

2022

Interim Report



友谊时光
FRIENDTIMES

FRIENDTIMES INC.

Incorporated in the Cayman Islands
with limited liability

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 of the PRC
“Hong Kong dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“IP”	intellectual property
“Latest Practicable Date”	14 September 2022, being the latest practicable date prior to the printing of this interim report
“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
“Macau”	the Macau Special Administrative Region of the PRC
“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
“Reporting Period”	from 1 January 2022 to 30 June 2022
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“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)

Definitions

“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
“Taiwan”	Taiwan Province of the PRC
“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

COMPANY SECRETARY

Mr. Liu Gongyou
(resigned on 24 June 2022 as Joint Company Secretary)
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

5/F., Manulife Place
348 Kwun Tong Road, Kowloon
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 AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Corporate Information

LEGAL ADVISER

As to Hong Kong law:
Tian Yuan Law Firm LLP
Suite 702, 7/F
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

Financial Summary

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

RESULTS

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Revenue	826,057	833,007
Gross profit	572,745	560,302
(Loss)/profit for the period	(72,962)	130,291
Adjusted (loss)/profit	(58,461)	156,037

ASSETS, LIABILITIES AND EQUITY

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
	Total assets	1,471,158
Total liabilities	85,659	160,318
Total equity	1,385,499	1,646,405

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

Management Discussion and Analysis

OVERVIEW

As a leading developer, publisher and operator of mobile games integrating research and operation in China, the Group always adheres to our principles of content orientation and quality first, and is committed to creating a long-lasting quality product for the world so as to become a global excellent creative cultural enterprise.

The Group is headquartered in Suzhou, China, with branches in regions of 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 consecutively and successfully launched core products such as the Legend of Empress (熹妃傳), the Royal Chaos (熹妃Q傳), the Fate of the Empress (浮生為卿歌), the Promise of Lingyun (凌雲諾) 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.

The Group actively undertakes social responsibilities and fulfills social obligations, and thus was credited with the title of “2021–2022 China Game Enterprises with Relatively Outstanding Performance on Social Responsibility (2021–2022年度中國遊戲企業社會責任表現相對突出企業)” by people.cn (人民網). With promotion and protection of traditional culture as our foundation, we adhere to the integrated development of culture and technology, and are committed to creating products based on our excellent Chinese culture. Through continuously strengthening the information security, data protection function and digitalization, our system has met the requirement of ISO/IEC 27001 information security management system. In addition, in the first half of 2022, we continued to contribute to the development of charity and public welfare through diversified public welfare activities. For example, we donated epidemic prevention materials and “Love Gift for Quarantined Children and Staff (隔離兒童及工作人員愛心大禮包)” to Suzhou Industrial Park Charity Federation (蘇州工業園區慈善總會) to support fighting against the COVID-19 pandemic in Suzhou. Books, learning materials, computers and other gifts have been sent to primary and secondary schools in Zhaojue, Sichuan, Yan’ an, Shaanxi and Guizhou to help improve the education level and teaching standard in remote areas. For the Fate of the Empress (浮生為卿歌), the “Spiritual Pet Protection Action (靈寵守護行動)” has been implemented to care for homeless animals, and more than 100 sets of cat supplies, kilogrammes of pet food and other gifts have been donated to Suzhou Small Animal Protection Association (蘇州小動物保護協會).

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2022, the total revenue of the Group was approximately RMB826.1 million, representing a decrease of 0.8% as compared to the corresponding period in 2021. Gross profit was approximately RMB572.7 million, representing an increase of 2.2% as compared to the corresponding period in 2021. Net loss for the period was approximately RMB73.0 million, as compared to the profit for the period of approximately RMB130.3 million for the corresponding period in 2021. Adjusted net loss for the period was approximately RMB58.5 million, as compared to the adjusted profit for the period of approximately RMB156.0 million for the corresponding period in 2021.

The Group's loss for the Reporting Period was mainly due to the increase in the Group's marketing expenses during the Reporting Period, including the centralized-promotion expenses incurred for the launch of the Promise of Lingyun (凌雲諾), the new game, during the Reporting Period and the related expenses arising from the overall brand marketing upgrade of the Group. With the lifecycle extension of existing games, the relevant revenue has experienced a normal decline. Besides, during the period, the Group continued to maintain a relatively high investment level of research and development, mainly in areas such as core talent reserve, replacement of obsolete tools for research and development as well as new technology exploration.

The Group maintains stable income from our games through frequent version updates and content optimization, supplemented by long-lifecycle operation strategies such as long-term purchase and investment. At the same time, we continued to leverage the distribution advantages on overseas expansion and localization, and continued to optimize the inheritance and promotion of traditional culture, integrating Chinese cultural elements into our products and exploring overseas markets for our games in order to promote our traditional culture to the world. For example, the Legend of Empress (熹妃傳) is a mobile game with an ancient beauty theme that has been in operation for more than seven years. Through continuous version update and optimization, the monthly revenue is still over tens of millions and is exported to regions and countries such as Hong Kong, Macau, Taiwan, South Korea, Japan, Southeast Asia, Europe and the United States.

