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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020 (the “**Annual Results**”) together with comparative figures for the corresponding period in 2019, which have been prepared in accordance with HKFRS.

FINANCIAL PERFORMANCE SUMMARY

	Year ended 31 December		Changes
	2020	2019	
	RMB'000	RMB'000	%
Revenue	2,182,257	1,689,051	29.2%
Gross profit	1,468,345	1,102,077	33.2%
Profit before taxation	526,607	438,204	20.2%
Profit for the year	503,519	415,527	21.2%
EBITDA	543,000	451,665	20.2%
Adjusted EBITDA*	543,000	478,683	13.4%

* Adjusted EBITDA represents EBITDA excluding listing-related expenses. HKFRS does not define adjusted EBITDA and therefore may not be comparable to similar measures presented by other listed companies. Please refer to the reconciliation of adjusted EBITDA on page 22 for further information.

1. For the year ended 31 December 2020, total revenue amounted to approximately RMB2,182.3 million, representing an increase of approximately 29.2% as compared with the year ended 31 December 2019.
2. For the year ended 31 December 2020, the Company recorded profit attributable to owners of the Company of approximately RMB503.5 million.
3. For the year ended 31 December 2020, unaudited adjusted EBITDA amounted to approximately RMB543.0 million.

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 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 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 the Legend of Empress (熹妃傳), the Royal Chaos (熹妃Q傳), the Rise of Queendom (宮廷計手遊), the 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, 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.

Review

The COVID-19 pandemic has swept across the world in 2020, affecting the working and living conditions of the public in China and the rest of the world, and accelerating the emergence and development of the stay-at-home economy. With its years of experience accumulated in the mobile and online game industry, the Group is committed to accompany all of its users with the best quality products and services.

For the year ended 31 December 2020, the Group’s total revenue was approximately RMB2,182.3 million, increasing by 29.2% as compared to last year; the net profit for the year amounted to approximately RMB503.5 million, increasing by 21.2% as compared to last year; the adjusted EBITDA was approximately RMB543.0 million, increasing by 13.4% as compared to last year. The growth of revenue and net profit in 2020 was mainly due to the increase in revenue generated by the Fate of the Empress (浮生為卿歌).

As at 31 December 2020, we have released and are operating 34 mobile games in different languages worldwide, and the accumulated total number of registered users reached 130.8 million, representing a year-on-year increase of 21.2% as compared to 2019. In terms of game monetization performance, benefited from our refined publication and operation ability, strategy of continuous version and gameplay development, and constant improvement of monetization capability, the monthly average revenue per paying user (ARPPU) of the year ended 31 December 2020 increased to RMB715.5, increasing by 34.6% as compared to last year.

The Group has also adopted an operational strategy of the long life cycle of games and performed refine operation on each of our products, constantly introducing new dynamics into the games through high frequency of game updates and content optimization delivering stable turnover. For example, although the Legend of Empress (熹妃傳) has been in operation for almost six years, the operation staff continues to provide updates and optimizations on versions, content and activities at least once a month to ensure players' gaming experience.

Fate of the Empress (浮生為卿歌)



The Fate of the Empress (浮生為卿歌) is a 3D open-ended ancient Chinese style stimulation mobile game launched by the Group on 31 December 2019. It is our latest major product in the field of ancient Chinese style female-oriented games, which has been well-received by players and others in the industry soon after its launch. It has continued to generate stable revenue and set a record for the highest monthly revenue for a single product of the Group.

The Fate of the Empress (浮生為卿歌) has shown stable and positive performance after its launch and the highest record was ranked the 5th place in China's iOS Top Games. It ranked the 20th place in China's iOS Top Games on average in 2020, demonstrating its strong stability. As at now, the Fate of the Empress (浮生為卿歌) has won a variety of awards in the industry, including The Golden Gyro Award — Annual Game Award, The Golden Plume Award — 2020 Best Original Mobile Game, The Jing Ming Award — Top 10 Best Overseas Games 2020, and The Golden Tea Awards — 2020 Best Mobile Game and Best Overseas Game.

The Fate of the Empress (浮生為卿歌) has achieved impressive results in China and overseas. Its South Korean version, which was recommended by Google Play under the “coming soon to Google Play” category and One Store in South Korea, was officially launched in June 2020 and the highest ranking reached 15th place in South Korea's iOS Top Games. As at now, the Fate of the Empress (浮生為卿歌) has been launched in China, Taiwan, Hong Kong, Macau and overseas regions such as South Korea and Southeast Asia, followed by Japan and other regions such as North America.

The Fate of the Empress (浮生為卿歌) became profitable in the second half of 2020. On the one hand, we frequently and continuously optimized versions, with up to 20 updates in the Chinese version in 2020, and recently organized a crossover activity “The Fate of the Paladin” (浮生亦逍遙) with the Chinese Paladin: Sword and Fairy (仙劍奇俠傳); on the other hand, the Company also invested in various marketing activities to obtain long-term traffic to maintain the sustainability of the product turnover. With the continuous decline of the promotion fee in the second half of 2020, the Fate of the Empress (浮生為卿歌) officially entered the payback period and the profit has been generated effectively. At the same time, combined with the long life cycle operation strategy, we believe that it can continue to contribute to steady profits in the future.

