



FRIEND TIMES



2020 Interim Report

FRIENDTIMES INC.

Incorporated in the Cayman Islands with limited liability

Stock Code: 06820.HK

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Definitions

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

“Audit Committee”	the Company’s audit committee which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group’s financial reporting system, risk management and internal control
“Auditor”	KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
“Board” or “Board of Directors”	board of directors of the Company
“CEO”	chief executive officer of the Company
“CG Code”	Corporate Governance Code as set out in Appendix I4 to the Listing Rules
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“Company” or “our Company” or “the Company”	FriendTimes Inc., an exempted company incorporated in the Cayman Islands on 16 November 2018 with limited liability and listed on the Stock Exchange on 8 October 2019 (Stock code: 6820)
“Director(s)”	director(s) of the Company
“Group”, “our Group”, “the Group”, “we”, “us”, “our” or “FriendTimes”	the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“IP”	intellectual property
“Listing”	listing of the Shares on the Main Board of the Stock Exchange

Definitions

“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
“Prospectus”	the prospectus of the Company dated 24 September 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Senior Management”	senior management of the Company
“Share(s)”	ordinary share(s) in the issued capital of the Company with nominal value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S. dollars” or “US\$”	U.S. dollars, the lawful currency of the United States
“%”	per cent

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

Building 18, Scientific Park of Suhua
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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
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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 results of the Group:

RESULTS

	For the six months ended 30 June	
	2019 RMB'000	2020 RMB'000
Revenue	780,709	1,050,260
Gross profit	497,403	688,909
Profit before taxation	160,968	172,192
Profit for the period	150,017	163,116
EBITDA	166,642	181,326
Adjusted EBITDA*	178,188	181,326

ASSETS, LIABILITIES AND EQUITY

	As at 31 December 2019 RMB'000	As at 30 June 2020 RMB'000
	Total assets	1,511,219
Total liabilities	204,382	342,898
Total equity	1,306,837	1,274,071

* 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.

Chairman's Statement

On behalf of the Board of the Company, I am pleased to report to our Shareholders the interim results of the Group for the six months ended 30 June 2020.

OVERVIEW

Market Overview

According to the "Report on the Game Industry of China from January to June 2020" jointly published by the Game Publishers Association Publications Committee of the China Audio-video and Digital Publishing Association and Gamma Information, affected by the COVID-19 pandemic in the first half of 2020, the demand for entertainment was increasingly strong month by month, the number of users grew rapidly, mobile game sales increased significantly, and the self-developed games continue to maintain the leading position. The total actual sales income of the PRC game market was RMB139.493 billion from January to June 2020, representing a period-on-period increase of 22.34%. In terms of market segments, mobile games accounted for 75.04% of the total domestic sales from January to June 2020. Mobile game marketing income captured an absolute market share with income of RMB104.673 billion, representing a period-on-period increase of 35.81%.

According to the mobile game chapter of "2020 Report on Game Research and Development Survey" jointly published by the 17173.com, TalkingData and Gameliu (電愉), it is estimated that the scale of the Chinese female-oriented game market will reach RMB95.8 billion in 2023, with a CAGR (Compound Annual Growth Rate) of 18.4% from 2018 to 2023. In the future, female-oriented games will dominate the mainstream market.

In addition, the Game Publishers Association Publications Committee of the China Audio-video and Digital Publishing Association stated that against the background of outbreak of COVID-19 pandemic, the majority of game enterprises took on their responsibilities and duties, and actively participated in the fight against the pandemic in different manners. It also stated that the "stay-at-home economy" could hedge the negative impact of the pandemic. When faced with difficulties during the pandemic, game enterprises should be adaptive to rapid changes in all aspects in nowadays world and adjust strategies to take advantage of the trends.

The Group also supported the pandemic prevention and control in the first place and donated RMB2.0 million for the procurement of medical supplies and prevention and control materials in the pandemic area to jointly fight against the COVID-19 pandemic with limited contribution.

Group Overview

The Group is a leading integrated and well-established mobile game developer, publisher and operator. 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 Legend of Empress (熹妃傳), Royal Chaos (熹妃Q傳), Rise of Queendom (宮廷計手遊), 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, while consolidating the leading position in the domestic female market, we are also exploring overseas markets actively. We 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.