Fate of the Empress (浮生為卿歌)

The Fate of the Empress (浮生為卿歌) was officially launched on 31 December 2019, being the flagship female-oriented product of the Group in relation to ancient Chinese culture. There was innovative interaction among users, scenes and objects in the game. The real-time weather algorithm system has enabled the light-and-shadow effect of the ever-changing weather such as rainy, snowy, sunny, cloudy, daytime and nighttime. The traditional Chinese architectural style has been integrated into the landscape, fully demonstrating the oriental aesthetics taste. The fashion designed for game characters draws on the typical apparel elements of all the dynasties and takes into account the age, identity, social status and personalities of the characters, aiming at integrating the traditional culture to restore the image of Chinese ancient characters which allows players to always experience the details of the Chinese culture.

Management Discussion and Analysis

In the first half of 2022, we could satisfy gamers with their game experience through update of game rules, replacement and optimization of apparel tools and refined operation activities. During the Reporting Period, we ranked 25th among the best-selling iOS games in Mainland China. For the Fate of the Empress (浮生為卿歌), we cooperated with master Qiao Langrong (喬蘭蓉), the renowned painter of Suzhou Taohuawu wood-block new year painting, an intangible cultural heritage, to draw inspiration from the spring festival-based pet mounts in the game and create a new year painting with koi, dragon gates and the cultural buildings of Gusu as the core elements. Cooperating with master Guo Hongli (郭洪利), the representative maker of Weifang kite, a national intangible cultural heritage, we created a new hand-made kite with Weifang style based on the inspiration of the toy of “Kite Yinjin (箏吟錦鳶)” in the game and the core of the traditional bird-styled kite design. In close cooperation with the famous Original “Hanfu-styled Pulling a Sleeve” (原創漢服風牽一袖), we reproduced the in-game costume “Magpie Bridge Fairy (鵲橋仙)”. We cooperated with “Cai Zhi Zhai (採芝齋)”, a century-old Chinese food store, to replicate classic cuisines and other kinds of cuisines in the game. We strive to integrate traditional culture with game culture, to allow our games to become new carriers spreading traditional culture, while expanding our own cultural value.

Promise of Lingyun (凌雲諾)

The 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. With the traditional and innovative new style of Chinese drawing technique, we have created for the game a variety of Chinese-styled features such as glamorous costume, manor creation and social interaction by means of poetry and painting. Besides, through small fun games such as floral art, drinking games and mahjong-styled games, details of the game are much developed, thereby allowing the players to enjoy the remastered pictures of ancient Chinese lifestyles centuries ago.

The Promise of Lingyun (凌雲諾) was officially launched on 20 January 2022. It was highly recommended on Today, the homepage of Apple App Store, on its first day in the market, quickly climbing to the top of the free-to-play iOS game list in mainland China. Thereafter, it also has good performance such as gaining a place on the recommendation page for games in the Apple App Store and being credited by the editor as the best game in January. In the first half of 2022, the Promise of Lingyun (凌雲諾) was ranked the 34th on the best-selling iOS game list in mainland China. Currently, the overseas version of the Promise of Lingyun (凌雲諾) is under active preparation and will be launched successively in the future.

Since the launch of the Promise of Lingyun (凌雲諾), we have innovatively introduced new features of interaction within the game and specific marketing activities. On 1 May 2022, the collaboration event of the Promise of Lingyun (凌雲諾) and “Your Imperial Majesty (吾皇貓)”, a classic fun comic IP was launched, with “Your Imperial Majesty (吾皇貓)”, a cool cat, and “Black Baza (巴扎黑)”, a cute pug, exclusive dedicated activities and exclusive costume could be unlocked. As a result, new interpretation of the original comic is achieved through various interactions. On 20 May 2022, the “Glamorous Costume Ceremony (華服盛典)”, a fashion contest, were held in the Promise of Lingyun (凌雲諾) where beautiful and elegant makeup and costumes showing the charm of the nation could be found. It was, therefore, specifically recommended on Today, the homepage of Apple App Store. At the same time, an ancient styling beauty contest named “Dream of Ancient Chinese Glamorous Costume and Beauty (華裳伊人山河尋夢)” was held on the TikTok platform, attracting active participation from lovers of Chinese style and players.

Management Discussion and Analysis

PROPRIETARY GAME RESERVE

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.

In early July 2022, a 10-day "Blooming Test (綻放測試)" was conducted for the Rising Star (杜拉拉升職記) which attracted active participation from players and accumulated data supporting subsequent refining of products. Game features such as 3D engine-based fashion apparel, personalized facial appearance and facial expression motion capture have been welcomed by players, evidenced by the fact that the total time spent by all players nearly reached 110,000 hours, with 1.049 million pieces of costumes and accessories purchased and 129,000 picturesque photos taken. At present, subscription can be made via all platforms for the Rising Star (杜拉拉升職記).

