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FRIEND TIMES
FriendTimes Inc.

友誼時光股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6820)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The Board of Directors hereby announces that the unaudited interim results of the Group for the six months ended 30 June 2020 (the “Interim Results”) together with comparative figures for the corresponding period in 2019, which have been prepared in accordance with HKFRS.

FINANCIAL PERFORMANCE SUMMARY

	For the six months ended 30 June		
	2020	2019	Changes
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
Revenue	1,050,260	780,709	34.5%
Gross profit	688,909	497,403	38.5%
Profit before taxation	172,192	160,968	7.0%
Profit for the period	163,116	150,017	8.7%
EBITDA	181,326	166,642	8.8%
Adjusted EBITDA*	181,326	178,188	1.8%

* Adjusted EBITDA represents EBITDA excluding listing-related expenses. HKFRS does not define adjusted EBITDA and therefore it may not be comparable to similar indicators presented by other listed companies. Please refer to the reconciliation of adjusted EBITDA on page 19 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Market Overview

According to the “Report on the Game Industry of China from January to June 2020” jointly published by the Game Publishers Association Publications Committee of the China Audio-video and Digital Publishing Association and Gamma Information, affected by the COVID-19 pandemic in the first half of 2020, the demand for entertainment was increasingly strong month by month, the number of users grew rapidly, mobile game sales increased significantly, and the self-developed games continue to maintain the leading position. The total actual sales income of the PRC game market was RMB139.493 billion from January to June 2020, representing a period-on-period increase of 22.34%. In terms of market segments, mobile games accounted for 75.04% of the total domestic sales from January to June 2020. Mobile game marketing income captured an absolute market share with income of RMB104.673 billion, representing a period-on-period increase of 35.81%.

According to the mobile game chapter of “2020 Report on Game Research and Development Survey” jointly published by the 17173.com, TalkingData and Gameliu (電愉), it is estimated that the scale of the Chinese female-oriented game market will reach RMB95.8 billion in 2023, with a CAGR (Compound Annual Growth Rate) of 18.4% from 2018 to 2023. In the future, female-oriented games will dominate the mainstream market.

In addition, the Game Publishers Association Publications Committee of the China Audio-video and Digital Publishing Association stated that against the background of outbreak of COVID-19 pandemic, the majority of game enterprises took on their responsibilities and duties, and actively participated in the fight against the pandemic in different manners. It also stated that the “stay-at-home economy” could hedge the negative impact of the pandemic. When faced with difficulties during the pandemic, game enterprises should be adaptive to rapid changes in all aspects in nowadays world and adjust strategies to take advantage of the trends.

The Group also supported the pandemic prevention and control in the first place and donated RMB2 million for the procurement of medical supplies and prevention and control materials in the pandemic area to jointly fight against the COVID-19 pandemic with limited contribution.

Group Overview

The Group is a leading integrated and well-established mobile game developer, publisher and operator. Since our inception in 2010, we have been strategically focusing on mobile games targeting female players in the PRC to capture the significant growth potential in both the mobile game industry and the female-oriented game market. We successfully launched core products such as Legend of Empress(熹妃傳), Royal Chaos(熹妃Q傳), Rise of Queendom(宮廷計手遊), Fate of the Empress(浮生為卿歌) and others, which are well received among users.

As a key national cultural export enterprise and a pioneer in the segment of ancient Chinese style female-oriented games, while consolidating the leading position in the domestic female market, we are also exploring overseas markets actively. We are committed to spreading excellent traditional Chinese culture to a wider group and region, so as to build a carrier for global outstanding cultural exchanges, promote cultural inheritance and heritage, constantly explore cultural values, and shape a more profound influence of culture.

Performance Review

In the first half of 2020, affected by the COVID-19 pandemic, outdoor and offline entertainment activities were limited, and stay-at-home entertainment projects such as games and short videos are more and more popular among the public. Therefore, compared to other industries, the game industry is less affected by the COVID-19 pandemic. As stated by Mr. Zhang Yijun, the first vice chairman of the China Audio-video and Digital Publishing Association and the chairperson of Game Publishers Association Publications Committee of the China Audio-video and Digital Publishing Association, “The sudden outbreak of COVID-19 pandemic has put the whole nation in a state of comprehensive anti-pandemic and strict prevention from February to March 2020. All industries were confronted with challenges in different degrees, which had a material negative impact on the national economy. However, in the face of difficulties, the game industry responded to the call of the country, overcame various difficulties proactively, and the efforts have been proven.”

Leveraging on the Group’s strong research and development, publishing and operational capabilities, the inherent advantages of the long life cycle of games, and the remarkable achievements of Fate of the Empress (浮生為卿歌), for the six months ended 30 June 2020, the Group’s total revenue was approximately RMB1,050.3 million, representing an increase of 34.5% over the corresponding period in 2019; the net profit for the six months ended 30 June 2020 amounted to RMB163.1 million, representing an increase of 8.7% over the corresponding period in 2019; adjusted EBITDA for the six months ended 30 June 2020 amounted to RMB181.3 million.