Chairman's Statement

Performance Review

In the first half of 2020, affected by the COVID-19 pandemic, outdoor and offline entertainment activities were limited, and stay-at-home entertainment projects such as games and short videos are more and more popular among the public. Therefore, compared to other industries, the game industry is less affected by the COVID-19 pandemic. As stated by Mr. Zhang Yijun, the first vice chairman of the China Audio-video and Digital Publishing Association and the chairperson of Game Publishers Association Publications Committee of the China Audio-video and Digital Publishing Association, "The sudden outbreak of COVID-19 pandemic has put the whole nation in a state of comprehensive anti-pandemic and strict prevention from February to March 2020. All industries were confronted with challenges in different degrees, which had a material negative impact on the national economy. However, in the face of difficulties, the game industry responded to the call of the country, overcame various difficulties proactively, and the efforts have been proven."

Leveraging on the Group's strong research and development, publishing and operational capabilities, the inherent advantages of the long life cycle of games, and the remarkable achievements of Fate of the Empress (浮生為卿歌), for the six months ended 30 June 2020, the Group's total revenue was approximately RMB1,050.3 million, representing an increase of 34.5% over the corresponding period in 2019; the net profit for the six months ended 30 June 2020 amounted to RMB163.1 million, representing an increase of 8.7% over the corresponding period in 2019; adjusted EBITDA for the six months ended 30 June 2020 amounted to RMB181.3 million.

In terms of game realization performance, for the six months ended 30 June 2020, we continued to show our own strengths and keen market insight. As at 30 June 2020, monthly average revenue per paying user increased to RMB581.4, representing an increase of 7.0% over the corresponding period in 2019, and the accumulated total number of registered users reached 122.5 million.

We also continued to maintain our social platform application "GameFriend". Through powerful social features and highly engaging game strategies notices and other related content, players can gather the most updated information about game strategies, content and activities. While enhancing their gaming experience, it also encourages them to share the joy of the game with other players to attract more players and increase the loyalty of existing players. Our players actively engage in discussions and activities in the application. On average, there are approximately 900,000 posts and replies published on the application on a monthly basis, and we have recorded a monthly reading volume of approximately 5.5 million for the six months ended 30 June 2020, representing an increase of 124.6% over the corresponding period in 2019. We believe that the warmth and vibrancy of our community contribute to player retention and extend the profit cycle of the game.

Fate of the Empress

As a major ancient Chinese style female-oriented game of the Group, Fate of the Empress (浮生為卿歌) was officially launched at the end of December 2019, which attracted various attentions from all parties upon release and the market response was favorable. The game is featured by simulation cultivating, integrating multiple playing methods such as face pinching, costume changing and social interaction. 3D physical rendering technology is used to realize the weather changes and day and night alternations in the ancient virtual world. Through elaborately carved and polished scenes and playing methods, the immersive game experience enables players to be enchanted by the beautiful and magnificent ancient world.

Since Fate of the Empress (浮生為卿歌) was launched, it has been ranked the top 5 in the best-selling iOS games list in China, and has been among the top 15 in the best-selling list for a long time. Leveraging its excellent game quality and user reputation, Fate of the Empress (浮生為卿歌) has won various industry awards such as "Golden Mouth Award-Most Anticipated Product of 2020", "Golden Tea Award-Most Anticipated Mobile Game of 2020" and "Youding Award-Most Anticipated Game of the Year" in China.

Chairman's Statement

As at 10 June 2020, Fate of the Empress (浮生為卿歌) was officially launched in the South Korean market. With a wide range of marketing activities, including the endorsement of Lee Joon Gi, one of Asia's most popular celebrities, and offline multi-channel advertising, the game became one of the TOP 3 free players on Google Play in a short timeframe. Leveraging on the good reputation of FriendTimes in the South Korean market and the high-quality characteristics of Fate of the Empress (浮生為卿歌), the game has performed well in the lists of both App Store and Google Play, and has been ranked the top 16 in the best selling list of iOS games in South Korea so far.