At the same time, new technology and features such as facial expression motion capture system, smart voice assistant and AR photo-taking of the Rising Star (杜拉拉升職記) are well recognized by players. We hope to enhance the playability and immersive experience of games through the application of these new technologies. For example, through the use of the facial expression motion capture system, players can see their real-time facial motions mimic by their characters in the game in the feature of expression challenge within the game, so that, together with glamorous clothes and hair accessories, a sense of immersive experience is created for players. The configuration of the smart voice assistant function enables players to conduct verbal conversation in the game with Xiaowu (小五), the assistant, and to complete social activities and tasks under the assistance of Xiaowu (小五).

Code: FS2 (代號: FS2)

As the Company's 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 ultimate restoration. At present, the development and testing of the game are progressing smoothly and will be open to more players as soon as possible.

OUTLOOK

In the future, facing the complex international political situation, changes in domestic and overseas policies and the increasingly competitive industry environment, the Group will continue to increase our investment in game research and development, distribution and operation talents, improve industrial construction and research on new technologies and to raise the efficiency of research and development tools, thereby enhancing our global competitive advantages. A more diversified and innovative product portfolio will be created, and new games with different styles will be launched, while long-term operation of existing games will be safeguarded. Adhering to independent research and development as well as innovation, valuable cultural resources will continue to be explored, and contemporary value of traditional Chinese culture will be actively studied, so as to vigorously create more original exquisite products with cultural zeitgeist and to provide new impetus to the long-term development of the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group recorded revenue of approximately RMB826.1 million, representing a decrease of approximately RMB6.9 million or approximately 0.8% from approximately RMB833.0 million for the corresponding period in 2021. This was mainly due to the normal decrease in revenue from existing products and the good performance of the Promise of Lingyun (凌雲諾), a new product.

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				Period to period change %
	2022		2021		
	RMB'000	%	RMB'000	%	
Revenue from games	825,594	99.9%	832,998	100.0%	-0.9%
Others	463	0.1%	9	0.0%	>100.0%
Revenue	826,057	100.0%	833,007	100.0%	-0.8%

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				Period to period change %
	2022		2021		
	RMB'000	%	RMB'000	%	
Mainland of the PRC	616,478	74.7%	597,638	71.7%	3.2%
Overseas	209,116	25.3%	235,360	28.3%	-11.2%
Revenue from games	825,594	100.00%	832,998	100.00%	-0.9%

Management Discussion and Analysis

Cost of sales

The Group's cost of sales decreased by 7.1% from approximately RMB272.7 million for the six months ended 30 June 2021 to approximately RMB253.3 million for the six months ended 30 June 2022, which was mainly due to a reduction in game sharing costs, which is derived from the increase in the proportion of income from our own channels and the decrease in the proportion of income from third-party channels.

Gross profit and gross profit margin

As a result of the above, gross profit increased by 2.2% from approximately RMB560.3 million for the six months ended 30 June 2021 to approximately RMB572.7 million for the six months ended 30 June 2022. Gross profit margin increased from approximately 67.3% for the six months ended 30 June 2021 to approximately 69.3% for the six months ended 30 June 2022, which was mainly due to the increase in the proportion of revenue from our own channels which has led to a reduction in the cost of sharing.

Sales and marketing expenses

For the six months ended 30 June 2022, the Group's sales and marketing expenses amounted to approximately RMB470.0 million, representing an increase of RMB189.2 million or approximately 67.4% from approximately RMB280.8 million for the six months ended 30 June 2021, which was mainly due to centralized-promotion expenses incurred in the initial stage upon new product launch.

Research and development expenses

For the six months ended 30 June 2022, the Group's research and development expenses amounted to approximately RMB169.1 million, representing a decrease of RMB9.1 million or approximately 5.1% from approximately RMB178.2 million for the six months ended 30 June 2021.

General and administrative expenses

For the six months ended 30 June 2022, the Group's administrative expenses amounted to approximately RMB34.0 million, representing an increase of RMB2.7 million or approximately 8.6% from approximately RMB31.3 million for the six months ended 30 June 2021.

Finance costs

For the six months ended 30 June 2022, the Group's finance costs amounted to approximately RMB0.03 million, representing an increase of RMB0.02 million from approximately RMB0.01 million for the six months ended 30 June 2021.

Income tax expense

For the six months ended 30 June 2022, the Group recorded an income tax credit amounted to approximately RMB1.1 million, representing a decrease of RMB47.1 million from the income tax credit of approximately RMB48.2 million for the six months ended 30 June 2021, mainly due to the effect of preferential income tax and deferred tax.

(Loss)/Profit for the period

For the six months ended 30 June 2022, our loss for the period amounted to approximately RMB73.0 million, representing a decrease of approximately RMB203.3 million from the profit for the period of approximately RMB130.3 million for the six months ended 30 June 2021.

