

2021

Interim Report

FRIENDTIMES INC.

Incorporated in the Cayman Islands
with limited liability



友谊时光
FRIENDTIMES

Stock Code

06820.HK

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Definitions

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

“Adoption Date”	14 September 2020, being the date on which the Board adopted the Share Award Scheme
“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
“Award”	an award by the Board to a Selected Participant entitling the Selected Participant to receive such number of Awarded Shares and the related income on such terms and conditions as the Board may determine
“Awarded Shares”	in respect of a Selected Participant, such number of Shares determined by the Board under an Award
“Board” or “Board of Directors”	board of directors of the Company
“CEO”	chief executive officer
“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 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
“Eligible Participant(s)”	any senior and mid-level management, core technical personnel and key employees who, at the absolute discretion of the Board, will contribute or have contributed to any member of the Group
“Group” or “the Group” or “we” or “us”, or “our”	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)

Definitions

“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, 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
“Scheme Rules”	the rules of the Share Award Scheme, as amended from time to time
“Selected Participant(s)”	Eligible Participant(s) selected by the Board pursuant to the Scheme Rules who holds a subsisting Award
“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
“Share Award Scheme”	the share award scheme adopted by the Company on the Adoption Date (in its present or any amended form)
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	the company(ies) which are for the time being and from time to time the subsidiary(ies) (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Listing Rules) of the Company, whether incorporated in Hong Kong, the British Virgin Islands, the PRC or elsewhere

Definitions

“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	a trust deed dated 3 August 2020 and entered into by and among the Company, the Trustee and its nominee (as restated, supplemented and amended from time to time)
“Trustee”	TMF Trust (HK) Limited, the trustee which has been appointed by the Company to manage the Share Award Scheme
“%”	per cent

Corporate Information

EXECUTIVE DIRECTORS

Mr. Jiang Xiaohuang (*Chairman of the Board and CEO*)
Mr. Xu Lin
Mr. Sun Bo
Mr. Wu Jie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Wei
Mr. Zhang Jinsong
Ms. Tang Haiyan

MEMBERS OF AUDIT COMMITTEE

Mr. Zhu Wei (*Chairman*)
Mr. Zhang Jinsong
Ms. Tang Haiyan

MEMBERS OF REMUNERATION COMMITTEE

Mr. Zhang Jinsong (*Chairman*)
Mr. Zhu Wei
Mr. Jiang Xiaohuang

MEMBERS OF NOMINATION COMMITTEE

Mr. Jiang Xiaohuang (*Chairman*)
Mr. Zhang Jinsong
Mr. Zhu Wei

JOINT COMPANY SECRETARIES

Mr. Liu Gongyou
Ms. Fung Wai Sum

AUTHORISED REPRESENTATIVES

Mr. Jiang Xiaohuang
Ms. Fung Wai Sum

REGISTERED OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

FriendTimes Building
No. 68 Qitai Road
Suzhou Industrial Park
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.friendtimes.net

STOCK CODE

6820

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

LEGAL ADVISER

As to *Hong Kong law*:
William Ji & Co. LLP
in Association with
Tian Yuan Law Firm Hong Kong Office
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Two Chinachem Central
26 Des Voeux Road Central
Central
Hong Kong

PRINCIPAL BANKS

China Construction Bank Suzhou Branch
Jianyuan Building, No. 18 Suzhou Avenue
Suzhou Industrial Park
Suzhou, Jiangsu Province
PRC

The Hongkong and Shanghai Banking Corporation Limited
6/F, 88 Gloucester Road, Wan Chai, Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered
in accordance with the Financial Reporting
Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

* For illustrative purposes only

Financial Summary

The following is a summary of the results of the Group:

RESULTS

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue	833,007	1,050,260
Gross profit	560,302	688,909
Profit for the period	130,291	163,116
Adjusted profit for the period	156,037	163,116

ASSETS, LIABILITIES AND EQUITY

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Total assets	1,662,953	1,792,179
Total liabilities	161,574	225,758
Total equity	1,501,379	1,566,421

* Adjusted profit for the period represents profit for the period excluding share-based remuneration expenses. HKFRS does not define adjusted profit for the period and therefore it may not be comparable to similar indicators presented by other listed companies.

Management Discussion and Analysis

OVERVIEW

The Group is a leading integrated and well-established mobile game developer, publisher and operator. The Group is headquartered in Suzhou, China, with branches in regions including Shanghai, Wuxi, Chengdu and Hong Kong in China, and South Korea and Japan, and was listed on the Main Board of the Stock Exchange on 8 October 2019. Since our inception in 2010, we have been strategically focusing on mobile games targeting female players 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 the Fate of the Empress (浮生為卿歌), the Legend of Empress (熹妃傳), the Royal Chaos (熹妃Q傳) 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, the Group keeps a professional global distribution and operation team. While consolidating the leading position in the domestic female market, we are also exploring overseas markets actively. We will continue to adhere to the corporate mission of “Let Culture Create Values”, and 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.

BUSINESS REVIEW

For the six months ended 30 June 2021, the Group's total revenue was approximately RMB833.0 million, decreasing by 20.7% as compared to the corresponding period in 2020; the net profit amounted to RMB130.3 million, decreasing by 20.1% as compared to the corresponding period in 2020; the adjusted profit for the period was RMB156.0 million, decreasing by 4.3% as compared to the corresponding period in 2020. The above changes were mainly due to the facts that no major new games were launched during the current reporting period as a result of product scheduling and the revenue from existing games has declined to a certain extent. We attached importance to the construction of research and development system and the promotion of research and development personnels' salary and benefits.

In terms of game realization performance, we continued to show our own strengths and keen market insight and constantly improved our monetization capability through our refined publication and operation ability, launch of overseas versions, and strategy of continuous version and gameplay development. For the six months ended 30 June 2021, monthly average revenue per paying user (ARPPU) increased to RMB739.7, representing an increase of 27.2% over the corresponding period in 2020, and the accumulated total number of registered users reached 139.0 million.

In terms of operational strategy, we have adopted a strategy of the long life cycle of games and performed refined operation on each of our products. We provided updates and optimizations on versions, content and activities at least once a month to constantly introduce new dynamics into the games, ensuring players' gaming experience and deliver stable turnover. The Legend of Empress (熹妃傳) with continuous operation for more than six years launched “Ten Canal Views (運河十景)” function, which strives to promote canal culture through “Suzhou Stories” happened in the areas south of the Yangtze River and enable users to feel the thousand-year-old culture of Gusu in a subtle way by deep integration of traditional culture and digital technology.