OUTLOOK

The year of 2020 is the 10th anniversary of the founding of FriendTimes. We will continue to adhere to the corporate mission of "Let Culture Create Values", continue to make efforts in product research and development, expand game category portfolio, enrich product reserve, actively explore overseas markets, constantly strengthen our own strengths, and build a high-quality IP ecosystem, so as to realize our vision goal of "Becoming a Global Well-established Cultural and Innovative Enterprise" as soon as possible.

Our development initiatives include:

— Refined publication and operation

We will continue to enhance our capability in the iteration of the current version of the game. We will strengthen the refined management of research and development, release and operation, adjust the strategy according to the market situation and user demand, and get rid of the old and bring forth the new, so as to improve user satisfaction and product reputation, bring them the ultimate game experience, extend the profit cycle of the product and improve product performance. We believe that under our refined operation, Fate of the Empress (浮生為卿歌) will continue to generate more stable income and contribute to greater profits in the second half of 2020.

— Continue to expand game portfolio

As well as strengthening the leading advantage of female-oriented in mobile games, we plan to further broaden our game portfolio, particularly in the innovative segment of female-oriented field. We currently have many game products in stock, which will meet the needs of a wider range of users. A Chinese-style fairy social mobile game, Fate: The Loved Journey (此生無白) and an urban female growth encouragement mobile game, A Story of Lala's: Rising Star (杜拉拉升職記) are currently in the final stage of development and polishing, which are expected to conduct product testing in the second half of the year, and it will soon be launched for players.

In addition, we also have many different styles of game reserves that are undergoing research and development, including the newly Chinese-style female-oriented mobile game Code: LYN (代號: LYN), a great work for new generation of female-oriented ancient Chinese-style mobile game Code: FS2 (代號: FS2), the first European and American style simulation operating mobile game Island Dreamer (海島夢想家), pan-nijigen Yokai cultivating mobile game Code: MS (代號: MS), the first future theme placed mobile game Code: IC (代號: IC), the historical themes of globalization strategy mobile game Code: BGS (代號: BGS) and the cartoon style role cultivating mobile game Code: CSC (代號: CSC). We will also actively plan and research and develop game products targeting more market segments in the future.

Chairman's Statement

— Deepen the expansion in overseas markets

In order to implement the global development strategy, we will give full play to the strong global distribution capacity, further enhance the research and operation ability for overseas localization, and continue to export more high-quality self-developed games and distribute more licensed games to overseas market. We believe that Fate of the Empress (浮生為卿歌) will achieve better performance in South Korea in the second half of the year. Meanwhile, we also plan to officially launch the Vietnamese and Thai versions of the game in the second half of the year, and our first European and American style simulation operating mobile game Island Dreamer (海島夢想家) is also expected to enter the product testing stage in the second half of the year.

— Multi-point linkage to build IP ecosystem

We will continue to seek the commercialization of gaming IP and particularly further explore the commercial value of original IP to expand income source and create an IP ecosystem. Based on Sprite World IP, two of our comics have been launched on multiple platforms, attracting a lot of attention from comic lovers, and we are doing well on the charts. Meanwhile, we are also creating an original screenplay for an animated film. In the future, we will actively promote the IP strategy, and build IP ecosystem in a multi-dimensional way through script creation, comics, film and television, games and derivatives, etc..

— Continued to improve brand reputation

We will continue to promote our corporate brand through a series of online and offline marketing campaigns that increase our game and brand exposure, and create more channels to publish information to attract more public and industry attention for our brand and new games. In addition, we are expected to officially open the new self-built building at the end of 2020 as the group headquarters and office place for daily business operations, which will help the Company to improve its corporate image and establish its new business reputation, at the same time, it contributes to centralized management of the Company and helps to attract more high-quality talents.

APPRECIATION

On behalf of the Board, I would like to take the opportunity to thank the management of the Group and all our staff for their hard work. I would also like to extend my sincere gratitude to our Shareholders, business partners and stakeholders for their continuous support.