OUTLOOK

In 2021, FriendTimes will soon launch a number of new games in different and diversified styles to cope with the increasingly competitive industry environment. Looking ahead, we will continue to increase our investment in research and development, distribution and operation talents of games, seek investment and acquisition opportunities that can create synergy in the upstream and downstream industry chains, build a diversified and innovative product portfolio, 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.

NEW GAMES TO BE RELEASED

Fate: The Loved Journey (此生無白)



Fate: The Loved Journey (此生無白) is a Chinese-style fairy social mobile game and the Group’s first female-oriented ancient Chinese mythology romance-themed mobile game. It was developed from the Group’s original IP, which is a million-word script that brings players a love story that spans across thousands of years original from the past. The player in the game will become an emissary of Zhenling on a journey to salvation and in search for the sacred object, while starting a beautiful and romantic but dramatic love story with Fairy Junwubai. The player can make friends with fairy from any clan, see how creatures spend their days, explore secrets and rumours, and with their fairy friends, travel around the world, sit under peach trees and take a sip.

As at now, Fate: The Loved Journey (此生無白) has won a variety of awards in the industry including The Golden Plume Award — 2021 Most Anticipated Product, The Jinkou Award — 2021 Most Anticipated Product and The Golden Gyro Award — Annual Anticipated Game Award. In addition, the paid beta test (with data saved) for the Android version is currently in progress, and iOS version has been recommended on the App Store and pre-orders are available. The game will be launched on all platforms in China on 28 April 2021.

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 incorporates the essence of different cultures in a refreshing way by using traditional yet novel Chinese brush painting method into the ancient and unique gameplay. The game outlines realistic paintings of the ancient times, and elegantly shapes an ancient Chinese world with splashes of paint.

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 stimulation 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 emphasises on self-confidence and independence of modern women in metropolitan. The product combines a variety of game play and practical advices in workplace, allowing players to experience personal growth and socialisation in a relaxing and enjoyable gaming environment.

Diversified Product Strategy

Maintaining our leading position in the segment of ancient Chinese style female-oriented games. We always planned ahead for new ancient Chinese style female-oriented mobile games for the next 2-3 years, with brand new stories and innovative gameplay to respond to the competitive environment in the segment to maintain our leading position. For example, upon the launch of the Fate of the Empress (浮生為卿歌), the next product of the series was already under development. Certainly, apart from the sequel of the existing products, we will continue to develop other ancient Chinese style female-oriented games, such as Promise of Lingyun (凌雲諾) which will soon be released. We plan to launch 1-2 gaming products in this category annually.

Stepping into other segments of female-oriented games by innovation and bringing forth new ideas. With years of experience in the field of female-oriented games, we have a deep understanding of female users. As such, we are very confident that we will continue to succeed in other segments of female-oriented games, such as Xianxia, metropolitan, nijigen, and leisure. The games soon to be released including Fate: The Loved Journey (此生無白) and A Story of Lala's: Rising Star (杜拉拉升職記) represent our continuous attempts. With the continued development of segments, we will further enhance our comprehensive strength in the field of female-oriented games.

While focusing on the development of female-oriented segments, we also actively explore other user segments. Currently we have invested in outstanding R&D teams in Beijing, Changsha, Chengdu and Xiamen, and have been granted exclusive global distribution of products developed by these teams, enriching our game portfolio. In the future, we will continue to look for more suitable game development teams and products to expand our product portfolio.

IP Commercialization Strategy

Based on our existing original IP and the planning of the Group, we strive to create FriendTimes series IP.

The first is our ancient Chinese style IP, for example we will focus on the Fate (浮生) series and develop the “Five Episodes of the Fate Series”. Moreover, the second generation product Code: FS2 (代號：FS2) is under development, while our scriptwriting team is also working on other ancient Chinese style stories. In the future, we are interested in cooperating with film production companies to bring our ancient Chinese style creations to the silver screen through licensing. Meanwhile, we are also focusing on those IPs by designing derivatives such as figures to expand the influence of the relevant IPs.

Next is our modern-themed IP. On the one hand, we own the global perpetual adaptation rights to four titles of the IP of A Story of Lala's: Rising Star (杜拉拉升職記). On the other hand, our scriptwriting team is in the process of creating more modern-themed stories to serve as IP reserves for future game development.

Lastly is our spirit world IP, including Yokai Kitchen (精靈食肆) and pan-nijigen Yokai stimulation mobile game Code: MS (代號 : MS), two original comics released on multiple platforms and an original script of an animated film.

In the future, we will actively implement our IP commercialization strategy, and build an IP ecology from multiple dimensions such as games, script creation, comics, films and derivatives.