Management Discussion and Analysis

The Fate of the Empress (浮生為卿歌), a flagship product of the Group, was officially launched on 31 December 2019. Subsequent to the launch, we have maintained the continuous operation and optimization of the high-frequency version of such product. In addition to constant creation and update, we also invested in various marketing activities to obtain long-term traffic to maintain the sustainability of the product turnover. For the six months ended 30 June 2021, the Fate of the Empress (浮生為卿歌) ranked the 13th place (highest record) and the 28th place (on average) in China's iOS Top Games, and its highest record in iOS Top Games of Hong Kong, Macau and Taiwan was ranked the 7th, 2nd and 9th place, respectively. Meanwhile, the Fate of the Empress (浮生為卿歌) achieved the highest record of ranking the 13th in Korean iOS Top Games. In the first half of 2021, we have elaborately prepared a series of activities to ensure players' gaming experience. For example, we organized a crossover activity "The Fate of the Paladin (浮生亦逍遙)" between the Fate of the Empress (浮生為卿歌) and the Chinese Paladin: Sword and Fairy (仙劍奇俠傳), which unlocked new gameplay, maps, costumes, and pet mounts, etc.. We also launched a brand new home system and created a diverse interactive community. Besides, we launched crossover fashion clothes with the national first-tier chain photography agency "Poetic Oriental Beauty (盤子女人坊)", with "reshaping the new national tide" as the core. Based on the pet mounts in the Fate of the Empress (浮生為卿歌) as the prototype, we designed and created the mystery box (盲盒) for the series of ancient Chinese-style fairy pets namely Yooe.

GAME RESERVE

Promise of Lingyun (凌雲諾)

Promise of Lingyun (凌雲諾) is a glamorous Chinese-style social mobile game with modern art. It blends classical aspects with modern art to demonstrate the fascinating ancient Chinese culture. The game features a variety of Chinese-style gameplay such as poetry and painting social interaction, bonding, and costumes. By using the traditional yet novel Chinese brush painting method, the game combines the traditional Chinese classical culture with the essence of contemporary art techniques to create a new aesthetic impression of Chinese-style, outlining realistic paintings of ancient times, and elegantly shapes an ancient Chinese world with splashes of paint.

In July 2021, Promise of Lingyun (凌雲諾) officially launched its first Chinese animation CG, "Keep your promise to guard the homeland together (承君之諾·共守山河)". Set against the backdrop of the magnificent landscape, the CG depicts the scenes of the ancient Chinese landscape and tells the story of an ancient female official who, in the face of a pandemic and the disturbances of the society, has her heart set on her country and the people, and works together with her colleagues to portray the grand story of defending the homeland despite challenges, demonstrating the spirit of "Every woman has the right to walk her own way". The online pre-order for Promise of Lingyun (凌雲諾) is now available and has been recommended on the App Store with various testing activities underway.

A Story of Lala's: Rising Star (杜拉拉升職記)

A Story of Lala's: Rising Star (杜拉拉升職記) is an authentic inspirational female-oriented simulation mobile game. It is adapted from a novel with the same title, and is a role-playing game in the modern female workplace setting. By focusing on the perspective of modern women, the game constructs the core value of "having attitudes even in the workplace" and emphasizes on self-confidence and independence of modern women in metropolitan. The product incorporates the classic storyline of the novel, with glamorous 3D workplace scenes and delicate portrait, combines a variety of game play and practical advice in the workplace, allowing players to experience personal growth and socialisation in a relaxing and enjoyable gaming environment. At the end of July 2021, A Story of Lala's: Rising Star (杜拉拉升職記) was officially launched at the ChinaJoy, which illustrated the aura and capabilities of women in the workplace, as well as the characteristics of women in the new era who are independent, hardworking and aggressive under the theme of "Super Alpha Gravity".

Management Discussion and Analysis

Code: FS2 (代號: FS2)

As the Company's strategic flagship product, Code: FS2 (代號: FS2), a new generation of female-oriented traditional Chinese-style mobile game, is inherited from the Fate of the Empress (浮生為卿歌), and adopts new engine effects, artistic production techniques and innovative gameplay features, aiming to bring players a rich and multifaceted gameplay experience, and to satisfy users' fantasies of a real ancient world with higher freedom, more realistic and more extreme restoration.

Product Agency

In the past two years, the Company has successively invested in R&D studios in various regions such as Beijing, Changsha, Xiamen and Chengdu, and signed agency agreements for their products under research. At present, the above projects are progressing steadily. Among them, the project Code: W (代號: W) of a studio in Xiamen has been started testing overseas. Code: W (代號: W) is a mobile game of simulated idol development, in which players can get an interesting experience to debut as a girl group member.

OUTLOOK

Looking ahead, we will continue to increase our investment in development and cultivation of talents skilled in development, distribution and operation of games, seek investment and acquisition opportunities that can create synergy in the upstream and downstream industry chains, build a diversified and highly innovative product portfolio, upgrade industrialized production level, strengthen our global competitiveness, accelerate the ecology and commercialization of original IP, expand our industry layout around the "IP+" strategy and introduce new dynamics into the Group's long-term development, so as to realize our vision of "Becoming a Global Well-established Cultural and Innovative Enterprise" as soon as possible.

SOCIAL RESPONSIBILITY

The Group is committed to becoming a caring and socially responsible enterprise. It continues to undertake corporate social responsibilities through charitable activities, hoping to help more people and organisations in need of help through the power of enterprise. In May 2021, responding to the call of the Game Publishers Association Publications Committee of the China Audio-video and Digital Publishing Association, the Group went to Yan'an and donated thousands of sets of books and school supplies to Zaoyuan Primary School in Yan'an. In July 2021, affected by the extreme weather, many parts of Henan Province encountered extremely heavy rainfall. The Group donated RMB1 million to the disaster-stricken areas in Henan through the Henan Charity Federation for emergency rescue and post-disaster reconstruction. In the future, the Group will continue to practice its charity culture and assume more social responsibilities.

Minors are the future builders of the country. Protecting their physical and mental health and regulating their reasonable use of internet services are the historical mission and social responsibilities of the Group. We attach great importance to the guidance of the physical and mental health of minors, regard the protection of minors as a key issue of continuous concern, and continue to deepen the protection of minors through technical research and development. In strict compliance with the latest requirements of the National Press and Publication Administration, the Group has built a complete real-name account system and anti-addiction system by way of real-name authentication, game login, game duration limitation, etc., and took safeguard measures such as building special complaint channels for minors, so as to comprehensively build a protection system for minors, thereby creating a favourable environment for the healthy growth of minors.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB833.0 million, representing a decrease of approximately RMB217.3 million or approximately 20.7% from approximately RMB1,050.3 million for the corresponding period in 2020. This was mainly due to no large-scale new games were launched during the reporting period resulting from the arrangement of product schedules, and income from legacy games dropped to a certain extent. However, the Group continued to optimize its services, improve the quality of its game products, and promote its core game, the Fate of the Empress (浮生為卿歌), to maintain good results in the domestic and foreign markets.