Management Discussion and Analysis

Adjusted (loss)/profit for the period

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

The table below sets forth the reconciliation between the Group's (loss)/profit for the period and adjusted (loss)/profit for the period for the six months ended 30 June 2022 and 2021:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
(Loss)/profit for the period	(72,962)	130,291
Add: Share-based remuneration	14,501	25,746
Adjusted (loss)/profit for the period	(58,461)	156,037

Liquidity and capital resources

As at 30 June 2022, the Group's current liabilities/net assets amounted to approximately 0.06 (31 December 2021: 0.09).

As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately RMB383.2 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.

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Net cash (used in)/generated from operating activities	(30,938)	45,860
Net cash used in investing activities	(113,747)	(144,896)
Net cash used in financing activities	(224,386)	(216,461)
Net change in cash and cash equivalents	(369,071)	(315,497)
Cash and cash equivalents as at the beginning of the period	752,264	1,093,324
Effect of foreign exchange rate changes	(38)	(3,584)
Cash and cash equivalents as at 30 June	383,155	774,243

Operating activities

During the six months ended 30 June 2022, net cash flow used in operating activities of the Group was RMB30.9 million.

Management Discussion and Analysis

Investing activities

For the six months ended 30 June 2022, the Group's net cash used in investing activities was RMB113.7 million, which primarily consisted of (i) proceeds from redemption of investments measured at fair value through profit or loss of RMB380.5 million; (ii) payment for investments measured at fair value through profit or loss of RMB310.3 million; (iii) payment for purchase of investments of time deposits of RMB177.8 million; and (iv) payment for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB23.8 million.

Financing activities

For the six months ended 30 June 2022, net cash used in financing activities of the Group was RMB224.4 million, which was mainly used in the payment of final dividends, and as of 30 June 2021, net cash used in financing activities was RMB216.5 million.

Capital expenditures

The Group's capital expenditures mainly included (i) construction of our new office building in Suzhou, purchase of property, plant and equipment such as servers and computer equipment; and (ii) purchase of 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. Capital expenditures for the six months ended 30 June 2022 and 30 June 2021 are set out below:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Property, plant and equipment	7,853	27,313
Intangible assets	547	580
Right-of-use assets	—	2,235

Capital commitments

As of 30 June 2022, the Group did not have any capital commitments (31 December 2021: Nil).

Gearing ratio

As at 30 June 2022, gearing ratio was 0.04% (31 December 2021: 0.07%). As at 30 June 2022, the Group did not have bank borrowings (31 December 2021: Nil).

Contingent liabilities

As of 30 June 2022, the Group did not have any unrecorded significant contingent liabilities or any guarantees (2021: Nil).

Employees and remuneration policies

As at 30 June 2022, the Group had a total of 1,208 employees (31 December 2021: 1,362 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 2022.

Restructuring and significant investments

During the six months ended 30 June 2022, the Group did not have any restructuring and significant investments.

Management Discussion and Analysis

Financial assets

1. As of 30 June 2022, the Group's wealth management products 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 of 30 June 2022, the wealth management products of the Group that have met the disclosable transaction requirements under the Listing Rules were disclosed in relevant announcements. None of the remaining wealth management products had a fair value accounting for 5% or more of the Group's total assets.

2. As of 30 June 2022, the Group's limited partnership investments were investments in two venture capital partnerships as a limited partner, and the fair value of the investments did not exceed 5% of the Group's total assets.
3. As of 30 June 2022, the Group's stock investments were all stock investments with an active stock market, and the fair value of stock investments did not exceed 5% of the Group's total assets.
4. As of 30 June 2022, the Group's financial assets measured at fair value through other comprehensive income were equity investments in unlisted companies, which is principally engaged in mobile game development as well as film and television culture development. The fair value of such investments did not exceed 5% of the Group's total assets.
5. 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 2022 and up to the Latest Practicable Date, 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 any third parties.

Pledge of assets by the Group

As at 30 June 2022, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (31 December 2021: no assets were pledged).

Foreign currency exchange risks

For the six months ended 30 June 2022, 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.

Management Discussion and Analysis

Event after the Reporting Period

- On 22 July 2022, Mr. Jiang Xiaohuang completed the third annual share contribution plan and indirectly transferred an aggregate of 20,000,000 shares of the Company as a gift at nil consideration as share reserve for the Share Award Scheme.
- With effect from 15 August 2022, the address of Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, has been changed from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The address of the Company's principal place of business in Hong Kong has been changed from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

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 2022, 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 RMB19.1 million. The balance of IPO proceeds will continue to be utilized according to the manner and proportions as disclosed in the Prospectus. Please refer to the table below for details:

	Net proceeds available from the Listing RMB million	Actual net amount utilized as at 30 June 2022 RMB million	Unutilized net amount as at 30 June 2022 RMB million	Expected date of full utilization of unutilized net proceeds
R&D of game products, R&D and upgrading of core technology platform	130.2	130.2	–	–
Global market launch and operation	151.9	151.9	–	–
IP ecological construction	65.1	65.1	–	–
Acquisition of upstream and downstream industries	43.4	24.3	19.1	31 December 2022
Working capital and general corporate use	43.4	43.4	–	–
Total	434.0	414.9	19.1	

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 2022, save for the deviations from code provision C.2.1 as disclosed below.