Globalized Overseas Strategy

We will take full advantage of our strong globalized independent publication ability, which are to carry out our local strategies, further enhance our overseas R&D capabilities, and combine localized adaptation with localized promotion, and together with our cooperative relationship with advertising platforms such as App Store, Google Play, Facebook and Google, our overseas products will continue to achieve outstanding results. At the same time, we will try to seek more game products that are more suitable for global distribution, including organizing creative competitions to discover innovative R&D trends and investing in products developed by excellent R&D teams, in order to enrich the game portfolio of our overseas products and increase the overseas market share.

FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Note	Years ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue	2	2,182,257	1,689,051
Cost of sales		(713,912)	(586,974)
Gross profit		1,468,345	1,102,077
Other income		82	23,686
Sales and marketing expenses		(612,386)	(393,284)
Research and development expenses		(264,692)	(223,602)
General and administrative expenses		(46,326)	(62,128)
Other expenses — donations		(2,000)	—
Profit from operations		543,023	446,749
Finance costs		(110)	(289)
Share of loss of associate and joint venture		(1,638)	(9)
Changes in fair value of financial assets measured at fair value through profit or loss		(14,668)	(8,247)
Profit before taxation	3	526,607	438,204
Income tax expense	4	(23,088)	(22,677)
Profit for the year		503,519	415,527
Earnings per share			
Basic and diluted (RMB)	5	0.23	0.21

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	Years ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	503,519	415,527
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(26,147)</u>	<u>(6,120)</u>
Profit and total comprehensive income for the period	<u>477,372</u>	<u>409,407</u>

Consolidated Statement of Financial Position
As at 31 December 2020

		As at 31 December	
	<i>Note</i>	2020	2019
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		263,730	201,640
Intangible assets		3,856	7,930
Right-of-use assets		7,855	8,957
Financial assets measured at fair value through profit or loss	6	15,000	–
Financial assets measured at fair value through other comprehensive income		4,925	–
Film right		6,547	–
Interests in associate and joint venture		9,580	3,218
Deferred tax assets		48,589	21,623
Other non-current assets		28,350	2,835
		<u>388,432</u>	<u>246,203</u>
Current assets			
Contract costs		7,922	12,274
Financial assets measured at fair value through profit or loss	6	120,144	138,685
Trade and other receivables	7	180,659	218,847
Pledged bank deposits		1,698	1,810
Cash and cash equivalents		1,093,324	893,400
		<u>1,403,747</u>	<u>1,265,016</u>
Current liabilities			
Trade and other payables	8	142,951	135,075
Contract liabilities		28,919	44,164
Current taxation		48,191	13,829
Lease liabilities		1,171	2,594
		<u>221,232</u>	<u>195,662</u>
Net current assets		<u>1,182,515</u>	<u>1,069,354</u>
Total assets less current liabilities		<u>1,570,947</u>	<u>1,315,557</u>

Consolidated Statement of Financial Position (continued)
As at 31 December 2020

	<i>Note</i>	As at 31 December	
		2020	2019
		RMB'000	RMB'000
Non-current liability			
Contract liabilities		<u>4,526</u>	<u>8,720</u>
NET ASSETS		<u>1,566,421</u>	<u>1,306,837</u>
CAPITAL AND RESERVES			
Share capital	9	154	155
Reserves		<u>1,566,267</u>	<u>1,306,682</u>
TOTAL EQUITY		<u>1,566,421</u>	<u>1,306,837</u>

NOTES TO THE FINANCIAL INFORMATION

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and the Group's interest in an associate and a joint venture.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The financial statements are presented in RMB, rounded to the nearest thousands except for per share information, which is the presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain investments are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period, of the revision and future periods if the revision affects both current and future periods.

2 REVENUE

(a) Disaggregation of revenue

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

	Years ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
— Revenue from self-developed games published by the Group	2,077,641	1,528,186
— Revenue from self-developed games published through intellectual property license arrangement and others	104,616	160,865
	<u>2,182,257</u>	<u>1,689,051</u>

(b) 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.

	Years ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland of the PRC	1,713,842	1,120,229
Overseas	468,415	568,822
	<u>2,182,257</u>	<u>1,689,051</u>

3 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	Years ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	270,000	215,408
Contributions to defined contribution plans	18,210	32,113
	<u>288,210</u>	<u>247,521</u>

(b) Other items

	Years ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	8,611	7,570
Depreciation of right-of-use assets	3,434	4,210
Amortisation of intangible assets	4,238	1,392
Impairment losses of trade and other receivables	407	128
Auditors' remuneration	2,050	1,500
Listing expenses	–	27,018
	<u>–</u>	<u>27,018</u>

4 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current tax:		
Provision for current income tax for the year	50,054	30,980
Deferred tax:		
Origination and reversal of temporary differences	(26,966)	(8,303)
	<u>23,088</u>	<u>22,677</u>

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

	Note	Years ended 31 December	
		2020	2019
		RMB'000	RMB'000
Profit before taxation		<u>526,607</u>	<u>438,204</u>
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	(i)	121,327	102,347
Tax effect of preferential tax rate	(ii)	(68,273)	(65,437)
Super-deduction of research and development expense	(iii)	(29,459)	(17,644)
Effect on deferred tax balance resulting from a change in tax rate		-	5,369
Tax effect of non-deductible expenses		267	698
Tax effect of tax losses not recognised		149	7,019
Tax effect of utilisation of tax losses not recognised in prior years		(2,770)	-
Tax effect of temporary differences not recognised, net of utilisation of temporary differences not recognised in prior years	(iv)	1,847	(9,675)
Actual income tax		<u>23,088</u>	<u>22,677</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The Company's subsidiary incorporated in Hong Kong is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019. Payments of dividends by Hong Kong companies are not subject to any withholding tax.

