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FRIEND TIMES

FRIENDTIMES INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6820)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019 (the “**Annual Results**”) together with comparative figures for the corresponding period in 2018, which have been prepared in accordance with HKFRS.

FINANCIAL PERFORMANCE SUMMARY

	Year ended 31 December		Changes %
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	1,689,051	1,464,290	15.3%
Gross profit	1,102,077	918,290	20.0%
Profit before taxation	438,204	361,284	21.3%
Profit for the year	415,527	336,703	23.4%
EBITDA	451,665	371,536	21.6%
Adjusted EBITDA*	478,683	378,716	26.4%

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

1. For the year ended 31 December 2019, total revenue amounted to approximately RMB1,689.1 million, representing an increase of approximately 15.3% as compared with the year ended 31 December 2018.
2. For the year ended 31 December 2019, the Company recorded profit attributable to owners of the Company of approximately RMB415.5 million.
3. For the year ended 31 December 2019, unaudited adjusted EBITDA amounted to approximately RMB478.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Market Overview

According to the “2019 Report on the Game Industry of China” jointly published by the Game Publishers Association Publications Committee of the China Audio-video and Digital Publishing Association and Gamma Information, the actual sales income of the PRC game market was RMB230.88 billion for 2019, representing a year-on-year increase of 7.7%. In terms of market segments, mobile game market income was RMB158.11 billion, representing a year-on-year increase of 18.0% and accounting for nearly 70% of the overall game market income. Mobile game was in a dominant position and became the major factor driving the overall growth of the game market, with 620 million users. In terms of product type, role-playing games in 2019 performed well. Role-playing games accounted for 54% of the top 100 mobile games in terms of market income. In addition, the report stated that the number of female users in 2019 was 300 million, accounting for 46.2% of the total domestic game users.

The Game Publishers Association Publications Committee of the China Audio-video and Digital Publishing Association stated that with the establishment of strict and standardized regulatory mechanism with clear orientation and definite standard as well as the improvement of the protection system for minors, the domestic game market will become more stable and mature. In view of the practical application of 5G technology in the game field, all parties in the industry chain will work together to jointly promote the research, application and pilot demonstration of cloud games, which will definitely have a profound impact on the future direction of the game industry. In addition, the strengthened supervision in the field of online copyright, advancement of intellectual property rights protection and the improvement of the intellectual property rights protection system will provide a better environment for the sustainable, healthy and stable development of the PRC game industry.

Group Overview

The Group is a leading integrated and well-established mobile game developer, publisher and operator with particular success in female-oriented games. Since our inception in 2010, we have been strategically focusing on mobile games targeting female players in the PRC to capture the significant growth potential in both the mobile game industry and the female-oriented game market. Leveraging on our success in the PRC market, we expanded into overseas market in 2011 and won the title of the National Key Cultural Export Enterprise for two consecutive years in 2018 and 2019. As a pioneer in the segment of ancient Chinese style female-oriented games, we are committed to spreading excellent traditional Chinese culture to a wider group and region. Adhering to the corporate cultural mission of “Let Culture Create Values”, we build a carrier for global outstanding cultural exchanges, promote cultural inheritance and heritage, constantly explore cultural values, and shape a more profound influence of culture.

BUSINESS REVIEW

2019 was a challenging year for the gaming industry. National supervision continued to strengthen, and the fact that it became more difficult to obtain national publication numbers, together with the complicated and changing competitive environment in both domestic and overseas markets, make the game market volatile. However, benefiting from the Company's strong research and development, publishing and operational capability, the inherent advantages of the long life cycle of games, expansion of the overseas market landscape as well as the extensive industry experience of the management team, the Company still achieved excellent results for the year ended 31 December 2019.

Performance Review

For the year ended 31 December 2019, the Group's total revenue was approximately RMB1,689.1 million, increasing by 15.3% as compared to last year; the net profit for the year amounted to RMB415.5 million, increasing by 23.4% as compared to last year; the adjusted EBITDA was RMB478.7 million, increasing by 26.4% as compared to last year. The growth of revenue and net profit in 2019 was mainly due to the increase in revenue generated by our signature games, Royal Chaos (熹妃Q傳) and Rise of Queendom (宮廷計手遊).

In addition, revenue from operations in overseas market amounted to RMB568.8 million, accounting for 33.7% of our total revenue for the year ended 31 December 2019 and representing a year-on-year increase of 105.8%. The increase was mainly due to our strong localization capabilities in overseas markets. Through local languages and other game features that have been redesigned to meet the different game needs and preferences of players in different geographic markets, we optimized our game products structurally and artistically.

In terms of game monetization performance, for the year ended 31 December 2019, we continued to show our strengths and keen market insight. Monthly average revenue per paying player increased by 34.4% from the corresponding period in 2018 to RMB531.5 in 2019, and the accumulated total number of registered users reached 107.9 million by 31 December 2019. The large user base helped us better understand player preferences and market changes through powerful data analysis capabilities, so as to launch new games that are more popular in the market and carry out targeted marketing activities with more cost-effective strategies.