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

	Six months ended 30 June				
	2021		2020		Period to period change
	RMB'000	%	RMB'000	%	%
Revenue from games	832,998	100.00%	1,050,228	100.00%	-20.70%
Others	9	0.00%	32	0.00%	-70.70%
Revenue	833,007	100.00%	1,050,260	100.00%	-20.70%

Revenue from games by geographic markets

The table below sets forth a breakdown of revenue from games by geographic markets in absolute amounts and as percentages to our total revenue from games for the periods indicated:

	Six months ended 30 June				
	2021		2020		Period to period change
	RMB'000	%	RMB'000	%	%
Domestic market	597,638	71.7%	891,007	84.8%	-32.9%
Overseas market	235,360	28.3%	159,221	15.2%	47.8%
Revenue from games	832,998	100.00%	1,050,228	100.00%	-20.70%

Management Discussion and Analysis

Cost of sales

The Group's cost of sales decreased by 24.5% from approximately RMB361.4 million for the six months ended 30 June 2020 to approximately RMB272.7 million for the six months ended 30 June 2021, which was mainly due to the decrease in distribution costs charged by distribution platforms resulting from the decrease in revenue from games.

Gross profit and gross profit margin

As a result of the above, gross profit decreased by 18.7% from approximately RMB688.9 million for the six months ended 30 June 2020 to approximately RMB560.3 million for the six months ended 30 June 2021. Gross profit margin increased from approximately 65.6% for the six months ended 30 June 2020 to approximately 67.3% for the six months ended 30 June 2021, which was mainly due to the increase in proportion of revenue from own pipelines.

Sales and marketing expenses

For the six months ended 30 June 2021, the Group's sales and marketing expenses amounted to approximately RMB280.8 million, representing a decrease of RMB98.2 million or approximately 25.9% from approximately RMB379.0 million for the six months ended 30 June 2020, which was mainly due to the decrease in promotion spending.

Research and development expenses

For the six months ended 30 June 2021, the Group's research and development expenses amounted to approximately RMB178.2 million, representing an increase of RMB47.5 million or approximately 36.3% from approximately RMB130.7 million for the six months ended 30 June 2020, which was mainly due to (i) the increase in employee expenses resulting from the development of new games and continually upgrading of existing games, and (ii) the increase in the share-based remuneration expenses of research and development personnels.

General and administrative expenses

For the six months ended 30 June 2021, the Group's administrative expenses amounted to approximately RMB31.3 million, representing an increase of RMB9.6 million or approximately 44.6% from approximately RMB21.7 million for the six months ended 30 June 2020, mainly due to (i) the increase in remuneration and benefits of employees, and (ii) the increase in the share-based remuneration expenses of management personnels.

Finance costs

For the six months ended 30 June 2021, the Group's finance costs amounted to approximately RMB0.01 million, representing a decrease of RMB0.04 million from approximately RMB0.05 million for the six months ended 30 June 2020, mainly due to the decrease in interest expenses resulting from matured lease liabilities.

Income tax expense

For the six months ended 30 June 2021, the Group recognised an income tax credit amounted to approximately RMB48.2 million, representing a decrease of RMB57.3 million from the income tax expense of approximately RMB9.1 million for the six months ended 30 June 2020, mainly due to the entitlement to preferential income tax policies and recognition of deferred income tax expense.

Profit for the period

For the six months ended 30 June 2021, our profit for the period amounted to approximately RMB130.3 million, representing a decrease of approximately RMB32.8 million or approximately 20.1% from approximately RMB163.1 million for the six months ended 30 June 2020.

Management Discussion and Analysis

Adjusted profit for the period

Adjusted profit for the period is calculated by adding back share-based remuneration expenses to the profit for the period.

The table below sets forth the reconciliation between the Group's profit for the period and adjusted profit for the period for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Profit for the period	130,291	163,116
Add: Share-based remuneration	25,746	–
Adjusted profit for the period	156,037	163,116

Liquidity and capital resources

As at 30 June 2021, the Group's current liabilities/net assets amounted to approximately 0.10 (31 December 2020: 0.14).

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB774.2 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	
	2021 RMB'000	2020 RMB'000
Net cash generated from operating activities	45,860	82,795
Net cash used in investing activities	(144,896)	(135,078)
Net cash used in financing activities	(216,461)	(94,208)
Net change in cash and cash equivalents	(315,497)	(146,491)
Cash and cash equivalents as at the beginning of the period	1,093,324	893,400
Effect of foreign exchange rate changes	(3,584)	3,981
Cash and cash equivalents as at 30 June	774,243	750,890

Management Discussion and Analysis

Operating activities

During the six months ended 30 June 2021, net cash flow generated from operating activities of the Group was RMB45.9 million, which was mainly due to (i) the Group's profit before taxation of RMB82.1 million; (ii) the provision for share-based remuneration expenses of RMB25.7 million; (iii) a net cash outflow of RMB52.8 million resulting from the changes in working capital; and (iv) income tax paid of RMB18.7 million.

Investing activities

For the six months ended 30 June 2021, net cash used in investing activities of the Group was RMB144.9 million, which primarily included (i) our payments for investments measured at fair value through profit or loss of RMB216.8 million; (ii) our payment for purchase of time deposits of RMB68.8 million; (iii) our payment for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB47.6 million; (iv) our payment for equity investments of RMB9.9 million; and (v) the proceeds from redemption of investments measured at fair value through profit or loss amounted to RMB181.1 million.

Financing activities

For the six months ended 30 June 2021, net cash used in financing activities of the Group was RMB216.5 million, which was mainly used in the payment of final dividends, and as of 30 June 2020, net cash used in financing activities was RMB94.2 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; (ii) purchase of copyrights, software and IP licenses of literature and intangible assets such as various office software that has been used or to be used by our games; and (iii) increase in right-of-use assets arising from housing leases. Capital expenditures for the six months ended 30 June 2021 and 30 June 2020 are set out below:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Property, plant and equipment	27,313	37,560
Intangible assets	580	–
Right-of-use assets	2,235	–

Management Discussion and Analysis

Capital commitments

As of 30 June 2021, the Group did not have any capital commitments (31 December 2020: RMB18.0 million).

