

Annual Report 2020

年度
報告



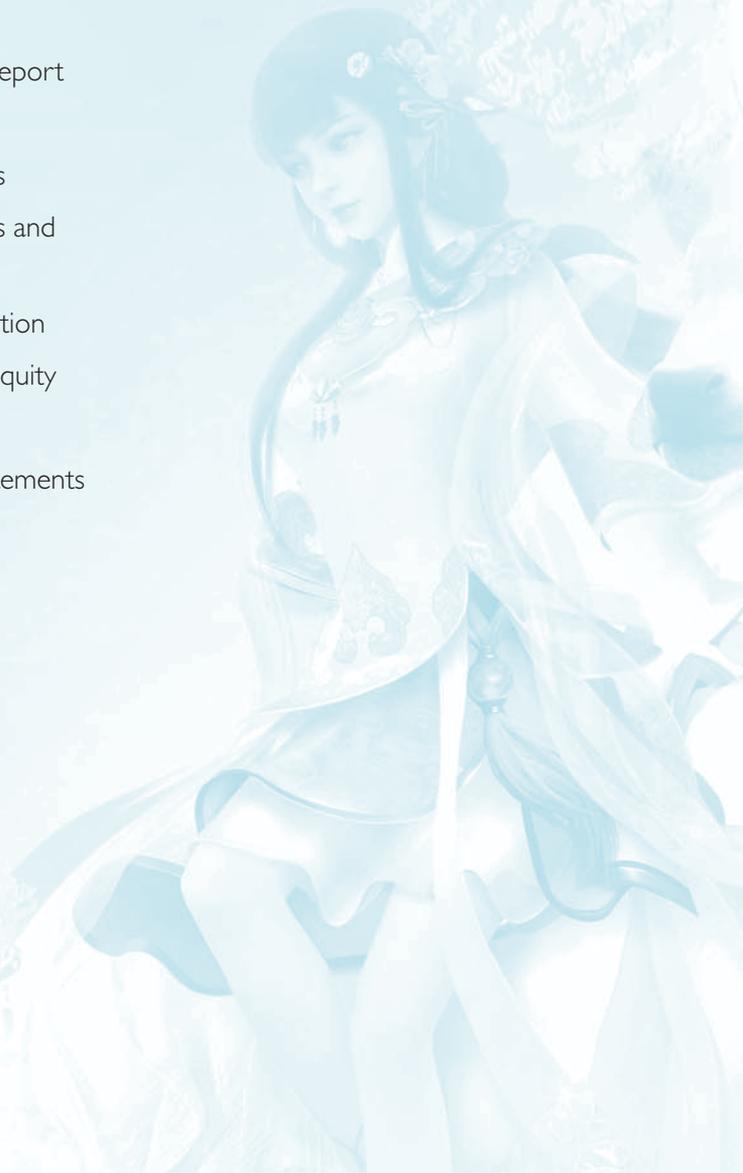
友谊时光
FRIENDTIMES

FRIENDTIMES INC.
Incorporated in the Cayman Islands
with limited liability

Stock Code
06820.HK

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Definitions

“Adoption Date”	14 September 2020, being the date on which the Board adopted the Share Award Scheme
“AGM”	the forthcoming annual general meeting of the Company to be held on 27 May 2021
“Articles” or “Articles of Association”	the articles of association of the Company (as amended from time to time), conditionally adopted on 11 September 2019 with effect from the Listing Date
“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
“Cheeryoo”	Suzhou Cheeryoo Network Technology Co., Ltd. (蘇州沁遊網絡科技有限公司), a company established under the laws of the PRC with limited liability on 11 January 2018 and wholly-owned by FriendTimes Technology, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“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” or “FriendTimes”	FriendTimes Inc., an exempted company incorporated in the Cayman Islands on 16 November 2018 with limited liability and listed on the Main Board of the Stock Exchange on 8 October 2019 (Stock code: 6820)
“Contractual Arrangements”	certain contractual arrangements entered into on 20 February 2019 and 6 March 2019 by us
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this annual report, 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)

Definitions

“Eligible Participant”	any senior and mid-level management, core technical personnel and key employees who, at the absolute discretion of the Board, will contribute or have contributed to any member of the Group
“Director(s)”	director(s) of the Company
“Equity Pledge Agreement”	the equity pledge agreement entered into among Suzhou Eagle, FriendTimes Technology and the Registered Shareholders (as defined in the Prospectus) dated 20 February 2019
“Exclusive Business Cooperation Agreement”	the exclusive business cooperation agreement entered into between Suzhou Eagle and FriendTimes Technology dated 20 February 2019
“Exclusive Option Agreement”	the exclusive option agreement entered into among Suzhou Eagle, FriendTimes Technology and the Registered Shareholders (as defined in the Prospectus) dated 20 February 2019
“Framework Loan Agreement”	the framework loan agreement entered into between Suzhou Eagle and FriendTimes Technology dated 6 March 2019
“Friend Century”	Friend Century Limited, a company incorporated under the laws of Hong Kong with limited liability on 7 December 2018 which is wholly-owned by Friend World and is our subsidiary
“Friend World”	Friend World Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 26 November 2018 and is a wholly-owned subsidiary by our Company
“FriendTimes Technology”	FriendTimes Technology Inc. (友誼時光科技股份有限公司), a company established under the laws of the PRC with limited liability on 11 May 2010, and the holding company of Operating Entities, and by virtue of the Contractual Arrangements, accounted for as our subsidiary. Formerly known as: Suzhou FriendTimes Technology Inc. (蘇州玩友時代科技股份有限公司)
“GameFriend”	Suzhou GameFriend Network Technology Co., Ltd. (蘇州好玩友網絡科技有限公可), a company established under the laws of the PRC with limited liability on 9 April 2014 and wholly-owned by FriendTimes Technology, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“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

Definitions

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“IP”	intellectual property
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	8 October 2019, the date on which the Shares of the Company were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the Company’s nomination committee which was established in accordance with the requirements of the Listing Rules
“Operating Entity(ies)”	FriendTimes Technology, GameFriend, Purple Blaze, Cheeryoo, Purple Wing and Wu Linglong, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements
“Prospectus”	the prospectus of the Company dated 24 September 2019
“Purple Blaze”	Suzhou Purple Blaze Network Technology Co., Ltd. (蘇州紫焰網絡科技有限公司), a company established under the laws of the PRC with limited liability on 23 March 2017 and wholly-owned by FriendTimes Technology, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Purple Wing”	Shanghai Purple Wing Network Technology Co., Ltd. (上海紫翊網絡科技有限公司), a company established under the laws of the PRC with limited liability on 5 February 2018 and wholly-owned by FriendTimes Technology, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Registered Shareholders”	Mr. Jiang Xiaohuang (蔣孝黃先生), Suzhou Zixin, SEC Electric, Nanjing Liheng, Song Dawei (宋大偉), Song Huan (宋歡), Wang Jianyu (王建裕), Suzhou Luoyuan, Lin Zhirong (林直榮) and Zhang Min (張敏), as registered shareholders of FriendTimes Technology (as defined respectively in the Prospectus)
“Remuneration Committee”	the Company’s remuneration committee which was established in accordance with the requirements of the Listing Rules
“Reporting Period”	from 1 January 2020 to 31 December 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Selected Participant”	Eligible Participant(s) selected by the Board pursuant to the Scheme Rules who holds a subsisting Award

Definitions

“Scheme Rules”	the rules of the Share Award Scheme, as amended from time to time
“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
“Shareholder(s)”	holder(s) of the Shares
“Share Award Scheme”	the share award scheme adopted by the Company on the Adoption Date (in its present or any amended form)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Suzhou Bojoy”	Suzhou Bojoy Information Technology Co., Ltd. (蘇州寶將信息科技有限公司), the predecessor of FriendTimes Technology
“Suzhou Eagle”	Suzhou Eagle Network Technology Co., Ltd. (蘇州億歌網絡科技有限公司), a WFOE established under the laws of the PRC with limited liability on 24 January 2019 which is wholly-owned by Friend Century and is our subsidiary
“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
“Voting Rights Proxy Agreement and Powers of Attorney”	the voting rights proxy agreement and powers of attorney entered into among FriendTimes Technology, the Registered Shareholders and Suzhou Eagle dated 20 February 2019
“Wish Interactive”	Wish Interactive Technology Limited (心願互動科技有限公司), a company incorporated under the laws of Hong Kong with limited liability on 19 May 2015, which is wholly-owned by Friend World and is our subsidiary
“Wu Linglong”	Jiangsu Wu Linglong Culture Development Co., Ltd (江蘇吳玲瓏文化發展有限公司), a company incorporated under the laws of the PRC with limited liability on 13 May 2020, which is wholly owned by FriendTimes Technology and is accounted for as our subsidiary under a contractual arrangement
“%”	per cent

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Liu Gongyou
Ms. Fung Wai Sum

AUTHORISED REPRESENTATIVES

Mr. Jiang Xiaohuang
Ms. Fung Wai Sum

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.friendtimes.net

STOCK CODE

6820

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

Corporate Information

LEGAL ADVISER

As to Hong Kong law:
William Ji & Co. LLP
in Association with
Tian Yuan Law Firm Hong Kong Office
Suite 702, 7/F
Two Chinachem Central
26 Des Voeux Road Central
Central
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F., Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

PRINCIPAL BANKS

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

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

AUDITOR

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

* For illustrative purposes only

Financial Summary

The following is a summary of the annual results of the Group for the last five financial years:

RESULTS

	Year ended 31 December				2020 RMB'000
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	
Revenue	568,802	700,247	1,464,290	1,689,051	2,182,257
Gross profit	358,262	432,274	918,290	1,102,077	1,468,345
Profit before taxation	89,490	143,229	361,284	438,204	526,607
Profit for the year	80,688	117,903	336,703	415,527	503,519
EBITDA	96,158	150,660	371,536	451,665	543,000
Adjusted EBITDA*	96,158	150,660	378,716	478,683	543,000

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				2020 RMB'000
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	
Total assets	349,810	475,123	735,948	1,511,219	1,792,179
Total liabilities	91,005	119,364	162,466	204,382	225,758
Total equity	258,805	355,759	573,482	1,306,837	1,566,421

* 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 18 for further information.

Chairman's Statement

The year 2020 was a year of challenges and opportunities for FriendTimes. With the global outbreak of the COVID-19 pandemic, the stay-at-home economy rapidly developed due to the decrease of opportunities for outdoor activities and the increase of market demand for high-quality online games. According to the China Game Industry Report issued by the Game Publishing Committee (the "GPC") and International Data Corporation (the "IDC"), gaming products are becoming a trend. As a leading mobile online game manufacturer and operator in China, FriendTimes has always focused on developing high quality mobile online gaming products and global distribution and operation.

The year 2020 marks the 10th anniversary of the establishment of FriendTimes. In the past ten years, we have opened up and extensively explored the field of female-oriented ancient Chinese-style games. We have developed many high-quality products, from webpage games to mobile games and from 2D to 3D, and have always maintained our top position in this sub-sector. In the past ten years, we expanded our business from the domestic market to overseas, opening up international markets in South Korea, Japan, Southeast Asia, North America and other countries, and are committed to "telling the Chinese story and spreading the Chinese culture" around the world, as a result we have been awarded the title of "National Key Enterprises of Cultural Exports" twice consecutively. In the past ten years, we continued to deliver excellent products, resulting in an increase in sales, especially in 2020 with the launch of the Fate of the Empress (浮生為卿歌) we achieved the goal of over RMB100 million of revenue with one single product. In the past ten years, we had been highly recognised by the country, the market and the industry for our determination and pursuit of excellence. We received corporate awards including the 2020 White Horse Outstanding Award of China Games Capital Summit granted by China Games Capital Summit, Top 20 Global Mobile Game Enterprises in China with Market Competitiveness granted by Gamma Data and Newzoo, and 2020 China's Top 30 Enterprises in Game Industry granted by Yicai. Ten years of footprints showing our ten years of efforts. FriendTimes will continue to be focused and pragmatic, work hard with perseverance to greet our next decade.

Talents have always been the biggest asset and the core competitiveness of enterprises. FriendTimes highly values the cultivation and reserve of talents, and continues to increase the investment in game research and development and talents in operation, and actively carries out a number of internal and external training exchanges. In September 2020, the Group officially adopted the Share Award Scheme. At the same time, I decided to grant a total of 80.0 million shares of the Company at no consideration over a period of three years as share reserve under the Share Award Scheme, of which 40.0 million shares have now been granted and awarded in the first year. We strive to create a more competitive welfare mechanism by moving into our headquarters building with a better office environment in order to attract and cultivate more like-minded talents and make our team more efficient and cohesive.

Over the years, FriendTimes is committed to becoming a caring and socially responsible enterprise. While focusing on business development and improving teambuilding, we undertake corporate social responsibility through charitable activities from time to time, hoping to help more people and organisations in need of help through the power of the enterprise. In 2020, the Group promptly donated RMB2.0 million for procuring medical supplies and prevention and treatment materials at the beginning of the outbreak of the COVID-19 pandemic. In the future, the Group will continue to practice the Group's charity culture and assume more social responsibility.

Chairman's Statement

Looking ahead, we hope that with our persistent efforts, we will have a more diversified portfolio of games and cultural products for export, and achieve our strategic goals as soon as possible through research and development of gaming products, global distribution, IP ecological derivatives and investment in cultural and creative industries. We will continue to enhance our cultural awareness, explore cultural elements in depth, continue to enrich our cultural heritage, leverage the penetrating power of culture, use games, animation, literature, films and TV, and IP derivatives as drivers, carry out the corporate mission of “Let Culture Create Values”, and make continuous efforts in the direction of creating cultural masterpieces, building a series of cultural products with historical aspects and new era characteristics.

Lastly, on behalf of the Board, I would like to take this opportunity to thank the management of the Group and all our staff for their hard work over the past year. I would also like to extend my sincere gratitude to our Shareholders, business partners and stakeholders for their continued support, and wish for their continuous support in the future.

Jiang Xiaohuang

Chairman

Management Discussion and Analysis

OVERVIEW

The Group is a leading integrated and well-established mobile game developer, publisher and operator. The Group is headquartered in Suzhou, China, with branches in regions including Shanghai, Wuxi and Hong Kong in China, and South Korea and Japan, and was listed on the Main Board of the Stock Exchange on 8 October 2019. Since our inception in 2010, we have been strategically focusing on mobile games targeting female players in the PRC to capture the significant growth potential in both the mobile game industry and the female-oriented game market. We successfully launched core products such as the Legend of Empress (熹妃傳), the Royal Chaos (熹妃Q傳), the Rise of Queendom (宮廷計手遊), the Fate of the Empress (浮生為卿歌) and others, which are well received among users.

As a key national cultural export enterprise and a pioneer in the segment of ancient Chinese-style female-oriented games, the Group keeps a professional global distribution and operation team, while consolidating the leading position in the domestic female market, we are also exploring overseas markets actively. We will continue to adhere to the corporate mission of "Let Culture Create Values", and are committed to spreading excellent traditional Chinese culture to a wider group and region, so as to build a carrier for global outstanding cultural exchanges, promote cultural inheritance and heritage, constantly explore cultural values, and shape a more profound influence of culture.

REVIEW

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

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

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

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

Management Discussion and Analysis

Fate of the Empress (浮生為卿歌)



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

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

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

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

Management Discussion and Analysis

OUTLOOK

In 2021, FriendTimes will soon launch a number of new games in different and diversified styles to cope with the increasingly competitive industry environment. Looking ahead, we will continue to increase our investment in research and development, distribution and operation talents of games, seek investment and acquisition opportunities that can create synergy in the upstream and downstream industry chains, build a diversified and innovative product portfolio, strengthen our global competitiveness, accelerate the ecology and commercialization of original IP, expand our industry layout around the “IP+” strategy and introduce new dynamics into the Group’s long-term development.

NEW GAMES TO BE RELEASED

Fate: The Loved Journey (此生無白)



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

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

Management Discussion and Analysis

Promise of Lingyun (凌雲諾)



Promise of Lingyun (凌雲諾) is a glamorous Chinese-style social mobile game with modern art, it blends classical aspects with modern art to demonstrate the fascinating ancient Chinese culture. The game incorporates the essence of different cultures in a refreshing way by using traditional yet novel Chinese brush painting method into the ancient and unique gameplay. The game outlines realistic paintings of the ancient times, and elegantly shapes an ancient Chinese world with splashes of paint.

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



A Story of Lala's: Rising Star (杜拉拉升職記) is an authentic inspirational female-oriented 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 emphasises on self-confidence and independence of modern women in metropolitan. The product combines a variety of game play and practical advices in workplace, allowing players to experience personal growth and socialisation in a relaxing and enjoyable gaming environment.

Management Discussion and Analysis

DIVERSIFIED PRODUCT STRATEGY

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

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

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

IP COMMERCIALIZATION STRATEGY

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

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

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

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

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

Management Discussion and Analysis

GLOBALIZED OVERSEAS STRATEGY

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

FINANCIAL REVIEW

Revenue

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

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

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

Revenue from games by geographic markets

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

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

Management Discussion and Analysis

Cost of sales

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

Gross profit and gross profit margin

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

Sales and marketing expenses

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

Research and development expenses

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

General and administrative expenses

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

Finance costs

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

Income tax expense

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

Profit for the year

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

Management Discussion and Analysis

EBITDA and adjusted EBITDA

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

The table below sets forth the reconciliation between the Group's profit for the year and EBITDA and adjusted EBITDA for the year ended 31 December 2020 and 2019:

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

Liquidity and capital resources

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

As of 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB1,093.3 million. The Group monitors and maintains cash and cash equivalents to a level that management believes to be sufficient to meet the Group's operating needs, reducing the impact of cash flow fluctuations.

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

Management Discussion and Analysis

Operating activities

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

Investing activities

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

Financing activities

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

Capital expenditures

The Group's capital expenditures mainly included (i) construction of our new office building in Suzhou, purchase of property, plant and equipment such as servers and computer equipment; (ii) software and IP licenses of literature and intangible assets such as various office software that has been used or to be used by our games; and (iii) increase in right-of-use assets arising from housing leases. Capital expenditures for the year ended 31 December 2020 and 2019 are set out below:

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

Capital commitments

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

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

Management Discussion and Analysis

Gearing ratio

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

Capital structure

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

Contingent liabilities

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

Employees and remuneration policies

As of 31 December 2020, the Group had a total of 1,456 employees (31 December 2019: 1,298 employees), all based in the PRC. The Group determined the remuneration policy for the employees based on their performance, work experience and the current market salary scale. We did not experience any material labour disputes during the year ended 31 December 2020.

Restructuring and significant investments

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

Financial assets

1. As of 31 December 2020, the wealth management products were issued by listed commercial banks in China, all of which were floating rate principal protected deposits. During the respective investment period of wealth management products, the Company shall not terminate any relevant subscription agreements, redeem or withdraw principal before the respective maturity dates of financial products of the commercial banks. The commercial banks also have no right to terminate any subscription agreements. As of 31 December 2020, none of the wealth management products had a fair value of 5% or more of the Group's total assets.
2. As of 31 December 2020, stock investment represented the fair value of equity shares listed on an active stock market. The Directors of the Company believed that the closing price of the securities was the fair value of the investment. As of 31 December 2020, the fair value of stock investments did not exceed 5% or above of the Group's total assets.
3. The Company has formulated standardized capital and investment management policies to monitor and control potential risks related to investment activities. When considering whether to invest and what kind of products to invest in, the management will consider, among other things, the risk level, investment return, liquidity and maturity of the relevant wealth management products on a case-by-case basis. Our investment portfolio and policies are regularly reviewed by our Directors and management team.

Material acquisitions and disposals of assets

For the year ended 31 December 2020 and up to date of this annual report, there were no material acquisitions and disposals of assets.

Off-balance sheet arrangements

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

Management Discussion and Analysis

Pledge of assets by the Group

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

Foreign currency exchange risks

For the year ended 31 December 2020, most of transactions denominated in non-RMB were denominated in U.S. dollars and Hong Kong dollars. The management team closely monitors foreign currency exchange risks to ensure that appropriate measures are implemented in a timely and effective manner. In the past, the Group has not incurred any significant foreign currency exchange losses in its operations. The management team will continue to closely monitor the Group's foreign currency exchange risks and will consider implementing appropriate measures.

Use of Proceeds from the Listing

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

The IPO total net proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange, after deducting professional fees, underwriting commission and other listing related expenses, were approximately RMB434.0 million. For the year ended 31 December 2020, the IPO proceeds were utilized in accordance with the intended purposes stated in the Prospectus published by the Company, with the balance amounted to approximately RMB291.2 million. The balance of IPO proceeds will continue to be utilized according to the manner and proportions as disclosed in the Prospectus. For details, please refer to the following table:

	Net amount available as at 31 December 2019 (RMB million)	Actual net amount utilized at 31 December 2020 (RMB million)	Unutilized net amount at 31 December 2020 (RMB million)
R&D of game products, R&D and upgrading of core technology platform	130.2	39.1	91.1
Global market launch and operation	151.9	58.6	93.3
IP ecological construction	65.1	10.5	54.6
Acquisition of upstream and downstream industries	43.4	12.9	30.5
Working capital and general corporate use	43.4	21.7	21.7
Total	434.0	142.8	291.2

Management Discussion and Analysis

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2020

1. The Board resolved to grant a total of 40,000,000 awarded shares to the selected directors and employees of the Group based on the recommendation of the Remuneration Committee, which is effective from 1 January 2021. The 40,000,000 awarded shares to be granted at nil consideration represent approximately 1.83% of the issued share capital of the Company as at the date of the grant. For details, please refer to the announcements of the Company dated 14 September 2020 and 28 December 2020 respectively.
2. With effect from 12 April 2021, the Company has adopted the new Company's logo. Please refer to the Company's announcement dated 12 April 2021 for more details.
3. With effect from 19 April 2021, the address of the Company's headquarter and the principal place of business in the PRC is changed to FriendTimes Building, No. 68 Qitai Road, Suzhou Industrial Park, Jiangsu Province, the PRC. Please refer to the Company's announcement dated 19 April 2021 for more details.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jiang Xiaohuang (蔣孝黃), aged 38, is an executive Director, the Chairman and the CEO of our Company. Mr. Jiang is responsible for the overall management, decision-making and strategic planning of our Group.

Mr. Jiang is the founder of our Group and he has near 16 years of experience in the game industry. Prior to founding our Group, from October 2004 to February 2009, Mr. Jiang served as the research and development director in Suzhou Snail Digital Technology Co., Ltd. (蘇州蝸牛數字科技股份有限公司), which is principally engaged in the development and operation of online games. Mr. Jiang founded Suzhou Bojoy, the predecessor of FriendTimes Technology, in May 2010 and currently serves as the CEO of our Group. He is also a director of Friend World, Friend Century, Wish Interactive, Suzhou Eagle, FriendTimes Technology, GameFriend and Purple Blaze.

Mr. Jiang obtained his bachelor's degree (through online learning) in computer science and technology from Beihang University (北京航空航天大學) in July 2016 and his executive master of business administration (EMBA) from Tsinghua University (清華大學) in January 2017.

Mr. Xu Lin (徐林), aged 40, is an executive Director and the vice president of our Company. He is primarily responsible for assisting in the overall management, strategic planning and decision-making of products research and development of our Group.