The Company's subsidiary incorporated in South Korea is liable to South Korea Profits Tax at progressive tax rates from 10% to 25% of annual taxable profits.

The Group's PRC subsidiaries are liable to the PRC corporate income tax rate of 25%.

- (ii) The subsidiary of the Company, FriendTimes Technology obtained the approval of Technologically Advanced Service Enterprises and is entitled to a preferential income tax rate of 15% from 2018 to 2020.

According to the PRC Corporate Income Tax Law and its relevant regulations, entities that are qualified as software enterprise are entitled to a tax holiday after utilising all prior years' tax losses, comprising of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years. The subsidiary of the Company, Suzhou GameFriend Network Technology Co., Ltd. ("GameFriend"), obtained the certificate of Software Enterprise in 2015 and was entitled to the preferential income tax rate of 0% in 2015 and 2016, and 12.5% from 2017 to 2019. In addition, GameFriend also obtained the approval of Technologically Advanced Service Enterprises and is entitled to a preferential income tax rate of 15% from 2018 to 2020.

The subsidiaries of the Company, Suzhou Purple Blaze Network Technology Co., Ltd. ("Purple Blaze"), obtained the certificate of Software Enterprise in 2018 and is entitled to the preferential income tax rate of 0% in 2018 and 2019, and 12.5% from 2020 to 2022.

The subsidiaries of the Company, Suzhou Cheeryoo Network Technology Co., Ltd. ("Suzhou Cheeryoo"), and Shanghai Purple Wing Network Technology Co., Ltd. ("Purple Wing"), obtained the certificate of Software Enterprise in April 2019, and are exempt from income tax for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generated from prior years.

- (iii) Under the PRC Income Tax Law and its relevant regulations, 75% additional tax deduction is allowed for qualified research and development costs for the years ended 31 December 2020 and 2019.
- (iv) This primarily represented the advertising expenses exceeding the income tax deductible limit for the respective tax year under the PRC Income Tax Law and deductible in future years when future advertising expenses falls below the tax deductible limit in the respective year of the future.

5 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of RMB503,519,000 (2019: RMB415,527,000) and the weighted average of 2,186,170 ordinary shares (2019: 1,945,212 shares after adjusting the capitalisation issue occurred immediately prior to the listing of the company's shares on 8 October 2019) in issue during the year, calculated as follows:

	Years ended 31 December	
	2020	2019
Profit attributable to the equity shareholders of the Company (RMB'000)	503,519	415,527
Weighted average number of ordinary shares in issue ('000)	2,186,170	1,945,212
Basic earnings per share	0.23	0.21

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2020 and 2019 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

6 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Investment in a LLP	15,000	–
Investment in wealth management products	70,000	70,000
Listed equity securities	50,144	55,677
Investment in TV-series-based financial instrument	–	13,008
	135,144	138,685

7 TRADE AND OTHER RECEIVABLES

		As at 31 December	
	<i>Note</i>	2020	2019
		RMB'000	RMB'000
Trade receivables	<i>(a)</i>	138,159	179,760
Less: Loss allowance		(494)	(549)
Trade receivables, net		137,665	179,211
Deposits and prepayments		12,464	19,843
VAT deductible		13,730	11,101
Income tax recoverable		10,354	3,359
Other receivables		6,446	5,333
		180,659	218,847

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

(a) Ageing analysis

As at the end of each of the years ended 31 December 2019 and 2020, the ageing analysis of trade receivables, based on the invoice date and net of allowance, is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 3 months	137,686	178,876
After 3 months but within 1 year	–	421
After 1 year but within 2 years	473	463
Less: Loss allowance	(494)	(549)
	<u>137,665</u>	<u>179,211</u>
Trade receivables, net	<u>137,665</u>	<u>179,211</u>

8 TRADE AND OTHER PAYABLES

	Note	As at 31 December	
		2020	2019
		RMB'000	RMB'000
Trade payables	(a)	19,955	14,293
Accrued payroll		76,672	62,814
Payables related to property, plant and equipment		43,131	55,477
Other payables and accruals		3,193	2,491
		<u>142,951</u>	<u>135,075</u>
Trade and other payables		<u>142,951</u>	<u>135,075</u>

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

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 3 months	19,840	13,993
Over 3 months but within 6 months	19	252
Over 6 months but within 12 months	5	–
Over 1 year	91	48
	<u>19,955</u>	<u>14,293</u>
	<u>19,955</u>	<u>14,293</u>