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Contracted for but not provided for	–	17,729
Authorized but not contracted for	–	288
	–	18,017

Gearing ratio

As at 30 June 2021, gearing ratio (the aggregate of bank loans and lease liabilities divided by total equity) was 0.1% (31 December 2020: 0.1%). There was no significant change of the gearing ratio for the six months ended 30 June 2021. As at 30 June 2021, the Group did not have bank borrowings (31 December 2020: Nil).

Contingent liabilities

As of 30 June 2021, the Group did not have any unrecorded significant contingent liabilities or any guarantees (2020: Nil).

Employees and remuneration policies

As at 30 June 2021, the Group had a total of 1,414 employees (30 June 2020: 1,375 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 level. We did not experience any material labour disputes during the six months ended 30 June 2021.

Restructuring and significant investments

During the six months ended 30 June 2021, the Group did not have any restructuring and significant investments.

Financial assets

- The wealth management products as at 30 June 2021 were issued by listed commercial banks in China, all of which were principal-protected deposits at floating rate. 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 2021, the fair value of the financial instrument issued by any cooperative commercial bank purchased did not exceed 5% of the Group's total assets.

Management Discussion and Analysis

2. As at 30 June 2021, 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 2021, the fair value of stock investments did not exceed 5% of the Group's total assets.
3. 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 2021 and up to date of this report, 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 2021, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (31 December 2020: no assets were pledged).

Foreign currency exchange risks

For the six months ended 30 June 2021, 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 2021 and up to the date of this report.

Management Discussion and Analysis

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 2021, 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 RMB173.0 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 2020 RMB million	Actual net amount utilized for the six months ended 30 June 2021 RMB million	Unutilized net amount as at 30 June 2021 RMB million
R&D of game products, R&D and upgrading of core technology platform	91.1	39.1	52.0
Global market launch and operation	93.3	45.6	47.7
IP ecological construction	54.6	10.7	43.9
Acquisition of upstream and downstream industries	30.5	9.9	20.6
Working capital and general corporate use	21.7	13.0	8.7
Total	291.2	118.2	173.0

Other Information

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 complied with the code provisions as set out in the CG Code for the six months ended 30 June 2021, 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 of the board 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 currently. Due to Mr. Jiang's background, qualifications and experiences 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 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 Company.

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 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 a code for its own relevant Directors to conduct securities transactions. The Company has made specified enquiry with all the Directors, and each of them has confirmed that during the six months ended 30 June 2021, they have always complied with the required standards contained in the Model Code.

The Company has also established employee stock trading regulations on terms 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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

Other Information

AUDIT COMMITTEE

Our Company has 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 the Group's unaudited consolidated interim financial statements for the six months ended 30 June 2021 and has met with the Auditor who has reviewed the interim financial statements 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.

CHANGE IN INFORMATION OF DIRECTORS

There was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the six months ended 30 June 2021.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed the listed securities of 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 report, at least 25% of the Company's total number of issued Shares were held by the public at all time since the Listing Date.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and 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 he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to herein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares or underlying Shares of the Company as at 30 June 2021			
Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of interest ⁽²⁾
Mr. Jiang Xiaohuang ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	Interest of a controlled corporation/ Founder of a discretionary trust	1,552,516,500 (L) ⁽¹⁾	71.19%
Mr. Xu Lin ⁽⁸⁾	Interest of a controlled corporation	7,141,974 (L) ⁽¹⁾	0.33%
	Beneficial owner	868,000 (L) ⁽¹⁾	0.03%
Mr. Wu Jie ⁽⁹⁾⁽¹⁰⁾	Interest of a controlled corporation	3,570,987 (L) ⁽¹⁾	0.16%
	Beneficial owner	750,000 (L) ⁽¹⁾	0.03%
	Person having a right to require delivery of the underlying Shares	502,000 (S) ⁽¹⁾	0.02%
Mr. Sun Bo ⁽¹¹⁾⁽¹²⁾	Interest of a controlled corporation	3,570,987 (L) ⁽¹⁾	0.16%
	Beneficial owner	750,000 (L) ⁽¹⁾	0.03%
	Person having a right to require delivery of the underlying Shares	502,000 (S) ⁽¹⁾	0.02%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares of the Company. The letter "S" denotes the person's short position in the Shares of the Company.
- (2) The calculation is based on the total number of 2,185,850,000 Shares in issue as at 30 June 2021.
- (3) 937,688,116 Shares are registered under the name of Eternal Heart Holdings Limited, the issued share capital of which is owned as to 100% by Gorgeous Sunshine Holding Limited, which is in turn the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of a discretionary trust established by Mr. Jiang as the settlor and protector ("Jiang Family Trust"). Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Eternal Heart Holdings Limited for the purpose of Part XV of the SFO.
- (4) 187,000,000 Shares are registered under the name of Ling Long Holdings Limited, the issued share capital of which is owned as to 100% by Gorgeous Sunshine Holding Limited, which is in turn the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. Jiang Family Trust is a discretionary trust established by Mr. Jiang as the settlor and protector. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Ling Long Holdings Limited for the purpose of Part XV of the SFO.
- (5) 93,500,000 Shares are registered under the name of Lucky Fish Holdings Limited, the issued share capital of which is owned as to 100% by Gorgeous Sunshine Holding Limited, which is in turn the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. Jiang Family Trust is a discretionary trust established by Mr. Jiang as the settlor and protector. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Lucky Fish Holdings Limited for the purpose of Part XV of the SFO.

Other Information

- (6) 189,754,000 Shares are registered under the name of Warm Sunshine Holdings Limited, the issued share capital of which is owned as to 100% by Future Wisdom Holdings Limited, which is in turn wholly-owned by Mr. Jiang. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Warm Sunshine Holdings Limited for the purpose of Part XV of the SFO.
- (7) 144,574,384 Shares are registered under the name of Purple Crystal Holdings Limited, the issued share capital of which is owned as to 100% by Purple Dream Holdings Limited, which is in turn owned as to 41.50% by Friends Fruit Holdings Limited. 100% of the issued share capital of Friends Fruit Holdings Limited is owned by Friends Together Holdings Limited. Mr. Jiang is the sole director of Friends Together Holdings Limited. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Purple Crystal Holdings Limited for the purpose of Part XV of the SFO.
- (8) 7,141,974 Shares are registered under the name of Purple Crystal Holdings Limited, the issued share capital of which is owned as to 100% by Purple Dream Holdings Limited, which is in turn 4.94% owned by Mr. Xu. Accordingly, Mr. Xu is deemed to be interested in the Shares held by Purple Crystal Holdings Limited for the purpose of Part XV of the SFO.
- (9) 3,570,987 Shares are registered under the name of Purple Crystal Holdings Limited, the issued share capital of which is owned as to 100% by Purple Dream Holdings Limited, which is in turn 2.47% owned by Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the Shares held by Purple Crystal Holdings Limited for the purpose of Part XV of the SFO.
- (10) Pursuant to the Share Award Scheme, Mr. Wu was granted 502,000 Awarded Shares on 31 January 2021.
- (11) 3,570,987 Shares are registered under the name of Purple Crystal Holdings Limited, the issued share capital of which is owned as to 100% by Purple Dream Holdings Limited, which is in turn 2.47% owned by Mr. Sun. Accordingly, Mr. Sun is deemed to be interested in the Shares held by Purple Crystal Holdings Limited for the purpose of Part XV of the SFO.
- (12) Pursuant to the Share Award Scheme, Mr. Sun was granted 502,000 Awarded Shares on 31 January 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; or to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2021 was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body