Mr. Xu has over 15 years of experience in the technology industry. Prior to joining our Group, from July 2005 to June 2006, Mr. Xu had served as the art planner in Suzhou Industrial Park Jima Game Software Co., Ltd. (蘇州工業園區吉碼遊戲軟件有限公司), where Mr. Xu was responsible for the artworks and strategic planning of games. From October 2006 to October 2008, Mr. Xu had worked in Suzhou Zhuo Ao You Electronics Co., Ltd. (蘇州卓奧友電子有限公司), a company primarily engaged in the development and sales of computer hardware and software and educational products. Mr. Xu joined FriendTimes Technology in November 2010 and currently serves as the vice president of our Group. He is also a director of FriendTimes Technology.

Mr. Xu obtained his bachelor's degree in history from Suzhou University of Science and Technology (蘇州科技大學) in June 2005, and his master's degree in business administration (MBA) from Concordia University in March 2019.

Mr. Wu Jie (吳傑), aged 34, is an executive Director and the vice president of our Company. Mr. Wu is responsible for assisting in overall management, strategic planning and decision-making of marketing of our Group.

Mr. Wu has over 8 years of experience in the game industry. From August 2012 to August 2013, Mr. Wu had served as the head of mobile and web games department in Suzhou Le Peng Culture Communication Co., Ltd. (蘇州樂朋文化傳播有限公司), a company primarily engaged in the development and sale of game software, where Mr. Wu was responsible for the publishing and operation of the mobile and web games. Mr. Wu joined FriendTimes Technology in August 2013 and currently serves as the vice president of our Group. He is also a director of FriendTimes Technology.

Mr. Wu obtained his professional diploma in computer application and technology from Jinshan Vocational Technical College (金山職業技術學院) in June 2009, and his executive master's degree in business administration (EMBA) from University of Liege, Belgium in October 2017.

Directors and Senior Management

Mr. Sun Bo (孫波), aged 36, is an executive Director and the vice president of our Company. Mr. Sun is responsible for assisting in overall management, strategic planning and decision-making of products operation of our Group.

Mr. Sun has over 16 years of experience in the game industry. Prior to joining our Group, from December 2004 to December 2008, Mr. Sun had served as the operation manager in Suzhou Snail Digital Technology Co., Ltd. (蘇州蝸牛數字科技股份有限公司), a company primarily engaged in the development and operation of online games, where Mr. Sun was responsible for game operation. From February 2009 to November 2009, Mr. Sun had served as the game operation director of game operation department in Hangzhou Yi Te Wangwang Network Technology Co., Ltd. (杭州易特旺旺網路技術有限公司), which is principally engaged in the development of computer software, where Mr. Sun was responsible for the game operation. From December 2009 to November 2010, Mr. Sun had worked in Hangzhou Jiushang Technology Co., Ltd. (杭州久尚科技有限公司), which is principally engaged in the development of computer software and internet technology. Mr. Sun joined FriendTimes Technology in December 2010 and currently serves as the vice president of our Group.

Mr. Sun obtained his professional diploma in network engineering and management from Anhui Wenda University of Information Engineering (安徽文達信息工程學院) in July 2005 and obtained his master's degree in business administration (MBA) from Asia Metropolitan University (亞洲城市大學) in December 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Wei (祝偉), aged 49, is an independent non-executive Director of our Company. Mr. Zhu is responsible for supervising and providing independent advice to our Board.

Mr. Zhu has over 17 years of experience in accounting and taxation. Prior to joining our Group, Mr. Zhu worked in various companies being responsible in the finance and accounting aspects. From December 2003 to December 2006, Mr. Zhu had worked in Jiangsu Welsen CPA Co., Ltd. (江蘇華星會計師事務所). From December 2006 to November 2009, Mr. Zhu had worked in Jiangsu Xinzhongda CPA Co., Ltd. (江蘇新中大會計師事務所有限公司). From November 2009 until present, Mr. Zhu has been serving as a partner in Suzhou Newgrand Certified Public Accountants (蘇州仲華會計師事務所) where he is responsible for the operation and management. From August 2016 to July 2019, Mr. Zhu had served as an independent director of Jiangsu Yunyi Electric Co., Ltd. (江蘇雲意電氣股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300304.SZ). Since May 2017, he has been serving as an independent director of Beijing Jetsen Technology Co., Ltd. (北京捷成世紀科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300182.SZ). Mr. Zhu joined FriendTimes Technology in December 2015 and has been serving as independent director since then.

Mr. Zhu was qualified as a registered tax agent in China (中國註冊稅務師) in September 1999. Mr. Zhu was admitted as a certified accountant of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in August 2002 and he was admitted as a member of the Institute of Public Accountants, Australia in January 2011. Mr. Zhu also obtained the senior accountant qualification (高級會計師資格) in September 2006. Mr. Zhu obtained the Independent Director Qualification of Shenzhen Stock Exchange (深圳證券交易所) and Shanghai Stock Exchange (上海證券交易所) in March 2016 and April 2016, respectively.

Mr. Zhu obtained his professional diploma in financial accounting from Suzhou Radio and Television University (蘇州市廣播電視大學) in July 1992 and his bachelor's degree in international finance from Nanjing University (南京大學) in April 1999.

Directors and Senior Management

Ms. Tang Haiyan (唐海燕), aged 50, is an independent non-executive Director of our Company. Ms. Tang is responsible for supervising and providing independent advice to our Board.

Ms. Tang has over 27 years of experience as a PRC qualified lawyer. Since July 1995, Ms. Tang has been working in Y & T Lawyers (江蘇益友天元律師事務所) where she is currently a partner. From February 2015 to March 2021, Ms. Tang has been serving as an independent director of Suzhou Thvow Technology Co., Ltd. (蘇州天沃科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 002564.SZ). Since February 2016, Ms. Tang has been serving as an independent director of Sufa Technology Industry Co., Ltd. (中核蘇閩科技實業股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 000777.SZ). Since August 2016, Ms. Tang has been serving as a director of Tibet Summit Resources Co., Ltd. (西藏珠峰資源股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 600338.SH). Since June 2019, Ms. Tang has been an independent director of Suzhou Veichi Electric Co., Ltd (蘇州偉創電氣科技股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 688698.SH). Ms. Tang joined FriendTimes Technology in April 2018 and has been serving as independent director since then.

Ms. Tang became a qualified PRC lawyer in May 1993. Ms. Tang is currently an arbitrator of the fifth Suzhou Arbitration Commission (蘇州仲裁委員會) and a member of the legal experts in Political Legal Committee of Suzhou Municipal Committee (蘇州市委政法委員會法律專家庫成員). Ms. Tang has obtained the Independent Director Qualification in Shanghai Stock Exchange (上海證券交易所) and Shenzhen Stock Exchange (深圳證券交易所) in September 2008 and September 2016, respectively.

Ms. Tang obtained her bachelor's degree in economic law from East China University of Political Science and Law (華東政法大學) in July 1992, her master's degree in international economic law from University of Canberra, Australia in July 2004, and her master's degree in business administration (MBA) from China Europe International Business School (中歐國際工商學院) in September 2008.

Mr. Zhang Jinsong (張勁松), aged 51, is an independent non-executive Director of our Company. Mr. Zhang is responsible for supervising and providing independent advice to our Board.

Mr. Zhang has over 13 years of experience in business management. From June 2007 to December 2019, Mr. Zhang had served as the general manager of merchant sales department of Suzhou Industrial Park Commercial Tourism Development Co., Ltd. (蘇州工業園區商業旅遊發展有限公司) where he is primarily responsible for the daily sales operation and management. Since January 2020, Mr. Zhang has been serving as the general manager of risk control department of Suzhou Industrial Park Neighborhood Center Development Co., Ltd. (蘇州工業園區鄰里中心發展有限公司) where he is primarily responsible for the risk control.

Mr. Zhang obtained his professional diploma in trade economics from Suzhou Vocational University (蘇州市職業大學) in July 2003 and his bachelor's degree in economic information management from Naval Aeronautical and Astronautical University (中國人民解放軍海軍航空工程學院) in June 2006.

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Li Ya (李姪), aged 39, is the chief financial officer of our Company. Ms. Li is responsible for providing financial management and formulating financial strategies of our Group.

Ms. Li has over 14 years of experience in accounting and finance. From February 2007 to December 2008, Ms. Li worked as an accountant in the finance department of Suzhou Xinrui Meiwen Computer Engineering Co., Ltd. (蘇州新銳美文計算器工程有限公司). From January 2009 to October 2010, Mr. Li worked as a finance manager of Jiangsu Century Ark Culture Development Co., Ltd. (江蘇世紀方舟文化發展有限公司). Ms. Li joined our Group in December 2010 and currently serves as the chief financial officer of FriendTimes Technology.

Ms. Li was admitted as a member of the Institute of Public Accountants Australia in December 2016 and she obtained the intermediate accountant qualification certificate of PRC (中級會計職稱) in February 2017. She was admitted as an associate of the Association of International Accountants in February 2019. Ms. Li also obtained the Board Secretary Qualification of Shenzhen Stock Exchange in May 2016.

Ms. Li obtained her professional diploma in accounting from Nanjing University of Finance & Economics (南京財經大學) in January 2009 and her master's degree in business administration (MBA) from Hong Kong Asia Business College (香港亞洲商學院) in December 2017.

Mr. Liu Gongyou (劉功友), aged 39, has been appointed as one of our joint company secretaries on 21 February 2019. Mr. Liu is responsible for overseeing the matters relating to the Listing, legal and compliance issues of our Group.

Mr. Liu has over 10 years of experience in legal and compliance. From September 2010 to March 2012, Mr. Liu worked as a PRC qualified lawyer in Jiangsu Zheng & Zheng Partners (江蘇正和正律師事務所). From March 2012 to August 2013, Mr. Liu had served as securities affairs representative in Shanghai Beite Technology Co., Ltd. (上海北特科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603009.SH). From January 2014 to October 2014, Mr. Liu had served as the assistant to the chairman in Jiangsu Zhonghong Investment Industrial Co., Ltd. (江蘇中宏投資實業有限公司). From November 2014 to July 2015, Mr. Liu had served as the legal manager in Wuzhou International Holdings Limited (五洲國際控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 1369.HK). Mr. Liu joined our Group in August 2015 and currently serves as the board secretary of FriendTimes Technology. He also serves as a director of Wu Linglong.

Mr. Liu obtained the Legal Professional Qualification Certificate of PRC (中華人民共和國法律職業資格證書) in March 2010. Mr. Liu obtained the Board Secretary Qualification of Shenzhen Stock Exchange and Shanghai Stock Exchange in July 2013 and February 2017, respectively. Mr. Liu obtained the securities qualification certificate (證券從業資格) in June 2011 and the futures qualification certificate (期貨從業資格) in July 2011.

Mr. Liu obtained his professional diploma in economic law from Anhui University of Technology (安徽工業大學) in July 2001, his bachelor's degree in politics education from Huaibei Normal University (淮北師範大學) in July 2003 and his master's degree in law from Shanghai Jiao Tong University (上海交通大學) in December 2009.

For biographical information about Mr. Jiang Xiaohuang, Mr. Xu Lin, Mr. Wu Jie and Mr. Sun Bo (who form part of our Senior Management), please see the section headed "Executive Directors" above.

Directors and Senior Management

JOINT COMPANY SECRETARIES

Mr. Liu Gongyou (劉功友), please see “Senior Management” above for details.

Ms. Fung Wai Sum (馮慧森), aged 38, has been appointed as one of our joint company secretaries on 21 February 2019. Ms. Fung is a senior manager of Corporate Services of Tricor Services Limited.

Ms. Fung has over 10 years of experience in providing professional corporate secretarial services to private and listed companies. Ms. Fung is currently the company secretary of two listed companies on the Stock Exchange, namely, Tongdao Liepin Group (stock code: 6100.HK) and Greenland Hong Kong Holdings Limited (stock code: 0337.HK), and the joint company secretary of a listed company on the Stock Exchange, namely, Shenzhen Neptunus Interlong Bio-Technique Company Limited (stock code: 8329. HK).

Ms. Fung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom. Ms. Fung obtained her bachelor’s degree in business administration in operations management and economics from The Hong Kong University of Science and Technology in November 2004, and her master’s degree in professional accounting and corporate governance from City University of Hong Kong in November 2008.

Corporate Governance Report

COMPLIANCE WITH CORPORATE GOVERNANCE 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 year ended 31 December 2020, save for the deviations from code provision A.2.1 as disclosed below.

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

Mr. Jiang Xiaohuang is the Chairman and CEO of the Company. 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 members of the Board in a timely manner. Further, the Board meets with Mr. Jiang regularly to discuss issues relating to the operation of the Company.

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

Compliance with the Model Code on Securities Transactions by Directors

The Company has adopted the Model Code as a code for its own relevant Directors to conduct securities transactions. The Company has made specified enquiry with all the Directors, and each of them has confirmed that during the year ended 31 December 2020, 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.

Articles of Association

For the year ended 31 December 2020, the Company has not made any changes to the Articles of Association, and its current version is posted on the websites of the Stock Exchange and the Company.

Corporate Governance Report

THE BOARD OF DIRECTORS

Board Composition

The Board currently consists of 7 Directors comprising 4 executive Directors and 3 independent non-executive Directors.

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

Brief biographical details of Directors and Senior Management are set out in the section headed “Directors and Senior Management” of this annual report. Save as disclosed in the Prospectus and in this annual report, to the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationships among members of the Board.

Independence of the Independent Non-Executive Directors

For the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors confirming his/her independence in accordance with Rule 3.13 of the Listing Rules and the Company considers that all independent non-executive Directors are independent.

Appointment and Re-Election of Directors

All Directors (including independent non-executive Directors) are appointed for a specific term of three years which may be extended as each and the Company may agree, subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. Article 16.19 of the Articles of Association of the Company provides that at each AGM, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee and then submitted to the Board, subject to approval by election at the general meeting.

Corporate Governance Report

Where vacancies on the Board exist, the Nomination Committee evaluates skills, knowledge and experience required by the Board, and identifies if there are any special requirements for the vacancy. The Nomination Committee identifies appropriate candidates and convenes Nomination Committee meeting to discuss and vote in respect of the nominated Directors, and recommends candidates for Directors to the Board.

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board. The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

BOARD DIVERSITY

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board Diversity Policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, gender, cultural and educational background, professional and industry experience, skills and knowledge, insight, and the potential contributions that such candidate could bring to the Board. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires being effective. The structure, size and composition (including, for example, gender, age, and length of service) of the Board will be reviewed from time to time by the Nomination Committee to ensure that the Board has a balance of skills, expertise and diversity of perspective for providing effective leadership to the Company and meeting the needs of the Group.

The Company recognizes and embraces the benefits of having a diverse Board, and considers diversity at Board level as an essential element in maintaining a competitive advantage. The Company also recognizes the importance of being able to attract, retain and motivate employees from the widest pool of available talent, and is committed to diversity at all levels, including gender, age, cultural and educational background, and professional experience. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objective.

The Nomination Committee of the Company reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

In reviewing and assessing the composition of the Board, the Nomination Committee considers the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board. Factors to be taken into account include: gender, age, ethnicity, cultural and educational background, professional skills, experience and knowledge. Due regard is to be given to the business model and specific needs of the Company.

The Company has adopted the Director Nomination Policy. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. In overseeing the conduct of the annual review of the effectiveness of the Board, the Nomination Committee considers the balance of talents, skills, experience, independence and knowledge on the Board and the diversity representation of the Board.

Corporate Governance Report

Directors' and Senior Management's Liability Insurance

The Company has entered into Directors' and Senior Management's liability insurance policy to cover any possible legal action against them.

Delegation to the management

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's Senior Management independently.

The daily management, administration and operation of the Company are delegated to the Senior Management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the Senior Management.

Directors' Continuous Professional Development

All Directors are provided with necessary training and information to ensure that they have a proper understanding of the Company's operations, businesses and market in which it operates as well as his responsibilities under relevant statutes, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole to discharge their duties. The Directors and Senior Management also meet on a regular basis or as necessary to discuss issues such as operation of the Company, corporate governance policies, and regulatory compliance.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company have from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

The training record of each Director for the year ended 31 December 2020 is set out below:

Name of Directors	Reading materials in relation to Corporate Governance and Regulations	Training in relation to Corporate Governance and Regulations
Executive Directors		
Mr. Jiang Xiaohuang	Yes	Yes
Mr. Xu Lin	Yes	Yes
Mr. Sun Bo	Yes	Yes
Mr. Wu Jie	Yes	Yes
Independent Non-executive Directors		
Mr. Zhu Wei	Yes	Yes
Mr. Zhang Jinsong	Yes	Yes
Ms. Tang Haiyan	Yes	Yes

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

For the year ended 31 December 2020, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and Senior Management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board committee meetings, reasonable notice is given. The agenda and accompanying board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

For the year ended 31 December 2020, the Company held seven Board meetings. The Company will continue to fully comply with code provision A.1.1 of the CG Code to hold Board meetings at least four times a year, and at approximately quarterly intervals. The attendance record of the Board meeting is set out below:

Name of Directors	Attendance/ Number of meetings eligible to attend
Executive Directors	
Mr. Jiang Xiaohuang	7/7
Mr. Xu Lin	7/7
Mr. Sun Bo	7/7
Mr. Wu Jie	7/7
Independent Non-executive Directors	
Mr. Zhu Wei	7/7
Mr. Zhang Jinsong	7/7
Ms. Tang Haiyan	7/7

Corporate Governance Report

GENERAL MEETINGS

For the year ended 31 December 2020, the Company held two general meetings in total. The attendance record of the general meetings is set out below:

Name of Directors	Attendance/ Number of meetings eligible to attend
Executive Directors	
Mr. Jiang Xiaohuang	2/2
Mr. Xu Lin	2/2
Mr. Sun Bo	2/2
Mr. Wu Jie	2/2
Independent Non-executive Directors	
Mr. Zhu Wei	2/2
Mr. Zhang Jinsong	2/2
Ms. Tang Haiyan	2/2

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's and the Stock Exchange's websites.

The majority of the members of each Board committee are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee was established by our Company pursuant to a resolution of the Board on 11 September 2019 with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. 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 members of the Audit Committee are Mr. Zhu Wei, Mr. Zhang Jinsong and Ms. Tang Haiyan, all of whom are independent non-executive Directors. Mr. Zhu Wei is the chairman of the Audit Committee.

Corporate Governance Report

For the year ended 31 December 2020, the Audit Committee held three meetings. The attendance of each member is set out below:

Name of members	Attendance/ Number of meetings eligible to attend
Mr. Zhu Wei	3/3
Mr. Zhang Jinsong	3/3
Ms. Tang Haiyan	3/3

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

Remuneration Committee

The Remuneration Committee was established by our Company pursuant to a resolution of the Board on 11 September 2019 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to Directors and Senior Management of our Group. The members of the Remuneration Committee are Mr. Zhang Jinsong, Mr. Zhu Wei and Mr. Jiang Xiaohuang. Mr. Zhang Jinsong is the chairman of the Remuneration Committee.

For the year ended 31 December 2020, the Remuneration Committee held two meetings. The attendance of each member is set out below:

Name of members	Attendance/ Number of meetings eligible to attend
Mr. Zhang Jinsong	2/2
Mr. Zhu Wei	2/2
Mr. Jiang Xiaohuang	2/2

Corporate Governance Report

Nomination Committee

The Nomination Committee was established by our Company pursuant to a resolution of the Board on 11 September 2019 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board; and review and make recommendations to the Board on appointment of Directors and the management of the Board succession. The members of the Nomination Committee are Mr. Jiang Xiaohuang, Mr. Zhang Jinsong and Mr. Zhu Wei. Mr. Jiang Xiaohuang is the chairman of the Nomination Committee.

For the year ended 31 December 2020, the Nomination Committee held one meeting. The attendance of each member is set out below:

Name of members	Attendance/ Number of meetings eligible to attend
Mr. Jiang Xiaohuang	1/1
Mr. Zhu Wei	1/1
Mr. Zhang Jinsong	1/1

DIRECTORS' RESPONSIBILITIES IN RESPECT TO CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for year ended 31 December 2020 which give a true and fair view of the affairs of the Company and of the Company's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. During the Reporting Period, the Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the audited consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 88 to 92 of this annual report.

Directors' interests in shares

Details of the Directors' interests in the Company's Shares are set out in the section headed "Report of the Directors" of this annual report.

Dividend Policy

The Company has adopted the Dividend Policy on payment of dividends. Subject to the Companies Law of the Cayman Islands and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

The Board will determine the level of dividends after considering the factors of the Company including (i) the results of operations, (ii) cash flows, (iii) future prospects, (iv) financial condition, (v) economic and political conditions of the business environment, (vi) share buy-back, (vii) the statutory and regulatory restrictions on the payment of dividends and (viii) other factors as may be considered relevant by the Board, and subject to the approval of Shareholders. The Board has the absolute discretion to recommend any dividends.

Corporate Governance Report

Auditor's Remuneration

Remuneration payable to KPMG, the external auditor of the Company, for the year ended 31 December 2020 is as follows:

Service nature	Amount RMB'000
Audit services	
— Audit service on 2020 annual financial statements	2,050.0
— Non-audit service	—
Total	2,050.0

Accountability and Audit

The Directors are responsible for preparing the financial statements which give a true and fair view of the financial position of the Group and the results and cash flows for the year ended 31 December 2020. The statement by the Auditor regarding their reporting responsibilities on the financial statements is set out on pages 88 to 92 of this annual report. During the preparation of the financial statements for the year ended 31 December 2020, the Directors have selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant impact on the Group's ability to continue as a going concern.

The Company's long-term basis for generating or preserving value and its strategy for achieving its goals are detailed in the "Management Discussion and Analysis" on pages 11 to 22 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board continuously supervises the effectiveness of the Company's risk management and internal control system with the assistance of the Audit Committee, so as to protect the Company's assets and the interests of Shareholders. The Company's risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Company has established its internal audit function, which is responsible for independently reviewing the adequacy and effectiveness of the company's risk management and internal control system and reporting the results to the Audit Committee. The Internal Control Supervisor of the Company coordinates the detailed work of internal control and takes charge of sorting out and optimizing business processes and the management mechanism, as well as conducting evaluation on the effectiveness of internal control. In addition to the internal control and internal audit functions, all employees are accountable for risk management and internal control within their business scope. Business departments actively cooperate with internal control and internal audit functions, report to the management team on any important business development and how policies and strategies established by the Company are implemented within the department, and timely identify, assess and manage major risks.

Corporate Governance Report

The Company has formulated risk management and internal control management policies to construct a fundamental environment for risk management and internal control. In addition, the Company has set up the internal control framework, which relates to business processes such as procurement, sales, human resources and payroll management, marketing management, tax management, capital management, information security and intellectual property rights, financial reporting and disclosure. Risk assessment is conducted on a regular basis (at least once a year), to ensure the effective operation of risk management and internal control.

The Company has taken a series of rectification measures for the relevant risk issues disclosed in the Prospectus prior to the Listing of the Company and will continue to follow up.

During the year ended 31 December 2020, the Board has reviewed the effectiveness of the risk management and internal control system of the Company. The review included key controls, including financial, operational and compliance control and risk management functions. The Board considered that the Company's accounting, internal audit and financial reporting functions are performed by staff of appropriate qualifications and experience, training programs and budgets on such functions are sufficient. The review has been discussed by the Company's management, external and internal auditors and evaluated by the Audit Committee.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, Senior Management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Company Secretaries

Mr. Liu Gongyou, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Fung Wai Sum, a senior manager of Tricor Services Limited (a company secretarial service provider), as another joint company secretary to assist Mr. Liu Gongyou to discharge his duties as a company secretary of the Company. The primary contact person at the Company is Mr. Liu Gongyou, the joint company secretary of the Company.

