shares
"Shares"	ordinary share(s) in the share capital of our Company with nominal value of US$0.0000001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"US$", "U.S. dollars", "USD" or "United States Dollars"	United States dollars, the lawful currency of the United States of America

DEFINITION

"Xiamen Feiyou"	Xiamen Feiyou Information Technology Co., Ltd. (廈門飛游信息科技有限公司), a direct and wholly-owned subsidiary of Feiyu Hong Kong and a limited company incorporated under the laws of the PRC on 24 June 2014
"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. Messrs. YAO Jianjun, BI Lin, LIN Zhibin, LIN Jiabin, CAI Wensheng, SUN Zhiyan, CHEN Jianyu and Ms. CHEN Yongchun hold 39.200%, 10.560%, 3.720%, 3.720%, 5.752%, 11.624%, 22.424% and 3.000% equity interest of Xiamen Guanghuan, respectively
"Xiamen Yidou"	Xiamen Yidou Internet Technology Co., Ltd. (廈門翼逗網絡科技有限公司), a limited company incorporated under the laws of the PRC on 11 June 2012, 75% equity interest of which is owned by Xiamen Guanghuan and 25% owned by Mr. Dong Ting, the executive director and general manager of Xiamen Yidou
"Xiamen Youli"	Xiamen Youli Information Technology Co., Ltd. (廈門游力信息科技有限公司), a direct and wholly-owned subsidiary of Xiamen Guanghuan, a limited company incorporated under the laws of the PRC on 19 September 2011

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