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

Mr. Jiang Xiaohuang is the chairman of the Board 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 Group.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. Mr. Jiang holding both positions of the chairman of the Board and CEO of the Company will not have any impact on the balance between power and authority of the Board and the Senior Management. 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 ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by Directors. The Company has made specified enquiry with all the Directors, and each of them has confirmed that during the six months ended 30 June 2022, 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 2022.

Other Information

AUDIT COMMITTEE

Our Company has established the Audit Committee, the members of which 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 and the management have reviewed and discussed the Group's unaudited consolidated interim financial statements for the six months ended 30 June 2022 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 Rule 13.51B(1) of the Listing Rules during the six months ended 30 June 2022.

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

During the six months ended 30 June 2022, 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 Latest Practicable Date, at least 25% of the Company's total number of issued Shares were held by the public at all time after the Listing Date.

Other Information

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

As at 30 June 2022, 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 2022			
Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of interest ⁽²⁾
Mr. Jiang Xiaohuang ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Interest of a controlled corporation/ Founder of a discretionary trust	1,407,942,116 (L) ⁽¹⁾	64.56%
Mr. Xu Lin ⁽⁷⁾	Interest of a controlled corporation	7,141,974 (L) ⁽¹⁾	0.33%
	Beneficial owner	1,776,000 (L) ⁽¹⁾	0.08%
Mr. Wu Jie ⁽⁸⁾⁽⁹⁾	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 ⁽¹⁰⁾⁽¹¹⁾	Interest of a controlled corporation	3,570,987 (L) ⁽¹⁾	0.16%
	Beneficial owner	1,650,000 (L) ⁽¹⁾	0.08%
	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 2022.
- (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 Jiang Family Trust, 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 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, 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, 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) 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.
- (8) 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.
- (9) Pursuant to the Share Award Scheme, Mr. Wu was granted 502,000 Awarded Shares on 31 January 2021.
- (10) 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.
- (11) 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 2022, 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 2022 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 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.

Other Information

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

As at 30 June 2022, 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 2022			
Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of Interest ⁽²⁾
Mr. Jiang Xiaohuang ⁽³⁾⁽⁴⁾	Interest of a controlled corporation/ Founder of a discretionary trust	1,407,942,116 (L) ⁽¹⁾	64.56%
Ms. Mao Yuyan ⁽⁵⁾	Interest of spouse	1,407,942,116 (L) ⁽¹⁾	64.56%
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 ⁽⁶⁾	Trustee of a trust	147,418,384 (L) ⁽¹⁾	6.76%
Friends Together Holdings Limited ⁽⁶⁾	Interest of a controlled corporation	147,418,384 (L) ⁽¹⁾	6.76%
Friends Fruit Holdings Limited ⁽⁶⁾	Interest of a controlled corporation	144,574,384 (L) ⁽¹⁾	6.63%
	Beneficial owner	2,844,000 (L) ⁽¹⁾	0.13%
Purple Dream Holdings Limited ⁽⁶⁾	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 2022.
- (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, 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) 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

- (6) Purple Crystal Holdings Limited is wholly-owned by Purple Dream Holdings Limited which is in turn owned as to 55.34% 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. Accordingly, each of 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.
- (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 2022, 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

1. Mr. Jiang Xiaohuang, the controlling shareholder of the Company, indirectly transferred 80,000,000 shares of the Company as a gift, at nil consideration, as the share reserve for the Share Award Scheme; and
2. As of 30 June 2022, Friends Fruit Holdings Limited purchased an aggregate of 2,844,000 shares of the Company as the pool of Shares of the Share Award Scheme.

Other Information

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 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 (1) Mr. Wu Jie, an executive Director (awarded 2,000,000 shares of the Company); (2) Mr. Sun Bo, an executive Director (awarded 2,000,000 shares of the Company); and (3) 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.
5. On 4 January 2022, pursuant to the recommendation from the remuneration committee of the Company, the Board resolved to grant an aggregate of 16,000,000 Awarded Shares held by the Trustee on behalf of the Selected Participants at nil consideration to the share award grantees who were employees of the Group. Such award took effect from 5 January 2022.
6. As of 30 June 2022, Friends Fruit Holdings Limited purchased an aggregate of 2,844,000 shares of the Company as the pool of Shares of the Share Award Scheme.
7. On 22 July 2022, Mr. Jiang Xiaohuang completed the third annual share contribution plan and indirectly transferred an aggregate of 20,000,000 shares of the Company at nil consideration as the pool of Shares of the Share Award Scheme. By that time, the three-year gift plan of Mr. Jiang Xiaohuang has been completed.

As of 30 June 2022, the Company has granted an aggregate of 56,000,000 Awarded Shares to the Selected Participants at nil consideration, among which 7,593,000 Awarded Shares has been lapsed and returned, leaving 34,437,000 Awarded Shares available for grant.