Business Review

— *Signature games continued to achieve strong operating results and newly launched games recorded outstanding performance*

As of 31 December 2019, we have released and are operating 10 mobile games (34 different languages in total) and seven H5 games worldwide.

Our signature games are enduring and have generated strong cash flow and stable revenue. For example, Legend of Empress (熹妃傳) has been in operation for more than 55 months, with the highest monthly turnover in 2019 exceeding RMB41.0 million; and Royal Chaos (熹妃Q傳) has been in operation for nearly 30 months, with the highest monthly turnover in 2019 reaching RMB67.6 million.

We have been developing and launching new games while showing the strong and sustainable profitability of our existing main products. At the end of December 2019, we officially launched a major product in the field of ancient Chinese style female-oriented games, Fate of the Empress (浮生為卿歌). Soon after the game was launched, it won the first place in China's iOS role-playing games and strategy games. As to date, Fate of the Empress (浮生為卿歌) achieved a highest rankings of no.1 in free game board and no.11 in the best-selling game board for iPad, and a highest rankings of no.2 in free game board and no. 12 in the best-selling game board for iPhone.

In addition, apart from the field of ancient Chinese style female-oriented games that we specialized in, we have started to step in other market segments. In 2019, we first entered the field of two-dimensional mobile games with our flagship product, Yokai Kitchen (精靈食肆), and quickly accumulated a large number of high-quality users in a short period of time, laying the foundation for the development of new categories in the future.

— *Further expansion in overseas markets with good performance of many products*

Deepening the expansion in overseas markets was one of our development strategies. For the year ended 31 December 2019, our products have been distributed to Hong Kong, Macau and Taiwan regions of the PRC and overseas markets such as Korea, Japan, Southeast Asia and North America. Some games performed remarkably overseas. For example, Fate of the Empress (浮生為卿歌) and Yokai Kitchen (精靈食肆) achieved a highest ranking of no.2 in the free game board for App Store in Taiwan; Rise of Queendom (宮廷計手遊) achieved a highest ranking of no.9 in the free game board for Google Play in South Korea; and Royal Chaos (熹妃Q傳) achieved a highest ranking of no.13 in the free game board for App Store in Japan.

In recognition of our achievements in the overseas mobile game markets, we have been awarded the title of National Key Cultural Export Enterprise for 2019-2020 by the MOFCOM, the Central Propaganda Department, the MOF, the MOCT and the SAPPRFT. Meanwhile, Legend of Empress (熹妃傳), Royal Chaos (熹妃Q傳) and Fate: Royal Revenge (京門風月) were elected as key international cooperation projects of cultural industry and tourism industry of “the Belt and Road Initiative” in 2019 by the MOCT.

— *Important honors and awards received in 2019*

For the year ended 31 December 2019, we were determined to strive for excellence. The Company has been highly recognized by the country, market and industry, and has won the following awards:

- 2019 Outstanding Award of China Games Capital Summit granted by China Games Capital Summit;
- Top 50 Internet Enterprises in Jiangsu Province granted by Jiangsu Internet Association;

- Top 100 Service Providers of China Digital Service and Leading Service Providers 2019 by China Council for International Investment Promotion;
- Key Enterprise of Internet Platform Economy with Project Value of “Millions” granted by the Development and Reform Commission of Jiangsu Province;
- Unicorn Enterprise of Suzhou Industrial Park;
- The 4th Golden Gyro Award — Outstanding Mobile Game Publisher of the Year “FriendTimes”;
- The 4th Golden Gyro Award — Annual Mobile Game and Online Game Award “Yokai Kitchen (精靈食肆)”;
- 2019 Golden Plume Award — Best ACG Mobile Game “Yokai Kitchen (精靈食肆)”;
- The 7th Gold Tea Award — 2019 Most Influential Game Enterprise Award “FriendTimes”;
- The 7th Gold Tea Award — 2020 Most Anticipated Mobile Game Award “Fate of the Empress (浮生為卿歌)”;
- 2019 OPPO Developers’ Conference — Favorite Game “Legend of Empress (熹妃傳)”;
- SAMSUNG Galaxy Store — 2019 Best Popular Games “Rise of Queendom (宮廷計手遊)”.

OUTLOOK

In 2020, we will continue to enhance our strengths in product research and development and operation, brand promotion and dissemination. While continuing to develop overseas markets, we will further expand the game category portfolio, extend the product profit cycle, and strive to explore the commercial value of original IP, and gradually build the entire industry chain development system, with a view to achieving our goal of “strengthening the leading position in the PRC and global online game industry” soon.