In terms of game realization performance, for the six months ended 30 June 2020, we continued to show our own strengths and keen market insight. As at 30 June 2020, monthly average revenue per paying user increased to RMB581.4, representing an increase of 7.0% over the corresponding period in 2019, and the accumulated total number of registered users reached 122.5 million.

We also continued to maintain our social platform application “GameFriend”. Through powerful social features and highly engaging game strategies notices and other related content, players can gather the most updated information about game strategies, content and activities. While enhancing their gaming experience, it also encourages them to share the joy of the game with other players to attract more players and increase the loyalty of existing players. Our players actively engage in discussions and activities in the application. On average, there are approximately 900,000 posts and replies published on the application on a monthly basis, and we have recorded a monthly reading volume of approximately 5.5 million for the six months ended 30 June 2020, representing an increase of 124.6% over the corresponding period in 2019. We believe that the warmth and vibrancy of our community contribute to player retention and extend the profit cycle of the game.

Fate of the Empress

As a major ancient Chinese style female-oriented game of the Group, Fate of the Empress (浮生為卿歌) was officially launched at the end of December 2019, which attracted various attentions from all parties upon release and the market response was favorable. The game is featured by simulation cultivating, integrating multiple playing methods such as face pinching, costume changing and social interaction. 3D physical rendering technology is used to realize the weather changes and day and night alternations in the ancient virtual world. Through elaborately carved and polished scenes and playing methods, the immersive game experience enables players to be enchanted by the beautiful and magnificent ancient world.

Since Fate of the Empress (浮生為卿歌) was launched, it has been ranked the top 5 in the best-selling iOS games list in China, and has been among the top 15 in the best-selling list for a long time. Leveraging its excellent game quality and user reputation, Fate of the Empress (浮生為卿歌) has won various industry awards such as “Golden Mouth Award-Most Anticipated Product of 2020”, “Golden Tea Award-Most Anticipated Mobile Game of 2020” and “Youding Award-Most Anticipated Game of the Year” in China.

As at 10 June 2020, Fate of the Empress (浮生為卿歌) was officially launched in the South Korean market. With a wide range of marketing activities, including the endorsement of Lee Joon Gi, one of Asia’s most popular celebrities, and offline multi-channel advertising, the game became one of the TOP 3 free players on Google Play in a short timeframe. Leveraging on the good reputation of FriendTimes in the South Korean market and the high-quality characteristics of Fate of the Empress (浮生為卿歌), the game has performed well in the lists of both App Store and Google Play, and has been ranked the top 16 in the best selling list of iOS games in South Korea so far.

OUTLOOK

The year of 2020 is the 10th anniversary of the founding of FriendTimes. We will continue to adhere to the corporate mission of “Let Culture Creates Values”, continue to make efforts in product research and development, expand game category portfolio, enrich product reserve, actively explore overseas markets, constantly strengthen our own strengths, and build a high-quality IP ecosystem, so as to realize our vision goal of “Becoming a Global Well-established Cultural and Innovative Enterprise” as soon as possible.

Our development initiatives include:

— Refined publication and operation

We will continue to enhance our capability in the iteration of the current version of the game. We will strengthen the refined management of research and development, release and operation, adjust the strategy according to the market situation and user demand, and get rid of the old and bring forth the new, so as to improve user satisfaction and product reputation, bring them the ultimate game experience, extend the profit cycle of the product and improve product performance. We believe that under our refined operation, Fate of the Empress (浮生為卿歌) will continue to generate more stable income and contribute to greater profits in the second half of 2020.

— Continue to expand game portfolio

As well as strengthening the leading advantage of female-oriented in mobile games, we plan to further broaden our game portfolio, particularly in the innovative segment of female-oriented field. We currently have many game products in stock, which will meet the needs of a wider range of users. A Chinese-style fairy social mobile game, Fate: The Loved Journey (此生無白) and an urban female growth encouragement mobile game Code: WAF (代號: WAF) are currently in the final stage of development and polishing, which are expected to conduct product testing in the second half of the year, and it will soon be launched for players.

In addition, we also have many different styles of game reserves that are undergoing research and development, including the newly Chinese-style female-oriented mobile game Code: LYN (代號: LYN), a great work for new generation of female-oriented ancient Chinese-style mobile game Code: FS2 (代號: FS2), the first European and American style simulation operating mobile game Island Dreamer (海島夢想家), pan-nijigen Yokai cultivating mobile game Code: MS (代號: MS), the first future theme placed mobile game Code: IC (代號: IC), the historical themes of globalization strategy mobile game Code: BGS (代號: BGS) and the cartoon style role cultivating mobile game Code: CSC (代號: CSC). We will also actively plan and research and develop game products targeting more market segments in the future.