Other Information

corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at 30 June 2021, to the best knowledge of the Company and the Directors, the following persons (not being a director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares or underlying Shares of the Company as at 30 June 2021			
Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of Interest ⁽²⁾
Mr. Jiang Xiaohuang ⁽³⁾⁽⁴⁾⁽⁵⁾	Interest of a controlled corporation/ Founder of a discretionary trust	1,552,516,500 (L) ⁽¹⁾	71.19%
Ms. Mao Yuyan ⁽⁶⁾	Interest of spouse	1,552,516,500 (L) ⁽¹⁾	71.19%
TMF (Cayman) Ltd. ⁽³⁾	Trustee of a trust	1,218,188,116 (L) ⁽¹⁾	55.86%
Gorgeous Sunshine Holding Limited ⁽³⁾	Interest of a controlled corporation	1,218,188,116 (L) ⁽¹⁾	55.86%
Eternal Heart Holdings Limited	Beneficial owner	937,688,116 (L) ⁽¹⁾	43.00%
Ling Long Holdings Limited	Beneficial owner	187,000,000 (L) ⁽¹⁾	8.57%
Lucky Fish Holdings Limited	Beneficial owner	93,500,000 (L) ⁽¹⁾	4.29%
Future Wisdom Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	189,754,000 (L) ⁽¹⁾	8.70%
Warm Sunshine Holdings Limited	Beneficial owner	189,754,000 (L) ⁽¹⁾	8.70%
TMF Trust (HK) Limited ⁽⁵⁾	Trustee of a trust	144,574,384 (L) ⁽¹⁾	6.63%
Friends Together Holdings Limited ⁽⁵⁾	Interest of a controlled corporation	144,574,384 (L) ⁽¹⁾	6.63%
Friends Fruit Holdings Limited ⁽⁵⁾	Interest of a controlled corporation	144,574,384 (L) ⁽¹⁾	6.63%
Purple Dream Holdings Limited ⁽⁵⁾	Interest of a controlled corporation	144,574,384 (L) ⁽¹⁾	6.63%
Purple Crystal Holdings Limited	Beneficial owner	144,574,384 (L) ⁽¹⁾	6.63%
GIC Private Limited ⁽⁷⁾	Investment manager	130,589,000 (L) ⁽¹⁾	5.99%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares of the Company.
- (2) The calculation is based on the total number of 2,180,850,000 Shares in issue as at 30 June 2021.
- (3) Eternal Heart Holdings Limited, Ling Long Holdings Limited and Lucky Fish Holdings Limited are wholly-owned by Gorgeous Sunshine Holding Limited which is the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. Jiang Family Trust is a discretionary trust established by Mr. Jiang as the settlor and protector. Accordingly, each of Mr. Jiang, Gorgeous Sunshine Holding Limited and TMF (Cayman) Ltd. is deemed to be interested in the Shares held by Eternal Heart Holdings Limited, Ling Long Holdings Limited and Lucky Fish Holdings Limited.
- (4) Warm Sunshine Holdings Limited is wholly-owned by Future Wisdom Holdings Limited which is in turn wholly-owned by Mr. Jiang. Accordingly, each of Mr. Jiang and Future Wisdom Holdings Limited is deemed to be interested in the Shares held by Warm Sunshine Holdings Limited.
- (5) Purple Crystal Holdings Limited is wholly-owned by Purple Dream Holdings Limited which is in turn owned as to 41.50% by Friends Fruit Holdings Limited. Friends Fruit Holdings Limited is wholly-owned by Friends Together Holdings Limited, which is in turn the holding vehicle wholly owned by TMF Trust (HK) Limited, the sole director of which is Mr. Jiang. Accordingly, each of Mr. Jiang, TMF Trust (HK) Limited, Friends Together Holdings Limited, Friends Fruit Holdings Limited and Purple Dream Holdings Limited is deemed to be interested in the Shares held by Purple Crystal Holdings Limited.
- (6) Ms. Mao Yuyan is the spouse of Mr. Jiang and therefore she is deemed to be interested in all the Shares held by Mr. Jiang by virtue of the SFO.

Other Information

(7) The source of information on the interests of GIC Private Limited is from the Disclosure of Interest Form published on the website of the Stock Exchange.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE AWARD SCHEME

The Board has approved the adoption of the Share Award Scheme of the Company on 14 September 2020.

The Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No Shareholders' approval is required to adopt the Share Award Scheme.

OBJECTIVES OF THE SHARE AWARD SCHEME

- (1) to further improve the Group's incentive system, align the interests of certain Eligible Participants with the Group's interests and encourage them to create long-term value for the Group; and
- (2) to attract and motivate key professional talents to enhance the competitiveness and promote the sustainable development of the Group.

ADMINISTRATION OF THE SHARE AWARD SCHEME

- (1) The Share Award Scheme is subject to the administration of the Scheme Rules and the terms of the Trust Deed (as the case may be);
- (2) The Board may, by passing ordinary resolutions, appoint the initial member(s) of the advisory committee; the advisory committee may by written instrument irrevocably appoint any person to be an additional member of the advisory committee. The advisory committee gives instructions or notices to the Trustee on all matters in connection with the Share Award Scheme and other matters in the routine administration of the Trust; and
- (3) The Trustee will hold the Shares and the income derived therefrom in accordance with the Scheme Rules and subject to the terms of the Trust Deed.

SOURCES OF AWARDED SHARES OF THE SHARE AWARD SCHEME

Mr Jiang Xiaohuang, the controlling shareholder of the Company, decided to indirectly transfer an aggregate of 80,000,000 shares of the Company as a gift within three years, at nil consideration, as the pool of shares of the Share Award Scheme. As at the date of this report, Mr. Jiang Xiaohuang indirectly transferred an aggregate of 60,000,000 shares of the Company as a gift.