Our development initiatives include:

— **Consolidate our leading position in female-oriented games and further expand the game category portfolio**

We plan to continue to focus on our research and development, publication and operation of female-oriented games in which we have accumulated extensive experience and high market share. We plan to continue to optimize our existing female-oriented games by releasing upgrade versions. We also plan to expand our game portfolio to make it more diverse. In 2020, in addition to continuing to develop and publish new language versions of existing games, we plan to launch 4 new self-developed games, including modern women, female Xianxia and casual elimination games.

— **Deepen the expansion in overseas markets**

In order to implement the global development strategy, we will continue to develop new language versions of existing games in localized styles and languages, while developing overseas language versions of new games. We also plan to devote more resources to expand important overseas markets. We will actively gather markets intelligence and explore market opportunities in order to steadily expand into countries and regions with greater market potential.

— **Refine publication and operation, improve monetization capability**

We will continue to analyze player behavior and adopt different operation and promotion strategies based on the analysis report, in order to launch new content and version that reflect the latest market trends and player needs, and provide diversified virtual items. At the same time, we will enhance social and game functions, distribute game strategies and carry out more activities to stimulate player interest, boost in-game purchases and attract dormant users in order to bring the ultimate gaming experience to players, thereby improving their monetization ability and continuing to generate stable revenue for the Company.

— **Continue to improve brand and game reputation**

We will continue to implement our global expansion strategy under the “FriendTimes” brand. We will promote our “FriendTimes” brand through a series of online and offline marketing campaigns that increase our game and brand exposure. Meanwhile, we plan to increase online marketing and advertising expenses and create more channels to publish information about our games to attract more public and industry attention for our brand and new games.

— **Dedicate our efforts to explore the commercial value of original IP and gradually build the entire industry chain development system**

We will seek the commercialization of gaming IP and particularly explore the commercial value of original IP to expand income source and create a gaming IP ecosystem. We plan to make strategic acquisitions of upstream and downstream gaming-related businesses so that we can build a complete product chain that covers IP creation, game development, and traffic channels, thereby enhancing our market position. Meanwhile, we will extend our IP to other areas, such as comics, movies and television, and derivatives, and gradually build the entire industry chain development system.

FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019 — Audited

	Note	Years ended 31 December	
		2019 RMB'000	2018 RMB'000
Revenue	2	1,689,051	1,464,290
Cost of sales		(586,974)	(546,000)
Gross profit		1,102,077	918,290
Other income		23,686	36,016
Sales and marketing expenses		(393,284)	(422,076)
Research and development expenses		(223,602)	(136,420)
General and administrative expenses		(62,128)	(32,481)
Profit from operations		446,749	363,329
Finance costs		(289)	(1,242)
Share of loss of an associate		(9)	(803)
Changes in fair value of financial assets measured at fair value through profit or loss		(8,247)	—
Profit before taxation		438,204	361,284
Income tax expense	4	(22,677)	(24,581)
Profit for the year		415,527	336,703
Attributable to:			
Equity shareholders of the Company		415,527	336,650
Non-controlling interests		—	53
Profit for the year		415,527	336,703
Earnings per share			
Basic and diluted (RMB)	5	0.21	0.18

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019 — Audited

	Years ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	415,527	336,703
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(6,120)</u>	<u>(165)</u>
Total comprehensive income for the year	<u>409,407</u>	<u>336,538</u>
Attributable to:		
Equity shareholders of the Company	409,407	336,485
Non-controlling interests	<u>—</u>	<u>53</u>
Total comprehensive income for the year	<u>409,407</u>	<u>336,538</u>

Consolidated Statement of Financial Position
As at 31 December 2019 — Audited

		As at 31 December	
		2019	2018
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		201,640	78,210
Intangible assets		7,930	1,333
Right-of-use assets		8,957	13,167
Interest in an associate		3,218	3,227
Deferred tax assets		21,623	13,320
Other non-current assets		2,835	3,540
		<u>246,203</u>	<u>112,797</u>
Current assets			
Contract costs		12,274	15,758
Financial assets measured at fair value through profit or loss	6	138,685	—
Trade and other receivables	7	218,847	132,282
Pledged bank deposits		1,810	2,506
Cash and cash equivalents		893,400	472,605
		<u>1,265,016</u>	<u>623,151</u>
Current liabilities			
Trade and other payables	8	135,075	82,156
Contract liabilities		44,164	54,869
Current taxation		13,829	6,936
Lease liabilities		2,594	4,580
		<u>195,662</u>	<u>148,541</u>
Net current assets		<u>1,069,354</u>	<u>474,610</u>
Total assets less current liabilities		<u>1,315,557</u>	<u>587,407</u>
Non-current liabilities			
Contract liabilities		8,720	11,451
Lease liabilities		—	2,474
		<u>8,720</u>	<u>13,925</u>
NET ASSETS		<u>1,306,837</u>	<u>573,482</u>

Consolidated Statement of Financial Position (continued)
As at 31 December 2019 — Audited

		As at 31 December	
	<i>Note</i>	2019	2018
		RMB'000	RMB'000
CAPITAL AND RESERVES			
Share capital	9	155	51,663
Reserves		1,306,682	521,819
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		1,306,837	573,482
Non-controlling interests		—	—
		<hr/>	<hr/>
TOTAL EQUITY		1,306,837	573,482
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Information

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interest in an associate.