Mr. Liu Gongyou and Ms. Fung Wai Sum have informed the Company that they have taken no less than 15 hours of relevant professional training during the year ended 31 December 2020. Their trainings satisfied the requirements under Rule 3.29 of the Listing Rules.

SHAREHOLDERS

Communication with Shareholders and Investor Relations

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Company's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meetings of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board committees of the Company will attend the annual general meetings to answer Shareholders' questions. The external auditor of the Company will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Corporate Governance Report

The Company encourages the Shareholders attend to annual general meetings and other general meetings, which allows the Shareholders to communicate with the Board, and exercise their right to vote.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at <http://www.friendtimes.net>, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretaries of the Company whose contact details are as follows:

FriendTimes Building, No. 68 Qitai Road, Suzhou Industrial Park, Jiangsu Province, the PRC, or
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
(email address: ir@friendtimes.net)

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Pursuant to Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitioner, provided that such requisitioner held as at the date of deposit of the requisition not less than onetenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitioner(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to them by the Company.



Corporate Governance Report

There are no provisions under the Articles of Association or the Companies Law of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Report of the Directors

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is a leading integrated and well-established mobile game developer, publisher and operator in the PRC with particular success in female-oriented games. Details of the principal activities of the principal subsidiaries of the Company are set out in note 16 to the financial statements. An analysis of the Group's revenue and operating profit for the year ended 31 December 2020 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

Business review

A fair review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year and an indication of likely future developments in the Group's business, could be found in the section headed "Management Discussion and Analysis" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Management Discussion and Analysis". The review and discussion form part of this Report of the Directors.

Principal risks and uncertainties

We face various risks involved in our daily business operations, including risks that are specific to our game publishing business as well as the industry and regulatory landscape in the PRC. In particular, our commercial launch of mobile games is subject to certain pre-approval and post-filing procedures with the relevant competent regulatory authorities in the PRC, which may change from time to time. For details, please refer to the sections headed "Risk Factors" and "Business — Recent Change in Regulatory Environment" in the Prospectus.

Financial results and performance

The profit of the Group during the year ended 31 December 2020 and the financial position of the Group as at 31 December 2020 are set out in the financial statements on pages 93 to 96.

Charitable Donations

Details of the Group's charitable donations for the year are set out in the chapter headed "Environmental, Social and Governance Report — B8. Community Investment — Corporate Social Responsibility".

Summary of Financial Information for the past Five Years

A summary of results, assets and liabilities for the past five financial years of the Group is set out on page 8 of this annual report. This summary does not form part of the audited financial statements.

Relationship with employees, customers and suppliers

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

The Group also understands that maintaining good relationships with customers and suppliers is critical to achieving its long-term goals. During the year ended 31 December 2020, there were no serious disputes between the Group and its customers and/or suppliers.

Report of the Directors

Compliance with Laws and Regulations

The Group is subject to various PRC laws and regulations in relation to its game publishing operations in the PRC, including, without limitation, in the aspects of value-added telecommunication services, game examination, publishing and operation, virtual currency, real-name registration, anti-addiction system, information security and censorship, and privacy protection.

As far as the Board is aware, during the Reporting Period, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

Final dividend

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

AGM

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

Closure of Register of Members

1. Entitlement to attend and vote at the 2021 AGM

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

2. Entitlement to the final dividend for 2020

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

Distributable Reserves

The Company's distributable reserves as at 31 December 2020 amounted to approximately RMB306.9 million, of which approximately RMB220.3 million is proposed to be used as the annual final dividend.

Property, plant and equipment

Details of the changes in property, plant and equipment of the Group for the year ended 31 December 2020 are set out in note 10 to the financial statements.

Report of the Directors

Environmental protection policy and performance

The Group understands the importance of environmental protection. There was no non-compliance with relevant laws and regulations in terms of business, including health and safety, factory conditions, employment and environment. The Group has implemented environmental protection measures and has encouraged employees to pay attention to environmental protection at work and consume electricity and paper according to actual needs to reduce energy consumption and minimize unnecessary waste. For further details, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

Share Capital

Details of the movements in share capital of the Company during the year ended 31 December 2020 are set out in note 26 to the financial statements.

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

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

The Share repurchases were approved by the Board to enhance the long-term value of the Shares held by the Shareholders. Details of the Share repurchases in 2020 are as follows:

Month of repurchase in 2020	Number of repurchased Shares	Purchase price per Share		Aggregate price paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2020	3,762,000	1.12	1.00	3,965,958
September 2020	4,908,000	2.63	2.26	12,014,262
October 2020	1,992,000	2.54	2.10	4,742,780
Total	10,662,000			20,723,000

The Directors believe that the repurchase of Shares are in the best interests of the Company and Shareholders as a whole as such repurchase of Shares and subsequent cancellation of the repurchased Shares could enhance the value of the Shares thereby improving the return to Shareholders.

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

Report of the Directors

Directors

During the Reporting Period and up to the date of this annual report, the Directors of the Company are as follows:

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

The biographical details of the Directors and Senior Management are set out in the section headed “Directors and Senior Management” of this annual report.

Directors’ Service Contracts

Each of our executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of our independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

None of the Directors has or is proposed to have a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors’ interests in transactions, arrangements or contracts

There was no transaction, arrangement or contract of significance to which the Company or its subsidiaries, or its holding companies or any of its fellow subsidiaries was a party, and in which a Director or a entity connected with the Director was materially interested, whether directly or indirectly, subsisting during or at the end of the year ended 31 December 2020.

Directors’ interests in competing business

None of the Directors have any interest in a business apart from the Group’s business which competes or is likely to compete, either directly or indirectly, with the Group’s business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

Emoluments of Directors, Senior Management and employees

The remuneration policy of the Group is formulated on the basis of the performance, work experience and salary level prevailing in the market. Particulars of Directors’ remuneration, five highest paid individuals’ emoluments and staff costs are set out in notes 7 and 8 to the financial statements.

During the year ended 31 December 2020, no emoluments were paid by the Group to the Director and the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. No Director waived any emolument during the year ended 31 December 2020.

Report of the Directors

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2020, 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 31 December 2020			
Name	Capacity/ Nature of interest	Number of shares held/ interested	Approximate percentage of Interest
Mr. Jiang Xiaohuang ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	Interest of a controlled corporation/ Founder of a discretionary trust	1,552,516,500 (L) ⁽¹⁾	71.19%
Mr. Xu Lin ⁽⁸⁾	Interest of a controlled corporation	7,141,974 (L) ⁽¹⁾	0.33%
Mr. Sun Bo ⁽⁹⁾	Interest of a controlled corporation	3,570,987 (L) ⁽¹⁾	0.16%
Mr. Wu Jie ⁽¹⁰⁾	Interest of a controlled corporation	3,570,987 (L) ⁽¹⁾	0.16%

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 31 December 2020.
- (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 Holdings Limited, which is in turn the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of a discretionary trust established by Mr. Jiang as the settlor and protector ("Jiang Family Trust"). Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Eternal Heart Holdings Limited for the purpose of Part XV of the SFO.
- (4) 187,000,000 Shares are registered under the name of Ling Long Holdings Limited, the issued share capital of which is owned as to 100% by Gorgeous Sunshine Holdings Limited, which is in turn the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. Jiang Family Trust is a discretionary trust established by Mr. Jiang as the settlor and protector. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Ling Long Holdings Limited for the purpose of Part XV of the SFO.
- (5) 93,500,000 Shares are registered under the name of Lucky Fish Holdings Limited, the issued share capital of which is owned as to 100% by Gorgeous Sunshine Holdings Limited, which is in turn the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. Jiang Family Trust is a discretionary trust established by Mr. Jiang as the settlor and protector. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Lucky Fish Holdings Limited for the purpose of Part XV of the SFO.
- (6) 189,754,000 Shares are registered under the name of Warm Sunshine Holdings Limited, the issued share capital of which is owned as to 100% by Future Wisdom Holdings Limited, which is in turn wholly-owned by Mr. Jiang. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Warm Sunshine Holdings Limited for the purpose of Part XV of the SFO.
- (7) 144,574,384 Shares are registered under the name of Purple Crystal Holdings Limited, the issued share capital of which is owned as to 100% by Purple Dream Holdings Limited, which is in turn owned as to 43.68% by Agile Eagle Holdings Limited, which is in turn wholly-owned by Mr. Jiang. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Purple Crystal Holdings Limited for the purpose of Part XV of the SFO.

Report of the Directors

- (8) 7,141,974 Shares are registered under the name of Purple Crystal Holdings Limited, the issued share capital of which is owned as to 100% by Purple Dream Holdings Limited, which is in turn 4.94% owned by Mr. Xu. Accordingly, Mr. Xu is deemed to be interested in the Shares held by Purple Crystal Holdings Limited for the purpose of Part XV of the SFO.
- (9) 3,570,987 Shares are registered under the name of Purple Crystal Holdings Limited, the issued share capital of which is owned as to 100% by Purple Dream Holdings Limited, which is in turn 2.47% owned by Mr. 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.
- (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. 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.

Save as disclosed above, as at 31 December 2020, 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 year ended 31 December 2020 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.

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

As at 31 December 2020, 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 31 December 2020			
Name of Shareholders	Capacity/ Nature of interest	Number of shares held/ interested	Approximate percentage of Interest ⁽²⁾
Mr. Jiang Xiaohuang ⁽³⁾⁽⁴⁾⁽⁵⁾	Interest of a controlled corporation/ Founder of a discretionary trust	1,552,516,500 (L) ⁽¹⁾	71.19%
Ms. Mao Yuyan ⁽⁶⁾	Interest of spouse	1,552,516,500 (L) ⁽¹⁾	71.19%
TMF (Cayman) Ltd. ⁽³⁾	Trustee of a trust	1,218,188,116 (L) ⁽¹⁾	55.86%
Gorgeous Sunshine Holdings 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%
Agile Eagle Holdings Limited ⁽⁵⁾	Interest of a controlled corporation	144,574,384 (L) ⁽¹⁾	6.63%
Purple Dream Holdings Limited ⁽⁵⁾	Interest of a controlled corporation	144,574,384 (L) ⁽¹⁾	6.63%
Purple Crystal Holdings Limited	Beneficial owner	144,574,384 (L) ⁽¹⁾	6.63%
GIC Private Limited ⁽⁷⁾	Investment Manager	132,963,000 (L) ⁽¹⁾	6.10%

Report of the Directors

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 31 December 2020.
- (3) Eternal Heart Holdings Limited, Ling Long Holdings Limited and Lucky Fish Holdings Limited are wholly-owned by Gorgeous Sunshine Holdings Limited which is the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. Jiang Family Trust is a discretionary trust established by Mr. Jiang as the settlor and protector. Accordingly, each of Mr. Jiang, Gorgeous Sunshine Holding Limited and TMF (Cayman) Ltd. is deemed to be interested in the Shares held by Eternal Heart Holdings Limited, Ling Long Holdings Limited and Lucky Fish Holdings Limited.
- (4) Warm Sunshine Holdings Limited is wholly-owned by Future Wisdom Holdings Limited which is in turn wholly-owned by Mr. Jiang. Accordingly, each of Mr. Jiang and Future Wisdom Holdings Limited is deemed to be interested in the Shares held by Warm Sunshine Holdings Limited.
- (5) Purple Crystal Holdings Limited is wholly-owned by Purple Dream Holdings Limited which is in turn owned as to 43.68% by Agile Eagle Holdings Limited which is in turn wholly-owned by Mr. Jiang. Accordingly, each of Mr. Jiang, Agile Eagle Holdings Limited and Purple Dream Holdings Limited is deemed to be interested in the Shares held by Purple Crystal Holdings Limited.
- (6) Ms. Mao Yuyan is the spouse of Mr. Jiang and therefore she is deemed to be interested in all the Shares held by Mr. Jiang by virtue of the SFO.
- (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 31 December 2020, 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.

ADOPTION OF 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

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

Administration of the Share Award Scheme

- (i) The Share Award Scheme is subject to the administration of the Board in accordance with the Scheme Rules and the Trustee in accordance with the terms of the Trust Deed (as the case may be);
- (ii) The Board may, by passing ordinary resolutions, appoint any one or more senior management of the Company as authorised representative(s) ("Authorised Representative(s)") to give instructions or notices to the Trustee on all matters in connection with the Share Award Scheme and other matters in the routine administration of the Trust; and
- (iii) The Trustee will hold the Shares and the income derived therefrom in accordance with the Scheme Rules and subject to the terms of the Trust Deed.

Report of the Directors

Sources of Awarded Shares of the Share Award Scheme

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

Operation of the Share Award Scheme

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

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

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

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

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

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

Duration and Termination of the Share Award Scheme

The Share Award Scheme shall be effective from the Adoption Date and shall be terminated at the earlier of (i) the tenth anniversary from the Adoption Date; or (ii) the date of early termination determined by the Board through ordinary resolution of the Board. The termination of this Share Award Scheme shall not cause any material and adverse effect to any existing rights of any Selected Participants under this Share Award Scheme.

Report of the Directors

Implementation of the Share Award Scheme

On 14 September 2020, Mr. Jiang Xiaohuang, a controlling shareholder of the Company, decided to indirectly transfer an aggregate of 80,000,000 Shares of the Company as a gift within three years, at nil consideration, as the pool of Shares of the Share Award Scheme.

On 1 December 2020, Mr. Jiang Xiaohuang completed the first annual share contribution plan and indirectly transferred an aggregate of 40,000,000 Shares of the Company as a gift at nil consideration, as the pool of Shares of the Share Award Scheme.

On 28 December 2020, the Board, based on the recommendation of the Remuneration Committee, resolved to grant a total of 40,000,000 Awarded Shares, which have been held by the Trustee on behalf of the Selected Participants, at nil consideration to the Share Award Grantees. The grant of Awarded Shares has been effective from 1 January 2021. The Share Award Grantees include (i) Mr. Wu Jie, an executive Director (awarded 2,000,000 Shares of the Company); (ii) Mr. Sun Bo, an executive Director (awarded 2,000,000 Shares of the Company); and (iii) employees of the Group (awarded 36,000,000 Shares of the Company).

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2020 are set out in note 29 to the financial statements. Such transactions were either (i) fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules; or (ii) did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background and Reasons

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "FITE Regulations"), which were amended on 10 September 2008 and 6 February 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including internet content provider services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "Qualification Requirements"). Currently, none of the applicable PRC laws, regulations or rules provided clear guidance or interpretation on the Qualification Requirements. Therefore, in order for the Company to be able to carry on its business in the PRC, the Group has entered into the Contractual Arrangements to enable the Company to exercise and maintain control over operations of the Operating Entities and to consolidate these companies' financial results into the Company's results under International Financial Reporting Standards as if they are wholly-owned subsidiaries of the Company. Please refer to the section headed "Contractual Arrangements" of the Prospectus for details.

Up to the date of this annual report, there is no further update in relation to the Qualification Requirement.

Report of the Directors

Contractual Arrangements overview

1. Details of operating company and Registered Shareholders

Operating company: FriendTimes Technology Inc.

FriendTimes Technology is a company established in the PRC with limited liability. Registered Shareholders of FriendTimes Technology are Mr. Jiang Xiaohuang (70.14%), Suzhou Zixin Technology Investment Management Enterprise (LLP) (12.73%), SEC Electric Machinery Co., Ltd. (4.00%), Nanjing Liheng Venture Capital Investment Enterprise (LLP) (3.13%), Mr. Song Dawei (2.63%), Mr. Song Huan (2.00%), Mr. Wang Jianyu (1.62%), Suzhou Luoyuan Investment Centre (LLP) (1.25%), Mr. Lin Zhirong (1.25%) and Mr. Zhang Min (1.25%).

2. Description of the operating company's business

FriendTimes Technology is mainly engaged in the research and development, distribution and operation of mobile games.

3. Summary of terms of contractual arrangements

The Contractual Arrangements which were in place during the year ended 31 December 2020 are as follows:

- (1) The Exclusive Business Cooperation Agreement dated 20 February 2019, pursuant to which FriendTimes Technology agreed to engage Suzhou Eagle as its exclusive provider of technical support, consultation and other services, and FriendTimes Technology agreed to pay the service fee to Suzhou Eagle.
- (2) The Voting Rights Proxy Agreement and Powers of Attorney dated 20 February 2019, pursuant to which Registered Shareholders irrevocably and exclusively appointed Suzhou Eagle and/or its appointee, Mr. Liu Gongyou, but excluding any person who is not independent from the Registered Shareholders or may give rise to any conflict of interest, as his attorney-in-fact to exercise such shareholder's rights in FriendTimes Technology.
- (3) The Exclusive Option Agreement dated 20 February 2019, pursuant to which the Registered Shareholders jointly and severally granted Suzhou Eagle the irrevocable and exclusive rights to require the Registered Shareholders to transfer their equity interests and/or assets in FriendTimes Technology to Suzhou Eagle and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under the PRC laws and regulations.
- (4) The Equity Pledge Agreement dated 20 February 2019, pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in FriendTimes Technology to Suzhou Eagle as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.
- (5) The Framework Loan Agreement dated 6 March 2019, pursuant to which Suzhou Eagle principally agreed to provide loans to our Operating Entities from time to time in accordance with the PRC laws and regulations and our Operating Entities principally agreed to utilise the proceeds of such loans for their business operations.

During the year ended 31 December 2020, FriendTimes Technology paid the service fee of approximately RMB62.2 million to Suzhou Eagle under the Exclusive Business Cooperation Agreement.

The revenue and net profit of the Operating Entities subject to the Contractual Arrangements amounted to approximately RMB1,847.2 million and RMB398.4 million for the year ended 31 December 2020, respectively. The total assets and total liabilities of the Operating Entities subject to the Contractual Arrangements amounted to approximately RMB1,456.1 million and RMB203.7 million as at 31 December 2020, respectively.

Report of the Directors

Risks associated with the Contractual Arrangements

For risks associated with the Contractual Arrangements, please see the section headed “Risk Factors — Risks Relating to Our Company Structure” in the Prospectus for details.

Material change in relation to the Contractual Arrangements

During the year ended 31 December 2020, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

Unwinding the Contractual Arrangements

The Company will unwind the Contractual Arrangements as soon as the laws allow the business of the Operating Entities to be operated without the Contractual Arrangements. However, for the year ended 31 December 2020, none of the Contractual Arrangements had been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements had been removed.

Waiver from the Stock Exchange

The Stock Exchange has granted a waiver to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section “Connected Transactions” in the Prospectus.

Confirmation from independent non-executive Directors

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that during the year ended 31 December 2020 (i) the transactions carried out have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by FriendTimes Technology to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group; and (iii) the transactions contemplated under the Contractual Arrangements are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company’s Independent Auditor

KPMG, the Company’s auditor, has carried out procedures annually to report on the Group’s Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of Rule 14A.56 of the Listing Rules, KPMG has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 December 2020:

- (a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (b) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and
- (c) nothing has come to their attention that causes the Auditor to believe that any dividends or other distributions have been made by FriendTimes Technology to its registered equity shareholders which are not otherwise subsequently assigned or transferred to the Group.

Report of the Directors

MANAGEMENT CONTRACTS

No contracts, other than the service contracts with the Directors, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the aggregate sales attributable to the Group's five largest customers accounted for approximately 4.8% and the largest customer accounted for approximately 2.2% of the Group's total revenue for the year.

During the year ended 31 December 2020, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 57.0% and the largest supplier accounted for approximately 28.8% of the Group's total purchases for the year.

For the year ended 31 December 2020, none of the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the issued Shares) has an interest in the five largest suppliers or customers of the Group.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in the annual report, the Company does not have any disclosure obligations under Rule 13.20, 13.21 and 13.22 of the Listing Rules.

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 annual report, at least 25% of the Company's total number of issued Shares were held by the public at all time since the Listing Date.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year ended 31 December 2020.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

As at 31 December 2020, the Company had no outstanding convertible securities, options, warrants or similar rights. There has been no issue or exercise of any convertible securities, options, warrants or similar rights during the year ended 31 December 2020.

Report of the Directors

RETIREMENT BENEFITS SCHEME

All of our employees are in PRC and they are members of the state-managed retirement benefits scheme operated by the PRC government. Our employees are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Company are set out in note 5 to the financial statements in this annual report.

PERMITTED INDEMNITY PROVISION

The Articles of Association provide that the Directors are entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duty in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

The Company has purchased and maintained Directors' liability insurance during the Reporting Period, which provides appropriate coverage for the Directors.

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.

Auditor

There has been no change in auditors during the year ended 31 December 2020. The consolidated financial statements of the Company for the year ended 31 December 2020 have been audited by KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance, who are proposed for appointment for 2021 at the forthcoming AGM.

Environmental, Social and Governance Report

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group is pleased to issue its Environmental, Social and Governance Report (the "report") for the period from 1 January 2020 to 31 December 2020 (the "FY2020"). The report is the second social responsibility related report issued by FriendTimes Inc. (the "Company" or "FriendTimes") and its subsidiaries (the "Group"). The report summarizes the Group's initiatives, plans and performance in environmental, social and governance ("ESG") and demonstrates its commitment to sustainable development.

The Group has always required all its products and platforms to actively participate in ESG strategies, and is committed to integrating sustainable development into daily operations in order to achieve long-term prosperity and business development, while improving the well-being of stakeholders and contributing to our planet. The Group wishes to promote ESG awareness through our commitment to sustainable business and best practices in daily operations, and enhance our cooperation with the Group's stakeholders and other industry participants, so as to minimize the potential negative environmental and social impacts of our operations and increase our competitiveness.

In the FY2020, outdoor and offline entertainment activities were restricted because of the COVID-19 pandemic ("COVID-19") while stay-at-home entertainment projects such as games and short videos have been favored by the public. Therefore, compared with other industries, the game industry is less affected by the COVID-19, and the Group's user scale and sales volume have increased. Facing the suddenness of the COVID-19 outbreak, the Group immediately supported the pandemic prevention and control, and donated RMB2 million for the procurement of medical supplies, and prevention and control materials in the pandemic area in early 2020, to jointly fight the COVID-19.

As the leading integrated and exceptional female-oriented Chinese mobile game developer, publisher and operator, the Group insists on continuous innovation, combined development of science and culture, and a path of scientific and technological innovation. The Group aims to provide more diversified choices for our valued customers and to give back to the community for the long-term benefit of the more extensive community. With the constant efforts and continuous innovation and development, the Group is honored to be recognized by the industry and the market in terms of revenue and profit output, growth and product performance, and the relevant details of which are as follows:

Corporate Awards

FriendTimes

- White Horse Award of 2020 CNG Forum;
- Top 20 Global Mobile Game Enterprises in China with Market Competitiveness granted by Gamma Data and Newzoo;
- 2020 China's Top 30 Enterprises in Game Industry granted by Yicai Global;
- 2020 Suzhou Top 100 Private Enterprises granted by Suzhou Federation of Industry and Commerce;
- The 5th Golden Gyro Award — Outstanding Mobile Game Publisher of the Year granted by Tuoluo Tech;
- The 7th Golden Mouth Award in Game Industry — 2020 Company of the Year granted by YXR B;
- The 8th Golden Tea Award — 2020 Most Influential Game Enterprise of the Year granted by Game Teahouse;
- Recognized as Suzhou Enterprise Engineering Technology Research Centre in 2020;
- Recognized as one of the first batch of star enterprises on cloud computing in 2020;
- 2020 Top 50 Internet Enterprises in Jiangsu Province granted by the Ministry of Industry and Information Technology and Jiangsu Internet Association; and
- Suzhou Industrial Park 2019 Technology Enterprise Listing Award and Suzhou Industrial Park 2019 Service Economy Award granted by the Management Committee and Working Committee of the SIP Party.