Jiang Xiaohuang

Chairman

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB1,050.3 million, representing an increase of RMB269.6 million or approximately 34.5% from approximately RMB780.7 million for the corresponding period in 2019. The increase in revenue was mainly due to the increase in revenue from our game, 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:

	Six months ended 30 June				period to period change %
	2020		2019		
	RMB'000	%	RMB'000	%	
Revenue from games	1,050,228	100.0%	780,709	100.0%	34.5%
Others	32	0.0%	–	–	–
Revenue	1,050,260	100.0%	780,709	100.0%	34.5%

Income by game products

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

	Six months ended 30 June				period to period change %
	2020		2019		
	RMB'000	%	RMB'000	%	
Fate of the Empress (浮生為卿歌)	493,168	47.0%	270	0.0%	>100%
Legend of Empress (熹妃傳)	133,617	12.7%	186,448	23.9%	–28.3%
Royal Chaos (熹妃Q傳)	220,276	21.0%	362,790	46.5%	–39.3%
Rise of Queendom (宮廷計手遊)	187,018	17.8%	217,738	27.9%	–14.1%
Others	16,149	1.5%	13,463	1.7%	19.9%
Revenue from games	1,050,228	100.0%	780,709	100.0%	34.5%

Management Discussion and Analysis

Cost of sales

The Group's cost of sales increased by 27.6% from approximately RMB283.3 million for the six months ended 30 June 2019 to approximately RMB361.4 million for the six months ended 30 June 2020, which was mainly due to the increase in distribution costs charged by distribution platforms resulting from the increase in revenue from games, the increases in server-related expenses and remuneration and benefits of operation personnel.

Gross profit and gross profit margin

As a result of the above, gross profit increased by 38.5% from approximately RMB497.4 million for the six months ended 30 June 2019 to approximately RMB688.9 million for the six months ended 30 June 2020. Gross profit margin increased from approximately 63.7% for the six months ended 30 June 2019 to approximately 65.6% for the six months ended 30 June 2020.

Sales and marketing expenses

For the six months ended 30 June 2020, the Group's sales and marketing expenses amounted to approximately RMB379.0 million, representing an increase of RMB175.3 million or approximately 86.1% from approximately RMB203.7 million for the six months ended 30 June 2019, which was mainly due to the increase in promotion spending.

Research and development expenses

For the six months ended 30 June 2020, the Group's research and development expenses amounted to approximately RMB130.7 million, representing an increase of RMB23.4 million or approximately 21.8% from approximately RMB107.3 million for the six months ended 30 June 2019, which was mainly due to (i) the increase in employee expenses resulting from the launch of new games and continually upgrade of existing games, and (ii) the increase in art and music production cost.

General and administrative expenses

For the six months ended 30 June 2020, the Group's administrative expenses amounted to approximately RMB21.7 million, representing a decrease of RMB5.9 million or approximately 21.4% from approximately RMB27.6 million for the six months ended 30 June 2019, mainly due to the decrease in listing expenses.

Finance costs

For the six months ended 30 June 2020, the Group's finance costs amounted to approximately RMB0.05 million, representing a decrease of RMB0.1 million from approximately RMB0.15 million for the six months ended 30 June 2019, mainly due to the decrease in interest expenses resulting from reduced loans.

Management Discussion and Analysis

Income tax expense

For the six months ended 30 June 2020, the Group's income tax expense amounted to approximately RMB9.1 million, representing a decrease of RMB1.9 million from approximately RMB11.0 million for the six months ended 30 June 2019.

Profit for the period

For the six months ended 30 June 2020, our profit for the period amounted to approximately RMB163.1 million, representing an increase of approximately RMB13.1 million or 8.7% from approximately RMB150.0 million for the six months ended 30 June 2019.

EBITDA and adjusted EBITDA

EBITDA represents net profit for the period (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, EBITDA and adjusted EBITDA for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit for the period	163,116	150,017
Add: Depreciation of property, plant and equipment	3,637	3,007
Add: Amortization of intangible assets	3,437	416
Add: Depreciation of right-of-use assets	2,010	2,105
Add: Income tax expenses	9,076	10,951
Add: Interest expenses	50	146
EBITDA	181,326	166,642
Add: Listing expenses	–	11,546
Adjusted EBITDA	181,326	178,188

Management Discussion and Analysis

Liquidity and capital resources

As at 30 June 2020, the Group's net current liabilities/assets amounted to approximately 0.26 (31 December 2019: 0.15).

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB750.9 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.