DURATION AND TERMINATION OF THE SHARE AWARD SCHEME

The Share Award Scheme shall be effective from the Adoption Date and shall be terminated at the earlier of (i) the tenth anniversary from the Adoption Date; or (ii) the date of early termination determined by the advisory committee. The termination

Other Information

of this Share Award Scheme shall not cause any material and adverse effect to any existing rights of any Selected Participants under this Share Award Scheme.

IMPLEMENTATION OF THE SHARE AWARD SCHEME

- (1) On 14 September 2020, Mr. Jiang Xiaohuang, a controlling shareholder of the Company, decided to indirectly transfer an aggregate of 80,000,000 Shares of the Company as a gift within three years, at nil consideration, as the pool of Shares of the Share Award Scheme.
- (2) On 1 December 2020, Mr. Jiang Xiaohuang completed the first annual share contribution plan and indirectly transferred an aggregate of 40,000,000 Shares of the Company as a gift at nil consideration, as the pool of Shares of the Share Award Scheme.
- (3) On 28 December 2020, the Board, based on the recommendation of the remuneration committee of the Company, resolved to grant a total of 40,000,000 Awarded Shares, which have been held by the Trustee on behalf of the Selected Participants, at nil consideration to the Share Award Grantees. The grant of Awarded Shares has been effective from 1 January 2021. The Share Award Grantees include (i) Mr. Wu Jie, an executive Director (awarded 2,000,000 Shares of the Company); (ii) Mr. Sun Bo, an executive Director (awarded 2,000,000 Shares of the Company); and (iii) employees of the Group (awarded 36,000,000 Shares of the Company).
- (4) On 28 June 2021, Mr. Jiang Xiaohuang completed the second annual share contribution plan and indirectly transferred an aggregate of 20,000,000 Shares of the Company as a gift at nil consideration, as the pool of Shares of the Share Award Scheme.

Review Report

Review report to the board of directors of FriendTimes Inc.

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 26 to 48 which comprises the consolidated statement of financial position of FriendTimes Inc. as of 30 June 2021 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 August 2021

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2021 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	4	833,007	1,050,260
Cost of sales		(272,705)	(361,351)
Gross profit		560,302	688,909
Other income	5	11,676	19,646
Sales and marketing expenses		(280,810)	(379,030)
Research and development expenses		(178,181)	(130,694)
General and administrative expenses		(31,340)	(21,680)
Other expenses-donations		—	(2,000)
Profit from operations		81,647	175,151
Finance costs		(11)	(50)
Share of loss of associates and joint venture		(1,733)	(175)
Changes in fair value of financial assets measured at fair value through profit or loss		2,212	(2,734)
Profit before taxation	6	82,115	172,192
Income tax	7(a)	48,176	(9,076)
Profit for the period		130,291	163,116
Earnings per share			
Basic and diluted (RMB)	8	0.06	0.07

The accompanying notes form parts of the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2021 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Profit for the period	130,291	163,116
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	(6,379)	7,460
Total comprehensive income for the period	123,912	170,576

The accompanying notes form parts of the financial statements.

Consolidated Statement of Financial Position

as at 30 June 2021 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	9	283,937	263,730
Intangible assets		3,642	3,856
Right-of-use assets		9,377	7,855
Financial assets measured at fair value through profit or loss	10	15,000	15,000
Financial assets measured at fair value through other comprehensive income		8,825	4,925
Film right		10,377	6,547
Interests in associates and joint venture	11	10,874	9,580
Time deposits	15	30,000	—
Deferred tax assets	7(b)	70,053	48,589
Other non-current assets	12	28,800	28,350
		470,885	388,432
Current assets			
Contract costs		8,133	7,922
Financial assets measured at fair value through profit or loss	10	141,974	120,144
Trade and other receivables	13	227,273	180,659
Pledged bank deposits		1,684	1,698
Time deposits	15	38,761	—
Cash and cash equivalents	14	774,243	1,093,324
		1,192,068	1,403,747
Current liabilities			
Trade and other payables	16	104,795	142,951
Contract liabilities		37,177	28,919
Current taxation		4,622	48,191
Lease liabilities		1,150	1,171
		147,744	221,232

Consolidated Statement of Financial Position (continued)

as at 30 June 2021 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Net current assets		1,044,324	1,182,515
Total assets less current liabilities		1,515,209	1,570,947
Non-current liabilities			
Contract liabilities		13,323	4,526
Lease liabilities		507	–
		13,830	4,526
NET ASSETS		1,501,379	1,566,421
CAPITAL AND RESERVES	17		
Share capital		154	154
Reserves		1,501,225	1,566,267
TOTAL EQUITY		1,501,379	1,566,421

Approved and authorised for issue by the Board of Directors on 31 August 2021.

Jiang Xiaohuang

Executive Directors

Wu Jie

The accompanying notes form parts of the financial statements.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2021 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2020	155	426,083	159,161	25,830	(6,830)	702,438	1,306,837
Changes in equity for the six months ended 30 June 2020:							
Profit for the period	–	–	–	–	–	163,116	163,116
Other comprehensive income	–	–	–	–	7,460	–	7,460
Total comprehensive income	–	–	–	–	7,460	163,116	170,576
Dividends	–	(199,829)	–	–	–	–	(199,829)
Share-based payments	–	(3,513)	–	–	–	–	(3,513)
Balance at 30 June 2020 and 1 July 2020	155	222,741	159,161	25,830	630	865,554	1,274,071
Changes in equity for the six months ended 31 December 2020:							
Profit for the period	–	–	–	–	–	340,403	340,403
Other comprehensive income	–	–	–	–	(33,607)	–	(33,607)
Total comprehensive income	–	–	–	–	(33,607)	340,403	306,796
Repurchase and cancellation of ordinary shares	(1)	(14,445)	–	–	–	–	(14,446)
Balance at 31 December 2020	154	208,296	159,161	25,830	(32,977)	1,205,957	1,566,421

Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2021 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC			Retained earnings RMB'000	Total equity RMB'000
				Statutory reserve RMB'000	Exchange reserve RMB'000			
Balance at 1 January 2021	154	208,296	159,161	25,830	(32,977)	1,205,957	1,566,421	
Changes in equity for the six months ended 30 June 2021:								
Profit for the period	-	-	-	-	-	130,291	130,291	
Other comprehensive income	-	-	-	-	(6,379)	-	(6,379)	
Total comprehensive income	-	-	-	-	(6,379)	130,291	123,912	
Dividends (Note17(a))	-	(116,102)	-	-	-	(98,598)	(214,700)	
Equity settled share-based payments (Note17(c))	-	-	25,746	-	-	-	25,746	
Balance at 30 June 2021	154	92,194	184,907	25,830	(39,356)	1,237,650	1,501,379	