Environmental, Social and Governance Report

A subsidiary of FriendTimes — Suzhou GameFriend Network Technology Co., Ltd.

- Recognised as Provincial-Level Enterprise Engineering Technology Research Centre in 2020;
- Recognised as Suzhou Software Enterprise Technology Centre in 2020;
- Selected as one of the model units of copyright work in Suzhou in 2020;
- Selected as one of the Jiangsu Software Enterprise Core Competitiveness Evaluation (Innovative) Enterprises; and
- Suzhou Industrial Park 2019 Outstanding Technology Research and Development Award and Suzhou Industrial park Gazelle and Gazelle Enterprise Encouragement Award granted by the Management Committee and Working Committee of the SIP Party.

A subsidiary of FriendTimes — Suzhou Purple Blaze Network Technology Co., Ltd.

- Selected as one of the Jiangsu Software Enterprise Core Competitiveness Evaluation (Innovative) Enterprises

Product Awards

- The 5th Golden Gyro Award — Game of the Year “Fate of the Empress” (浮生為卿歌);
- The 5th Golden Gyro Award — Best Producer of the Year “Fate of the Empress” (浮生為卿歌);
- The 5th Golden Gyro Award — Expectation of the Year “Fate: The Loved Journey” (此生無白);
- The 15th Golden Plume Award — Best Original Mobile Game “Fate of the Empress” (浮生為卿歌) awarded by Howell International Trade Fair Ltd.;
- The Jing Ming Award — Top 10 Best Overseas Games 2020 “Fate of the Empress” (浮生為卿歌);
- The 8th Golden Tea Award — 2020 Best Overseas Game “Fate of the Empress” (浮生為卿歌) awarded by Game Teahouse; and
- The 8th Golden Tea Award — 2020 Best Mobile Game “Fate of the Empress” (浮生為卿歌) awarded by Game Teahouse.

These achievements indicated the correct decision-making of the management of the Group, the tacit cooperation of various departments, and also the hard work of all employees. On behalf of the Board of Directors, I would like to express my sincere gratitude to our Shareholders, business partners and customers for their long-standing support, understanding and trust in the Group. I would also like to thank all departments and our important teams of the Group for their valuable contributions to the Group. In the future, we will continue to strengthen the corporate management system and further integrate ESG considerations into the Group’s business operations. The Group will strengthen cooperation with various stakeholders and strive to create a better and longer future.

Mr. Jiang Xiaohuang

Founder and Chairman

Environmental, Social and Governance Report

THE 10TH ANNIVERSARY OF FRIENDTIMES

The 2020 financial year marks the 10th anniversary of the establishment of FriendTimes, ten years of challenges and ten years of hard work. The previous decade has been footprints, as well as the start of the next journey. Over the past ten years, the Group has grown from dozens of people to over a thousand employees, and its business has expanded from the development of a single game product to a diversified cultural industry. With our hard work in the past, we will be exploring our path for the future. The Group will continue its efforts to promote the development of cultural industries, enrich its industrial structure and bring more quality products with cultural connotation and humanistic background to users worldwide.

To celebrate the 10th anniversary of the establishment of FriendTimes, the Group organized a 10th anniversary celebration on 7 November 2020 at the Suzhou Olympic Sports Centre with all employees, their families and media. The Group prepared a variety of exciting events and gifts for the staff who attended the 10th anniversary celebration. In recognition of the efforts made for the growth of the Company over the years, the employees who reached their 5th, 8th and 10th anniversary were awarded with special honorary titles and exquisite gifts. The Group wishes that this will inspire all employees to work hard towards our common goal and dream.

SIGNIFICANT EVENTS OF FRIENDTIMES

- | | | |
|----------------|---|--|
| May 2010 | — | Established and commenced our game development business |
| December 2010 | — | Officially launched our first self-developed web game |
| 2011 to 2015 | — | Gradually launched a series of our self-developed mobile games |
| May 2015 | — | Officially established a subsidiary in Hong Kong |
| December 2015 | — | Officially established a subsidiary in South Korea |
| | — | Completed the shareholding restructuring and changed its name to FriendTimes (玩友時代) |
| September 2017 | — | Officially launched our 3D ancient Chinese-style social mobile game Royal Chaos (熹妃Q傳) |
| March 2018 | — | Established the Group's headquarter building |
| August 2019 | — | Officially launched a supernatural creature cooking and restaurant management mobile game Yokai Kitchen (精靈食肆) |
| October 2019 | — | Listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 6820 |
| December 2019 | — | Officially launched the major 3D open ancient Chinese-style mobile game Fate of the Empress (浮生為卿歌) |
| April 2020 | — | Corporate branding upgraded on the 10th anniversary, and changed its name to FriendTimes (友誼時光) |
| May 2020 | — | Fate of the Empress (浮生為卿歌) is ranked the 5th place in China's iOS Top Games |
| | — | Officially established its subsidiary, Wu Linglong |

Environmental, Social and Governance Report

Looking back on our ten-year journey, FriendTimes has insisted on originality, extensively explored female-oriented ancient Chinese-style products and carried out parallel development in multiple fields; from having a steady foundation in the domestic market and gradually to exploring overseas markets, FriendTimes has created a unique path of development in the wave of globalisation. With culture as the core and creativity as the shell, FriendTimes interprets craftwork with high quality refined originality to shape a series of cultural products that are loved by the majority of users. To be people-oriented, culture-centred, shaping a more fundamental diversified and profound influence of culture, was the initial mission of FriendTimes.

In terms of future development strategy, FriendTimes will focus on refining product development, global distribution and operation, and cultural and creative industry investment to further strengthen its influence in the industry. As the market becomes more mature and developed, the Company's product reserve enriches, the team's research and development strength is enhanced, and FriendTimes will create more original fine products to provide users with more diversified choices.



Environmental, Social and Governance Report

INTRODUCTION AND ESG STRATEGIES

About the Group

The Group is an outstanding integrated mobile game developer, publisher and operator that has a leading position in the industry. Since its establishment in 2010, the Group has been strategically focusing on female-oriented mobile games, tapping the growth potential of the market of the female-oriented mobile games, and creating our own brands of ancient Chinese-style female-oriented mobile games, such as the Fate of the Empress (浮生為卿歌), the Rise of Queendom (宮廷計手遊), the Royal Chaos (熹妃Q傳) and the Legend of Empress (熹妃傳), each of which has achieved a high ranking in the best-selling games board for iOS in the PRC. Relying on the success of the Chinese mainland market, the Group expanded to overseas markets in 2011. Through strong localization capabilities and outstanding distribution capabilities, the Group has further established our overseas market position and brand recognition.

The Group firmly believes that sustainable development is the key to the Group's continued success. The Group recognizes the importance of integrating ESG concepts into its risk management system, and have adopted corresponding measures in daily operations and governance. This report demonstrates the Group's commitment to sustainable development and describes its ESG initiatives, plans.

ESG Structure

The Group has established an ESG working group (the "working group"). The working group is composed of core members of different departments of the Group and is responsible for collecting the Group's relevant information on ESG aspects to prepare the report. The working group will regularly report to the Board of Directors (the "Board") to assist in identifying and assessing the ESG risks of the Group and assessing the effectiveness of the internal control mechanism. The working group will also examine and evaluate the Group's performance in different aspects of the ESG such as environment, labour standards, product responsibility. The Board will set the general direction of the Group's ESG strategy and be responsible for ensuring the effectiveness of ESG risk control and internal control mechanisms.

SCOPE OF THE REPORT

The report will cover the Group's efforts and contributions to the environment and society. The scope of business covered is the Group's offices in Suzhou, Shanghai and Wuxi, the principal places of business of the Group in the PRC. After the data collection system of the Group becomes more mature and the sustainable development work is deepened, we will continue to expand the scope of disclosure in the future.

REPORTING FRAMEWORK

The report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" ("ESG Reporting Guide") in Appendix 27 of the Main Board Listing Rules of Hong Kong Stock Exchange.

For the Group's corporate governance practices, please refer to the section headed "Corporate Governance Report" on pages 28 to 39 of the annual report of the FY2020.

REPORTING PERIOD

The report details the Group's ESG activities, challenges and measures taken from the FY2020.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

The Group values the opinions of different stakeholders on our business and ESG issues, communicate and support its stakeholders in a dual track communication model to fully understand, respond to and deal with the core concerns of different stakeholders to achieve common growth. The Group's main stakeholders include but not limited to, senior management and the Board, employees, investors and shareholders, customers, suppliers, government and regulatory authority and the communities, non-governmental organizations ("NGOs") and the media.

Through different stakeholder engagement and communication channels, the Group will bring their expectations into the Group's operating and ESG strategies. The communication channels of the Group and its main stakeholders and their expectations and concerns for the Group are as follows:

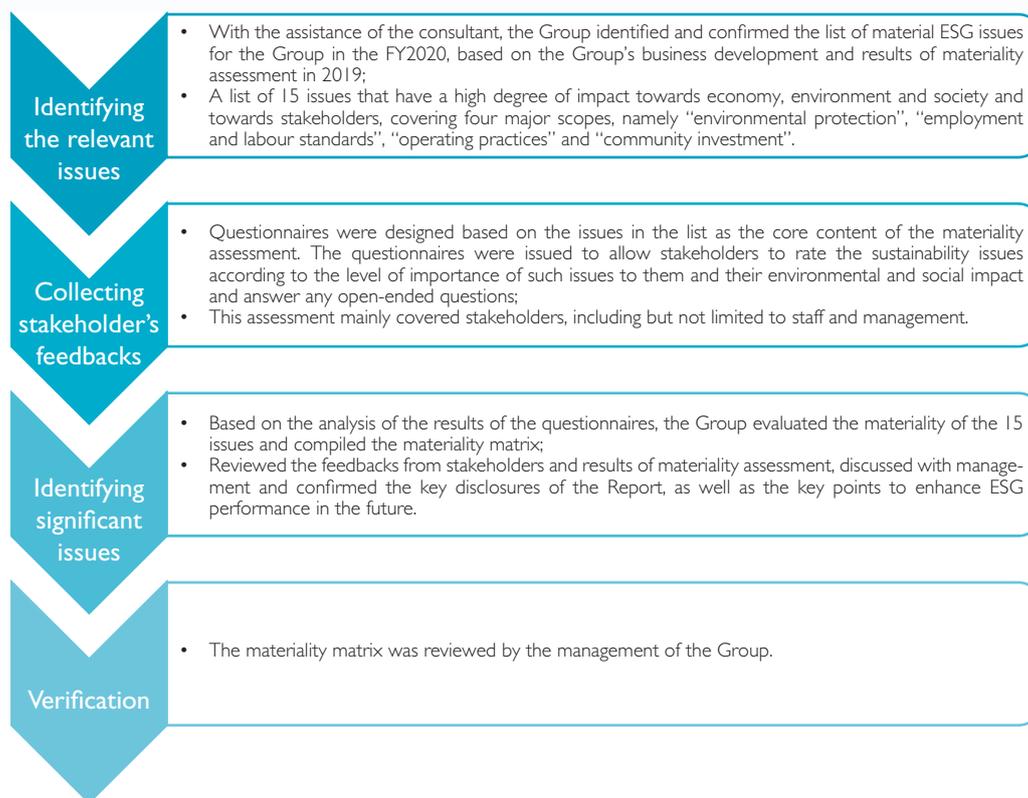
Stakeholder	Expectations and concerns	Communication channels
Senior management and the Board	<ul style="list-style-type: none"> • Compliance operation • Economic performance 	<ul style="list-style-type: none"> • Training and seminars • Regular meeting • Intranet • Industry seminars
Employees	<ul style="list-style-type: none"> • Working environment • Employee welfare • Work performance 	<ul style="list-style-type: none"> • Performance evaluation • Employee communication and broadcasting • Employee seminars and meetings • Employee events and competitions • Employee training courses
Investors and shareholders	<ul style="list-style-type: none"> • Performance • Development strategy • Game development capabilities • Operational prospects 	<ul style="list-style-type: none"> • Annual general meeting and other shareholders' meetings • Financial reports • Investor relations specialist • Announcement and circular • Roadshow
Customers	<ul style="list-style-type: none"> • Product quality • Software platform stability • Network security management • Processing of customer opinions • Privacy protection 	<ul style="list-style-type: none"> • User experience research • Online customer service • Offline communication for players • Game show • Social media platform support and interaction
Suppliers	<ul style="list-style-type: none"> • Long-term partnership 	<ul style="list-style-type: none"> • Regular consultation and exchange meetings • Online communication
Government and regulatory authority	<ul style="list-style-type: none"> • Compliance operation • Paying taxes • Revenue and profit growth rate 	<ul style="list-style-type: none"> • Working meeting • Reporting performance • Policy consultation and seminar
Communities, NGOs and the media	<ul style="list-style-type: none"> • Privacy protection • Corporate social responsibility • Game safety 	<ul style="list-style-type: none"> • Social media platform • Website of the Group • ESG report • News

The Group is committed to working and communicating with our stakeholders to improve the Group's ESG performance and create greater value for our country and society.

Environmental, Social and Governance Report

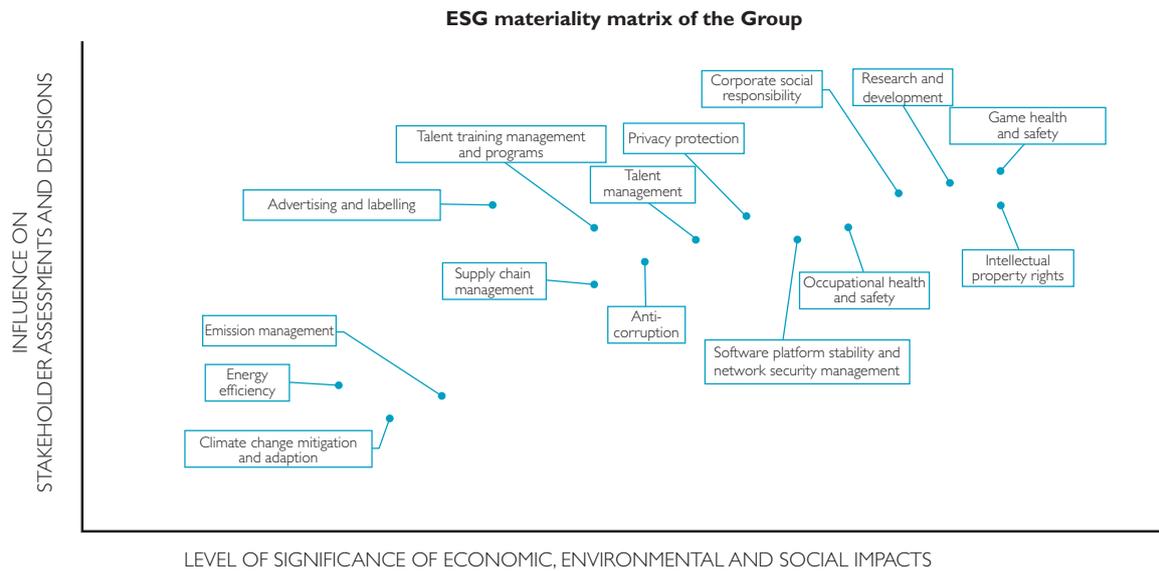
MATERIALITY ASSESSMENT

In order to formulate sustainable development strategies and approaches by understanding the areas of stakeholder's concerns and identifying the issues, which are or will be critical to its business, FriendTimes re-engaged the independent sustainability consultant to conduct stakeholder communication and the annual materiality assessment, involving the following steps:



Environmental, Social and Governance Report

The following is a matrix of the Group's material ESG issues contained in the report:



The Group confirms that it has established appropriate and effective management policies and monitoring systems on ESG issues, and confirms that the disclosures meet the requirements of the ESG Reporting Guide.

CONTACT THE GROUP

The Group welcomes advice and suggestions from stakeholders. You can provide your valuable advices on the report or its performance on sustainable development, and contact the Group through:

Tel: +86 512 62860060
 Email: ir@friendtimes.net

Environmental, Social and Governance Report

A. ENVIRONMENTAL

A1. Emissions

The Group attaches great importance to good environmental management in order to fulfill the Group's social responsibilities. The Group is committed to meeting or exceeding national environmental protection standards, has formulated relevant environmental management systems and procedures for daily operations to regulate greenhouse gases ("GHG") and non-hazardous waste generated during operations, so as to contribute to environmental protection and achieve the goal of environmental sustainable development.

The Group strictly complies with the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes", the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Water Pollution Prevention and Control Law of the People's Republic of China", and other laws and regulations related to environmental protection. In the FY2020, the Group has not identified any violations of local relevant environmental laws and regulations regarding air and GHG, emissions, wastewater and generation of hazardous and non-hazardous waste.

Emission Management

Exhaust Gas Emissions

Due to the Group's business nature, its major exhaust gas emissions are from vehicles. In order to fulfil corporate responsibility in energy saving and emission reduction, the Group has formulated the "Administrative Management System" policy, in which there is a chapter on "Company Vehicles Management System" specifying the regulations on the use of the Company's vehicles, promoting the use of green transportation methods such as taking public transport or cycling. As vehicles are only used for general transfers, only a small amount of exhaust gas emissions are generated. The Group also carries out regular maintenance on our vehicles to effectively reduce fuel consumption, thereby reducing carbon emissions and exhaust gas emissions. In addition, the Group's implementation of remote working in response to the outbreak of the COVID-19 pandemic resulted in a reduction in the use of vehicles for business travel, and the Group's emission was reduced in the FY2020 compared to FY2019.

The exhaust gas emissions performance of the Group are as follows:

Types of emissions	Unit	FY2020	FY2019
Nitrogen oxides (NO _x)	kg	2.67	3.89
Sulfur oxides (SO _x)	kg	0.07	0.10
Particulate Matter (PM)	kg	0.20	0.29

GHG Emissions

The major GHG emissions of the Group are from direct GHG emissions (Scope 1) caused by gasoline consumed by vehicles and energy indirect GHG emissions from purchased electricity (Scope 2). The Group actively adopts power-saving and energy-saving measures to reduce GHG emissions, including strict control of air-conditioning usage, lighting facility usage requirements, and office appliance usage. Specific measures will be described in the "Energy Efficiency" section in Aspect A2. In addition, the Group will also replace long-distance face-to-face meetings with electronic communication methods such as telephone or online meetings to reduce carbon emissions from business travel. Under the above policies, employees' awareness on carbon reduction has been raised. In addition, the Group's implementation of remote working in response to the outbreak of the COVID-19 pandemic resulted in a reduction in, apart from the use of vehicles, electricity consumption as well. Therefore, the Group's greenhouse gas emission intensity was reduced by approximately 15.28% in the FY2020.

Environmental, Social and Governance Report

The GHG emissions performance of the Group are as follows:

Indicator ¹	Unit	FY2020	FY2019
Direct GHG emissions (Scope 1)	tCO ₂ e	12.37	18.02
Energy indirect GHG emissions (Scope 2)	tCO ₂ e	870.41	917.71
Total GHG emissions (Scopes 1 and 2)	tCO ₂ e	882.78	935.73
GHG emission intensity ²	tCO ₂ e/employee	0.61	0.72

Notes:

- GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "Appendix II: Reporting Guidance on Environmental KPIs of How to prepare an ESG Report" issued by the Stock Exchange, the newly released baseline emission factors for China's regional power grid and the global warming potential of the Fifth Assessment Report issued by the Intergovernmental Panel on Climate Change.
- As of 31 December 2020, the total number of employees of the Group was 1,456 (as of 31 December 2019: 1,298). This data will also be used to calculate other density data.

Sewage Discharge

The Group's business activities do not consume large quantities of water, therefore the Group's business activities do not generate a large amount of sewage discharge. Since the wastewater discharged by the Group will be sent to the regional water purification plant for treatment through the municipal sewage pipe network, the Group's water consumption is considered as the amount of wastewater discharged. The Group's water consumption data will be explained in the section headed "Water Consumption" in Aspect A2.

Waste Management

The Group adheres to the principles of waste management and is committed to the proper treatment and disposal of all waste generated from the Group's business activities, such as to identify, classify, centrally store and uniformly treat waste. The Group sets up a unified sorting collection box, assigns management responsible persons to handle waste in a timely manner, and maintains the environmental sanitation around the collection box. All of the Group's waste management practices are in compliance with relevant environmental laws and regulations.

Hazardous Waste

Due to the nature of the business, no hazardous waste will be generated during the Group's operational process. Although the Group did not generate any hazardous waste in the FY2020, it has established guidelines for the management and disposal of hazardous waste. If any hazardous waste is generated, the Group must comply with relevant environmental laws and regulations and employ qualified chemical waste recyclers to dispose of the relevant waste.

Non-hazardous Waste

In order to build a green and environmentally friendly office environment, the chapter "Corporate Office Environment Management System" in the "Administrative Management System" policy of the Group mentioned the promotion of office energy saving and emission reduction measures, responded to the government's call, and promoted the concept of waste classification in operations, and encouraged employees to participate. The system clearly lists the definitions of recyclables, other garbage, kitchen waste, and hazardous waste for employees' reference. In addition, the Group advocates reducing the use of disposable paper cups. During internal meetings, participants are encouraged to bring their own water cups, while receiving visitors, we will try to use sterilized glass or porcelain cups to make tea. In the FY2020, the non-hazardous waste generated by the Group was mainly office paper. In view of this, we also promote a paperless working environment, and encourage the use of double-sided printing or photocopying and communicate externally through internal email and electronic format documents. Through the above measures and policies, the awareness of waste reduction and responsibility of our employees in waste management and minimizing waste generation has been improved.

Environmental, Social and Governance Report

In the FY2020, the Group's total disposal of non-hazardous waste (i.e. paper) increased by approximately 7.89%. This is mainly due to the increase in administrative paperwork as a result of the increase in the Group's total revenue.

The non-hazardous waste disposal of the Group and its intensity performance are as follows:

Type of non-hazardous waste	Unit	FY2020	FY2019
Paper ³	tonnes	0.41	0.38
Total non-hazardous waste	tonnes	0.41	0.38
Non-hazardous waste intensity	tonnes/employee	0.0003	0.0003

Notes:

3. The number of paper recycling has been excluded.

A2. Use of Resources

The Group's mission is to actively promote the efficient use of resources and to monitor the potential environmental impact of business operations in real time. Through the four basic principles of reduce, reuse, recycle and replace, we create the green office and operating environment to minimize the environmental impact caused by the Group's operations. The Group has related policies and systems, including but not limited to the "Corporate Office Environment Management System" and "Mechanical and Electrical Maintenance Management System" in the "Administrative Management System" to more effectively manage the use of resources during operations. All employees are required to implement these policies and practices and value them in their daily operations. In order to achieve sustainable development, the Group will provide employees with environmental education and trainings from time to time and publicize practical suggestions on environmentally friendly lifestyles to enhance employees' environmental protection awareness. We will also promote green travel and increase employees' awareness of emission reduction and carbon reduction.