9 CAPITAL AND RESERVES

(a) Share capital

(i) Authorized and issued share capital

	Par Value US\$	No. of shares '000	US\$ '000
Authorized shares at 31 December 2020 and 2019:	0.00001	5,000,000	50
Ordinary shares, issued and fully paid:			
At 1 January 2019	0.00001	49,594	—*
Shares issued to shareholders of the Company	0.00001	2,066	—*
Capitalization issue (<i>note (ii)</i>)	0.00001	1,818,340	18
Initial public offering (<i>note (iii)</i>)	0.00001	330,000	3
Repurchase and cancellation of ordinary shares (<i>note (iv)</i>)	0.00001	(8,488)	—*
At 31 December 2019	<u>0.00001</u>	<u>2,191,512</u>	<u>21</u>
RMB equivalent ('000)			<u>155</u>
At 1 January 2020			
Repurchase and cancellation of ordinary shares (<i>note (iv)</i>)	0.00001	(10,662)	—*
Balance at December 31, 2020	<u>0.00001</u>	<u>2,180,850</u>	<u>20</u>
RMB equivalent ('000)			<u>154</u>

* The balance represented number less than 1,000.

The Company was incorporated in the Cayman Islands on 16 November 2018 with an authorized share capital of US\$50,000 divided into 5,000,000,000 shares with a par value of US\$0.00001 each, of which 49,593,600 and 2,066,400 fully paid shares were allotted and issued on 16 November 2018 and 13 February 2019.

Upon the completion of various steps of the group reorganization, the Company became the holding company of the companies comprising the Group on 20 February 2019.

(ii) Capitalization issue

Pursuant to the written resolution dated 11 September 2019, the Company allotted and issued 1,818,340,000 shares of US\$0.00001 each to the then existing shareholders. This resolution was conditional upon the share premium account being credited as a result of the Company's initial public offering and pursuant to this resolution, a sum of US\$18,000 (equivalent to RMB129,000) standing to the credit of the share premium account as of 8 October 2019 was subsequently applied in paying up this capitalization issue in full.

(iii) *Issue of ordinary shares by initial public offering*

On 8 October 2019, the Company issued 330,000,000 ordinary shares with a par value of USD 0.00001, at a price of HK\$1.52 per share by way of public offering to Hong Kong and overseas investors. Net proceeds from these issues amounted to RMB434,007,000 (after offsetting expenses directly attributable to the issue of shares of RMB18,341,000), out of which RMB23,000 and RMB433,984,000 were recorded in share capital and share premium accounts, respectively.

(iv) *Repurchase and cancellation of ordinary shares*

The Company repurchased an aggregate of 10,662,000 shares (2019: 8,488,000 shares) of its own shares through the Stock Exchange, at a total consideration of HK\$20,723,000 (equivalent to approximately RMB17,959,000) during the year ended 31 December 2020 (2019: HK\$8,657,000 (equivalent to approximately RMB7,773,000)). The aforesaid repurchased shares were cancelled as at 31 December 2020.

(b) Dividend

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Final dividend proposed after the end of the year ended 31 December 2020 of HK\$0.12 per ordinary share (2019:HK\$0.1 per ordinary share)	<u>220,259</u>	<u>196,316</u>

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB2,182.3 million, representing an increase of RMB493.2 million or approximately 29.2% from approximately RMB1,689.1 million for the year ended 31 December 2019. The increase in revenue was mainly due to the increase in revenue from our game, the 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:

	Year ended 31 December				Year-on-year % change
	2020		2019		
	RMB'000	%	RMB'000	%	
Revenue from games	2,182,216	100.0%	1,689,051	100.0%	29.2%
Others	41	0.0%	–	0.0%	N/A
Revenue	<u>2,182,257</u>	<u>100.0%</u>	<u>1,689,051</u>	<u>100.0%</u>	<u>29.2%</u>

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:

	Year ended 31 December				Year-on-year % change
	2020		2019		
	RMB'000	%	RMB'000	%	
Domestic market	1,713,805	78.5%	1,120,229	66.3%	53.0%
Overseas market	468,411	21.5%	568,822	33.7%	–17.7%
Revenue from games	<u>2,182,216</u>	<u>100.0%</u>	<u>1,689,051</u>	<u>100.0%</u>	<u>29.2%</u>

Cost of sales

The Group's cost of sales increased by 21.6% from approximately RMB587.0 million for the year ended 31 December 2019 to approximately RMB713.9 million for the year ended 31 December 2020, mainly due to the increase in distribution costs charged by distribution platforms resulting from the increase in revenue from games, and increase in remuneration and benefits of operation personnel.

Gross profit and gross profit margin

As a result of the above, gross profit increased by 33.2% from approximately RMB1,102.1 million for the year ended 31 December 2019 to approximately RMB1,468.3 million for the year ended 31 December 2020. Gross profit margin increased from approximately 65.2% for the year ended 31 December 2019 to approximately 67.3% for the year ended 31 December 2020.