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 2022 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 2022 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
22 August 2022

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	4	826,057	833,007
Cost of sales		(253,312)	(272,705)
Gross profit		572,745	560,302
Other income	5	17,801	11,676
Sales and marketing expenses		(469,968)	(280,810)
Research and development expenses		(169,112)	(178,181)
General and administrative expenses		(34,036)	(31,340)
Other expenses-donations		(644)	—
(Loss)/profit from operations		(83,214)	81,647
Finance costs		(26)	(11)
Share of loss of associates and joint venture		(910)	(1,733)
Changes in fair value of financial assets measured at fair value through profit or loss		10,096	2,212
(Loss)/profit before taxation	6	(74,054)	82,115
Income tax	7(a)	1,092	48,176
(Loss)/profit for the period		(72,962)	130,291
(Loss)/earnings per share			
Basic and diluted (RMB)	8	(0.03)	0.06

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 2022 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
(Loss)/profit for the period	(72,962)	130,291
Other comprehensive (loss)/income for the period		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	11,249	—
Item that may be reclassified subsequently to profit or loss:		
Equity investments at FVOCI — net movement in fair value reserves (non-recycling)	(3,900)	—
Exchange differences on translation of financial statements of subsidiaries outside Mainland China	14,014	(6,379)
Total comprehensive (loss)/income for the period	(51,599)	123,912

The accompanying notes form parts of the financial statements.

Consolidated Statement of Financial Position

as at 30 June 2022 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	9	273,076	278,542
Intangible assets		4,305	3,395
Right-of-use assets		8,103	8,740
Financial assets measured at fair value through profit or loss	10	62,107	35,913
Financial assets measured at fair value through other comprehensive income ("FVOCI")	11	30,350	8,825
Film right		1,523	13,208
Interests in associates and joint venture	12	8,423	4,908
Time deposits	15	102,289	110,000
Deferred tax assets	7(b)	73,092	72,000
Other non-current assets		468	29,751
Other receivables	13	2,335	—
		566,071	565,282
Current assets			
Inventories		625	747
Contract costs		3,617	7,135
Financial assets measured at fair value through profit or loss	10	208,032	297,062
Trade and other receivables	13	130,015	182,575
Pledged bank deposits		1,736	1,658
Time deposits	15	177,907	—
Cash and cash equivalents	14	383,155	752,264
		905,087	1,241,441
Current liabilities			
Trade and other payables	16	58,603	117,088
Contract liabilities		21,198	33,137
Current taxation		19	20
Lease liabilities		565	1,117
		80,385	151,362

Consolidated Statement of Financial Position (continued)

as at 30 June 2022 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Net current assets		824,702	1,090,079
Total assets less current liabilities		1,390,773	1,655,361
Non-current liabilities			
Contract liabilities		5,274	8,956
		5,274	8,956
NET ASSETS		1,385,499	1,646,405
CAPITAL AND RESERVES	17		
Share capital		154	154
Reserves		1,385,345	1,646,251
TOTAL EQUITY		1,385,499	1,646,405

Approved and authorised for issue by the Board of Directors on 22 August 2022.

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 2022 — 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 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	–	(116,102)	–	–	–	(98,598)	(214,700)
Equity settled share-based payments (Note 17(b))	–	–	25,746	–	–	–	25,746
Balance at 30 June 2021 and 1 July 2021	154	92,194	184,907	25,830	(39,356)	1,237,650	1,501,379
Changes in equity for the six months ended 31 December 2021:							
Profit for the period	–	–	–	–	–	145,192	145,192
Other comprehensive income	–	–	–	–	(7,893)	–	(7,893)
Total comprehensive income	–	–	–	–	(7,893)	145,192	137,299
Equity settled share-based payments (Note 17(b))	–	–	7,727	–	–	–	7,727
Balance at 31 December 2021	154	92,194	192,634	25,830	(47,249)	1,382,842	1,646,405

Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings RMB'000	
Balance at 1 January 2022	154	92,194	192,634	25,830	(47,249)	-	1,382,842	1,646,405
Changes in equity for the six months ended 30 June 2022:								
Loss for the period	-	-	-	-	-	-	(72,962)	(72,962)
Other comprehensive income/(loss)	-	-	-	-	25,263	(3,900)	-	21,363
Total comprehensive income/(loss)	-	-	-	-	25,263	(3,900)	(72,962)	(51,599)
Dividends (Note 17(a))	-	(43,067)	-	-	-	-	(180,741)	(223,808)
Equity settled share-based payments (Note 17(b))	-	-	14,501	-	-	-	-	14,501
Balance at 30 June 2022	154	49,127	207,135	25,830	(21,886)	(3,900)	1,129,139	1,385,499