Energy Efficiency

The Group's energy consumption is mainly electricity consumption for daily operations and gasoline consumption for vehicle use. The Group actively implements the concept of energy saving and emission reduction and is committed to fulfilling its corporate responsibility for energy saving and emission reduction. It reduces the use of unnecessary power and builds a green and environmentally friendly office environment. The Group actively reduces electricity consumption by managing air-conditioning use, lighting facilities and office computers to achieve energy-saving effects. In order to reduce electricity consumption, the Group actively adopts advanced environmentally friendly lightings and requires to turn off or reduce the use of lightings under good sight conditions. In addition, in order to reduce energy wastage, the Group has formulated clear management measures for air conditioners and office appliances. These include, but are not limited to:

- The air-conditioning cooling temperature is set to not lower than 26°C in summer and the heating temperature is not set to higher than 18°C in winter;
- Turn off the office air conditioner 30 minutes before off work;
- When using office computers, adjust the screen to an appropriate brightness to avoid the brightness being too bright;
- The screen power should be turned off when leaving the seat for more than 5 minutes;
- Be sure to turn off the office computer and unplug all power plugs in the office space after work; and
- Keep ventilation around the case of the office computer to avoid the accumulation of debris affecting the heat dissipation of the equipment.

Environmental, Social and Governance Report

Through the above measures, employees' awareness of energy saving has been improved. The Group's remote working implementation in response to the outbreak of the COVID-19 pandemic also reduced the energy consumption in the office area. As a result, the Group's energy consumption intensity was reduced by approximately 8.77% in the FY2020. The energy usage of the Group are as follows:

Type of energy	Unit	FY2020	FY2019
Direct energy consumption-Gasoline	MWh	44.93	65.64
Indirect energy consumption-Electricity	MWh	1,476.40	1,415.24
Total energy consumption	MWh	1,521.33	1,480.88
Energy consumption intensity	MWh/employee	1.04	1.14

Water Consumption

The water consumption of the Group is mainly domestic water and its managed water supply includes toilet water, washing water and cleaning water. To encourage all employees and customers to develop the habit of conscientiously saving water, the Group has been strengthening its water-saving publicity in the office area and posting water-saving slogans to ensure that "turn off the tap when not in use" and guiding employees to use water reasonably. In addition, the Group uses water-saving sanitary ware as much as possible, regularly inspects the water supply and drainage systems of the bathrooms and pantries in each building, and timely checks and repairs leaks. Through the above measures, the awareness of water saving of our employees has been improved.

Due to the geographical location of the Group's operating points, the Group did not have any major issues in sourcing water that is fit for purpose. In the FY2020, the Group's water consumption intensity reduced approximately 1.46%. This is mainly due to the Group's implementation of remote working in response to the outbreak of the COVID-19 pandemic, leading to the reduced amount water used in the office area.

The water consumption of the Group and its intensity performance are as follows:

Water consumption	Unit	FY2020	FY2019
Total water consumption	m ³	8,841.70	7,990.00
Water consumption intensity	m ³ /employee	6.07	6.16

Use of Packaging Materials

Given the nature of the Group's business, the Group has no industrial production and no factory facilities. Therefore, no significant amount of packaging materials is used for packaging products.

Environmental, Social and Governance Report

A3. The Environment and Natural Resources

The Group continues to pursue environmental protection and focuses on the impact of the Group's business on the environment and natural resources. In addition to complying with environmental regulations and international standards, and properly protecting the natural environment, the Group has also adopted a number of measures to reduce its impact on the environment. On the other hand, the Group also provides environmental protection education to all employees, so as to improve the environmental awareness of employees.

Indoor Air Quality Management

The main business of the Group is mobile game development, which does not have a serious impact on the air quality of the office. In order to maintain the office environment and improve the efficiency of office staff, the Group clearly stipulates the duties, standards and methods of work of cleaning staff in the "Corporate Office Environment Management System" chapter of the "Administrative Management System" policy. In addition, the system also provides daily maintenance methods for landscape affairs and standards for purchasing office furniture to ensure good air quality in the office.

Climate Change Mitigation and Adaptation

The Group is aware of the potential risks and opportunities that climate change poses to the Group's operations. The Group will actively incorporate climate change into risk management and development considerations, while strengthening the Group's resilience and adaptability to potential climate change impacts. In order to enhance the Group's ability to cope with climate change, the Group has been actively cooperating with the overall work of the government to continuously implement the goal of reducing carbon emissions. In addition, the chapter "Corporate Office Environment Management System" in the Group's "Administrative Management System" policy clearly explains how employees should better mitigate their impact and maintain the Group's office environment in weather conditions such as heavy rain and snow. The Group believes that relevant measures will help address the potential impact of extreme climates brought about by climate change.

B. SOCIAL

BI. Employment

Talent Management

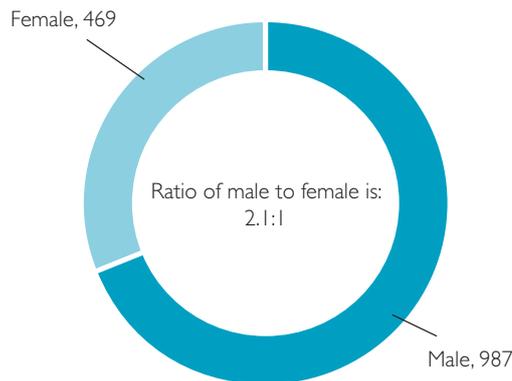
The Group believes that staff is the most important and the most valuable assets and the core of competitive strength that brings unlimited creativity and uniqueness to the Group. In order to retain talents and protect the lawful interest of employees, we have stipulated the policies such as the "Human Resources Management Policy", "Recruitment Management Policy" and "Administrative Management System" to specify the labour employment management, protect employees' occupational health and safety, maintain employees' interests, fully respect and emphasized the stimulation of the employees' initiative, mobility and creativity, and strive to build a harmonious and proactive working culture.

In the FY2020, the Group strictly complies with the employment-related laws and regulations, including but not limited to, "Labour Contract Law of the People's Republic of China" and "Labour Law of the People's Republic of China". The Group has not identified any material matters that violate human resources laws and regulations.

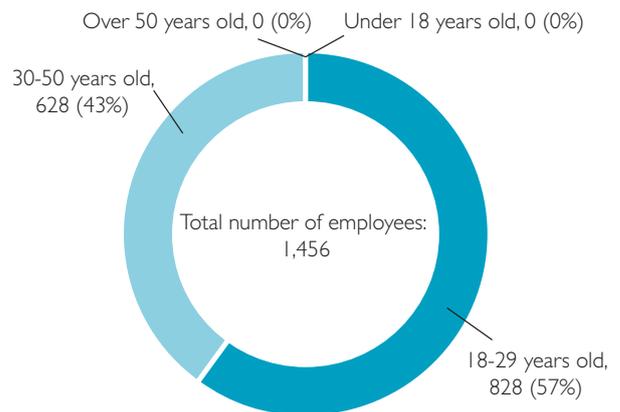
Environmental, Social and Governance Report

As of 31 December 2020, the total number of employees of the Group was 1,456, and all employees were full-time employees located in China. The specific information about employees is as follows:

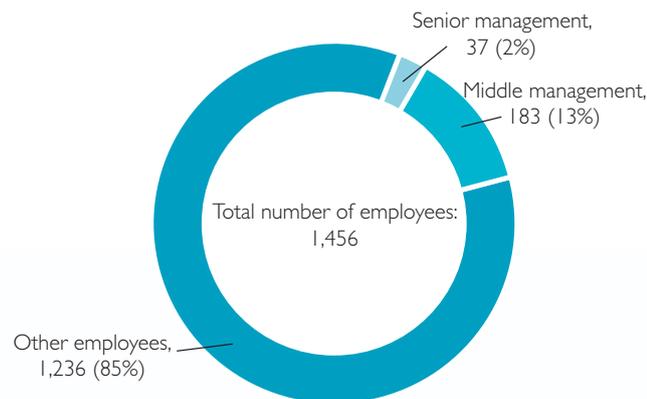
Number of employees by gender



Number of employees by age group



Number of employees by employment type



Employee Remuneration and Benefits

The Group set up a fair, reasonable and competitive remuneration and benefits system with reference to market terms and individual merits. The Group calculated the remuneration of each employee by combining multi-dimensional data, including basic salary, attendance and performance, and paid on time to ensure employees receive deserved returns. The Group has also set up a salary adjustment mechanism to provide two salary adjustment opportunities within one year based on business development status and individual performance of employees. Performance is evaluated based on employees' work behaviors and results achieved through certain standards. Based on the evaluation results, outstanding employees are commended and encouraged while employees whose are unsatisfied are assisted, so as to provide positive guidance to employees in each position. In view of this, The Group set up special bonuses and conducted selection of "Quarterly Star", "Annual Star" and "Star Employee" in order to award and encourage employees. The Group even launched Share Award Scheme in the FY2020 and issued a certain amount of shares to qualified participants, which aligned the interest of participants with the interest of the Group and encourage them to create long-term value for the Group.

Environmental, Social and Governance Report

In accordance with “Labour Contract Law of the People’s Republic of China”, the Group has signed and performed labour contracts with the employees, the signing rate of the labour contract is 100%. The Group pays “Five Insurances and One Fund” in accordance with the law, that is, endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund, to ensure that the employees enjoy social insurance benefits. In addition, the Group also makes contributions to employee benefit plans based on certain percentages of employees’ salaries, bonuses and allowances and regularly organizes free medical examinations for employees to ensure they remain in good health and can bring sustainable development and success to its employees and the Group.

The Group also complies with the requirements of the national and local laws and regulations of “Labour Law of the People’s Republic of China” to effectively protect the legitimate rights and interest of workers, respect the rights of employees to rest and take vacations, and standardize employees’ working hours and their rights to various types of rest and vacation. The Group has causal leave, sick leave, marriage leave, maternity leave, funeral leave, annual leave, employment injury leave, traditional festivals, and the anniversary of the Group. We may arrange vacation or early leave as appropriate. In addition, in order to attract valuable talents and empower employees, the Group established “Trade Union Committee” in March 2017 and elected members of the trade union committee, including Chairman, Audit Committee and Female Staff Committee.

The Group also organizes a number of diversified activities from time to time, including but not limited to team building activities, birthday parties, festive care, paid annual leave, growth benefits and year-end parties to enhance employees’ friendship, master interpersonal skills, and maintain balance between employees’ lives and work, and at the same time enhance team spirit and cohesion. In the FY2020, the Group prepared Mid-Autumn Festival gift boxes for all employees before the Mid-Autumn Festival and the National Day holiday to convey warm blessings.



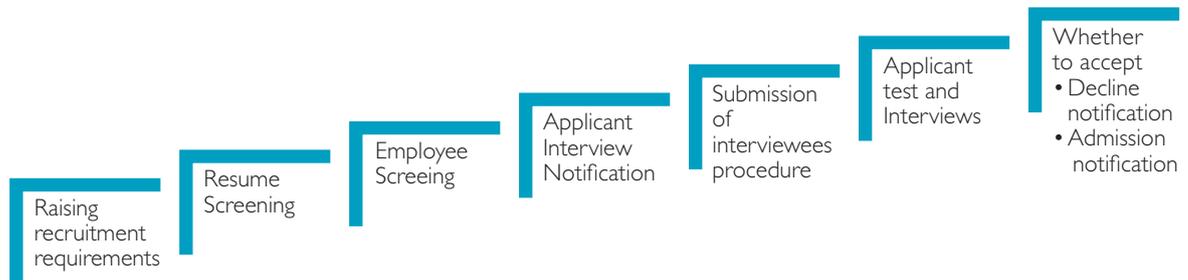
Recruitment, Promotion and Resignation

The Group strictly complies with all national and local government regulations in the recruitment process to ensure that each applicant and employee is treated fairly. The Group also actively implements talent-strengthens-corporate strategy, continues to attract and recruit outstanding talents with different background for the Group by adopting the rules of “open recruitment”, “equal competition”, “job matching”, “internal advance than external”, and “no overscheduled”. During the recruitment process, the Group does not discriminate, exclude or give special preference in the workplace on the basis of race, colour, age, family background, gender, religion, national origin or social origin. The Group has standardized recruitment procedures and core principles, to ensure equal opportunities and diversity of the team. The Group has annual recruitment, quarterly recruitment, irregular recruitment and unplanned recruitment respectively to maximize the Group’s development needs.

Environmental, Social and Governance Report

The human resources department of the Group is responsible for the review of annual appointments and schedules conditions, according to the Group's operating condition, development strategy and the needs of various departments for the change of the appointment system and schedule to summarize and perform an overall assessment, pay attention to whether the content of the "Annual Job Matching Handbook" is complete, whether the related duties and post changes are reasonable, and whether the newly established posts are appropriate, and submit to general manager for approval.

The Group will conduct multiple evaluation based on the applicant's working experience, professional skills, ability, personality characteristics and occupation, to seek for the most suitable candidate, and to ensure the experience of the applicant and their values are in line with the Group's development strategy and business plan. The specific recruitment process is as follows:



The Group has also established the "Human Resource Management System" policy, in which the two chapters of "Human Resources Organization Planning" and "Personnel Recruitment and Employment" clearly stipulate job assignments and various recruitment requirements. The Group also clarifies the basis and procedures for personnel promotion and employment transfer management, to enhance transparency and hence protect the interests of employees and the Group, and reduce unnecessary disputes. The Group has implemented a comprehensive set of internal recruitment procedures, to promote employees in strict accordance with various criteria such as job performance, qualifications and departmental recommendations, providing employees with opportunities for promotion and development in order to explore their potential.

In order to clearly simplify the turnover process, ensure transparency and reduce the impact of departures on overall productivity, the Group has clearly stipulated in the chapter "Human Resources Withdrawal" in the "Human Resources Management System" policy the application procedures and approval process for resignation. The specific process is as follows:

Resignation Application Procedures



Approval Procedures



Environmental, Social and Governance Report

Communication and Exchange

The Group has always emphasized resource sharing, concerned information communication, promoted communication and negotiation, harmonious relationship and improved understanding. The Group encourages active and open communication between employees and opposes any irresponsible private rumors and speak ill of others behind their backs. Communication platforms includes but not limited to office automatic system, office telephone and regular communication meetings.

B2. Health an Safety

Occupational Health and Safety

The Group attached great importance to the employees' health and safety, and strived to provide a healthy, safe and comfortable working environment for the employees. In addition to organizing regular free body check for the employees, the Group also established related safety management system and procedures, regulating the potential health and safety risk in the workplace to protect the employees' personal safety and health during worktime.

In order to prevent electrical hazards and accidents and to maintain normal working order, the Group has especially established "Electricity Safety Management Regulations" and included in the "Administrative Management System" policy, which requires the Group's administrative management department to be responsible for centralizing purchasing of all electrical equipment, power extension cables. Electrical equipment that has not been purchased by the administrative management department is forbidden to use, and any personnel is strictly forbidden to modify any wires and sockets without permission, touch any equipment in the equipment room and power distribution room. In order to minimize damage and prevent the continual malignant development of the incident and other adverse events, the Group has formulated the 'Contingency Plan for Emergencies' in the "Administrative Management System". It specifies the duties and job responsibilities of each person in charge of the emergency response team, as well as emergency measures for fire accidents, emergency medical treatment and criminal case response systems. To avoid impact and loss caused by water and electricity outages, and to ensure the maintenance of normal working order of the Group's office, the Group stipulates "Emergency Plans for Power Outages and Water Outages", which include emergency arrangements for planned power outages and water outages, and also emergency power outages and water outages.

The Group strictly implements the related laws and regulations of the "Labour Law of the People's Republic of China", "Production Safety Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases" and "Fire Control Law of People's Republic of China". In the FY2020, the Group has not recorded any accidents leading to death or serious injuries, and also has not paid claims or compensation to its employees and has not identified any violations of employees' health and safety as a result of these events.

Fire Safety Management

The Group attaches great importance to the fire safety. For the usage and using method of fire caution equipment, the job duties of various departments, emergency rescue procedures, and preventive measures, the "Fire Safety Management System" was formulated in the "Administrative Management System", which aims to prevent fires and reduce hazards, protect employees' personal and property safety, maintain public safety, and ensure the smooth progress of various tasks. The Group also conducts fire training and emergency drills for employees regularly, reminding employees at all times to be alert to the potential fire risk in order to reduce fire hazards and raise fire awareness among all employees. In order to prevent employees' hidden dangers caused by smoking, the Group has "Smoking Area Safety Management System" which prohibits smoking in other places except smoking areas to avoid fire hazards and fire accidents.

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Preventive Measures of Virus

In response to the outbreak of COVID-19, the Group established an epidemic prevention and control team to strictly abide by and implement the guidelines and announcements regarding epidemic prevention from the Chinese Center for Disease Control and Prevention and adopted remote office to reduce outings and mobility to protect employees' health and minimize operational risks. Before the resumption of work in February 2020, the Group specially arranged manpower to strengthen the health and safety precautions of the office, including stocking anti-epidemic materials, disinfecting office buildings, preparing anti-epidemic manuals, making anti-epidemic posters, and preparing resources for remote office, and were committed to provide employees with a safe and sound office environment.



In addition to increasing the frequency of office cleaning and disinfection in the office area, the Group also strictly requires employees to receive temperature checks every morning and afternoon, wear medical surgical masks during travel and work, and remind employees to maintain personal hygiene and wash their hands frequently, maintain social distancing and reduce unnecessary outings. In addition, the Group distributes anti-epidemic materials daily to ensure that employees have sufficient anti-epidemic resources. Also, the routine agenda of the Group is also based on online communication, to minimize the frequency of meetings and the number of participants, and to keep the offices and meeting rooms well-ventilated at all times.



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B3. Development and Training

Talent Training Management and Programs

The Group attaches great importance to the professional development of its employees, thereby providing extensive trainings and sustainable professional development plans for employees of all level. The on-going training projects of the Group include but not limited to new recruits training, general skill set and professional skills training, internal and external training, system development and maintenance online training, programme development, internal lecturers cultivation, online and offline reading club, sharing and key talents cultivation programme. In the FY2020, the total number of employees trained of the Group were 1,188. The percentage of employees trained was 82%. The average training hours of each employee was 1.01 hours. Details of trainings of relevant employees are as follows:

	Percentage of employees trained	Training hours (hours)	Average training hours
By Type of Employees			
Senior management	78%	32	1.10
Mid-level management	75%	341	2.49
Other employees	83%	828	0.81
By Gender			
Male	87%	865	1.01
Female	71%	336	1.01

The Group's training adheres to "organizational learning" and "spontaneous learning", encourages employees' spontaneous learning and sharing. The Group ensures that all new employees will receive pre-employment training to familiar with and integrate into the corporate culture of the Group as well as to understand the Group's operation, job requirements, work closely with the team, integrate personal careers with corporate development, and promote continuous growth of employees. The Group also has flexible training arrangement for its employees. In daily work, each department can initiate internal training according to the needs of employee, submit training schemes, and the human resources department monitors and tracks the entire training process. Internal training includes but not limited to work procedures, introduction of new business' knowledge, usage of office software, professional skills. While inviting internal and external lecturers to broaden employees' horizon, the Group also organizes outward bound to help enhance employees' cohesion and increase employees' sense of belonging, continuously promoting the corporate spirit in the era of FriendTimes.

The Group's talent training adheres to the principle of "internal training and supplementing external recruitment", we believe that the management ability of employees is one of the keys to the success of the Group. In addition to general talent training, the Group also invests a lot of resources to fund our key employees to participate the project management program organized by the Project Management Institute in order to improve their project management skills in leadership and providing guidance to cross-functional team, managing project timetable, budget and resources, and applying appropriate project method in order to accomplish the project requirements and leading to success. As of 31 December 2020, the Group's managers who have participated in the plan have passed the exam and obtained project management licenses.

In order to ensure every employee receives equal opportunities in training, the Group has established a good personnel training mechanism, promoted the smooth process of the Group's key tasks and the realization of strategic goals. The Group has "Training Management Measures" for training management that requires the human resources department to develop activities according to the current quality of employees in the core businesses and the needs for subsequent development, and organize, supervise, promote and summarize training content, and also require that the talent training projects comply with the four management principles of autonomy, quality, diversification and sharing. Furthermore, the Group also has "Human Resources Management System", the human resources department is required to formulate and coordinate an effective training scheme in accordance with the Group's business development strategy and the personal development needs of employees. The human resources department conducts monthly feedback on the implementation of training, and at the end of each year, re-formulates the next year's employee training scheme to confirm the direction of training in the future.

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Case study —FriendTimes Talent Training

From 2019 onwards, the Group has confirmed the vision of establishing a learning organization in the next three years under the elite key talent strategy. The Group strives to build replicable leadership through key talent management enhancement schemes (i.e. the Flying Eagle Scheme, the Elite Eagle Scheme and the Young Eagle Scheme), as a succession of the existing strategy and preparation for a talent reserve for future business development.

In the FY2020, the Group implemented the Elite Eagle Scheme, a training program for outstanding middle-level management talents with outstanding performance, a sense of mission and meeting the requirements of the Company's corporate culture, after more than two months of preparatory work. Over the course of 5 months, this programme aims to train selected talents from self-exploration to influencing others, from management to leadership, and from an awareness to issues to an awareness to people and issues. Participating employees are expected to apply what they have learned and achieve excellent management method. The Elite Eagle Scheme teaches self-exploration, efficient management, relationship with the team, cross-departmental collaborative management, and practical learning in the form of workshops, scenario planning, case studies and post-lesson practice reviews. Two phases of the program has been conducted, with 80 participants.



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In addition to the key talent management enhancement schemes, the Group also organized the Reading Club to encourage life-long learning and self-improvement, and to create an intellectual work atmosphere among employees. The Reading Club is conducted via a combination of online and offline methods, so that participants can freely express their feelings about a book, and the audience can express their views freely as well.

B4. Labour Standards

The Group has complied with all laws and regulations to the prevention of child labour or forced labour, including but not limited to the “Labour Law of the People’s Republic of China”, “Special Protection for Juvenile Workers” and “Provisions on the Prohibition of Using Child Labour”. In the FY2020, the Group was not aware of any material issue related to the prevention of child labour or forced labour.

Prevention of Child Labour and Forced Labour

The Group strictly prohibits the employment of any child labour, requires new employees to provide true and accurate personal information upon employment which would be strictly reviewed by the recruiters, including body check qualification certificate, academic certificates, identity card, household registration. The Group has established a comprehensive recruitment process that requires study of the candidate’s background and a formal reporting process that handles any exceptions. It also conducts regular reviews and inspections to prevent any child labour during operation. In the case of discovering unintentional employment of child labour, the Group will immediately cease the work of the child labour and contact the parent or legal guardian to arrange for the return of the child labour to the original residence as soon as possible and bear all related expenses. The human resources management department also checks working hour records regularly, and if overwork is found, it will immediately conduct investigations to avoid forced labour in our operations.