— **Deepen the expansion in overseas markets**

In order to implement the global development strategy, we will give full play to the strong global distribution capacity, further enhance the research and operation ability for overseas localization, and continue to export more high-quality self-developed games and distribute more licensed games to overseas market. We believe that Fate of the Empress (浮生為卿歌) will achieve better performance in South Korea in the second half of the year. Meanwhile, we also plan to officially launch the Vietnamese and Thai versions of the game in the second half of the year, and our first European and American style simulation operating mobile game Island Dreamer (海島夢想家) is also expected to enter the product testing stage in the second half of the year.

— **Multi-point linkage to build IP ecosystem**

We will continue to seek the commercialization of gaming IP and particularly further explore the commercial value of original IP to expand income source and create an IP ecosystem. Based on Sprite World IP, two of our comics have been launched on multiple platforms, attracting a lot of attention from comic lovers, and we are doing well on the charts. Meanwhile, we are also creating an original screenplay for an animated film. In the future, we will actively promote the IP strategy, and build IP ecosystem in a multi-dimensional way through script creation, comics, film and television, games and derivatives, etc..

— **Continued to improve brand reputation**

We will continue to promote our corporate brand through a series of online and offline marketing campaigns that increase our game and brand exposure, and create more channels to publish information to attract more public and industry attention for our brand and new games. In addition, we are expected to officially open the new self-built building at the end of 2020 as the group headquarters and office place for daily business operations, which will help the Company to improve its corporate image and establish its new business reputation, at the same time, it contributes to centralized management of the Company and helps to attract more high-quality talents.

FINANCIAL INFORMATION AND NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 — unaudited

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	4	1,050,260	780,709
Cost of sales		(361,351)	(283,306)
Gross profit		688,909	497,403
Other income	5	19,646	2,364
Sales and marketing expenses		(379,030)	(203,663)
Research and development expenses		(130,694)	(107,258)
General and administrative expenses		(21,680)	(27,580)
Other expenses — donations		(2,000)	—
Profit from operations		175,151	161,266
Finance costs		(50)	(146)
Share of loss of associate and joint venture		(175)	(152)
Changes in fair value of financial assets measured at fair value through profit or loss		(2,734)	—
Profit before taxation	6	172,192	160,968
Income tax expense	7(a)	(9,076)	(10,951)
Profit for the period		163,116	150,017
Earnings per share			
Basic and diluted (RMB)	8	0.07	0.08

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2020 — unaudited

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	163,116	150,017
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>7,460</u>	<u>18</u>
Profit and total comprehensive income for the period	<u>170,576</u>	<u>150,035</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 — unaudited

		As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	235,432	201,640
Intangible assets		4,493	7,930
Right-of-use assets		8,173	8,957
Interest in associate and joint venture	10	11,043	3,218
Deferred tax assets	7(b)	32,464	21,623
Other non-current assets		28,350	2,835
		<u>319,955</u>	<u>246,203</u>
Current assets			
Contract costs		12,664	12,274
Financial assets measured at fair value through profit or loss	11	206,388	138,685
Trade and other receivables	12	325,230	218,847
Pledged bank deposits		1,842	1,810
Cash and cash equivalents	13	750,890	893,400
		<u>1,297,014</u>	<u>1,265,016</u>
Current liabilities			
Trade and other payables	14	274,668	135,075
Contract liabilities		44,674	44,164
Current taxation		15,072	13,829
Lease liabilities		1,735	2,594
		<u>336,149</u>	<u>195,662</u>
Net current assets		<u>960,865</u>	<u>1,069,354</u>
Total assets less current liabilities		<u>1,280,820</u>	<u>1,315,557</u>
Non-current liability			
Contract liabilities		6,749	8,720
NET ASSETS		<u>1,274,071</u>	<u>1,306,837</u>
CAPITAL AND RESERVES			
	15		
Share capital		155	155
Reserves		1,273,916	1,306,682
TOTAL EQUITY		<u>1,274,071</u>	<u>1,306,837</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

FriendTimes Inc. (“the Company”) was incorporated in the Cayman Islands on 16 November 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 October 2019 (the “Listing”).

The Company and its subsidiaries (together, “the Group”) are a mobile game developer, publisher and operator in ancient Chinese style female-oriented games in the PRC and overseas market.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 31 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2019 are available in the company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2020.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE

The Group is principally engaged in provision of mobile game development and publishing services.