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

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

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

2 REVENUE

(a) Disaggregation of revenue

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

	Years ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
— Revenue from self-developed games published by the Group	1,528,186	1,409,501
— Revenue from self-developed games published through intellectual property license arrangement and others	160,865	54,789
	<u>1,689,051</u>	<u>1,464,290</u>

(b) Geographic information

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

	Years ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland of the PRC	1,120,229	1,187,947
Overseas	568,822	276,343
	<u>1,689,051</u>	<u>1,464,290</u>

3 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	Years ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	215,408	142,208
Contributions to defined contribution plans	32,113	22,878
	<u>247,521</u>	<u>165,086</u>

(b) Other items

	Years ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	7,570	4,823
Amortisation of intangible assets	1,392	367
Depreciation of right-of-use assets	4,210	3,820
Impairment losses of trade and other receivables	128	358
Auditors' remuneration	1,500	42
Listing expenses	27,018	7,180
	<u>27,018</u>	<u>7,180</u>

4 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Years ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current tax:		
Provision for current income tax for the year	30,980	30,078
Deferred tax:		
Origination and reversal of temporary differences	(8,303)	(5,497)
	<u>22,677</u>	<u>24,581</u>

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

	Note	Years ended 31 December	
		2019	2018
		RMB'000	RMB'000
Profit before taxation		<u>438,204</u>	<u>361,284</u>
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	(i)	102,347	92,193
Tax effect of preferential tax rate	(ii)	(65,437)	(57,227)
Effect of deemed profit method		–	(16)
Super-deduction of research and development expense	(iii)	(17,644)	(13,292)
Effect on deferred tax balance resulting from a change in tax rate	(ii)	5,369	–
Tax effect of non-deductible expenses		698	190
Tax effect of tax losses not recognised		7,019	2,540
Tax effect of temporary differences not recognised	(iv)	(9,675)	193
Actual income tax		<u>22,677</u>	<u>24,581</u>

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

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

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

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

- (ii) According to the PRC Corporate Income Tax Law and its relevant regulations, entities that are qualified as High and New Technology Enterprise under the tax law are entitled to a preferential income tax rate of 15%. The subsidiary of the Company, Suzhou FriendTimes obtained the approval of High and New Technology Enterprise in 2016 with an effective period of three years. Therefore, Suzhou FriendTimes was entitled to a preferential income tax rate of 15% for the year ended 31 December 2018.

Suzhou FriendTimes also obtained the approval of Technologically Advanced Service Enterprises and is entitled to a preferential income tax rate of 15% from 2018 to 2020.

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

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

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

- (iii) Under the PRC Income Tax Law and its relevant regulations, 75% additional tax deduction is allowed for qualified research and development costs for the years ended 31 December 2019 and 2018.
- (iv) This primarily represented the advertising expenses exceeding the income tax deductible limit for the respective tax year under the PRC Income Tax Law and deductible in future years when future advertising expenses falls below the tax deductible limit in the respective year of the future.

5 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the year 2019 and 2018 is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue after adjusting the capitalisation issue occurred immediately prior to the Listing of the Company's shares on 8 October 2019.

	Years ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit attributable to the equity shareholders of the Company (RMB'000)	415,527	336,650
Weighted average number of ordinary shares in issue ('000)	1,945,212	1,870,000
Basic earnings per share	0.21	0.18

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2019 and 2018 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

6 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Current		
Investment in wealth management products	70,000	—
Listed equity securities	55,677	—
Investment in TV-series-based financial instrument	13,008	—
	138,685	—

7 TRADE AND OTHER RECEIVABLES

	Note	As at 31 December	
		2019	2018
		RMB'000	RMB'000
Trade receivables	(a)	179,760	109,240
Less: Loss allowance		(549)	(421)
Trade receivables, net		179,211	108,819
Deposits and prepayments		19,843	9,308
VAT deductible		11,101	4,997
Income tax recoverable		3,359	6,463
Amounts due from shareholders			
— non-trade		—	3
Other receivables		5,333	2,692
		218,847	132,282

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

(a) Ageing analysis

As at the end of each of the years ended 31 December 2018 and 2019, the ageing analysis of trade receivables, based on the invoice date and net of allowance, is as follows:

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	178,876	108,758
After 3 months but within 1 year	421	85
After 1 year but within 2 years	463	397
Less: Loss allowance	(549)	(421)
	<u>179,211</u>	<u>108,819</u>
Trade receivables, net	<u>179,211</u>	<u>108,819</u>