The accompanying notes form parts of the financial statements.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Operating activities:			
Cash (used in)/generated from operations		(30,628)	64,551
Income tax paid		(310)	(18,691)
Net cash (used in)/generated from operating activities		(30,938)	45,860
Investing activities:			
Payment for purchase of property, plant and equipment, intangible assets and other non-current assets		(23,804)	(47,621)
Payment for investments measured at fair value through profit or loss		(310,313)	(216,756)
Proceeds from redemption of investments in wealth management products		380,523	181,083
Payment for purchase of time deposits		(177,785)	(68,761)
Proceeds from redemption of time deposits		10,000	–
Payment for investment in associates		(1,500)	(9,900)
Proceeds from the sales of investment in listed equity securities		6,088	16,785
Other cash flows arising from investing activities		3,044	274
Net cash used in investing activities		(113,747)	(144,896)
Financing activities:			
Payment of dividends		(223,808)	(214,700)
Other cash flows arising from financing activities		(578)	(1,761)
Net cash used in financing activities		(224,386)	(216,461)
Net decrease in cash and cash equivalents		(369,071)	(315,497)
Cash and cash equivalents at the beginning of the period	15	752,264	1,093,324
Effect of foreign exchange rate changes		(38)	(3,584)
Cash and cash equivalents at 30 June	15	383,155	774,243

The accompanying notes form parts of the 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 22 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2021 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 2021 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 2022.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

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	
	2022 RMB'000	2021 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	793,968	806,899
— Revenue from self-developed games published through intellectual property license arrangement and others	32,089	26,108
	826,057	833,007

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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	
	2022 RMB'000	2021 RMB'000
Over-time	825,935	832,998
Point-in-time	122	9
	826,057	833,007

The Group's customer base is diversified and includes nil customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022, the aggregated amount of the transaction price allocated to the unsatisfied performance obligations under the Group's existing contract is RMB26,472,000 (31 December 2021: RMB42,093,000), among which RMB21,198,000 (31 December 2021: RMB33,137,000) 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 21 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	
	2022 RMB'000	2021 RMB'000
Mainland of the PRC	616,941	597,638
Overseas	209,116	235,369
	826,057	833,007

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 OTHER INCOME

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Government grants	(i)	8,075	10,437
Interest income from bank deposits		4,364	4,020
Investment income from wealth management products		2,523	1,083
Net exchange gain/(loss)		2,550	(3,762)
Others		289	(102)
		17,801	11,676

(i) In 2022, 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	
		2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits		145,034	156,651
Equity settled share-based payments	17(b)	14,501	25,746
Contributions to defined contribution plans	(i)	25,004	13,879
		184,539	196,276

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION (continued)

(b) Other items

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Depreciation of property, plant and equipment	13,360	6,803
Depreciation of right-of-use assets	637	714
Amortisation of intangible assets	644	794
Reversal for the impairment losses of trade and other receivables	(136)	(119)
Auditors' remuneration	500	500

7 INCOME TAX

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current tax:		
Provision for current income tax for the period	-	1,239
Over-provision in prior years	-	(27,951)
		(26,712)
Deferred tax:		
Origination and reversal of temporary differences	(1,092)	(21,464)
	(1,092)	(48,176)

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	Impairment losses of an associate and joint venture RMB'000	Total RMB'000
Balance at 1 January 2021	3,452	37,238	1,470	5,250	1,179	–	48,589
Credited/(charged) to profit or loss	1,320	27,001	(1,470)	(5,250)	–	1,810	23,411
Balance at 31 December 2021	4,772	64,239	–	–	1,179	1,810	72,000
Credited/(charged) to profit or loss	(139)	1,231	–	–	–	–	1,092
Balance at 30 June 2022	4,633	65,470	–	–	1,179	1,810	73,092

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share for the six months ended 30 June 2022 and 2021 is calculated by dividing the (loss)/profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2022	2021
(Loss)/profit attributable to the equity shareholders of the Company (RMB'000)	(72,962)	130,291
Weighted average number of ordinary shares in issue ('000)	2,180,850	2,180,850
Basic (loss)/earnings per share	(0.03)	0.06

(b) Diluted (loss)/earnings per share

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of RMB7,853,000 (six months ended 30 June 2021: RMB27,313,000).

10 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Investment in Limited Liability Partnerships ("LLPs")	(i)	62,107	35,913
Investment in wealth management products	(ii)	195,000	278,000
Listed equity securities	(iii)	13,032	19,062
		270,139	332,975
Financial assets measured at fair value through profit or loss included in the consolidated financial statement:			
Current		208,032	297,062
Non-current		62,107	35,913

(i) The investment in LLPs as at 30 June 2022 represent the Group's 11% and 6% shares in two venture capital partnerships as a limited partner.

(ii) The wealth management products as at 30 June 2022 are issued by two PRC commercial banks with variable interest rate.

(iii) Listed equity securities as at 30 June 2022 represent the fair value of equity shares listed on an active stock market. The directors of the Company consider that the closing price of the securities is the fair value of the investment.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Unlisted equity investments	30,350	8,825

The unlisted equity investments as at 30 June 2022 mainly represented the amounts of RMB28,350,000 already paid in 2020 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 2022, the transfer of the equity interests had been completed and the amounts paid was reclassified from other non-current assets to financial assets measured at fair value through other comprehensive income as the Group held 9% of its total shares.