For the purpose of resources allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
— Revenue from self-developed games published by the Group	1,022,088	746,774
— Revenue from self-developed games published through intellectual property license arrangement and others	28,172	33,935
	<u>1,050,260</u>	<u>780,709</u>

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Over-time	1,050,228	780,709
Point-in-time	32	—
	<u>1,050,260</u>	<u>780,709</u>

The Group's customer base is diversified and includes nil customer with whom transactions have exceeded 10% of the Group's revenues during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 30 June 2020, the aggregated amount of the transaction price allocated to the unsatisfied performance obligations under the Group's existing contract is RMB51,423,000 (31 December 2019: RMB52,884,000), among which RMB44,674,000 (31 December 2019: RMB44,164,000) is expected to be recognised within one year. This amount represents revenue expected to be recognized in the future from unamortized mobile game revenue and unamortized licensing fees. The Group will recognize as the control of services is transferred to the customer, which is expected to occur over the next 36 months.

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the games were published, the intellectual property was licensed or the services were provided.

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
PRC	891,035	568,904
Overseas	159,225	211,805
	<u>1,050,260</u>	<u>780,709</u>

5 OTHER INCOME

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Government grants	(i)	9,074	2,723
Interest income from bank deposits		6,149	2,529
Income from wealth management products		2,247	969
Net exchange gain/(loss)		2,129	(3,943)
Others		47	86
		<u>19,646</u>	<u>2,364</u>

- (i) In 2020, the Group received unconditional government subsidies mainly as recognition of their achievement in research and development, innovation and spreading Chinese culture.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	<i>Note</i>	Six months ended 30 June	
		2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits		124,421	100,009
Contributions to defined contribution plans	(i)	8,763	18,796
		<u>133,184</u>	<u>118,805</u>

- (i) Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(b) Other items

	Six months ended 30 June	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation of property, plant and equipment	3,637	3,007
Depreciation of right-of-use assets	2,010	2,105
Amortisation of intangible assets	3,437	416
Impairment losses of trade and other receivables	342	15
Auditors' remuneration	500	–
Listing expenses	–	11,546
	<u>–</u>	<u>11,546</u>

7 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax:		
Provision for current income tax for the period	19,917	11,668
Deferred tax:		
Origination and reversal of temporary differences	<u>(10,841)</u>	<u>(717)</u>
	<u>9,076</u>	<u>10,951</u>

(b) Deferred tax assets recognized:

The components of the deferred tax assets recognized in the condensed consolidated statement of financial position and the movements during the period are as follows:

Deferred tax arising from:	Change in fair value of financial assets measured at fair value through profit or loss RMB'000	Cumulative tax losses RMB'000	Accruals and others RMB'000	Deductible advertising expenses RMB'000	Total RMB'000
Balance at 1 January 2019	–	10,642	2,678	–	13,320
Credited to profit or loss	1,256	2,069	(272)	5,250	8,303
Balance at 31 December 2019	1,256	12,711	2,406	5,250	21,623
Credited/(charged) to profit or loss	410	10,883	(452)	–	10,841
Balance at 30 June 2020	1,666	23,594	1,954	5,250	32,464

8 EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2020 and 2019 is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2020	2019
Profit attributable to the equity shareholders of the Company (RMB'000)	163,116	150,017
Weighted average number of ordinary shares in issue ('000)	2,187,997	1,870,000
Basic earnings per share	0.07	0.08

Weighted average number of ordinary shares in issue

	Six months ended 30 June	
	2020	2019
	'000	'000
Ordinary shares at 1 January	2,191,512	51,660
Effect of capitalization issue on 8 October 2019 (<i>note</i>)	–	1,818,340
Effect of shares repurchased	(3,515)	–
Weighted average number of ordinary shares at 30 June	2,187,997	1,870,000

Note: The number of ordinary shares outstanding before the capitalization issue on 8 October 2019 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalization issue had occurred at the beginning of the earliest period presented.

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

9 PROPERTY, PLANT AND EQUIPMENT

Acquisitions

During the six months ended 30 June 2020, acquisitions of property, plant and equipment amounted to RMB37,560,000 (six months ended 30 June 2019: RMB56,311,000).

10 INTEREST IN ASSOCIATE AND JOINT VENTURE

The following list contains only the particulars of the Group's associate and joint venture, which is immaterial and accounted for using the equity method in the consolidated financial information.

