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Feiyu Technology International Company Ltd.

飛魚科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1022)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
THE ANNUAL REPORT OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2017**

Reference is made to the annual report (the “**Annual Report**”) of Feiyu Technology International Company Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2017 published on 23 April 2018. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report.

In addition to the information provided in the Annual Report, the Company would like to further provide the Shareholders and potential investors of the Company with additional information as follows.

RELATED PARTY TRANSACTIONS

As disclosed in the section headed “Report of Directors – Related Party Transactions” of the Annual Report, the related party transactions which were undertaken in 2017 are set out in Note 34 to the financial statements in the annual report. For those related party transactions which constituted connected transactions or continuing connected transactions (as the case may be) (other than those described in the section headed “Report of Directors – Non-exempt Continuing Connected Transactions” in the Annual Report) of the Company under the Listing Rules, the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules, where applicable.

The Company would like to supplement that none of the related party transactions as disclosed in Note 34 to the financial statements in the Annual Report constituted connected transactions under the Listing Rules, except for the transaction with Mr. Chen Jianyu (being an Executive Director and a substantial Shareholder) which is fully exempt from the connected transaction requirements under Rule 14A.76 of the Listing Rules.

IMPAIRMENT OF GOODWILL

As disclosed in the section headed “Management Discussion and Analysis – Other Expenses” of the Annual Report, the Company recognised impairment loss on goodwill of Carrot Fantasy CGU of approximately RMB300.1 million for the year ended 31 December 2017.

Value-in-use Approach

The value-in-use (“VIU”) method of discounted cash flow was adopted for the calculation of the recoverable amount of the Carrot Fantasy CGU. In accordance with International Accounting Standard 36 *Impairment of Assets*, a CGU to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the CGU may be impaired, by comparing its carrying amount, including the goodwill, with its recoverable amount (i.e. the higher of the VIU and the fair value less costs of disposal). The basis of fair value less costs of disposal was not adopted because there is no reasonable basis for making a reliable estimate of the price at which an orderly transaction to sell the CGU would take place between market participants at the measurement date under the then prevailing market condition. In addition, costs of disposal of the CGU may vary on a case-by-case basis and such information could not be easily measured. As such, VIU was used as the recoverable amount of the CGU. The VIU method of discounted cash flow has been consistently applied in the valuation on the Carrot Fantasy CGU since 2014 and the Company has performed the impairment assessment with the assistance from an external valuer in 2017.

Details of the Value of the Inputs and Key Assumptions

The key assumptions used in the VIU calculations are those regarding the discount rates, budgeted income during the period and growth rates.

The Weighted Average Cost of Capital (“WACC”) was adopted as the discount rate for the valuation. The WACC comprises two components: the cost of equity and the cost of debt. The cost of equity of 20.99% was estimated by the Capital Asset Pricing Model, with consideration of company-specific risk premium of 5.00% which represented the premium for additional risks associated with the operation of CGU and a size premium of 5.59% which considered the small size of CGU. The post-tax cost of debt of 3.68% was determined by the expected borrowing rate of CGU in the PRC, with a tax rate of 25%. The capital structure of the market comparable companies was also taken into account in determining the WACC. The weight of debt of 0% was determined by the average of the weights of debt of the comparable companies assuming that the weight of debt of CGU moves toward that of the average of the comparable companies over time. Accordingly, the weight of equity of 100% was adopted. As a result, the discount rate of CGU was calculated as 21%, which was the same as that adopted in 2016.

The growth rate used to extrapolate the cash flows of the relevant games beyond the relevant periods was 3% which was the same as that previously adopted.

There were no significant changes in the value of the inputs and assumptions adopted in the preparation of the projected cash flows in 2017 as compared with those adopted in 2016, except for the estimate of budgeted income. Due to the underperformance of the testing version, the expected launch time of the sequel of Carrot Fantasy was delayed to 2018, while the sequel was estimated to be launched in 2017 in the preparation of the projected cash flows in 2016 impairment testing.

Accordingly, the management of the Group revised the projected income of the sequel based on the performance in testing stage in a more prudent manner which resulted in the decrease in the recoverable amount of the Carrot Fantasy CGU. As a result, the total projected revenue in 2017 of RMB216.5 million was lower than the projected revenue of RMB690.2 million in 2016.

The above additional information does not affect other information contained in the Annual Report and the content of the Annual Report remains unchanged.

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

Hong Kong, 17 August 2018

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