The accompanying notes form parts of the financial statements.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2021 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities:			
Cash generated from operations		64,551	104,064
Income tax paid		(18,691)	(21,269)
Net cash generated from operating activities		45,860	82,795
Investing activities:			
Payment for purchase of property, plant and equipment, intangible assets and other non-current assets		(47,621)	(40,825)
Payment for investments measured at fair value through profit or loss		(216,756)	(240,000)
Proceeds from redemption of investments measured at fair value through profit or loss		181,083	170,000
Increase in time deposits		(68,761)	—
Payment for equity investments		(9,900)	(33,515)
Payment for film rights		(3,830)	—
Proceeds from the sales of investment in listed securities		16,785	—
Other cash flows arising from investing activities		4,104	9,262
Net cash used in investing activities		(144,896)	(135,078)
Financing activities:			
Payment of dividends		(214,700)	(88,560)
Other cash flows arising from financing activities		(1,761)	(5,648)
Net cash used in financing activities		(216,461)	(94,208)
Net decrease in cash and cash equivalents		(315,497)	(146,491)
Cash and cash equivalents at the beginning of the period	14	1,093,324	893,400
Effect of foreign exchange rate changes		(3,584)	3,981
Cash and cash equivalents at 30 June	14	774,243	750,890

The accompanying notes form part of these financial statements.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

I 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

The 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 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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.

The 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 2020 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 Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagement 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 25.

The financial information relating to the financial year ended 31 December 2020 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 2020 are available in the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2021.

Notes to the Unaudited Interim Financial Report

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3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

None of these developments have 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	
	2021 RMB'000	2020 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	806,899	1,022,088
— Revenue from self-developed games published through intellectual property license arrangement and others	26,108	28,172
	833,007	1,050,260

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4 REVENUE (continued)

(i) Disaggregation of revenue (continued)

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	
	2021 RMB'000	2020 RMB'000
Over-time	832,998	1,050,228
Point-in-time	9	32
	833,007	1,050,260

The Group's customer base is diversified and includes nil customer with whom transactions have exceeded 10% of the Group's revenues for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021, the aggregated amount of the transaction price allocated to the unsatisfied performance obligations under the Group's existing contract is RMB50,500,000 (31 December 2020: RMB33,445,000), among which RMB37,177,000 (31 December 2020: RMB28,919,000) 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 recognise 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	
	2021 RMB'000	2020 RMB'000
Mainland China	597,638	891,035
Overseas	235,369	159,225
	833,007	1,050,260

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 OTHER INCOME

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Government grants	(i)	10,437	9,074
Interest income from bank deposits		4,020	6,149
Investment income from wealth management products		1,083	2,247
Net exchange (loss)/income		(3,762)	2,129
Others		(102)	47
		11,676	19,646

(i) In 2021, 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

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits		156,651	124,421
Equity settled share-based payments	17(c)	25,746	–
Contributions to defined contribution plans	(i)	13,879	8,763
		196,276	133,184

(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.

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(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION (continued)

(b) Other items

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Depreciation of property, plant and equipment	6,803	3,637
Depreciation of right-of-use assets	714	2,010
Amortisation of intangible assets	794	3,437
Reversal/Provision for the impairment losses of trade and other receivables	(119)	342
Auditors' remuneration	500	500

7 INCOME TAX

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

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Current tax:			
Provision for current income tax for the period		1,239	19,917
Over-provision in prior years	(i)	(27,951)	–
		(26,712)	19,917
Deferred tax:			
Origination and reversal of temporary differences		(21,464)	(10,841)
		(48,176)	9,076

- (i) It mainly represented reversal of Hong Kong Profits Tax provision made on prior years' profits of Wish Interactive Technology Limited ("Wish Interactive"), a Hong Kong incorporated company and subsidiary of the Group, following the receipt of written Profits Tax exemption notice from Inland Revenue Department of Hong Kong ("IRD") dated 16 June 2021. Wish Interactive is principally engaged in the provision of mobile game publishing and operation services.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX (continued)

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the 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	Unrealized profit RMB'000	Total RMB'000
Balance at 1 January 2020	1,256	12,711	2,406	5,250	–	21,623
Credited to profit or loss	2,196	24,527	(936)	–	1,179	26,966
Balance at 31 December 2020	3,452	37,238	1,470	5,250	1,179	48,589
Credited/(charged) to profit or loss	1,548	25,787	(621)	(5,250)	–	21,464
Balance at 30 June 2021	5,000	63,025	849	–	1,179	70,053

8 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the six months ended 30 June 2021 and 2020 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	
	2021	2020
Profit attributable to the equity shareholders of the Company (RMB'000)	130,291	163,116
Weighted average number of ordinary shares in issue ('000)	2,180,850	2,187,997
Basic earnings per share	0.06	0.07

Notes to the Unaudited Interim Financial Report

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8 EARNINGS PER SHARE (continued)

(a) Basic earnings per share (continued)

Weighted average number of ordinary shares in issue:

	Six months ended 30 June	
	2021 '000	2020 '000
Ordinary shares at 1 January	2,180,850	2,191,512
Effect of shares repurchased	–	(3,515)
Weighted average number of ordinary shares at 30 June	2,180,850	2,187,997

(b) Diluted earnings per share

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

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of RMB27,313,000 (six months ended 30 June 2020: RMB37,560,000).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Investment in a Limited Liability Partnership ("LLP")	(i)	15,000	15,000
Investment in wealth management products	(ii)	90,000	70,000
Listed equity securities	(iii)	51,974	50,144
		156,974	135,144
Financial assets measured at fair value through profit or loss included in the consolidated financial statement:			
Current		141,974	120,144
Non-current		15,000	15,000

- (i) The investment in a LLP as at 30 June 2021 represents the Group's 10% share in a venture capital partnership as a limited partner.
- (ii) The wealth management products as at 30 June 2021 are issued by three PRC commercial banks with variable interest rate and have matured as at the date of the report and fully recovered.
- (iii) Listed equity securities as at 30 June 2021 are stated at their fair value, which is determined by the directors based on the closing price of the securities listed in the stock exchange.