	Form of business structure	Place of incorporation and operation	Portion of ownership interest-group's effective interest	Investment date	Paid-in capital	Principal activity
Interest in an associate						
Suzhou Jingxiang Times Network Technology Co., Ltd.	Incorporated	The PRC	30.16%	29 March 2017	RMB5,181,347	Electronic sports
Interest in a joint venture						
Beijing Aoshen Interactive Technology Co., Ltd	Incorporated	The PRC	40.00%	25 May 2020	RMB3,333,333	Mobile game development

11 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Investment in wealth management products	140,000	70,000
Listed equity securities	56,114	55,677
Investment in TV-series-based financial instrument	10,274	13,008
Total	206,388	138,685

12 TRADE AND OTHER RECEIVABLES

		At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
	<i>Note</i>		
Trade receivables	(a)	289,751	179,760
Less: Loss allowance		(428)	(549)
		<hr/>	<hr/>
Trade receivables, net		289,323	179,211
Deposits and prepayments		13,126	19,843
VAT deductible		11,763	11,101
Income tax recoverable		5,798	3,359
Other receivables		5,220	5,333
		<hr/>	<hr/>
		325,230	218,847
		<hr/> <hr/>	<hr/> <hr/>

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

(a) Ageing analysis

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 3 months	230,989	178,876
After 3 months but within 1 year	58,559	421
After 1 year but within 2 years	203	463
Less: Loss allowance	(428)	(549)
	<hr/>	<hr/>
Trade receivables, net	289,323	179,211
	<hr/> <hr/>	<hr/> <hr/>

13 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash at banks	750,885	892,192
Cash at other financial institutions	5	1,208
	<hr/>	<hr/>
	750,890	893,400
	<hr/> <hr/>	<hr/> <hr/>

14 TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables	59,174	14,293
Accrued payroll	48,542	62,814
Payables related to property, plant and equipment	52,212	55,477
Dividends payables	111,269	–
Other payables and accruals	3,471	2,491
	<u>274,668</u>	<u>135,075</u>

As at the end of each reporting period, the aging analysis of the trade payables based on the invoice date is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 3 months	58,869	13,993
Over 3 months but within 6 months	89	252
Over 6 months but within 12 months	168	–
Over 1 year	48	48
	<u>59,174</u>	<u>14,293</u>

All trade and other payables are expected to be settled within one year or are repayable on demand.

15 CAPITAL, RESERVES AND DIVIDEND

(a) Dividend

Final dividend attributable to shareholders of the Company in respect of 2019 of HK10 cents per share amounting to a total of HK\$218,775,000 (equivalent to approximately RMB199,829,000) was approved by the shareholders in the Annual General Meeting on 22 May 2020 and HK\$96,956,000 (equivalent to approximately RMB88,560,000) has been paid during the six months ended 30 June 2020.

The Board of directors did not recommend a payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

(b) Repurchase and cancellation of ordinary shares

The Company repurchased an aggregate of 3,762,000 shares of its own shares through the Stock Exchange, at a total consideration of HK\$3,990,000 (equivalent to approximately RMB3,513,000) during six months ended 30 June 2020 (six months ended 30 June 2019: Nil). The aforesaid repurchased shares were cancelled as at 30 June 2020.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB1,050.3 million, representing an increase of RMB269.6 million or approximately 34.5% from approximately RMB780.7 million for the corresponding period in 2019. The increase in revenue was mainly due to the increase in revenue from our game, Fate of the Empress (浮生為卿歌).

The table below sets forth a breakdown of revenue by activity, shown in actual amounts and as percentage to total revenue for the periods indicated:

	Six months ended 30 June				period to period change %
	2020		2019		
	RMB'000	%	RMB'000	%	
Revenue from games	1,050,228	100.0%	780,709	100.0%	34.5%
Others	32	0.0%	–	–	–
Revenue	<u>1,050,260</u>	<u>100.0%</u>	<u>780,709</u>	<u>100.0%</u>	<u>34.5%</u>

Income by game products

The table below sets forth a breakdown of revenue from our major games in actual amounts and as percentage to total revenue for the periods indicated:

	Six months ended 30 June				period to period change %
	2020		2019		
	RMB'000	%	RMB'000	%	
Fate of the Empress (浮生為卿歌)	493,168	47.0%	270	0.0%	>100%
Legend of Empress (熹妃傳)	133,617	12.7%	186,448	23.9%	–28.3%
Royal Chaos (熹妃Q傳)	220,276	21.0%	362,790	46.5%	–39.3%
Rise of Queendom (宮廷計手遊)	187,018	17.8%	217,738	27.9%	–14.1%
Others	<u>16,149</u>	<u>1.5%</u>	<u>13,463</u>	<u>1.7%</u>	<u>19.9%</u>
Revenue from games	<u>1,050,228</u>	<u>100.0%</u>	<u>780,709</u>	<u>100.0%</u>	<u>34.5%</u>

Cost of sales

The Group's cost of sales increased by 27.6% from approximately RMB283.3 million for the six months ended 30 June 2019 to approximately RMB361.4 million for the six months ended 30 June 2020, which was mainly due to the increase in distribution costs charged by distribution platforms resulting from the increase in revenue from games, the increases in server-related expenses and remuneration and benefits of operation personnel.

Gross profit and gross profit margin

As a result of the above, gross profit increased by 38.5% from approximately RMB497.4 million for the six months ended 30 June 2019 to approximately RMB688.9 million for the six months ended 30 June 2020. Gross profit margin increased from approximately 63.7% for the six months ended 30 June 2019 to approximately 65.6% for the six months ended 30 June 2020.