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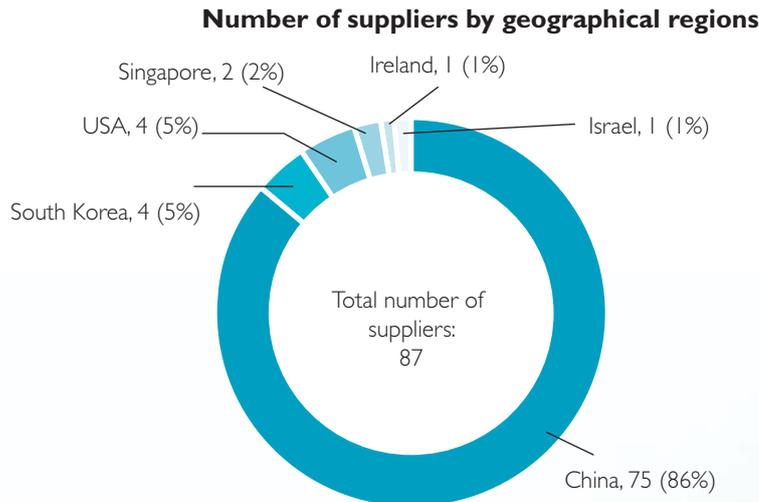
B5. Supply Chain Management

Supply Chain Management

The Group has formulated the “Supply Chain Management System” to optimize and develop supplier resources, established a supplier market access and performance evaluation system, and maintained a stable and reliable supplier team, providing reliable material supply protection for enterprise construction and development. It clearly lists out the requirements for consideration of suppliers’ cooperative performance review, supplier maintenance inventory, and evaluation of new suppliers. At the same time, the Group will focus on evaluating supplier cooperation performance based on the three aspects of supplier product quality, technical support and after-sales service. Suppliers with excellent product quality, reasonable prices, long cooperation periods, good reputation, and good discipline will be directly included in the “Supplier Maintenance Inventory”.

Furthermore, the Group also assesses whether the supplier has complied with relevant laws and regulations and other required standards in terms of health, safety, forced labour and child labour, and reviews the supplier’s awareness in the above aspects, which would be one of the factors taken into consideration to evaluate whether they meet the Group’s standard. The Group carries out regular evaluation on suppliers to ensure a consistent level of quality and to resolve any potential issues. After years of operation, the Group has now formulated a more comprehensive supplier team.

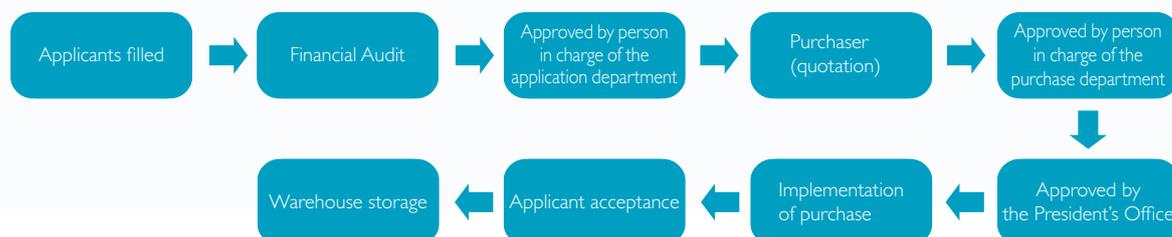
The Group has a total 87 suppliers from different places, the related information is as follows:



Fair and Open Procurement

The procurement process of the Group strictly adheres to the “The Bidding Law of the People’s Republic of China” and other relevant regulations, and is carried out under open, fair and just conditions, and will not treat any suppliers with discrimination or preferential treatment. If an employee or other individual is found to have a relationship of interest with relevant suppliers, the Group will prevent them from participating in the relevant procurement activities. The integrity of suppliers and partners is also one of the factors considered by the Group. The Group will not tolerate any acts of bribery and corruption, and it is strictly forbidden for suppliers and partners to obtain procurement contracts or establish cooperative relationships through any form of transfer of benefits. The Group has set up a designated “Procurement Management System” policy to ensure the quality of the Group’s procurement and to review and standardise the procurement process. The specific process is as follows:

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To ensure proper management of purchased materials and prevent repeated purchases of assets, the Group's "Administrative Management System" policy, in which the chapter of the "Fixed Asset Management Regulations" specifies the requirements for purchase application requirements, purchase price ratios, and fixed asset acceptance standards. Among them, the applicant must fill in and indicate the required asset details, and the person in charge of the department must review its rationality and necessity. The purchasing assets approved requires the purchaser to select the best supplier in the form of "shop around", record the procurement process in detail, and regularly review the supplier's cooperation performance. For asset acceptance, purchasers and asset users must jointly accept on site to ensure consistency with procurement requirements.

B6. Product Responsibility

In order to continue to attract and retain game users, the Group must continue to fulfil its product responsibility to provide a good gaming experience. The Group is committed to providing the best user experience and is highly focused on the quality of the Group's products and services. In order to accommodate our players' interest and preferences as well as to respond to the everchanging competitive environment of the mobile game industry, the Group evaluates these aspects when launching new games in order to provide the best user experience. The Group also regularly promotes new games and game upgrades to enhance geographical penetration. The Group will continue to upgrade the technology and infrastructure to minimize downtime and maintain the system stability of the Group's games. In the FY2020, the Group's businesses and products received a number of awards, testifying to the Group's efforts over the years, and relevant details of which are as follows:

Corporate Awards

FriendTimes

- White Horse Award of 2020 CNG Forum;
- Top 20 Global Mobile Game Enterprises in China with Market Competitiveness granted by Gamma Data and Newzoo;
- 2020 China's Top 30 Enterprises in Game Industry granted by Yicai Global;
- 2020 Suzhou Top 100 Private Enterprises granted by Suzhou Federation of Industry and Commerce;
- The 5th Golden Gyro Award — Outstanding Mobile Game Publisher of the Year granted by Tuoluo Tech;
- The 7th Golden Mouth Award in Game Industry — 2020 Company of the Year granted by YXRB;
- The 8th Golden Tea Award — 2020 Most Influential Game Enterprise of the Year granted by Game Teahouse;
- Recognized as Suzhou Enterprise Engineering Technology Research Centre in 2020;
- Recognized as one of the first batch of star enterprises on cloud computing in 2020;
- 2020 Top 50 Internet Enterprises in Jiangsu Province granted by the Ministry of Industry and Information Technology and Jiangsu Internet Association; and
- Suzhou Industrial Park 2019 Technology Enterprise Listing Award and Suzhou Industrial Park 2019 Service Economy Award granted by the Management Committee and Working Committee of the SIP Party.

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The Group actively complies with, including but not limited to, the laws and regulations including but not limited to the “Advertising Law of the People’s Republic of China”, “Law of the People’s Republic of China on the Protection of Consumer Rights and Interests”, “Product Quality Law of the People’s Republic of China”, “Trademark Law of the People’s Republic of China”, “Patent Law of the People’s Republic of China”, “Copyright Law of the People’s Republic of China”. During the FY2020, the Group was not aware of any material issues that violate laws and regulations related to product and service quality. In addition, the Group has not received any major complaints about products and services, and there are no products sold subject to recalls for safety and health reasons.

Research and Development

The Group’s long-term development depends on the research and development and innovation of mobile games. Therefore, the Group invests a lot of research and development resources to build related capabilities. The Group has an experienced research and development team, which consists of skilled gamer designers, graphic designers, programmers, numerical designers, level designers, sound engineers and test engineer. The research and development team is further divided into four departments: (1) The game development center is responsible for project management of game design and planning, program development, and game development processes; (2) The art design center is responsible for the art design of game characters, scenes, and special effects; (3) The social platform development center is responsible for developing and maintaining social platform applications “GameFriend”; (4) The technical support center is responsible for building the basic game structure with the game engine, designing general development tools and special development tools, and providing other technical support for game development.

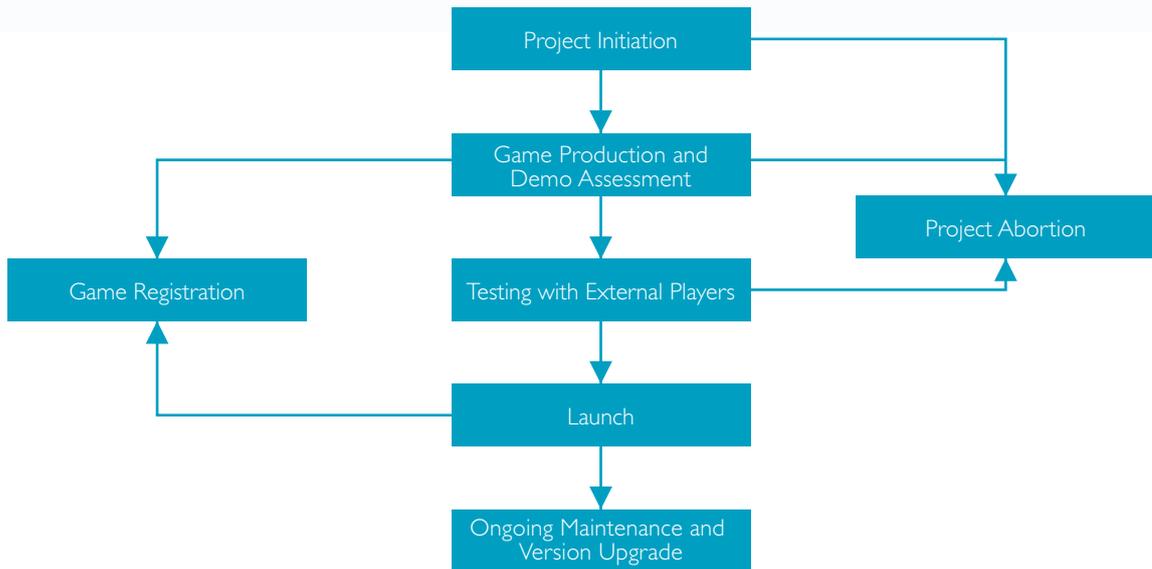
The Group’s operating model is data-driven,, which supports the Group’s own data collection and analysis system from game development, distribution, and operations. The Group will continue to collect and analyze a variety of game and player data, mainly including login frequency, duration, game participation, skill level growth, preferences for using specific game features, and player retention rates. The Group’s relevant departments analyze the data according to the needs of each game to plan game upgrade features, promotions and targeted advertising.

The Group encourages employees to actively participate in the decision-making and daily operations of the Group, and is committed to fostering a highly engaged corporate culture. In order to pursue innovative game ideas, concepts and designs, the Group has held a creative game design competition for all employees every year since 2016 to collect and select the most attractive and creative designs of original games. The winning employees will receive cash prizes or other prizes. If the winning game design is in line with the Group’s development strategy and has market potential, the Group will also consider passing the design to game development. For example, “Yokai Kitchen” is a game developed from a selected game proposal from participants of the 2017 competition. In addition, the Group has launched an art design competition and a game programming competition in the FY2020 to stimulate the creativity of all employees, allowing them to demonstrate their strength through the competition and contribute to the development of the Group’s games.

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Game Development Process

The Group has established a scalable game development process that allows the Group to streamline collaboration between game development, distribution, marketing, and operations departments, and minimize the games with similar technical functions or features. The game development process is as follows:



Project establishment is the first step of a game project, covering the development of game ideas, concepts and core gameplay, as well as the production of preliminary design documents. The Group usually adopts a top-down development structure, and senior management decides the concept of new game projects based on the latest market intelligence analysis and review and development strategy planning. In addition, quality assurance plays an important role in the game production process, providing quality assurance for game functions and in-game experience. The test engineer team will begin testing when any level or subset of the game program reaches the playable stage. The Group will hold a series of demonstration and evaluation meetings for the internal test team to try out the game demo version, evaluate whether the core gameplay, basic functions and design can achieve the effect of the original game plan, and provide feedback so that the development team can fine-tune the design, solve technical problems, and fix program errors. If the product development committee is satisfied with the full product demonstration, the game development process will enter the stage of preparing a specific game version and processing the relevant documents for game registration.

When game development is about to complete, the Group will and invite external players to conduct several rounds of game testing. Testing is generally divided into two phases: closed beta (that is to identify and to invite external players through advertising and marketing agents, based on standards) and public beta (that is to upload the Group's games to third-party distribution platforms for public download and demo). After the game has been fully tested with external players, plus the test data has reached the Group's standards, and after the Group's technical review has been approved, the management will then pass a resolution to officially release the game for commercial use. The Group usually launches games on different distribution platforms and distributes advertisements on various advertising platforms to increase game exposure and attract more players.

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Customer Service

The Group provides customer service for games and social platform applications to meet the needs of the Group's players. The Group has dedicated customer service specialists who provide all-rounded online customer service in multiple languages. Players can contact our customer service specialists through a variety of channels, including live chat, email, phone and the in-game consultation system. The Group has set up the "Customer Complaint Handling and Procedures of the User Operation Department of GameFriend" to ensure that user complaints can be resolved quickly and effectively through standard procedures and norms, so that users can build confidence in the products and services the Group provides during the complaint handling process, and ultimately improve corporate brand image. After receiving a customer inquiry, the Group's customer service specialists will record the inquiry details on the internal information technology platform. If the inquiry is a common question that the Group's customer service specialists know well, they generally reply to players immediately when they receive the inquiry. Otherwise, they will communicate with the relevant operating department or team to provide players with appropriate solutions or solve system problems. The Group generally requires customer inquiries to be resolved or handled within one to three days. The Group's customer service team holds weekly internal department meetings and monthly customer service team meetings to discuss inquiries from the Group's players and formulate standard action plans for frequently asked questions. The Group also provides our customer service professionals with regular training on game rules, latest promotions, service skills and standard service procedures and terminology.

Software Platform Stability and Network Security Management

The Group will ensure a positive user experience by maintaining the quality of the platform, continue to communicate with users and respond immediately to their feedback, and make the platform more interactive to attract users. The Group also cooperates with third parties to allow users to log in to the Group's platform through third-party platforms, which enhances the platform login experience and further optimizes our applications, allowing users to log in faster and more conveniently. The Group also continues to update the games on a regular basis based on analysis of collected player behaviors and virtual goods consumption patterns.

Software platform stability and network security management are especially important to maintain product quality and a good user experience. After the game launched, the project development team will be responsible for continued game development, optimization and updating in daily operations until the game is eliminated. The Group understands that the release of new games and the rapid introduction of new features under the tight time constraints may affect the player's gaming experience, so the Group generally immediately address programming flaws notified by players to ensure the quality of the games.

Players can also get a better gaming experience by purchasing virtual goods. The Group relies on major third-party payment channels, such as Alipay and WeChat Pay to assist in collecting money for players to purchase virtual goods in the game. The Group introduced other payment methods for virtual goods in a manner consistent with local laws and practices, and protect the Group and players from fraud. In addition, the Group has a game policy to prohibit players to sell or transfer virtual goods. The Group reserves the right to impose sanctions on accounts that we have found to be performing unusual transactions or activities, including suspension, termination, or cancellation of player accounts.

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Privacy Protection

With the support of a proprietary data collection and analysis system, the Group has developed a set of fast and efficient data feedback loop functions that are built into the software development kit as part of the game program. The data feedback loop function includes three parts, namely data collection, data analysis, and game improvement. To ensure network security, all game data the Group collects is processed, transmitted, and stored by multiple encryption and firewall protection. To avoid any data loss and ensure data control, all data generated by the Group's leased cloud server is backed up in real time on the Group's own physical server and stored in accordance with local laws and regulations. To avoid any internal data leakage, the Group implements security measures and implement multi-layer access monitoring based on employee levels and functions to restrict data access. Any changes to the system and database must be specifically authorized by the system administrator and be justified. All access activities, as well as changes to data systems and databases, are automatically retained and subject to routine checks.

In addition, the Group has also established the "Employee Confidentiality Agreement" to ensure that, except for the performance of their duties, relevant personnel must not disclose, disseminate, announce, publish, impart, transfer, exchange or otherwise make third parties (including employees of the employer who do not have the right to know the confidential information) disclosed any technical secrets and business secrets. The technical secrets include, but are not limited to, product source code, design documents, art design, server permissions, technical solutions, recipes, technological processes, technical indicators, databases, research and development records, technical reports, test reports, experimental data, test results, drawings , samples, technical documents, related correspondence, etc.; business secrets include, but are not limited to, customer lists, marketing plans, market plans, procurement information, pricing policies, financial information, purchase channels, legal affairs information, human resources information, etc.

Game Health and Safety

Paying attention to the health of players' games is a social responsibility that mobile game companies need to fulfill, and it is also part of providing profound gaming experience for players. The Group understands that players in different regions have different cultural differences, so operating teams in each region will strictly compile with the laws and regulations on healthy games in the place of operation and in the app store according to the legal requirements of different countries.

As a leading company in the industry, the Group fully understands the penetration and impact of social media on society. The Group strictly complies with the "Provisions on the Administration of Mobile Internet Applicants Information Services", "Provisions on the Administration of Cyber Performance Business Operations" and "Provisions on the Administration of Internet Live-Streaming Services", and we have established a sound monitoring system to monitor our game products, organize technical and evaluation staff for trial play, and to prevent dissemination of obscenity, violence , illegal and vulgar bad information.

In order to comply with relevant national regulations and to protect the personal safety of users, the Group requires users to use valid identity cards for real-name registration and use the information of the real-name registration in the anti-addiction system. Accounts under the age of 18 will be included in the online game anti-addiction system to prevent minors from accessing inappropriate games or game functions, and limit their game time to prevent minors from game addiction. In addition, the Group has also strengthened the promotion of healthy gaming and anti-addiction information through various channels, such as publishing game user guidelines and displaying warning messages on games and official websites, including reminders for players to resist inappropriate games, pay attention to self-protection, and beware of scams and game addiction that is harmful to our body.

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In order to protect the physical and mental health of online game users and adolescents, the Group has also implemented the “Parents’ Guardian Project for Minors” and set up special monitoring channels for parents on the official website to strengthen parents’ monitoring over minors’ participation in online gaming, direct minors to healthy participation in online games and establish a harmonious family relationship. Parents can link to the game accounts of their adolescent children, synchronously control their game entry and exit and consumption information, and set game duration and spending limit, so that parents can understand, control and correct the behaviour of their game-addicted adolescent children in a timely manner.

Intellectual Property Rights

The Group’s proprietary intellectual property rights, including proprietary domain names, copyrights, trademarks, patents, trade secrets and other intellectual property rights are critical to our business operations. The Group relies on trademark and copyright laws, trade secret protection, restrictions on disclosure, and other agreements that restrict the use of the intellectual property rights of the Group to protect its intellectual property rights. For our proprietary games, the Group registers software in China for copyright protection and takes various measures to protect our source codes, including confidentiality agreements. As of 31 December 2020, the Group has registered 152 trademarks, 871 copyrights, 25 domain names and 41 patents in China, and has registered 23 trademarks and 17 domain names overseas.

In addition to the intellectual property rights, collected from the Group’s existing games, it will collect creative literature by our in-house novel creation team and special novel writers to further expand the Group’s intellectual property resources. The Group also plans to acquire intellectual property and related assets in popular comics, animations, television series and shows, and movies.

Advertising and Labeling

As a leading mobile game developer, publisher and operator, the Group has been launching and distributing the Group’s games under the brand “FriendTimes”. The Group will use online and offline marketing activities, such as cooperation with Apple App Store and Google Play, to develop distribution platforms, set Facebook as our advertising and marketing platform, invite celebrities to speak for the Group’s ace games, and publish advertisements on TV channels and public places, participate in more diversified industry events (such as exhibitions and industry conferences) and other ways to increase the Group’s game and brand exposure. The Group has established a team of 174 members who are dedicated to conceiving advertising ideas and designing advertising content around the basic game and character information provided by the game development team.

The Group has guidelines related to advertising and labelling to regulate product advertising and labelling issues. The Group strictly reviews the products and services it provides, as well as related sales, marketing and advertising strategies and materials, to ensure that it complies with applicable laws and regulations. The Group strictly complies with the “Notice on Strengthening the Supervision of the Promotion and Promotion Activities of Online Games” issued by the Ministry of Culture, to conduct legal marketing and consciously resist illegal acts and vulgar marketing.

Environmental, Social and Governance Report

B7. Anti-corruption

The Group has complied with all laws and regulations related to the prevention of bribery, extortion, fraud and money laundering, including but not limited to the “Criminal Law of the People’s Republic of China”, “Company Law of the People’s Republic of China”, “Law of the People’s Republic of China on Bidding and Tendering”, “Anti-Unfair Competition Law of the People’s Republic of China”, and the “Interim Provisions on Prohibition of Commercial Bribery”. In the FY2020, the Group has not identified any violations of laws and regulations related to the prevention of bribery, extortion, fraud and money laundering, and has not filed and concluded corruption lawsuits against the Group or its employees.

Anti-corruption

The Group believes that an incorruptible corporate culture is the key to the Group’s continued success. Therefore, it attaches great importance to the work and building system of anti-corruption and is committed to building an incorruptible and open corporate culture. The Group requires all employees to abide by the code of business ethics, and promises that there will be no corruption and bribery, nor will they engage in any fraud, extortion and money laundering activities. The Group expects every employee to adhere to the principles of honesty, integrity and core values in all aspects of work. The Group has set up an anti-corruption policy, which clearly specifies the Group’s expectations on matters related to anti-corruption of employees, and hopes that employees will consciously follow the regulations, otherwise they will be severely punished.

The Group also has an “Anti-commercial Bribery Agreement” to ensure the legitimate rights and interests of both parties, in which the Group clearly explains the definition of commercial bribery, and sets out the prohibition of commercial bribery or private fraud, the punishment of commercial bribery and unfair competition, and assistance obligation. The Group has also established a reporting system to establish and maintain a clean and transparent culture of the Group. The Group also provides employees with a strict and safe reporting mechanism to report any suspected corruption cases. The Group will investigate the case to determine its authenticity. Once determined, the Group will take necessary disciplinary and legal actions. The Group will also give corresponding rewards to reporters based on the Group’s system and the specific circumstances of the reported incident.

B8. Community Investment

Corporate Social Responsibility

The Group believes that rewards to society through participating in social activities and contributing to society is a form of corporate citizenship. The Group thus has always adhered to the philosophy of public welfare, taking public welfare as its corporate responsibility and mission, cooperating with public welfare and charitable organizations, from time to time organizing social activities for the purpose of public welfare and charity, and establishing a good public image while fulfilling its social responsibility.

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Case study — Working together to fight against the COVID-19 outbreak

COVID-19 is still rampant today, and many countries are still investing a great deal of manpower and resources to fight the virus. The effective control of the pandemic in China is inseparable from the effective management and control of the government, the full assistance of medical staff, and the material support of all sectors of society. When the pandemic was at its worst, in Wuhan and its surrounding areas, where were at the centre of the pandemic, were in urgent need of medical and protective materials. The Group donated RMB2 million to the Hubei Charity Association through its subsidiary Suzhou GameFriend Network Technology Co., Ltd. on 26 January 2020 for the purchase of medical supplies and prevention and control materials in the area affected by the pandemic to jointly fight against the COVID-19.



Donation certificate

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Case study — “1+5” Love Series Charity Project

‘Empty homes’, where elderly live on their own while their children left home, is not only a sign of societal progress, but also an objective phenomenon arising from an aging population and the change of lifestyles and values in our country. Caring for the elderly in empty homes cannot only reflect the sense of responsibility on the path to improving people’s livelihood, but also solve young people’s worries as they work hard for their career and lives. The Group has participated in the “1+5” Charity Series Charity Projects since 28 July 2020. This project focuses on the elderly, the disabled, and elderly people living alone in the Loufeng Streets, Suzhou Industrial Park, and covers all the needs of home care for the elderly other than serious illnesses, and it is expected to help the elderly in Loufeng to realize staying at home and enjoying retirement in the true sense. Starting from the FY2020, the Group will provide annual co-construction funds for a period of 5 years to help build a “century-old shop” for the elderly in Loufeng, to further enhance their sense of security and their well-being.



