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友誼時光
F R I E N D T I M E S

FriendTimes Inc.

友誼時光股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6820)

PROFIT WARNING

This announcement is made by FriendTimes Inc. (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders and potential investors of the Company that, based on the preliminary assessment of the unaudited consolidated management accounts of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) and the information currently available, the Group is expecting to record a net loss of approximately RMB70 million to RMB80 million for the Period, compared with a net profit of approximately RMB130 million for the same period in 2021; revenue for the Period was approximately RMB800 million to RMB850 million, compared to revenue of approximately RMB833 million for the same period in 2021; gross profit for the Period was approximately RMB560 million to RMB580 million, compared to a gross profit of approximately RMB560 million for the same period in 2021.

The above expected loss for the Period of the Group is mainly attributed to:

- (1) Increase in the Group’s marketing expenses for the Period, which is expected to increase by approximately RMB180 million to RMB200 million, mainly due to the focused marketing expenses incurred for the launch of the new product “Promise of Lingyun (凌雲諾)” during the Period, as well as the related expenses for the upgrade of the Group’s overall brand marketing. Based on the current favourable performance of “Promise of Lingyun”, the Board believes that it will gradually recover the upfront expenses during the second half year of 2022;

- (2) The Group's older games have a normal fall in related revenue during their later stage of life cycle;
- (3) The Group has maintained a high level of investment in research and development during the Period, mainly in core talent reserve, turnover of research and development tools and exploration of new technologies.

The Board is of the view that the Group's profit for the Period in the first half year of 2022 has declined as compared to the first half year of 2021 due to the above factors. The Board is confident in the long-term development and prospects of the Group as key products will gradually enter the payback period and a number of reserved games have entered the main testing period.

The Board wishes to emphasize that the information contained in this announcement is only a preliminary assessment made by the management of the Company based on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2022 and the information currently available to the Board. Such information has not been audited or reviewed by the auditors and the audit committee of the Company. The above information may be subject to adjustments, if any. Details of the financial results and performance of the Group for the six months ended 30 June 2022 will be disclosed in the interim results announcement of the Group, which is expected to be announced by the end of August 2022.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 29 July 2022

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