Sales and marketing expenses

For the six months ended 30 June 2020, the Group's sales and marketing expenses amounted to approximately RMB379.0 million, representing an increase of RMB175.3 million or approximately 86.1% from approximately RMB203.7 million for the six months ended 30 June 2019, which was mainly due to the increase in promotion spending.

Research and development expenses

For the six months ended 30 June 2020, the Group's research and development expenses amounted to approximately RMB130.7 million, representing an increase of RMB23.4 million or approximately 21.8% from approximately RMB107.3 million for the six months ended 30 June 2019, which was mainly due to (i) the increase in employee expenses resulting from the launch of new games and continually upgrade of existing games, and (ii) the increase in art and music production cost.

General and administrative expenses

For the six months ended 30 June 2020, the Group's administrative expenses amounted to approximately RMB21.7 million, representing a decrease of RMB5.9 million or approximately 21.4% from approximately RMB27.6 million for the six months ended 30 June 2019, mainly due to the decrease in listing expenses.

Finance costs

For the six months ended 30 June 2020, the Group's finance costs amounted to approximately RMB0.05 million, representing a decrease of RMB0.1 million from approximately RMB0.15 million for the six months ended 30 June 2019, mainly due to the decrease in interest expenses resulting from reduced loans.

Income tax expense

For the six months ended 30 June 2020, the Group's income tax expense amounted to approximately RMB9.1 million, representing a decrease of RMB1.9 million from approximately RMB11.0 million for the six months ended 30 June 2019.

Profit for the period

For the six months ended 30 June 2020, our profit for the period amounted to approximately RMB163.1 million, representing an increase of approximately RMB13.1 million or 8.7% from approximately RMB150.0 million for the six months ended 30 June 2019.

EBITDA and adjusted EBITDA

EBITDA represents net profit for the period (net of interest expenses, tax expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets). Adjusted EBITDA is calculated by adding back listing expenses.

The table below sets forth the reconciliation between the Group's profit, EBITDA and adjusted EBITDA for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	163,116	150,017
Add: Depreciation of property, plant and equipment	3,637	3,007
Add: Amortization of intangible assets	3,437	416
Add: Depreciation of right-of-use assets	2,010	2,105
Add: Income tax expenses	9,076	10,951
Add: Interest expenses	50	146
	<hr/>	<hr/>
EBITDA	181,326	166,642
Add: Listing expenses	–	11,546
	<hr/>	<hr/>
Adjusted EBITDA	181,326	178,188
	<hr/> <hr/>	<hr/> <hr/>

Liquidity and capital resources

As at 30 June 2020, the Group's net current liabilities/assets amounted to approximately 0.26 (31 December 2019: 0.15).

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB750.9 million. The Group monitors and maintains cash and cash equivalents to a level that management believes to be sufficient to meet the Group's operating needs, reducing the impact of cash flow fluctuations.

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	82,795	92,493
Net cash used in investing activities	(135,078)	(52,034)
Net cash used in financing activities	(94,208)	(102,298)
Net change in cash and cash equivalents	(146,491)	(61,839)
Cash and cash equivalents as at the beginning of the year	893,400	472,605
Effect of foreign exchange rate changes	3,981	(1,558)
Cash and cash equivalents as at 30 June	750,890	409,208

Operating activities

During the six months ended 30 June 2020, net cash generated from operating activities was RMB82.8 million, compared to RMB92.5 million as of 30 June 2019.

Investing activities

During the six months ended 30 June 2020, net cash used in investing activities was RMB135.1 million, which primarily included (i) payment for purchase of property, plant and equipment and intangible assets of RMB40.8 million; and (ii) payment for investments measured at fair value through profit or loss of RMB240.0 million; and (iii) proceeds from redemption of investments measured at fair value through profit or loss of RMB170.0 million; and (iv) payment for equity investments of RMB33.5 million.

Financing activities

During the six months ended 30 June 2020, net cash used in financing activities was RMB94.2 million, and as of 30 June 2019, net cash used in financing activities was RMB102.3 million.

Capital expenditures

The Group's capital expenditures mainly included (i) construction of our new office building in Suzhou, purchase of property, plant and equipment such as servers and computer equipment; and (ii) purchase of intangible assets, such as copyright of literary works, software and IP licenses and various office software that has been used or to be used by our games. Capital expenditures for the six months ended 30 June 2020 and 30 June 2019 are set out below:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	37,560	56,311
Intangible assets	–	2,346

Capital commitments

The Group's capital commitments regarding our office building (under construction), servers and computer equipment were approximately RMB78.6 million (31 December 2019: RMB114.0 million). The Group plans to finance its capital commitments with its own funds.