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11 INTEREST IN ASSOCIATES AND JOINT VENTURE

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

Name	Form of business structure	Place of incorporation and operation	Portion of ownership interest-effective interest	Investment time	Paid-in capital	Principal activity
Interest in an associate						
Suzhou Jingxiang Times Network Technology Co., Ltd. 蘇州競享時代網絡科技 有限公司	Incorporated	The PRC	30.16%	29 March 2017	RMB5,181,347	Electronic sports
Chengdu Hardnut Technology Co., Ltd. 成都暮光星城科技 有限公司	Incorporated	The PRC	25.00%	21 January 2021	RMB1,333,300	Mobile game development
Interest in a joint venture						
Beijing Aoshen Interactive Technology Co., Ltd 北京澳深互動科技 有限公司	Incorporated	The PRC	40.00%	25 May 2020	RMB3,333,333	Mobile game development

As at 30 June 2021, Suzhou Jingxiang Times Network Technology Co., Ltd. ("Suzhou Jingxiang") was at the position of net liabilities. Having considered its operation performance, the directors were of the view that the interest in Suzhou Jingxiang with carrying amount of RMB2,973,000 are fully impaired.

12 OTHER NON-CURRENT ASSETS

The other non-current assets mainly represent the amounts already paid to acquire a non-controlling interest in a PRC-domiciled entity, which is engaged in development of film and television culture studios. As at 30 June 2021, the transfer of the equity interests had not been completed.

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13 TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables	(a)	142,213	138,159
Less: Loss allowance		(375)	(494)
Trade receivables, net		141,838	137,665
Deposits and prepayments		48,807	12,464
VAT deductible		16,128	13,730
Income tax recoverable		12,395	10,354
Other receivables		8,105	6,446
		227,273	180,659

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

(a) Ageing analysis

As at 30 June 2021 and 31 December 2020, the ageing analysis of trade receivables, based on the invoice date and net of allowance, is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	141,840	137,686
Over 3 months but within 1 year	–	–
Over 1 year but within 2 years	170	473
Over 2 year but within 3 years	203	–
Less: Loss allowance	(375)	(494)
Trade receivables, net	141,838	137,665

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14 CASH AND CASH EQUIVALENTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cash at banks	746,887	1,085,116
Cash at other financial institutions	27,356	8,208
Cash and cash equivalents in the consolidated statement of financial position	774,243	1,093,324

15 TIME DEPOSITS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Current		
Time deposits with maturity over three months but less than one year	38,761	–
Non-current		
Time deposits with maturity over one year	30,000	–

16 TRADE AND OTHER PAYABLES

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade payables	(a)	28,305	19,955
Accrued payroll		49,604	76,672
Payables related to property, plant and equipment		23,853	43,131
Other payables and accruals		3,033	3,193
Trade and other payables		104,795	142,951

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

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16 TRADE AND OTHER PAYABLES (continued)

(a) An ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	27,883	19,840
Over 3 months but within 6 months	169	19
Over 6 months but within 12 months	157	5
Over 1 year	96	91
	28,305	19,955

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period:

The Board of directors did not recommend a payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June 2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 12 cents per share (six months ended 30 June 2020: 10 cents per share)	214,700	199,829

(b) Repurchase and cancellation of ordinary shares

The Company did not repurchase its own shares through the Stock Exchange during six months ended 30 June 2021 (six months ended 30 June 2020: an aggregate of 3,762,000 shares at a total consideration of RMB3,513,000).

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17 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Equity settled share-based transactions

The Company has adopted a share award scheme on 14 September 2020 (the "Share Award Scheme") for the purpose of incentivise directors, senior management and certain key employees for their contribution to the Group, and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. Mr Jiang Xiaohuang, the controlling shareholder of the Company, decided to indirectly transfer an aggregate of 80,000,000 shares of the Company as a gift within three years, at nil consideration, as the pool of shares of the Share Award Scheme. A trust has been set up for the administration and vesting of restricted shares ("RSUs") granted pursuant to the Share Award Scheme.

On 1 January 2021, the first aggregate of 40,000,000 restricted shares were granted for nil consideration to 37 eligible employees of the Group under the Share Award Scheme with fair value of HKD1.99 per share determined by the latest closing market price of the shares to the vesting date. These restricted shares vest for a period up from one month to 5 years. In addition to the service condition, there are other vesting conditions related to the employee's performance and the Group's performance for each of the vesting period.

Movements in the number of RSUs granted to the Group's directors, senior management, and employees and the respective weighted-average grant date fair value are as follows:

	Number of RSUs	Weighted average fair value per RSU at grant date HKD
Outstanding as of 31 December 2020	–	–
Granted during six months ended 30 June 2021	40,000,000	1.99
Forfeited during six months ended 30 June 2021	(667,000)	1.99
Vested during six months ended 30 June 2021	(9,111,000)	1.99
Outstanding as of 30 June 2021	30,222,000	

During the six months ended 30 June 2021, a total number of 9,111,000 shares had been vested. As at 30 June 2021, a total of 30,222,000 shares was outstanding for vesting.

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18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including investment in wealth management product which is categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the directors is held once a year, to coincide with the reporting dates.

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Level 1 Assets		
Listed equity securities	51,974	50,144
Level 2 Assets		
Unlisted equity securities	8,825	4,925
Investment in a LLP	15,000	15,000
Level 3 Assets		
Investment in wealth management products	90,000	70,000
	165,799	140,069

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the investment in unlisted equity securities and LLP is determined with reference to the latest round of financing price as at 30 June 2021.

(iii) Information about Level 3 fair value measurements

The fair values of the investment in wealth management product has been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit and loss, are reasonable, and that they were the most appropriate values as at the reporting period end.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	At 30 June 2021 RMB'000	At 30 June 2020 RMB'000
<i>Investment in wealth management products</i>		
At 1 January	70,000	70,000
Payment for purchases	200,000	240,000
Realised gain from investment recognised in "other income" in the consolidated statement of profit or loss	1,083	2,247
Proceeds upon maturity	(181,083)	(172,247)
At 30 June	90,000	140,000
<i>Investment in TV-series-based financial instrument</i>		
At 1 January	-	13,008
Changes in fair value of financial assets measured at fair value through profit or loss	-	(2,734)
At 30 June	-	10,274
Total losses for the year included in profit or loss for assets held at the end of the reporting period	-	(2,734)

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purpose are recognised in the fair value reserve (non-recycling) in other comprehensive income.

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18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 30 June 2021 and 31 December 2020 due to short-term maturity of these instruments.

19 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Short-term employee benefits	3,435	3,597
Equity settled share-based payments	5,638	–
Post-employee benefits	106	35
	9,179	3,632

Total remuneration is included in "staff costs" (see Note 6(a)).