8 TRADE AND OTHER PAYABLES

	<i>Note</i>	As at 31 December	
		2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<i>(a)</i>	14,293	14,165
Accrued payroll		62,814	54,210
Payables related to property, plant and equipment		55,477	11,584
Other payables and accruals		2,491	2,197
		<u>135,075</u>	<u>82,156</u>
Trade and other payables		<u>135,075</u>	<u>82,156</u>

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

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	13,993	14,155
Over 3 months but within 6 months	252	10
Over 1 year	48	–
	<u>14,293</u>	<u>14,165</u>

9 CAPITAL AND RESERVES

(a) Share capital

(i) Authorized and issued share capital

	Par Value US\$	No. of shares '000	US\$ '000
Authorized shares at 31 December 2019 and 2018:	0.00001	5,000,000	50
Ordinary shares, issued and fully paid			
At 1 January 2018	–	–	–
Shares issued to shareholders of the Company	0.00001	49,594	–*
At 31 December 2018	<u>0.00001</u>	<u>49,594</u>	<u>–*</u>
RMB equivalent ('000)			<u>3</u>
At 1 January 2019			
Shares issued to shareholders of the Company	0.00001	2,066	–*
Capitalization issue (<i>note (ii)</i>)	0.00001	1,818,340	18
Initial public offering (<i>note (iii)</i>)	0.00001	330,000	3
Repurchase and cancellation of ordinary shares (<i>note (iv)</i>)	0.00001	(8,488)	–*
Balance at 31 December 2019	<u>0</u>	<u>2,191,512</u>	<u>21</u>
RMB equivalent ('000)			<u>155</u>

* The balance represented number less than 1,000.

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

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

(ii) Capitalization issue

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

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

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

(iv) *Repurchase and cancellation of ordinary shares*

The Company repurchased an aggregate of 8,488,000 shares of its own shares through the Stock Exchange, at a total consideration of HK\$8,657,000 (equivalent to approximately RMB7,773,000) (2018: Nil) during the year ended 31 December 2019. The aforesaid repurchased shares were cancelled as at 31 December 2019.

(b) Dividend

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend proposed after the end of the year ended 31 December 2019 of HK\$0.1 per ordinary share (2018: nil)	<u>196,316</u>	<u>–</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB1,689.1 million, representing an increase of RMB224.8 million or approximately 15.3% from approximately RMB1,464.3 million for the year ended 31 December 2018. The increase in revenue was mainly due to the increase in revenue from our games, Royal Chaos (熹妃Q傳) and Rise of Queendom (宮廷計手遊).

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

	Year ended 31 December		2018	year-on-year	
	2019				
	RMB'000	%	RMB'000	%	
Revenue from games	1,689,051	100.0%	1,464,161	100.0%	15.4%
Others	–	0.0%	129	0.0%	–100.0%
Revenue	<u>1,689,051</u>	<u>100.0%</u>	<u>1,464,290</u>	<u>100.0%</u>	<u>15.3%</u>

Revenue from games by geographic markets, development models and publishing models

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

	Year ended 31 December		2018	year-on-year	
	2019				
	RMB'000	%	RMB'000	%	
Domestic market	1,120,229	66.3%	1,187,818	81.1%	–5.7%
Overseas market	568,822	33.7%	276,343	18.9%	105.8%
Revenue from games	<u>1,689,051</u>	<u>100.0%</u>	<u>1,464,161</u>	<u>100.0%</u>	<u>15.4%</u>

Income by game products

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

	Year ended 31 December		2018	year-on-year	
	2019	%		2018	%
	RMB'000		RMB'000		
Legend of Empress (熹妃傳)	383,824	22.7%	443,482	30.3%	-13.5%
Royal Chaos (熹妃Q傳)	771,297	45.7%	691,790	47.2%	11.5%
Rise of Queendom (宮廷計手遊)	443,765	26.3%	275,226	18.8%	61.2%
Others	90,165	5.3%	53,663	3.7%	68.0%
Revenue from games	1,689,051	100.0%	1,464,161	100.0%	15.4%

Cost of sales

The Group's cost of sales increased by 7.5% from approximately RMB546.0 million for the year ended 31 December 2018 to approximately RMB587.0 million for the year ended 31 December 2019, mainly due to the increase in distribution costs charged by distribution platforms resulting from the increase in revenue from games, and the increases in server-related expenses and remuneration and benefits of operation personnel.

Gross profit and gross profit margin

As a result of the above, gross profit increased by 20.0% from approximately RMB918.3 million for the year ended 31 December 2018 to approximately RMB1,102.1 million for the year ended 31 December 2019. Gross profit margin increased from approximately 62.7% for the year ended 31 December 2018 to approximately 65.2% for the year ended 31 December 2019.

Sales and marketing expenses

For the year ended 31 December 2019, the Group's sales and marketing expenses amounted to approximately RMB393.3 million, representing a decrease of RMB28.8 million or approximately 6.8% from approximately RMB422.1 million for the year ended 31 December 2018, mainly due to the decrease in promotion spending.