	As at	As at
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for but not provided for	67,718	103,124
Authorized but not contracted for	10,845	10,845
	<u>78,563</u>	<u>113,969</u>

Gearing ratio

As at 30 June 2020, gearing ratio was 0.1% (31 December 2019: 0.2%). The decrease in gearing ratio for the six months ended 30 June 2020 was mainly due to the decrease in lease liability. As at 30 June 2020, the Group did not have bank borrowings (31 December 2019: nil).

Contingent liabilities

As at 30 June 2020, the Group did not have any unrecorded significant contingent liabilities or any guarantees (2019: Nil).

Employees and remuneration policies

As at 30 June 2020, the Group had a total of 1,375 employees (31 December 2019: 1,298 employees), all based in the PRC. The Group determined the remuneration policy for the employees based on their performance, work experience and the current market salary scale. We did not experience any material labour disputes during six months ended 30 June 2020.

Restructuring and significant investments

During the six months ended 30 June 2020, the Group did not have any restructuring and significant investments.

Financial assets

1. As at 30 June 2020, the wealth management products were issued by listed commercial banks in China, all of which were floating rate principal protected deposits. During the respective investment period of wealth management products, the Company shall not terminate any relevant subscription agreements, redeem or withdraw principal before the respective maturity dates of financial products of the commercial banks. The commercial banks also have no right to terminate any subscription agreements.

As at 30 June 2020, RMB130 million in total RMB140 million of the wealth products were purchased from Suzhou Branch of CITIC Bank and accounted for more than 5% of the Group's total assets, details of which has been disclosed in the announcement dated 15 June 2020.

2. As at 30 June 2020, stock investment represented the fair value of equity shares listed on an active stock market. The Directors of the Company believed that the closing price of the securities was the fair value of the investment. As of 30 June 2020, the fair value of stock investments did not exceed 5% of the Group's total assets.

3. As at 30 June 2020, the TV-series-based financial instrument represented the Group's investment in TV-series production, and the principal was protected. As at the date of this announcement, the TV series has obtained a domestic TV series distribution license. As at 30 June 2020, the fair value of the TV-series-based financial instrument did not exceed 5% of the Group's total assets.
4. The Company has formulated standardized capital and investment management policies to monitor and control potential risks related to investment activities. When considering whether to invest and what kind of products to invest in, the management will consider, among other things, the risk level, investment return, liquidity and maturity of the relevant wealth management products on a case-by-case basis. Our investment portfolio and policies are regularly reviewed by our Directors and management team.

Material acquisitions and disposals of assets

During the six months ended 30 June 2020 and up to date of this announcement, there were no material acquisitions and disposals of assets.

Off-balance sheet arrangements

The Group has not entered into and has no intention to enter into any off-balance sheet arrangements. The Group has not entered into any financial guarantees or made other commitments to guarantee the payment obligations of the third parties.

Pledge of assets by the Group

As at 30 June 2020, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (31 December 2019: no assets were pledged).

Foreign currency exchange risks

For the six months ended 30 June 2020, most of transactions denominated in non-RMB were denominated in U.S. dollars and Hong Kong dollars. The management team closely monitors foreign currency exchange risks to ensure that appropriate measures are implemented in a timely and effective manner. In the past, the Group has not incurred any significant foreign currency exchange losses in its operations. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Event after the reporting period

The Group did not have any significant events after 30 June 2020 and up to the date of this announcement.

Use of Proceeds from the Listing

The IPO proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange were approximately RMB434.0 million. For the six months ended 30 June 2020, the IPO proceeds were utilized in accordance with the intended purposes stated in the Prospectus published by the Company, with the balance amounted to approximately RMB341.6 million. The balance of IPO proceeds will continue to be utilized according to the manner and proportions as disclosed in the Prospectus.

	Net amount available as at 31 December 2019 <i>RMB million</i>	Actual net amount utilized for the six months ended 30 June 2020 <i>RMB million</i>	Unutilized net amount as at 30 June 2020 <i>RMB million</i>
R&D of game products, R&D and upgrading of core technology platform	130.2	39.1	91.1
Global market launch and operation	151.9	43.4	108.5
IP ecological construction	65.1	1.9	63.2
Acquisition of upstream and downstream industries	43.4	8.0	35.4
Working capital and general corporate use	43.4	–	43.4
Total	434.0	92.4	341.6

OTHER INFORMATION

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

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

During the six months ended 30 June 2020, 3,762,000 ordinary Shares were repurchased on the Stock Exchange and the repurchased ordinary Shares were cancelled on 23 January 2020 and 14 February 2020 respectively.