12 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
Xiamen Radiation Information Technology Co., Ltd. 廈門輻射信息科技有限公司	Incorporated	The PRC	30.00%	1 September 2020	RMB300,000	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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade receivables	(a)	97,343	96,146
Less: Loss allowance		(1)	(137)
Trade receivables, net		97,342	96,009
Deposits and prepayments		12,664	25,441
VAT deductible		48	6,348
Income tax recoverable		14,398	14,089
Amounts due from Suzhou GameFriend Network Technology Co., Ltd.		—	32,523
Other receivables		7,898	8,165
		132,350	182,575
Trade and other receivables, net of loss allowance			
— current portion		130,015	182,575
— non-current portion		2,335	—
		132,350	182,575

(a) Ageing analysis

As at 30 June 2022 and 31 December 2021, the ageing analysis of trade receivables, based on the invoice date and net of allowance, is as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 3 months	97,342	90,161
After 3 months but within 1 year	1	5,985
Less: Loss allowance	(1)	(137)
Trade receivables, net	97,342	96,009

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

14 CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash at banks	373,997	744,272
Cash at other financial institutions	9,158	7,992
Cash and cash equivalents in the consolidated statement of financial position	383,155	752,264

15 TIME DEPOSITS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Current		
Time deposits with maturity over three months but less than one year	177,907	–
Non-current		
Time deposits with maturity over one year	102,289	110,000

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER PAYABLES

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade payables	(a)	24,800	18,998
Accrued payroll		19,860	70,724
Payables related to property, plant and equipment		8,924	24,254
Other payables and accruals		5,019	3,112
Trade and other payables		58,603	117,088

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:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 3 months	24,318	18,574
Over 3 months but within 6 months	375	380
Over 6 months but within 12 months	77	35
Over 1 year	30	9
	24,800	18,998

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 2022 (six months ended 30 June 2021: 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	
	2022 RMB'000	2021 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 12 cents per share (six months ended 30 June 2021: 12 cents per share)	223,808	214,700

(b) 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 to 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 from one month to forty-nine months. 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

17 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Equity settled share-based transactions (continued)

On 5 January 2022, the aggregate of 16,000,000 restricted shares were granted for nil consideration to 27 eligible employees of the Group under the Share Award Scheme with fair value of HKD1.33 per share determined by the latest closing market price of the shares to the vesting date. These restricted shares vest for a period from one month to thirty-seven months. 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 fair value at grant date are as follows:

	Number of RSUs	Weighted average fair value as at grant date per RSU HKD
Outstanding as of 31 December 2021	29,740,000	1.99
Granted during six months ended 30 June 2022	16,000,000	1.33
Forfeited during six months ended 30 June 2022	(6,444,000)	1.99
Vested during six months ended 30 June 2022	(12,298,000)	1.53
Outstanding as of 30 June 2022	26,998,000	1.81

During the six months ended 30 June 2022, a total number of 12,298,000 shares had been vested. As at 30 June 2022, a total of 26,998,000 shares was outstanding for vesting.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 2022 RMB'000	At 31 December 2021 RMB'000
Level 1 Assets		
Listed equity securities	13,032	19,062
Level 2 Assets		
Unlisted equity investments	30,350	8,825
Investment in LLPs	62,107	35,913
Level 3 Assets		
Investment in wealth management products	195,000	278,000
	300,489	341,800

During the six months ended 30 June 2022, 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 Level 2 assets is generally obtained through the use of valuation methodologies with observable market inputs or by reference to the latest round of financing, i.e. the prior transaction price or the third-party pricing information. As the investees are set up for a relative short period and in normal operation without any significant business milestone events during the period, the fair value of the unlisted equity investments and LLP is determined with reference to the latest round of financing price, adjusted by unobservable inputs based on information such as its latest available financial information, where applicable as at 30 June 2022.

(iii) Information about Level 3 fair value measurements

The fair value of the investment in wealth management products issued by banks as at 30 June 2022 is determined using the forecast future cashflow discounted by risk-adjusted discount rate. 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. As at 30 June 2022, the expected investment income ranged from RMB70,000 to RMB380,000, and the risk adjusted discount rate ranged from 1.4% to 3.6%. The fair value measurement is positively correlated to the expected investment income and negatively correlated to the risk adjusted discount rate.

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
<i>Investment in wealth management products</i>		
At 1 January	278,000	70,000
Payment for purchases	295,000	200,000
Realised gain from investment recognised in "other income" in the consolidated statement of profit or loss	2,523	1,083
Proceeds upon maturity	(380,523)	(181,083)
At 30 June	195,000	90,000

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 2022 and 31 December 2021 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	
	2022 RMB'000	2021 RMB'000
Short-term employee benefits	3,501	3,435
Equity settled share-based payments	886	5,638
Post-employee benefits	126	106
	4,513	9,179

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

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 22 July 2022, Mr. Jiang Xiaohuang, the controlling shareholder of the Company, completed the third 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. No adjustment has been made in these financial statements in this regard.