Research and development expenses

For the year ended 31 December 2019, the Group's research and development expenses amounted to approximately RMB223.6 million, representing an increase of RMB87.2 million or approximately 63.9% from approximately RMB136.4 million for the year ended 31 December 2018, mainly due to (i) the increase in employee expenses in 2019 resulting from the launch of new games and continually upgrade of existing games, and (ii) the increase in art and music production cost.

General and administrative expenses

For the year ended 31 December 2019, the Group's administrative expenses amounted to approximately RMB62.1 million, representing an increase of RMB29.6 million or approximately 91.1% from approximately RMB32.5 million for the year ended 31 December 2018, mainly due to the increase in listing expenses and the increase in employee salaries and welfare expenses.

Finance costs

For the year ended 31 December 2019, the Group's finance costs amounted to approximately RMB0.3 million, representing a decrease of RMB0.9 million from approximately RMB1.2 million for the year ended 31 December 2018, mainly due to the decrease in interest expenses resulting from reduced loans.

Income tax expense

For the year ended 31 December 2019, the Group's income tax expense amounted to approximately RMB22.7 million, representing a decrease of RMB1.9 million from approximately RMB24.6 million for the year ended 31 December 2018.

Profit for the year

In 2019, our profit for the year amounted to approximately RMB415.5 million, representing an increase of approximately RMB78.8 million or 23.4% from approximately RMB336.7 million in 2018.

EBITDA and adjusted EBITDA

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

The table below sets forth the reconciliation between the Group's profit for the year and EBITDA and adjusted EBITDA for the year ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	415,527	336,703
Add: Depreciation of property, plant and equipment	7,570	4,823
Add: Amortization of intangible assets	1,392	367
Add: Depreciation of right-of-use assets	4,210	3,820
Add: Income tax expenses	22,677	24,581
Add: Interest expenses	289	1,242
	<hr/>	<hr/>
EBITDA	451,665	371,536
Add: Listing expenses	27,018	7,180
	<hr/>	<hr/>
Adjusted EBITDA	478,683	378,716
	<hr/> <hr/>	<hr/> <hr/>

Liquidity and capital resources

As of 31 December 2019, the Group's current liabilities/net assets amounted to approximately 0.15 (31 December 2018: 0.26).

As of 31 December 2019, the Group's cash and cash equivalents amounted to approximately RMB893.4 million. The Group monitors and maintains cash and cash equivalents to a level that management believes to be sufficient to meet the Group's operating needs, reducing the impact of cash flow fluctuations.

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	341,581	344,046
Net cash used in investing activities	(235,819)	(54,978)
Net cash generated from/(used in) financing activities	319,124	(123,577)
	<hr/>	<hr/>
Net change in cash and cash equivalents	424,886	165,491
Cash and cash equivalents as at the beginning of the year	472,605	305,316
Effect of foreign exchange rate changes	(4,091)	1,798
	<hr/>	<hr/>
Cash and cash equivalents as at 31 December	893,400	472,605
	<hr/> <hr/>	<hr/> <hr/>

Operating activities

For the year ended 31 December 2019, net cash generated from operating activities was RMB341.6 million, compared to RMB344.0 million for the year ended 31 December 2018.

Investing activities

For the year ended 31 December 2019, net cash used in investing activities was RMB235.8 million, which primarily included (i) our payment for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB95.1 million mainly as a result of the construction of our new office building and purchase of servers, computers, testing equipment and softwares, (ii) the payment for investments measured at fair value through profit or loss of RMB411.9 million, and (iii) the proceeds from redemption of wealth management products of RMB265.0 million, partially offset by our interest income of RMB5.9 million. For the year ended 31 December 2018, net cash used in investing activities was RMB55.0 million.

Financing activities

For the year ended 31 December 2019, net cash generated from financing activities was RMB319.1 million, mainly due to the combined effect of payment of dividends by RMB102.3 million and the net proceeds raised from offer shares of the Company in the Global Offering amounted to RMB434.0 million. For the year ended 31 December 2018, net cash used in financing activities was RMB123.6 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) 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 year ended 31 December 2019 and 2018 are set out below:

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	131,367	72,657
Intangible assets	7,989	196
Right-of-use assets	–	2,840

Capital commitments

The Group's capital commitments regarding our office building (under construction), servers and computer equipment were approximately RMB114.0 million (31 December 2018: RMB215.1 million). The Group plans to finance its capital commitments with its own funds.

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for but not provided for	103,124	115,256
Authorized but not contracted for	10,845	99,800
	113,969	215,056

Gearing ratio

As at 31 December 2019, gearing ratio was 0.2% (31 December 2018: 1.2%). The decrease in gearing ratio for the year ended 31 December 2019 was mainly due to the increase in total equity. As at 31 December 2019, the Group did not have bank borrowings (31 December 2018: nil).