The Share repurchases were approved by the Board to enhance the long-term value of the Shares held by the Shareholders. During the six months ended 30 June 2020, details of the Share repurchased are as follows:

Month of repurchase in 2020	Number of repurchased Shares	Purchase price per Share		Aggregate price paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2020	<u>3,762,000</u>	1.12	1.00	<u>3,990,043</u>
Total	<u>3,762,000</u>			<u>3,990,043</u>

The directors believe that the Share repurchases are in the best interests of the Company and its Shareholders as a whole, because the Share repurchases and subsequent cancellation of the repurchased Shares can enhance the value of the Shares and thereby improve returns to our Shareholders.

Save as disclosed above, during the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed the listed securities of the Company.

Compliance with the CG Code

The Company has adopted the code provisions set out in the CG Code as its own corporate governance framework. The Company has complied with the code provisions as set out in the CG Code for the six months ended 30 June 2020, save for the deviations from code provision A.2.1 as disclosed below.

Under code provision A.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separated and should not be performed by the same individual.

Mr. Jiang Xiaohuang is the Chairman and CEO of the Company. Due to Mr. Jiang's background, qualifications and experience in the Company, he is considered to be the best candidate for both roles at present. The Board considers that Mr. Jiang's dual role at this stage is conducive to maintaining the continuity of the Company's policies and the operation efficiency and stability of the Company, which is appropriate and in the best interest of the Company and Shareholders.

Besides, all major decisions of the Company have been made in proper consultation with members of the Board and appropriate committees, as well as the Senior Management. In addition, Directors are encouraged to participate actively in all meetings of the Board and of such Board committees of which they are members, and the Chairman ensures that all issues raised are properly briefed at the Board meetings, and he works with the Senior Management to provide adequate, accurate, clear, complete and reliable information to all members of the Board in a timely manner. Further, the Board meets with Mr. Jiang regularly to discuss issues relating to the operation of the Group.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. Mr. Jiang holding both positions of the Chairman of the Board and CEO of the Company will not have any impact on the balance between power and authority of the Board and the Senior Management of the Company. However, the Board will continue to regularly monitor and review the Company's current structure and to make necessary changes when appropriate.

Compliance with the Model Code for securities transactions by directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code for its own relevant Directors to conduct securities transactions. The Company has made specified enquiry with all the Directors, and each one has confirmed that during the six months ended 30 June 2020, they have always complied with the required standards contained in the Model Code.

The Company has also established employee stock trading regulations no less exacting than the Model Code for employees who are likely to be in possession of unpublished price-sensitive data of the Company. No incident of non-compliance of the employee stock trading regulations by the employees was noted by the Company.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, at least 25% of the Company's total number of issued Shares was held by the public at all time since the Listing Date.

Audit committee

Our Company established the Audit Committee. The members of the Audit Committee are Mr. Zhu Wei, Mr. Zhang Jinsong and Ms. Tang Haiyan, all of whom are independent non-executive Directors. Mr. Zhu Wei is the chairman of the Audit Committee. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment, re-appointment and removal of external auditors; review the financial statements; provide material advice in respect of our financial reporting process; oversee our internal control and risk management systems and audit process; and provide advice and comment to our Board on matters related to corporate governance.

The Audit Committee has reviewed and discussed with the management the Group's unaudited interim financial results for the six months ended 30 June 2020 and has met with the Auditor who has reviewed the interim financial report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

Publication of the Interim Results and 2020 Interim Report

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.friendtimes.net). The 2020 interim report of the Group will be dispatched to the Shareholders and published on the aforementioned websites in due course in accordance with Rule 13.40 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"Audit Committee"	the Company's audit committee which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting system, risk management and internal control
"Auditor"	KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
"Board" or "Board of Directors"	board of directors of the Company
"CEO"	chief executive officer of the Company
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	chairman of the Board

“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“Company” or “our Company” or “the Company”	FriendTimes Inc., an exempted company incorporated in the Cayman Islands on 16 November 2018 with limited liability and listed on the Stock Exchange on 8 October 2019 (Stock code: 6820)
“Director(s)”	director(s) of the Company
“Group”, “our Group”, “the Group”, “we”, “us”, “our” or “FriendTimes”	the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“IP”	intellectual property
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	8 October 2019, the date on which the Shares of the Company were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
“Prospectus”	the prospectus of the Company dated 24 September 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Senior Management”	senior management of the Company
“Share(s)”	ordinary share(s) in the issued capital of the Company with nominal value of US\$0.00001 each

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S. dollars” or “US\$”	U.S. dollars, the lawful currency of the United States
“%”	per cent

By Order of the Board
FriendTimes Inc.
Jiang Xiaohuang
Chairman and Executive Director

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises Mr. Jiang Xiaohuang, Mr. Xu Lin, Mr. Wu Jie and Mr. Sun Bo as the executive Directors; and Mr. Zhu Wei, Ms. Tang Haiyan and Mr. Zhang Jinsong as the independent non-executive Directors.