“1+5” Love Series Charity Project Activity Certificate

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CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions — Exhaust Gas Emissions, GHG Emissions, Sewage Discharge, Waste Management
KPI A1.1	The types of emissions and respective emissions data.	Emissions — Exhaust Gas Emissions
KPI A1.2	GHG emissions in total (in tonnes) and intensity.	Emissions — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management (Not applicable — explained)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management
KPI A1.5	Description of reduction initiatives and results achieved.	Emissions — Exhaust Gas Emissions, GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources — Energy Efficiency, Water Consumption
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Efficiency
KPI A2.2	Water consumption in total and intensity.	Use of Resources — Water Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption

Environmental, Social and Governance Report

Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources — Use of Packaging Materials (Not applicable — explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Indoor Air Quality Management, Climate Change Mitigation and Adaptation
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

Environmental, Social and Governance Report

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility

Environmental, Social and Governance Report

Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

Independent Auditor's Report



Independent auditor's report to the shareholders of FriendTimes Inc.

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of FriendTimes Inc. ("the Company") and its subsidiaries ("the Group") set out on pages 93 to 158, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies in note 1(u)

The Key Audit Matter

How the matter was addressed in our audit

The Group's revenue from self-developed games published by the Group amounted to RMB2,078 million, representing 95% of the Group's total revenue for the year ended 31 December 2020. Such revenue was mainly derived from the sales of in-game virtual items to players who generally pay the gross sales proceeds through distributors such as Apple App Store and/or paying channels.

Upon the sales of virtual items, the Group typically has an implied obligation to provide the enhanced game experience service which enable the virtual items to be consumed and displayed in the respective games. As a result, the proceeds from sales of virtual items are initially recognised as contract liabilities in the consolidated statement of financial position and are then recognised over the related service period estimated to be the Player Relationship Period. The Group estimates the Player Relationship Period and re-assesses such periods quarterly.

Our audit procedures to assess the recognition of revenue included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the completeness, existence and accuracy of revenue recognition with our internal information technology risk management specialists involved to assess the relevant general and automated information technology controls;
- inspecting, on a sample basis, contracts with players, distributors and paying channels to understand the terms of arrangement entered with respective parties in respect of the services rendered by the Group;
- assessing the methodology, judgements and estimations made in the estimated Player Relationship Period for each game by comparing it with historical data and industry practice;

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies in note 1(u)

The Key Audit Matter

How the matter was addressed in our audit

We identified revenue recognition as a key audit matter because i) revenue is one of the key performance indicators of the Group and there is an inherent risk of manipulation of the timing and amount of revenue recognised by management to meet specific targets or expectations and ii) there is significant judgements involved in the assessment of Player Relationship Period which has to be determined based on combination of factors including the players' behaviour, log-in records and churn rates.

- testing, with the involvement of our information technology risk management specialist, the completeness and accuracy of key inputs such as users' log-in data for the calculation of Player Relationship Period;
- comparing, on a sample basis, the key input in the revenue calculation sheet such as gross proceeds from sales of virtual items, month of gross proceeds generated and Player Relationship Period to contracts with distributors, monthly statements from distributors or payment channels, and system-generated Player Relationship Period report; and
- reconciling the annual gross proceeds in the monthly statements from distributors by game to the annual gross player payment records recorded in the Group's database, the completeness and accuracy of which has been tested by our internal information technology risk management specialists.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fong Kwin.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
22 March 2021

Consolidated Statement of Profit or Loss

for the year ended 31 December 2020 (Expressed in Renminbi)

	Note	Years ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue	3	2,182,257	1,689,051
Cost of sales		(713,912)	(586,974)
Gross profit		1,468,345	1,102,077
Other income	4	82	23,686
Sales and marketing expenses		(612,386)	(393,284)
Research and development expenses		(264,692)	(223,602)
General and administrative expenses		(46,326)	(62,128)
Other expenses — donations		(2,000)	—
Profit from operations		543,023	446,749
Finance costs	5(a)	(110)	(289)
Share of loss of associate and joint venture		(1,638)	(9)
Changes in fair value of financial assets measured at fair value through profit or loss	5(c)	(14,668)	(8,247)
Profit before taxation	5	526,607	438,204
Income tax expense	6	(23,088)	(22,677)
Profit for the year		503,519	415,527
Earnings per share			
Basic and diluted (RMB)	9	0.23	0.21

The accompanying notes form parts of the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020 (Expressed in Renminbi)

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

The accompanying notes form parts of the financial statements.

Consolidated Statement of Financial Position

as at 31 December 2020 (Expressed in Renminbi)

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	10	263,730	201,640
Intangible assets	11	3,856	7,930
Right-of-use assets	12	7,855	8,957
Financial assets measured at fair value through profit or loss	13	15,000	–
Financial assets measured at fair value through other comprehensive income	14	4,925	–
Film right	15	6,547	–
Interests in associate and joint venture	17	9,580	3,218
Deferred tax assets	25(b)	48,589	21,623
Other non-current assets	18	28,350	2,835
		388,432	246,203
Current assets			
Contract costs	19	7,922	12,274
Financial assets measured at fair value through profit or loss	13	120,144	138,685
Trade and other receivables	20	180,659	218,847
Pledged bank deposits	21	1,698	1,810
Cash and cash equivalents	22	1,093,324	893,400
		1,403,747	1,265,016
Current liabilities			
Trade and other payables	23	142,951	135,075
Contract liabilities	24	28,919	44,164
Current taxation	25(a)	48,191	13,829
Lease liabilities	12	1,171	2,594
		221,232	195,662
Net current assets		1,182,515	1,069,354
Total assets less current liabilities		1,570,947	1,315,557

The accompanying notes form parts of the financial statements.

Consolidated Statement of Financial Position (continued)

as at 31 December 2020 (Expressed in Renminbi)

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
Non-current liability			
Contract liabilities	24	4,526	8,720
NET ASSETS		1,566,421	1,306,837
CAPITAL AND RESERVES			
Share capital	26	154	155
Reserves	26	1,566,267	1,306,682
TOTAL EQUITY		1,566,421	1,306,837

Approved and authorised for issue by the Board of Directors on 22 March 2021.

Jiang Xiaohuang
Executive Directors

Wu Jie
Executive Directors

The accompanying notes form parts of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020 (Expressed in Renminbi)

	Attributable to equity shareholders of the Company						Total equity RMB'000
	Share capital RMB'000 Note 26(c)	Share premium RMB'000 Note 26(d)	Capital reserve RMB'000 Note 26(e)(i)	PRC		Retained earnings RMB'000	
				Statutory reserve RMB'000 Note 26(e)(ii)	Exchange reserve RMB'000 Note 26(e)(iii)		
Balance at 1 January 2019	51,663	–	107,501	25,830	(710)	389,198	573,482
Changes in equity for 2018							
Profit for the year	–	–	–	–	–	415,527	415,527
Other comprehensive income	–	–	–	–	(6,120)	–	(6,120)
Total comprehensive income	–	–	–	–	(6,120)	415,527	409,407
Shares issued to shareholders of the Company (Note 26(c))	1	–	–	–	–	–	1
Reorganization under common control (Note 26(c))	(51,660)	–	51,660	–	–	–	–
Dividends (Note 26(b))	–	–	–	–	–	(102,287)	(102,287)
Capitalization issue (Note 26(c))	129	(129)	–	–	–	–	–
Issue of ordinary shares by initial public offering, net of issuance costs (Note 26(c))	23	433,984	–	–	–	–	434,007
Repurchase and cancellation of ordinary shares (Note 26(c))	(1)	(7,772)	–	–	–	–	(7,773)
Balance at 31 December 2019	155	426,083	159,161	25,830	(6,830)	702,438	1,306,837

The accompanying notes form parts of the financial statements.

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2020 (Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 Note 26(c)	Share premium RMB'000 Note 26(d)	Capital reserve RMB'000 Note 26(e)(i)	PRC		Exchange reserve RMB'000 Note 26(e)(iii)	Retained earnings RMB'000	Total equity RMB'000
				Statutory reserve RMB'000 Note 26(e)(ii)				
Balance at 1 January 2020	155	426,083	159,161	25,830	(6,830)	702,438	1,306,837	
Changes in equity for 2020								
Profit for the year	-	-	-	-	-	503,519	503,519	
Other comprehensive income	-	-	-	-	(26,147)	-	(26,147)	
Total comprehensive income	-	-	-	-	(26,147)	503,519	477,372	
Dividends (Note 26(b))	-	(199,829)	-	-	-	-	(199,829)	
Repurchase and cancellation of ordinary shares (Note 26(c)(iv))	(1)	(17,958)	-	-	-	-	(17,959)	
Balance at 31 December 2020	154	208,296	159,161	25,830	(32,977)	1,205,957	1,566,421	

The accompanying notes form parts of the financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020 (Expressed in Renminbi)

	Note	Years ended 31 December	
		2020 RMB'000	2019 RMB'000
Operating activities:			
Cash generated from operations	22(b)	596,040	362,564
Income tax paid	25(a)	(21,025)	(20,983)
Net cash generated from operating activities		575,015	341,581
Investing activities:			
Payment for purchase of property, plant and equipment, intangible assets and other non-current assets		(84,150)	(95,111)
Proceeds from disposal of property, plant and equipment		635	294
Payment for investments measured at fair value through profit or loss		(409,210)	(411,932)
Proceeds from redemption of investments measured at fair value through profit or loss		390,000	265,000
Payment for equity investments		(38,440)	–
Payment for film rights		(6,547)	–
Proceeds from the sales of investment in listed securities		4,705	–
Interest received		15,006	5,930
Net cash used in investing activities		(128,001)	(235,819)
Financing activities:			
Proceeds from capital injection		–	4
Proceeds from bank loans		–	5,293
Repayment of bank loans		–	(5,293)
Capital element of lease rentals paid		(3,755)	(4,460)
Proceeds from Initial Public Offering, net of transaction costs	26(c)	–	434,007
Payment for repurchase of shares	26(c)	(17,959)	(7,773)
Interest paid		(110)	(367)
Payment of dividends	26(b)	(199,829)	(102,287)
Net cash (used in)/generated from in financing activities		(221,653)	319,124
Net increase in cash and cash equivalents		225,361	424,886
Cash and cash equivalents at the beginning of the year	22(a)	893,400	472,605
Effect of foreign exchange rate changes		(25,437)	(4,091)
Cash and cash equivalents at the end of the year	22(a)	1,093,324	893,400

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES

(a) General 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.

(b) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(c) Basis of presentation and preparation of the financial statements

On 20 February 2019, Suzhou Eagle Network Technology Co., Ltd. (“Suzhou Eagle”), an indirect wholly-owned subsidiary of the Company entered into contractual arrangement (the “Contractual Arrangements”) with FriendTimes Technology Inc. (“FriendTimes Technology”) and its respective shareholders. The Contractual Arrangements, taken as a whole, enable Suzhou Eagle to have effective control over the operating and financial policies of the operating entities controlled by FriendTimes Technology Inc.. The directors of the Group are of the view that, notwithstanding the lack of equity ownership, the Structured Contracts effectively provide Suzhou Eagle the power to govern and control these entities so as to obtain benefits from their business activities. Accordingly, these operating entities are included in the Group’s consolidated financial information as controlled subsidiaries.

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

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain investments are stated at their fair value as described in the accounting policy set out in Note 1(g).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of presentation and preparation of the financial statements (continued)

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

(d) Changes in accounting policies

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

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*
- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*

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

(e) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Subsidiaries (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note I(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note I(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note I(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group or company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes I(k)(ii)). At each reporting date, the group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)).

In the Company's statement of financial position, investments in associate and joint venture are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 1(u)(v)).
- fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other investments in debt and equity securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note I(u)(iv).

(h) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see Note I(k)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note I(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Office and other equipment	3–5 years
— Motor vehicles	3–5 years
— Leasehold improvement	2–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property under construction, and is stated at cost less impairment losses (see Note I(k)(ii)). Capitalization of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities. Because of the nature of the Group's research and development activities, the criteria for recognition of such costs as an asset are generally not met until in the later development stage of the project such that the remaining development costs are immaterial. Hence both research costs and development costs are generally recognized as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note I(k)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Software	2–10 years
— IP license	2–10 years
— Game license	5 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset — this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes I (k)(ii)):

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables);

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(u)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- film rights;
- other non-current assets;
- interest in an associate and joint venture; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Film rights

These represent legal rights of films invested by the Group. These rights are stated at cost less accumulated amortization and identified impairment loss (see Note I(k)(ii)). Costs of film rights comprise fees/investments paid and payable under agreements, direct costs/expenses incurred during the production of films, fees for the reproduction films.

(m) Contract costs

Contract costs are mainly related to contract acquisition costs, which primarily consists of unamortised distribution cost charged by the distribution platforms. Contract costs are amortised over average playing period of Paying Players ("Player Relationship Period") consistent with the recognition pattern of the related revenue and recorded as part of "cost of sales" in the consolidated statement of profit or loss.

(n) Contract liabilities

In terms of the Group, contract liabilities primarily consists of the unamortised revenue from sales of virtual items for mobile games and initial fixed lump-sum license fee, where there is still an implied obligation to be provided by the Group over time.

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note I(k)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note I(k)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled. Revenue excludes value added tax and is after deduction of any chargebacks.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from self-developed game

The Group is a mobile online game developer and publisher. The Group's mobile games are operated under a free-to-play model whereby game players can choose to enhance their game experience by purchasing the Group's game virtual items ("Paying Player"). Revenue is recognised when control over the service is transferred to the customers.

Revenue from self-developed games published by the Group

Revenue from self-developed games published by the Group are derived principally from various arrangements, including games published through distribution platforms under various game distribution arrangements and through the Group's own platform. Where distribution platforms are involved, proceeds earned from selling virtual items, net of the payment channel fees, are collected by the distribution platforms and shared between our Group and them based on a pre-determined rate.

As the Group takes the primary responsibilities of game development and game publishing, including providing game product, technical support and upgrades, hosting and maintenance of game servers, selecting the distribution platforms, promotion activities, customer service and other daily game operation, as well as the right to determine the pricing of virtual items, it considers itself as a principal in such arrangements. Accordingly, the Group records its revenues on a gross basis, which is the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring promised service to a customer. The relevant service fees charged by distribution platforms and payment channels are recorded in cost of sales.

Upon the sales of virtual items, the Group typically has an implied obligation to provide the enhanced game experience service which enable the virtual items to be consumed and displayed in the respective games. As a result, the proceeds received from sales of virtual items are initially recognised as contract liabilities on the consolidated statement of financial position and are then recognised over the related service period estimated to be the Player Relationship Period. The Group estimates the Player Relationship Period and re-assesses such periods quarterly. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games developed by the Group until the new game establishes its own patterns and history. The Group also considers the games profile, target audience, and its appeal to players of different demographics groups in estimating the Player Relationship Period.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue and other income (continued)

(i) Revenue from self-developed game (continued)

Revenue from self-developed games through intellectual property license arrangement

The Group licences its self-developed online games to the publishers and the publishers pay license fees for the exclusive right to operate the Group's games in specified geographic areas. The license fees normally comprise of a fixed lump sum received upfront and sales-based royalty calculated based on a predetermined rate on the cash paid by game users and collected by the publishers related to the licensed games.

The Group are responsible for providing game content, and when-and-if-available technical support and upgrades to the publishers during the contract terms for which such promises are not distinct from the license. Therefore, the Group identifies a single performance obligation which is provision of ongoing access to the Group's intellectual property related to the online game development during the licence period. The upfront received lump sum licence fees are initially recorded as contract liabilities in the consolidated statement of financial positions and then recognised as revenue ratably over the service period. The revenue for the sales-based royalty is recognized when cash paid by game users is collected by the publishers related to the licensed games.

(ii) Revenue from sales of online game

Revenue from the sale of online game is recognised at the point in time when control of the online game is transferred to the customer on acceptance of the online game.

(iii) Revenue from third-party developed games and service provision

The Group also provides publishing services to third party game developers as well as game developing and other services to third parties. The revenue is recognized when service is rendered and control over the service is transferred to the customers.

(iv) Dividends

Dividend income from equity investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues under the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 1(k)(i)).

(vi) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(ii) Principal versus agent considerations-revenue from publishing games

In determining whether the Group is acting as a principal or as an agent in publishing games requires judgments and considerations of all relevant facts and circumstances. The Group is a principal in a transaction if the Group obtains control of services provided before they are transferred to customers. If the control is unclear, when the Group is primarily obligated in a transaction, and is subject to the inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from services provided.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(a) Critical accounting judgements in applying the Group's accounting policies (continued)

(iii) Contractual arrangement

As disclosed in note 1(c), the Group conducts its business through FriendTimes Technology established in the PRC and its subsidiaries. Due to the regulatory restrictions on the foreign ownership of the Publishing Business in the PRC, the Group does not have any equity interest in FriendTimes Technology. The Directors assessed whether or not the Group has control over FriendTimes Technology and its subsidiaries by assessing whether it has the rights to variable returns from its involvement with FriendTimes Technology and its subsidiaries and has the ability to affect those returns through its power over FriendTimes Technology and its subsidiaries. After assessment, the Directors concluded that the Group has control over FriendTimes Technology and its subsidiaries as a result of the Contractual Arrangements and accordingly the financial position and the operating results of FriendTimes Technology and its subsidiaries are included in the Group's consolidated financial information throughout the Relevant Period or since the respective dates of incorporation/establishment, whichever is the shorter period. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over FriendTimes Technology and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of FriendTimes Technology and its subsidiaries. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements with FriendTimes Technology and its shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Estimation of Player Relationship Period

The Group recognizes revenue from the sales of virtual items ratably over the estimated average user life of the Paying Gamers for the applicable games. Future paying gamer usage patterns and behavior may differ from the historical usage patterns and therefore the estimated average user life of the Paying Gamers may change in the future. The Group will continue to monitor the average user life of the Paying Gamers, which may differ from the historical period, and any change in the estimate may result in the revenue being recognized on a different basis to that in prior periods.

(ii) Fair value measurement of financial assets measured at fair value through profit or loss

The fair value assessment of financial assets measured at fair value through profit or loss that are measured at level 3 fair value hierarchy requires significant estimates, which include estimating the future cash flows, determining appropriate discount rates and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. The Group monitors its investments for their fair value assessment by considering factors including, but not limited to, current economic and market conditions, recent fund raising transactions undertaken by the investees, the operating performance of the investees including current earnings trends and other company-specific information.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 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:

	Years ended 31 December	
	2020 RMB'000	2019 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	2,077,641	1,528,186
— Revenue from self-developed games published through intellectual property license arrangement and others	104,616	160,865
	2,182,257	1,689,051

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

	Years ended 31 December	
	2020 RMB'000	2019 RMB'000
Over-time	2,134,892	1,597,440
Point-in-time	47,365	91,611
	2,182,257	1,689,051

The Group's customer base is diversified and includes nil customer with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE (continued)

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

As at 31 December 2020, the aggregated amount of the transaction price allocated to the unsatisfied performance obligations under the Group's existing contract is RMB33,445,000 (2019: RMB52,884,000), among which RMB28,919,000 (2019: RMB44,164,000) is expected to be recognised within one year. This amount represents revenue expected to be recognised in the future from unamortized mobile game revenue and unamortized licensing fees. The Group will recognize as the control of services is transferred to the customer, which is expected to occur over the next 36 months.

(iii) Geographic information

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

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

4 OTHER INCOME

	Note	Years ended 31 December	
		2020 RMB'000	2019 RMB'000
Government grants	(i)	15,919	20,408
Interest income from bank deposits		8,330	6,261
Investment income from wealth management products		4,383	1,927
Net exchange loss		(28,741)	(4,837)
Others		191	(73)
		82	23,686

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Years ended 31 December	
	2020 RMB'000	2019 RMB'000
Interest expenses on bank loans	–	127
Unwinding of finance costs on lease liabilities	110	240
Total interest expense	110	367
Less: interest expense capitalised into construction in progress	–	(78)
	110	289

(b) Staff costs

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

- (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 Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION (continued)

(c) Changes in fair value of financial assets measured at fair value through profit or loss

	Years ended 31 December	
	2020 RMB'000	2019 RMB'000
Change in fair value of investment in TV-series-based financial instrument	13,008	6,992
Change in fair value of listed equity securities	1,660	1,255
	14,668	8,247

(d) Other items

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

		Years ended 31 December	
		2020	2019
		RMB'000	RMB'000
Current tax:			
Provision for current income tax for the year	25(a)	50,054	30,980
Deferred tax:			
Origination and reversal of temporary differences	25(b)	(26,966)	(8,303)
		23,088	22,677

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

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2020

	Year ended 31 December 2020				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Jiang Xiaohuang	–	960	420	3	1,383
Xu Lin	–	835	419	3	1,257
Sun Bo	–	781	405	31	1,217
Wu Jie	–	852	404	23	1,279
Independent non-executive directors					
Zhang Jinsong	107	–	–	–	107
Tang Haiyan	107	–	–	–	107
Zhu Wei	107	–	–	–	107
	321	3,428	1,648	60	5,457

Year ended 31 December 2019

	Year ended 31 December 2019				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Jiang Xiaohuang	–	961	621	36	1,618
Xu Lin	–	775	509	36	1,320
Sun Bo	–	686	498	36	1,220
Wu Jie	–	768	500	30	1,298
Independent non-executive directors					
Zhang Jinsong	90	–	–	–	90
Tang Haiyan	90	–	–	–	90
Zhu Wei	90	–	–	–	90
	270	3,190	2,128	138	5,726

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS (continued)

During the year, no emoluments were paid by the Group to the director as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Group waived or agreed to waive any emoluments during the year.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments of the Group for the year include three (2019: four) directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining two (2019: one) highest paid individuals, are as follows:

	Years ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries, allowance and benefits in kind	1,589	775
Discretionary bonuses	1,214	420
Retirement scheme contributions	31	36
	2,834	1,231

The emoluments of the individuals who are not director and who are amongst the five highest paid individuals of the Group are within the following bands:

	Years ended 31 December	
	2020 Number of individuals	2019 Number of individuals
HK\$1,000,001–HK\$1,500,000	1	1
HK\$1,500,000–HK\$2,000,000	1	–
	2	1

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 EARNINGS PER SHARE

(a) Basic earnings per share

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

Weighted average number of ordinary shares in issue

	Years ended 31 December	
	2020 '000	2019 '000
Ordinary shares at 1 January	2,191,512	51,660
Effect of capitalization issue on 8 October 2019	–	1,818,340
Effect of shares issued by initial public offering on 8 October 2019	–	75,946
Effect of shares repurchased	(5,342)	(734)
Weighted average number of ordinary shares at 31 December	2,186,170	1,945,212

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

(b) Diluted earnings per share

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

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(Expressed in Renminbi unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT

	Construction in process RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost:					
At 1 January 2019	65,391	13,739	6,230	5,118	90,478
Additions	122,758	6,980	1,347	204	131,289
Interests capitalised	78	–	–	–	78
Disposals	–	(1,172)	(111)	–	(1,283)
At 31 December 2019	188,227	19,547	7,466	5,322	220,562
Additions	64,104	5,660	1,597	279	71,640
Disposals	–	(3,367)	–	–	(3,367)
At 31 December 2020	252,331	21,840	9,063	5,601	288,835
Accumulated depreciation:					
At 1 January 2019	–	(6,175)	(3,557)	(2,536)	(12,268)
Charge for the year	–	(4,905)	(1,145)	(1,520)	(7,570)
Disposals	–	810	106	–	916
At 31 December 2019	–	(10,270)	(4,596)	(4,056)	(18,922)
Charge for the year	–	(6,402)	(1,051)	(1,158)	(8,611)
Disposals	–	2,428	–	–	2,428
At 31 December 2020	–	(14,244)	(5,647)	(5,214)	(25,105)
Net book value:					
At 31 December 2020	252,331	7,596	3,416	387	263,730
At 31 December 2019	188,227	9,277	2,870	1,266	201,640

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

II INTANGIBLE ASSETS

	Software RMB'000	IP license RMB'000	Game license RMB'000	Total RMB'000
Cost:				
At 1 January 2019	1,593	1,976	–	3,569
Additions	2,301	2,858	2,830	7,989
At 31 December 2019	3,894	4,834	2,830	11,558
Additions	164	–	–	164
At 31 December 2020	4,058	4,834	2,830	11,722
Accumulated amortization:				
At 1 January 2019	(437)	(1,799)	–	(2,236)
Charge for the year/period	(660)	(355)	(377)	(1,392)
At 31 December 2019	(1,097)	(2,154)	(377)	(3,628)
Charge for the year/period	(998)	(787)	(2,453)	(4,238)
Written back on disposals	–	–	–	–
At 31 December 2020	(2,095)	(2,941)	(2,830)	(7,866)
Net book value:				
At 31 December 2020	1,963	1,893	–	3,856
At 31 December 2019	2,797	2,680	2,453	7,930

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Right-of-use assets

	Property RMB'000	Land use rights RMB'000	Total RMB'000
Cost:			
At 1 January 2019	14,473	7,777	22,250
Additions	–	–	–
At 31 December 2019	14,473	7,777	22,250
Additions	2,332	–	2,332
At 31 December 2020	16,805	7,777	24,582
Accumulated depreciation:			
At 1 January 2019	(8,836)	(247)	(9,083)
Charge for the year	(4,054)	(156)	(4,210)
At 31 December 2019	(12,890)	(403)	(13,293)
Charge for the year	(3,278)	(156)	(3,434)
At 31 December 2020	(16,168)	(559)	(16,727)
Net book value:			
At 31 December 2020	637	7,218	7,855
At 31 December 2019	1,583	7,374	8,957

The Group leased the above property in the PRC for office use. The Group is entitled to land use right for 50 years.