Capital structure

As at the Listing Date, the Company allotted and issued 330,000,000 new Shares of the Company. The Company's capital structure has not changed since then. The Company's capital includes ordinary shares and other reserves.

Contingent liabilities

As of 31 December 2019, the Group did not have any unrecorded significant contingent liabilities or any guarantees (2018: Nil).

Employees and remuneration policies

As of 31 December 2019, the Group had a total of 1,298 employees (31 December 2018: 1,127 employees), all based in the PRC. The Group determined the remuneration policy for the employees based on their performance, work experience and the current market salary scale. We did not experience any material labour disputes during the year ended 31 December 2019.

Restructuring and significant investments

During the year ended 31 December 2019, the Group did not have any restructuring and significant investments.

Material acquisitions and disposals of assets

For the year ended 31 December 2019 and up to date of this announcement, there were no material acquisitions and disposals of assets.

Off-balance sheet arrangements

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

Pledge of assets by the Group

As of 31 December 2019, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (31 December 2018: RMB7,530,000).

Foreign currency exchange risks

For the year ended 31 December 2019, 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.

Use of Proceeds from the Listing

The Shares of the Company were listed on the Main Board of the Stock Exchange on 8 October 2019 by way of global offering, raising total net proceeds of approximately RMB434.0 million after deducting professional fees, underwriting commissions and other related listing expenses (the "IPO Proceeds"). As stated in the Prospectus, the intended uses of the IPO Proceeds are set out as follows:

- approximately RMB130.2 million (equivalent to 30% of the net proceeds) are expected to be used for further expanding and enhancing our game portfolio and for the research and development of our core proprietary technologies;
- approximately RMB151.9 million (equivalent to 35% of the net proceeds) are expected to be used for funding our advertising, marketing and promotion campaigns so as to strengthen our competitive position in the PRC as well as various important overseas markets;
- approximately RMB65.1 million (equivalent to 15% of the net proceeds) are expected to be used for strengthening our IP portfolio and enriching IP related contents offerings;

- approximately RMB43.4 million (equivalent to 10% of the net proceeds) are expected to be used for funding our strategic acquisition of both upstream and downstream game-related businesses so as to strengthen our IP creation capability and enlarge our IP portfolio as well as to expand our game offerings and enhance our research performance and efficiency; and
- approximately RMB43.4 million (equivalent to 10% of the net proceeds) are expected to be used as working capital and for general corporate purposes.

Since the Listing Date and up to 31 December 2019, the Group has not utilized any IPO Proceeds. In 2020, the Group will gradually utilize the IPO Proceeds in accordance with the intended purposes stated in the Prospectus.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2019

1. On 17 January 2020, Suzhou FriendTimes, an operating entity of the Group, completed the registration of change in business scope at the Jiangsu Market Supervision and Administration Bureau to include the business of “production and publication of radio and television; movies and television planning; organization of cultural and art exchange activities and conference services” and obtained the Radio and Television Program Production and Operation License from Jiangsu Broadcasting Bureau on 17 February 2020.
2. The Group issued the announcement of “Proposed Adoption of Chinese Name” on 6 March 2020, stating that the Board proposed to adopt the Chinese name of “友誼時光股份有限公司” as the dual foreign name of the Company (the “Proposed Adoption of Chinese Name”). The Proposed Adoption of Chinese Name shall be subject to the following conditions: (i) approved by the Shareholders of the Company by means of a special resolution at an extraordinary general meeting of the Company to be held at Conference Room, 4th Floor, Building 18, Scientific Park of Suhua, No. 208 Tongyuan Road, Suzhou Industrial Park, Jiangsu Province, the PRC on Thursday, 26 March 2020 at 10:00 a.m. (the “EGM”); and (ii) approved by the Registrar of Companies in the Cayman Islands for the proposed adoption.

The Group has considered and passed the special resolution at the extraordinary general meeting held on 26 March 2020.

3. In late 2019 and early 2020, it was reported an outbreak of infectious respiratory disease “COVID-19” (named by the World Health Organization) caused by the new coronavirus. The Chinese government has adopted various emergency measures and actions to prevent the proliferation of COVID-19, such as extending the Spring Festival holiday, imposing travel restrictions to certain provinces and cities, and minimizing the number of residents leaving home. The COVID-19 outbreak is expected to have significant impact on China’s economic and business environment. As a result, residents’ forms of outdoor entertainment, as well as offline entertainment during the Spring Festival, have been limited. Nonetheless, the short-term performance of the companies in related sectors, such as home entertainment, games, live broadcasts, long videos, and short videos increased significantly. For the year ended 31 December 2019 and up to the date of this announcement, the Group’s operations and financial performance have not been adversely affected.

OTHER INFORMATION

Final dividend

The Board proposed the payment of final dividend of HK10 cents per ordinary share for the year ended 31 December 2019. The payment of final dividend shall be subject to the approval by the Shareholders at the AGM. Upon the approval by the Shareholders, the final dividend is expected to be paid by 30 June 2020.