Sales and marketing expenses

For the year ended 31 December 2020, the Group's sales and marketing expenses amounted to approximately RMB612.4 million, representing an increase of RMB219.1 million or approximately 55.7% from approximately RMB393.3 million for the year ended 31 December 2019, mainly due to the corresponding increase in promotion along with the launch of the new product, the Fate of the Empress (浮生為卿歌).

Research and development expenses

For the year ended 31 December 2020, the Group's research and development expenses amounted to approximately RMB264.7 million, representing an increase of RMB41.1 million or approximately 18.4% from approximately RMB223.6 million for the year ended 31 December 2019, mainly due to (i) the increase in employee expenses in 2020 resulting from the launch of new games and continually upgrade of existing games, and (ii) the increase in art production cost.

General and administrative expenses

For the year ended 31 December 2020, the Group's administrative expenses amounted to approximately RMB46.3 million, representing a decrease of RMB15.8 million or approximately 25.4% from approximately RMB62.1 million for the year ended 31 December 2019, mainly due to the fact that the administrative expenses in 2019 included listing expenses.

Finance costs

For the year ended 31 December 2020, the Group's finance costs amounted to approximately RMB0.1 million, representing a decrease of RMB0.2 million from approximately RMB0.3 million for the year ended 31 December 2019.

Income tax expense

For the year ended 31 December 2020, the Group's income tax expense amounted to approximately RMB23.1 million, representing an increase of RMB0.4 million from approximately RMB22.7 million for the year ended 31 December 2019.

Profit for the year

In 2020, our profit for the year amounted to approximately RMB503.5 million, representing an increase of approximately RMB88.0 million or approximately 21.2% from approximately RMB415.5 million in 2019.

EBITDA and adjusted EBITDA

EBITDA represents net profit during the year (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 for the year and EBITDA and adjusted EBITDA for the year ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	503,519	415,527
Add: Depreciation of property, plant and equipment	8,611	7,570
Add: Amortization of intangible assets	4,238	1,392
Add: Depreciation of right-of-use assets	3,434	4,210
Add: Income tax expenses	23,088	22,677
Add: Interest expenses	110	289
	<hr/>	<hr/>
EBITDA	543,000	451,665
Add: Listing expenses	–	27,018
	<hr/>	<hr/>
Adjusted EBITDA	543,000	478,683
	<hr/> <hr/>	<hr/> <hr/>

Liquidity and capital resources

As of 31 December 2020, the Group's current liabilities/net assets amounted to approximately 0.14 (31 December 2019: 0.15).

As of 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB1,093.3 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.

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	575,015	341,581
Net cash used in investing activities	(128,001)	(235,819)
Net cash (used in)/generated from financing activities	(221,653)	319,124
	<hr/>	<hr/>
Net increase in cash and cash equivalents	225,361	424,886
Cash and cash equivalents as at the beginning of the year	893,400	472,605
Effect of foreign exchange rate changes	(25,437)	(4,091)
	<hr/>	<hr/>
Cash and cash equivalents as at 31 December	<u>1,093,324</u>	<u>893,400</u>

Operating activities

For the year ended 31 December 2020, net cash generated from operating activities was RMB575.0 million, compared to RMB341.6 million for the year ended 31 December 2019.

Investing activities

For the year ended 31 December 2020, net cash used in investing activities was RMB128.0 million, which primarily included (i) our payment for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB84.2 million as a result of the construction of our new office building and purchase of office equipment; (ii) our payments for purchase of investments measured at fair value through profit or loss of RMB409.2 million; and (iii) the proceeds from redemption of wealth management products amounted to RMB390.0 million. For the year ended 31 December 2019, net cash used in investing activities was RMB235.8 million.

Financing activities

For the year ended 31 December 2020, net cash used in financing activities was RMB221.7 million, mainly include (i) payment of dividends amounted to RMB199.8 million; and (ii) payment of share repurchases amounted to RMB18.0 million. For the year ended 31 December 2019, net cash generated from financing activities was RMB319.1 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) 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 year ended 31 December 2020 and 2019 are set out below:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	71,640	131,367
Intangible assets	164	7,989
Right-of-use assets	2,332	–

Capital commitments

The Group's capital commitments regarding our office building (under construction), servers and computer equipment were approximately RMB18.0 million (31 December 2019: RMB114.0 million). The Group plans to finance its capital commitments with its own funds.

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for but not provided for	17,729	103,124
Authorized but not contracted for	288	10,845
	<u>18,017</u>	<u>113,969</u>

Gearing ratio

As at 31 December 2020, gearing ratio was 0.1% (31 December 2019: 0.2%). As at 31 December 2020, the Group did not have bank borrowings (31 December 2019: nil).

Capital structure

For the year ended 31 December 2020, the Group's capital structure has not changed.

Contingent liabilities

As of 31 December 2020, the Group did not have any unrecorded significant contingent liabilities or any guarantees (2019: Nil).

Employees and remuneration policies

As of 31 December 2020, the Group had a total of 1,456 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 the year ended 31 December 2020.

Restructuring and significant investments

During the year ended 31 December 2020, the Group did not have any restructuring and significant investments.