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(Expressed in Renminbi unless otherwise indicated)

12 RIGHT-OF-USE ASSETS/LEASE LIABILITIES (continued)

Lease liabilities

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Maturity analysis-contractual undiscounted cash flows		
Within 1 year or on demand	1,181	2,631
Total undiscounted lease liabilities	1,181	2,631
Less: total future interest expenses	(10)	(37)
Present value of lease liabilities	1,171	2,594
Lease liabilities included in the consolidated statement of financial position		
Current	1,171	2,594
Amounts recognised in profit or loss		
Interest on lease liabilities	110	240
Expenses relating to short-term leases	1,136	932
Amounts recognised in the consolidated statement of cash flows		
Total cash flow for leases	(5,122)	(5,632)

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
Investment in a Limited Liability Partnership ("LLP")	(i)	15,000	–
Investment in wealth management products	(ii)	70,000	70,000
Listed equity securities	(iii)	50,144	55,677
Investment in TV-series-based financial instrument	(iv)	–	13,008
		135,144	138,685
Financial assets measured at fair value through profit or loss included in the consolidated financial statement:			
Current		120,144	138,685
Non-current		15,000	–

- (i) The investment in a LLP as at 31 December 2020 represents the Group's 10% share in a venture capital partnership as a limited partner.
- (ii) The wealth management products as at 31 December 2020 are issued by two creditworthy major PRC commercial banks with variable interest rate. Among which RMB10,000,000 has matured as at the date of the report and fully recovered, and RMB60,000,000 will mature on 15 April 2021.
- (iii) Listed equity securities as at 31 December 2020 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.
- (iv) The TV-series-based financial instrument represents the Group's investment in a produced TV series. As at 31 December 2020, there was significant delay on the broadcasting of the invested TV-series. Based on the latest progress, the prospects of the invested TV-series, the directors were of the view that the fair value of the financial asset was close to zero.

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14 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Unlisted equity securities	4,925	—

The unlisted equity securities are shares in two companies, which are principally engaged in the mobile game development. As the investments were held for strategic purpose, the investments were designated as financial assets measured at fair value through other comprehensive income.

15 FILM RIGHT

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Film right — Under production	6,547	—

The film right represents a cartoon film invested by the Group. The film is produced together with a third-party film producer and is expected to be released in 2022. As at 31 December 2020, the film was under production.

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16 INVESTMENT IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation / establishment	Nature of legal entity	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Friend World Holdings Limited	The British Virgin Islands 26 November 2018	limited liability company	–/ USD 50,000	100%	–	Investment holding
Friend Century Limited	Hong Kong 7 December 2018	limited liability company	–/ HKD 10,000	–	100%	Investment holding
Suzhou Eagle Network Technology Co., Ltd.* 蘇州億歌網絡科技有限公司	The PRC 24 January 2019	wholly foreign owned enterprise	–/ USD 5,000,000	–	100%	Investment holding and game development
FriendTimes Technology Inc.* 友誼時光科技股份有限公司 (Note (a))	The PRC 11 May 2010	limited liability company	RMB51,660,000/ RMB51,660,000	–	100%	Mobile game development
Suzhou GameFriend Network Technology Co., Ltd.* 蘇州好玩友網絡科技有限公司 (Note (a))	The PRC 9 April 2015	limited liability company	RMB10,000,000/ RMB10,000,000	–	100%	Mobile game development, publishing and operation
Suzhou Purple Blaze Network Technology Co., Ltd.* 蘇州紫焰網絡科技有限公司 (Note (a))	The PRC 23 March 2017	limited liability company	RMB6,000,000/ RMB6,000,000	–	100%	Mobile game development, publishing and operation
Suzhou Cheeryoo Network Technology Co., Ltd.* 蘇州沁游網絡科技有限公司 (Note (a))	The PRC 11 January 2018	limited liability company	RMB5,000,000/ RMB5,000,000	–	100%	Mobile game development, publishing and operation
Shanghai Purple Wing Network Technology Co., Ltd.* 上海紫翎網絡科技有限公司 (Note (a))	The PRC 5 February 2018	limited liability company	RMB5,000,000/ RMB5,000,000	–	100%	Mobile game development
Jiangsu Wu Ling Long Culture Development Co., Ltd.* 江蘇吳玲瓏文化發展有限公司 (Note (a))	The PRC 13 May 2020	limited liability company	RMB8,000,000/ RMB10,000,000	–	100%	Film and TV copyrights investment, production and distribution
Wish Interactive Technology Limited	Hong Kong 19 May 2015	limited liability company	HKD15,000,000/ HKD15,000,000	–	100%	Mobile game publishing and operation
Friend Times Korea Co., Ltd.	South Korea 22 December 2015	limited liability company	US\$ 500,000/ US\$ 500,000	–	100%	Mobile game publishing and operation

* The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

These are operating entities ultimately controlled by the Controlling Shareholder through Contractual Arrangements.

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17 INTEREST IN ASSOCIATE 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 — group's 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
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

18 OTHER NON-CURRENT ASSETS

The other non-current assets represent the amounts already paid to acquire a non-controlling interest in a PRC-domiciled entity, which is engaged in development of film and television culture studios. As at 31 December 2020, the transfer of the equity interests had not been completed.

19 CONTRACT COSTS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Balance at 1 January	12,274	15,758
Addition	645,026	527,230
Charged to profit or loss	(649,378)	(530,714)
Balance as at 31 December	7,922	12,274

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(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
Trade receivables	(a)	138,159	179,760
Less: Loss allowance		(494)	(549)
Trade receivables, net		137,665	179,211
Deposits and prepayments		12,464	19,843
VAT deductible		13,730	11,101
Income tax recoverable	25(a)	10,354	3,359
Other receivables		6,446	5,333
		180,659	218,847

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

(a) Ageing analysis

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

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

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 27(a).

21 PLEDGED BANK DEPOSITS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deposits pledged for credit cards	1,698	1,810

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Cash at banks	1,085,116	892,192
Cash at other financial institutions	8,208	1,208
Cash and cash equivalents in the consolidated statement of financial position	1,093,324	893,400

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
Profit before taxation		526,607	438,204
Adjustments for:			
Depreciation of property, plant and equipment	5(d)	8,611	7,570
Amortisation of intangible assets	5(d)	4,238	1,392
Depreciation of right-of-use assets	5(d)	3,434	4,210
Loss allowance on trade and other receivables	5(d)	407	128
Interest income	4	(12,713)	(8,188)
Finance costs	5(a)	110	289
Share of loss of associate and joint venture		1,638	9
Changes in fair value of financial assets measured at fair value through profit or loss	5(c)	14,668	8,247
Other net (income)/losses		(191)	73
Foreign exchange loss		25,437	4,091
Operating profit before changes in working capital		572,246	456,025
Decrease in contract costs		4,352	3,484
Decrease/(increase) in trade and other receivables		20,209	(93,662)
Decrease in pledge deposit		112	696
Decrease in other non-current asset		–	431
Increase in trade and other payables		18,560	9,026
Decrease in contract liabilities		(19,439)	(13,436)
Cash generated from operations		596,040	362,564

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(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities

	Lease Liabilities RMB'000 (Note 12)	Dividends payable RMB'000 (Note 26(b))	Total RMB'000
At 1 January 2020	2,594	–	2,594
Changes from financing cash flows:			
Payment of principal portion of lease liabilities	(3,755)	–	(3,755)
Interest paid	(110)	–	(110)
Dividends	–	(199,829)	(199,829)
Total changes from financing cash flows	(3,865)	(199,829)	(203,694)
Other changes:			
Interest expenses (Note 5(a))	110	–	110
Increase of lease liability	2,332	–	2,332
Dividends (Note 26(b))	–	199,829	199,829
Total other changes	2,442	199,829	202,271
At 31 December 2020	1,171	–	1,171

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22 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Bank loans RMB'000	Interests payable RMB'000	Lease Liabilities RMB'000 (Note 12)	Dividends payable RMB'000 (Note 26(b))	Total RMB'000
At 1 January 2019	–	–	7,054	–	7,054
Changes from financing cash flows:					
Proceeds of bank loans	5,293	–	–	–	5,293
Repayment of bank loans	(5,293)	–	–	–	(5,293)
Payment of principal portion of lease liabilities	–	–	(4,460)	–	(4,460)
Interest paid	–	(127)	(240)	–	(367)
Dividends	–	–	–	(102,287)	(102,287)
Total changes from financing cash flows	–	(127)	(4,700)	(102,287)	(107,114)
Other changes:					
Interest expenses (Note 5(a))	–	49	240	–	289
Capitalised borrowing costs	–	78	–	–	78
Dividends	–	–	–	102,287	102,287
Total other changes	–	127	240	102,287	102,654
At 31 December 2019	–	–	2,594	–	2,594

Notes to the Consolidated Financial Statements

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23 TRADE AND OTHER PAYABLES

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

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

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

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

24 CONTRACT LIABILITIES

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
Non-current			
Deferred licensing income amortized over one year	(a)	4,526	8,720
Current			
Deferred game revenue published by the Group	(b)	22,173	36,185
Deferred licensing income amortized within one year	(a)	6,746	7,979
		28,919	44,164
		33,445	52,884

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 CONTRACT LIABILITIES (continued)

- (a) Deferred licensing income primarily comprised the unamortized licensing fees received from third-party publishing partners, where there is still an implied obligation to be provided by the Group over time.
- (b) Deferred game revenue published by the Group primarily consists of the unamortized revenue from sales of virtual items for mobile games, where there is still an implied obligation to be provided by the Group over time.

Movements in contract liabilities is as below:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Balance at 1 January	52,884	66,320
Additions	2,066,583	1,524,569
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(44,164)	(54,869)
Decrease in contract liabilities as a result of recognising revenue during the same year	(2,041,858)	(1,483,136)
Balance at 31 December	33,445	52,884

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
Balance at 1 January		10,470	473
Provision for current income tax for the year	6(a)	50,054	30,980
Currency translation differences		(1,662)	–
Payment during the year		(21,025)	(20,983)
Balance at 31 December		37,837	10,470
Reconciliation to the consolidated statement of financial position:			
Income tax payable		48,191	13,829
Income tax recoverable	20	(10,354)	(3,359)
Balance at 31 December		37,837	10,470

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets recognised:

- (i) The components of deferred tax assets recognized in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Change in fair value of financial assets measured at fair value through profit or loss RMB'000	Cumulative tax losses RMB'000	Accruals and others RMB'000	Deductible advertising expenses RMB'000	Unrealized profit RMB'000	Total RMB'000
Balance at 1 January 2019	–	10,642	2,678	–	–	13,320
Credited to profit or loss (Note 6(a))	1,256	2,069	(272)	5,250	–	8,303
Balance at 31 December 2019	1,256	12,711	2,406	5,250	–	21,623
Credited/(charged) to profit or loss (Note 6(a))	2,196	24,527	(936)	–	1,179	26,966
Balance at 31 December 2020	3,452	37,238	1,470	5,250	1,179	48,589

(ii) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB27,755,000 (2019: RMB38,238,000) and in respect of temporary differences of RMB102,951,000 (2019: RMB90,640,000) as at 31 December 2020, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction before they expire.

(iii) Deferred tax liabilities not recognised

The new CIT Law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises. The Group has not recognised deferred tax liabilities as at 31 December 2020 in respect of undistributed earnings of RMB1,071,659,000 (2019: RMB739,498,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

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(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Note	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019		3	–	–	–	3
Changes in equity for 2019:						
Loss for the year		–	–	–	(4,155)	(4,155)
Other comprehensive income		–	–	(2,908)	–	(2,908)
Total comprehensive income		–	–	(2,908)	(4,155)	(7,063)
Shares issued to shareholders of the Company	26(c)	1	–	–	–	1
Capitalization issue	26(c)	129	(129)	–	–	–
Issue of ordinary shares by initial public offering, net of issuance costs	26(c)	23	433,984	–	–	434,007
Repurchase and cancellation of ordinary shares	26(c)	(1)	(7,772)	–	–	(7,773)
Balance at 31 December 2019 and 1 January 2020		155	426,083	(2,908)	(4,155)	419,175
Changes in equity for 2020:						
Profit for the year		–	–	–	102,753	102,753
Other comprehensive income		–	–	(14,445)	–	(14,445)
Total comprehensive income		–	–	(14,445)	102,753	88,308
Dividends	26(c)	–	(199,829)	–	–	(199,829)
Repurchase and cancellation of ordinary shares	26(c)	(1)	(17,958)	–	–	(17,959)
Balance at 31 December 2020		154	208,296	(17,353)	98,598	289,695

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26 CAPITAL AND RESERVES (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

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

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

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

Final dividend attributable to shareholders of the Company in respect of 2019 of HK10 cents per share amounting to a total of HK\$218,775,000 (equivalent to approximately RMB199,829,000) was approved by the shareholders in the Annual General Meeting on 22 May 2020 and has been fully paid during the year ended 31 December 2020.

(c) Share capital

(i) Authorized and issued share capital

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

* The balance represented number less than 1,000.

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26 CAPITAL AND RESERVES (continued)

(c) Share capital (continued)

(i) Authorized and issued share capital (continued)

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

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

The share capital of the Group as at 31 December 2020 and 2019 represents the share capital of the Company.

(ii) Capitalization issue

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

(iii) Issue of ordinary shares by initial public offering

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

(iv) Repurchase and cancellation of ordinary shares

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

(d) Share premium

Under the Companies Law of the Cayman Islands, the share premium of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

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26 CAPITAL AND RESERVES (continued)

(e) Reserves

(i) Capital reserve

Capital reserve as at 31 December 2020 primarily represented:

- the difference between the par value of ordinary shares issued by FriendTimes Technology, the then holding company of the Group before completion of the group reorganization, and the consideration received;
- the share-based payments reserve being the difference between the fair value of the equity interests in a Group transferred to an employee of the Group and the cash consideration made by this employee that has been recognised;
- the aggregate amount of the paid-in capital of the companies comprising the Group transferred into the capital reserve upon the completion of the reorganisation on 20 February 2019.

(ii) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the companies outside the mainland China with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note I(v).

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26 CAPITAL AND RESERVES (continued)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The debt-to-asset ratios at 31 December 2020 and 2019 were as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total liabilities	225,758	204,382
Total assets	1,792,179	1,511,219
Debt-to-asset ratios	12.6%	13.5%

Neither the Company nor its subsidiaries are subject to internally or externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and pledged bank deposits is limited because the counterparties are reputable banks and financial institutions with high credit rating, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Notes to the Consolidated Financial Statements

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(a) Credit risk (continued)

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor (mainly distribution platform and publishers) rather than the industry or country in which the debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. As at 31 December 2020, 40% (2019: 40%) of the total trade receivables was due from the Group's largest debtor and 81% (2019: 80%) of the total trade receivables was due from the Group's five largest debtors.

Trade receivables at the end of each reporting period are mainly due from the distribution platforms and publishers in cooperation with the Group. If the strategic relationship with them is terminated or scaled-back; or if the distribution platforms and publishers alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the distribution platforms and publishers to ensure the effective credit control. In view of the history of cooperation with the distribution platforms and publishers and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the distribution platforms and publishers is low.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	As at 31 December 2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	–	131,873	–
Overdue within 3 months	0.4%	5,813	21
Overdue after 3 months but within 1 years	–	–	–
Overdue after 1 year but within 2 years	100.0%	473	473
	0.4%	138,159	494

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(a) Credit risk (continued)

Trade receivables (continued)

	As at 31 December 2019		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	–	165,661	–
Overdue within 3 months	0.6%	13,295	77
Overdue after 3 months but within 1 year	2.6%	341	9
Overdue after 1 year but within 2 years	100.0%	463	463
	0.3%	179,760	549

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Balance at the beginning of the year	549	421
Write off during the year	(462)	–
Impairment losses recognized	407	128
Balance at the end of the year	494	549

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(b) Liquidity risk (continued)

The following table shows the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	As at 31 December 2020				Carrying amount RMB'000
	Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years RMB'000	Total RMB'000	
Trade and other payables	142,951	–	–	142,951	142,951
Lease liabilities	1,181	–	–	1,181	1,171
Total	144,132	–	–	144,132	144,122

	As at 31 December 2019				Carrying amount RMB'000
	Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years RMB'000	Total RMB'000	
Trade and other payables	135,075	–	–	135,075	135,075
Lease liabilities	2,631	–	–	2,631	2,594
Total	137,706	–	–	137,706	137,669

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates are the cash at bank and other financial instrument as at the end of the reporting period. The cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. Overall speaking, the Group's exposure to interest rate risk is not significant.

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables, pledged bank deposits and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD dollars and Hong Kong dollars.

(i) Exposure to currency risk

The following table details the Group's exposure as at 31 December 2020 and 2019 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate of the end of each reporting date. Difference from translation of financial statements of the Group's subsidiaries with functional currency other than RMB into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi) As at 31 December 2020	
	United States Dollars RMB'000	Hong Kong Dollars RMB'000
Cash and cash equivalents	424,249	86,152
Pledged bank deposits	–	845
Trade and other receivables	60,146	10,968
Overall exposure	484,395	97,965

	Exposure to foreign currencies (expressed in Renminbi) As at 31 December 2019	
	United States Dollars RMB'000	Hong Kong Dollars RMB'000
Cash and cash equivalents	82,351	3,620
Pledged bank deposits	–	899
Trade and other receivables	48,840	6,778
Overall exposure	131,191	11,297

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(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

A 5% strengthening of RMB against the following currency as at the end of each reporting period would increase/(decrease) profit after taxation by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant.

	As at 31 December	
	2020 RMB'000	2019 RMB'000
United States Dollars	(20,948)	(5,829)
Hong Kong Dollars	(4,090)	(472)

A 5% weakening of the RMB against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

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 TV-series-based financial instrument and investment in wealth management product which are 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.

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Level 1 Assets		
Listed equity securities	50,144	55,677
Level 2 Assets		
Unlisted equity securities	4,925	–
Investment in a LLP	15,000	–
Level 3 Assets		
Investment in wealth management products	70,000	70,000
Investment in TV-series-based financial instrument	–	13,008
	140,069	138,685

During the years ended 31 December 2019 and 2020, 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.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the investment in unlisted equity securities and LLP is determined with reference to the latest round of financing price as at 31 December 2020.

Information about Level 3 fair value measurements

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(e) Fair value measurement (continued)

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

Information about Level 3 fair value measurements (continued)

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

	2020 RMB'000	2019 RMB'000
Investment in wealth management products		
At 1 January	70,000	–
Payment for purchases	390,000	335,000
Realised gain from investment recognised in “other income” in the consolidated statement of profit or loss	4,383	1,927
Proceeds upon maturity	(394,383)	(266,927)
At 31 December	70,000	70,000
Investment in TV-series-based financial instrument		
At 1 January	13,008	–
Payment for purchases	–	20,000
Changes in fair value of financial assets measured at fair value through profit or loss	(13,008)	(6,992)
At 31 December	–	13,008
Total losses for the year included in profit or loss for assets held at the end of the reporting period	(13,008)	(6,992)

Any gain or loss arising from the remeasurement of the group's equity investments in unlisted entities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income.

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(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(e) Fair value measurement (continued)

(ii) 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 31 December 2020 and 2019 due to short-term maturity of these instruments.

28 COMMITMENTS

Capital commitments of the Group in respect of construction-in-process outstanding at 31 December 2020 not provided for in the financial statement were as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Contracted for but not provided for	17,729	103,124
Authorised but not contracted for	288	10,845
	18,017	113,969

29 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 as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended 31 December	
	2020 RMB'000	2019 RMB'000
Short-term employee benefits	6,603	7,053
Post-employee benefits	65	203
	6,668	7,256

Total remuneration is included in "staff costs" (see Note 5(b)).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Non-current asset		
Investment in a subsidiary	347	347
	347	347
Current asset		
Cash and cash equivalents	53,809	345,302
Amounts due from subsidiaries	168,333	91,472
Dividends receivable	97,874	–
Other receivables	263	–
	320,279	436,774
Current liabilities		
Amounts due to a subsidiary	30,931	347
Other payables	–	17,599
	30,931	17,946
Net current assets	289,348	418,828
Total assets less current liabilities	289,695	419,175
NET ASSETS	289,695	419,175
CAPITAL AND RESERVES		
Share capital	154	155
Reserves	289,541	419,020
TOTAL EQUITY	289,695	419,175

Approved and authorised for issue by the board of directors on 22 March 2021.

Jiang Xiaohuang
Directors

Wu Jie
Directors

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(Expressed in Renminbi unless otherwise indicated)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

32 NON-ADJUSTMENT EVENTS AFTER THE REPORTING PERIOD

The Board resolved to grant a total of 40,000,000 awarded shares to the selected directors and employees of the Group based on the recommendation of the Remuneration Committee, which is effective from 1 January 2021. The 40,000,000 awarded shares to be granted at nil consideration represent approximately 1.83% of the issued share capital of the Company as at 31 December 2020.