Annual General Meeting

The AGM will be held on Friday, 22 May 2020. A notice convening the AGM will be published and dispatched to Shareholders of the Company in due course in the manner prescribed by the Listing Rules.

Closure of Register of Members

For determination of the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020 (both days inclusive), during which period no transfer of the Shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 18 May 2020.

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

From the Listing Date to 31 December 2019, 8,488,000 ordinary Shares were repurchased on the Stock Exchange at an aggregate price of HK\$8,657,000. The repurchased ordinary Shares were cancelled on 10, 20 and 31 December 2019 respectively. After the year ended 31 December 2019, 3,762,000 ordinary Shares were repurchased, and the repurchased ordinary Shares were cancelled on 23 January 2020 and 14 February 2020 respectively.

The Share repurchases were approved by the Board to enhance the long-term value of the Shares held by the Shareholders. Details of the Share repurchases in 2019 are as follows:

Month of repurchase in 2019	Number of repurchased Shares	Purchase price per Share		Aggregate price paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
November 2019	4,014,000	1.09	0.98	4,137,000
December 2019	4,474,000	1.02	0.98	4,520,000
Total	8,488,000	–	–	8,657,000

Save as disclosed above, for the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed the listed securities of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code for Directors to conduct securities transactions. The Company was listed on the Stock Exchange on 8 October 2019. Therefore, from 1 January 2019 to 7 October 2019, the relevant standards contained in the Model Code were not applicable to the Company. The Company has made specified enquiry with all the Directors, who have confirmed that from the Listing Date to 31 December 2019, they have complied with the required standards contained in the Model Code.

Compliance with the CG Code

The Company's corporate governance practices are based on the principles and the code provisions as set out in the CG Code. From the Listing Date to 31 December 2019, the Company has complied with all applicable code provisions set out in the CG Code except for the deviation from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and CEO should be separated and should not be performed by the same individual. The role of Chairman and CEO are both performed by Mr. Jiang Xiaohuang. Due to Mr. Jiang's background, qualifications and experiences in the Company, he is considered to be the best candidate for both roles at present. The Board considers that Mr. Jiang's dual role at this stage is conducive to maintaining the continuity of the Company's policies and the operation efficiency and stability of the Company, which is appropriate and in the best interest of the Company.

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

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

Fiscal policies

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

Sufficiency of public float

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

Audit committee

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

The Audit Committee has reviewed the Company's audited consolidated results for the year ended 31 December 2019 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

Scope of Work of the Company's Auditor

The financial figures in respect of the Group's consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's Auditor, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019 and the amounts were found to be in agreement. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor.

Publication of the Annual Results and Annual Report

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.friendtimes.net). The 2019 annual report of the Group will be despatched to the Shareholders and published on the aforementioned websites in due course in accordance with Rule 13.40 of the Listing Rules.

DEFINITIONS

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

“AGM”	the forthcoming annual general meeting of the Company to be held on 22 May 2020
“Audit Committee”	the Company's audit committee which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting system, risk management and internal control

“Auditor”	KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
“Board” or “Board of Directors”	board of directors of the Company
“Central Propaganda Department”	the Chinese Communist Party Central Committee Propaganda Department (中國共產黨中央委員會宣傳部)
“CEO”	chief executive officer of the Company
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“Company” or “our Company” or “the Company”	FriendTimes Inc., an exempted company incorporated in the Cayman Islands on 16 November 2018 with limited liability and listed on the Stock Exchange on 8 October 2019 (Stock code: 6820)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this Announcement, refers to the controlling shareholders of our Company, being Mr. Jiang, Gorgeous Sunshine, Eternal Heart, Ling Long, Lucky Fish, Future Wisdom, Warm Sunshine, Agile Eagle, Purple Dream and Purple Crystal (as defined respectively in the Prospectus)
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	director(s) of the Company
“Global Offering”	the public offering of 33,000,000 Shares for subscription by the public in Hong Kong and the international offering (as defined respectively in the Prospectus) of 297,000,000 Shares for subscription by the institutional, professional, corporate and other investors
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)

“HKFRS“	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“IP”	intellectual property
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	8 October 2019, the date on which the Shares of the Company were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOCT”	Ministry of Culture and Tourism 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
“MOF”	Ministry of Finance of the PRC
“MOFCOM”	Ministry of Commerce of the PRC
“Prospectus”	the prospectus of the Company dated 24 September 2019
“RMB”	Renminbi, the lawful currency of the PRC
“SAPPRFT”	State Administration of Press, Publication, Radio, Film and Television of the PRC
“Senior Management”	senior management of the Company
“Share(s)”	ordinary share(s) in the issued capital of the Company with nominal value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“U.S. dollars” or “US\$” U.S. dollars, the lawful currency of the United States

“%” per cent

APPRECIATION

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

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

Hong Kong, 26 March 2020

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