Material acquisitions and disposals of assets

For the year ended 31 December 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 third parties.

Pledge of assets by the Group

As of 31 December 2020, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (31 December 2019: Nil).

Foreign currency exchange risks

For the year ended 31 December 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 team will continue to closely monitor the Group's foreign currency exchange risks and will consider implementing appropriate measures.

Use of Proceeds from the Listing

Since the Listing Date and up to 31 December 2020, the Group has gradually utilized the IPO Proceeds in accordance with the intended purposes stated in the Prospectus.

The IPO total net proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange, after deducting professional fees, underwriting commission and other listing related expenses, were approximately RMB434.0 million. For the year ended 31 December 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 RMB291.2 million. The balance of IPO proceeds will continue to be utilized according to the manner and proportions as disclosed in the Prospectus. For details, please refer to the following table:

	Net amount available as at 31 December 2019 (RMB million)	Actual net amount utilized at 31 December 2020 (RMB million)	Unutilized net amount at 31 December 2020 (RMB million)
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	58.6	93.3
IP ecological construction	65.1	10.5	54.6
Acquisition of upstream and downstream industries	43.4	12.9	30.5
Working capital and general corporate use	43.4	21.7	21.7
	<hr/>	<hr/>	<hr/>
Total	434.0	142.8	291.2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2020

The Board resolved to grant a total of 40,000,000 awarded shares to the selected directors and employees of the Group based on the recommendation of the remuneration committee, which is effective from 1 January 2021. The 40,000,000 awarded shares to be granted at nil consideration represent approximately 1.83% of the issued share capital of the Company as at the date of the grant. For details, please refer to the announcements of the Company dated 14 September 2020 and 28 December 2020 respectively.

OTHER INFORMATION

Final dividend

The Board proposed the payment of final dividend of HK12 cents per ordinary share for the year ended 31 December 2020 (31 December 2019: HK10 cents per ordinary share). The payment of final dividend shall be subject to the approval by the Shareholders at the AGM. Upon the approval by the Shareholders, the final dividend is expected to be paid around Friday, 18 June 2021.

Annual General Meeting

The AGM will be held on Thursday, 27 May 2021. A notice convening the AGM will be published and dispatched to Shareholders of the Company in due course in the manner prescribed by the Listing Rules.

Closure of Register of Members

1. Entitlement to attend and vote at the 2021 AGM

For determination of the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021 (both days inclusive), during which period no transfer of the Shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 May 2021.

2. Entitlement to the final dividend for 2020

For determination of the entitlement of Shareholders to the final dividend for 2020 (final dividend is subject to approval by the Shareholders at the AGM), the register of members of the Company will be closed from Thursday, 3 June 2021 to Monday, 7 June 2021 (both days inclusive), during which period no transfer of the Shares of the Company will be registered. The record date for entitlement to the final dividend for 2020 is Monday, 7 June 2021. In order to qualify for the entitlement to the final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 June 2021. The payment date for the final dividend for 2020 is expected to be on or around Friday, 18 June 2021.

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

For the year ended 31 December 2020, 10,662,000 ordinary Shares were repurchased from the Stock Exchange at an aggregate price of HK\$20,723,000, and the repurchased ordinary Shares were cancelled on 23 January, 14 February, 12 October, 22 October, 10 November and 26 November 2020 respectively.

The Share repurchases were approved by the Board to enhance the long-term value of the Shares held by the Shareholders. Details of the Share repurchases in 2020 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	3,762,000	1.12	1.00	3,965,958
September 2020	4,908,000	2.63	2.26	12,014,262
October 2020	1,992,000	2.54	2.10	4,742,780
Total	10,662,000			20,723,000

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, for the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed the listed securities of the Company.

Share Award Scheme

The Board has approved the adoption of the Share Award Scheme of the Company (the “**Share Award Scheme**”) on 14 September 2020 (the “**Adoption Date**”).

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

- (i) 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
- (ii) 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

- (i) The Share Award Scheme is subject to the administration of the Board in accordance with the Scheme Rules and the Trustee in accordance with the terms of the Trust Deed (as the case may be);
- (ii) The Board may, by passing ordinary resolutions, appoint any one or more senior management of the Company as Authorised Representative(s) to give 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
- (iii) 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

- (i) Existing Shares to be purchased by the Trustee from the market (on the exchange or off the exchange) pursuant to the written instructions of the Board or the Authorised Representative(s) from time to time;
- (ii) New Shares to be allotted and issued to the Trustee (which holds the same on behalf of the Selected Participants) by the Company pursuant to the general mandate sought from the Shareholders at its general meetings; or
- (iii) Shares of the corporate shareholders of the Company transferred to the Trustee from time to time.

Operation of the Share Award Scheme

The Board may, from time to time, inject certain amount of funds to the Trust through asset grant arrangement or other methods. These funds form part of the trust fund and could be utilised for the purchase or subscription of the Awarded Shares, as the Board deems appropriate, pursuant to the Share Award Scheme, or other purposes set out in the Trust Deed.

Subject to the terms of the Share Award Scheme, the compliance with the Listing Rules and the terms and conditions of the Trust Deed, and for the benefit of the employees of the Group, the Board or the Authorised Representative(s) may from time to time instruct the Trustee in writing to (i) directly or indirectly purchase Shares in the market (on the exchange or off the exchange); (ii) subscribe for new Shares allotted and issued by the Company; and (iii) purchase or accept shares of the corporate shareholders of the Company. Once obtained, the Shares are to be held directly or indirectly by the Trust for the benefit of the Selected Participants on and subject to the terms and conditions of the Scheme Rules and the Trust Deed until such Shares are vested in the Selected Participants.

Upon reception of instruction notice from the Board or the Authorised Representative(s) in writing, the Trustee shall, by utilizing the cash remained in the trust fund, obtain the Shares in accordance with the instructions contained in the notice. In addition, the Trustee shall also pay the related expenses incurred, including but not limited to the brokerage fees, stamp duties, Securities and Futures Commission transaction levies, Stock Exchange trading fees and other necessary expenditures. The Shares obtained and remaining cash afterwards will all be regarded as part of the trust fund.

The Board or the Authorised Representative(s) may, from time to time, at its/his/her absolute discretion select any Eligible Participant for participation in the Share Award Scheme as a Selected Participant and determine the number of Awarded Shares to be awarded to the respective Selected Participants for free and determine the terms and conditions to be observed.

The Board or the Authorised Representative(s) may, at its/his/her absolute discretion, determine the conditions before the Awarded Shares may be vested by the Eligible Participant (including the minimum years of service in the Group after the grant of the Awarded Shares).

Pursuant to the Trust Deed, the Trustee may, during the trust period, utilize the cash remained in the trust fund for the payment of fees, costs and expenses incurred in relation to the Trust.

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 Board through ordinary resolution of the Board. The termination 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

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.

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.

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).

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as a code for Directors to conduct securities transactions. The Company has made specified enquiry with all the Directors, who have confirmed that for the year ended 31 December 2020, they have complied with the required standards contained in the Model Code.

Compliance with the CG Code

The Company's corporate governance practices are based on the principles and the code provisions as set out in the CG Code. For the year ended 31 December 2020, the Company has complied with all applicable code provisions set out in the CG Code except for the deviation from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and CEO should be separated and should not be performed by the same individual. The role of Chairman and CEO are both performed by Mr. Jiang Xiaohuang. 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.

In addition, the operation of the Senior Management and the Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Jiang, as both the Chairman and CEO.

The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation.

Fiscal Policies

The Group has adopted centralized financing and fiscal policies to strengthen control over bank deposits and ensure the safe and efficient operation of the Group's funds. The Group's surplus cash is generally short-term deposits in RMB, U.S. dollars or HK dollars. It is the Group's policy to conduct only conservative deposit transactions and restrict investment in high-risk financial products.

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 were held by the public.

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee comprises three members, namely, Mr. Zhu Wei, Ms. Tang Haiyan and Mr. Zhang Jinsong, all being independent non-executive Directors of the Company. Mr. Zhu Wei is the chairman of the Audit Committee, who possesses suitable professional qualifications.

The Audit Committee has reviewed the Company's audited consolidated results for the year ended 31 December 2020 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

Scope of Work of the Company's Auditor

The financial figures in respect of the Group's consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's Auditor, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020 and the amounts were found to be in agreement. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor.

Publication of the Annual Results and Annual Report

The annual 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 annual report of the Group will be despatched 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:

“Adoption Date”	14 September 2020, being the date on which the Board adopted the Share Award Scheme
“AGM”	the forthcoming annual general meeting of the Company to be held on 27 May 2021
“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
“Authorised Representative(s)”	authorised representative(s) appointed by the Board by passing ordinary resolutions delegated with the power and authority by the Board to give 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
“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 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)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this announcement, refers to the controlling shareholders of our Company, being Mr. Jiang, Gorgeous Sunshine, Eternal Heart, Ling Long, Lucky Fish, Future Wisdom, Warm Sunshine, Agile Eagle, Purple Dream and Purple Crystal (as defined respectively in the Prospectus)
“Eligible Participant”	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
“Director(s)”	director(s) of the Company
“Group”, “our Group”, “the Group”, “we”, “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)
“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

“Reporting Period”	1 January 2020 to 31 December 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Selected Participant”	Eligible Participant(s) selected by the Board pursuant to the Scheme Rules who holds a subsisting Award;
“Scheme Rules”	the rules of the Share Award Scheme, as amended from time to time
“Senior Management”	senior management of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“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
“Share Award Scheme”	the share award scheme adopted by the Company on the Adoption Date (in its present or any amended form)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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); and
“Trustee”	TMF Trust (HK) Limited, the trustee which has been appointed by the Company to manage the Share Award Scheme
“%”	per cent

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management members and staff of the Group for their hard work in the past year. I would also like to give my sincere gratitude to our Shareholders, partners and stakeholders for their continued support, and hope to receive their continued support in the future.

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

Hong Kong, 22 March 2021

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.