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net cash generated from operating activities	82,795	92,493
Net cash used in investing activities	(135,078)	(52,034)
Net cash used in financing activities	(94,208)	(102,298)
Net change in cash and cash equivalents	(146,491)	(61,839)
Cash and cash equivalents as at the beginning of the year	893,400	472,605
Effect of foreign exchange rate changes	3,981	(1,558)
Cash and cash equivalents as at 30 June	750,890	409,208

Operating activities

During the six months ended 30 June 2020, net cash generated from operating activities was RMB82.8 million, compared to RMB92.5 million as of 30 June 2019.

Investing activities

During the six months ended 30 June 2020, net cash used in investing activities was RMB135.1 million, which primarily included (i) payment for purchase of property, plant and equipment and intangible assets of RMB40.8 million; and (ii) payment for investments measured at fair value through profit or loss of RMB240.0 million; and (iii) proceeds from redemption of investments measured at fair value through profit or loss of RMB170.0 million; and (iv) payment for equity investments of RMB33.5 million.

Financing activities

During the six months ended 30 June 2020, net cash used in financing activities was RMB94.2 million, and as of 30 June 2019, net cash used in financing activities was RMB102.3 million.

Management Discussion and Analysis

Capital expenditures

The Group's capital expenditures mainly included (i) construction of our new office building in Suzhou, purchase of property, plant and equipment such as servers and computer equipment; and (ii) purchase of intangible assets, such as copyright of literary works, software and IP licenses and various office software that has been used or to be used by our games. Capital expenditures for the six months ended 30 June 2020 and 30 June 2019 are set out below:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Property, plant and equipment	37,560	56,311
Intangible assets	–	2,346

Capital commitments

The Group's capital commitments regarding our office building (under construction), servers and computer equipment were approximately RMB78.6 million (31 December 2019: RMB114.0 million). The Group plans to finance its capital commitments with its own funds.

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
	Contracted for but not provided for	67,718
Authorized but not contracted for	10,845	10,845
	78,563	113,969

Gearing ratio

As at 30 June 2020, gearing ratio (the aggregate of bank loans and lease liabilities divided by total equity) was 0.1% (31 December 2019: 0.2%). The decrease in gearing ratio for the six months ended 30 June 2020 was mainly due to the decrease in lease liability. As at 30 June 2020, the Group did not have bank borrowings (31 December 2019: Nil).

Contingent liabilities

As at 30 June 2020, the Group did not have any unrecorded significant contingent liabilities or any guarantees (2019: Nil).

Employees and remuneration policies

As at 30 June 2020, the Group had a total of 1,375 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 six months ended 30 June 2020.

Management Discussion and Analysis

Restructuring and significant investments

During the six months ended 30 June 2020, the Group did not have any restructuring and significant investments.

Financial assets

1. As at 30 June 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 at 30 June 2020, RMB130 million in total RMB140 million of the wealth products were purchased from Suzhou Branch of CITIC Bank and accounted for more than 5% of the Group's total assets, details of which has been disclosed in the announcement dated 15 June 2020.

2. As at 30 June 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 30 June 2020, the fair value of stock investments did not exceed 5% of the Group's total assets.
3. As at 30 June 2020, the TV-series-based financial instrument represented the Group's investment in TV-series production, and the principal was protected. As at the date of this report, the TV series has obtained a domestic TV series distribution license. As at 30 June 2020, the fair value of the TV-series-based financial instrument did not exceed 5% of the Group's total assets.
4. The Company has formulated standardized capital and investment management policies to monitor and control potential risks related to investment activities. When considering whether to invest and what kind of products to invest in, the management will consider, among other things, the risk level, investment return, liquidity and maturity of the relevant wealth management products on a case-by-case basis. Our investment portfolio and policies are regularly reviewed by our Directors and management team.

Material acquisitions and disposals of assets

During the six months ended 30 June 2020 and up to date of this 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 the third parties.

Pledge of assets by the Group

As at 30 June 2020, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (31 December 2019: no assets were pledged).

Management Discussion and Analysis

Foreign currency exchange risks

For the six months ended 30 June 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 will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Events after the reporting period

1. Adoption of Share Award Scheme and Share Contribution by the Controlling Shareholder for the Share Award Scheme

The Group adopted a share award scheme on 14 September 2020 (the "Share Award Scheme"). The objectives of the Share Award Scheme are (i) to improve the Group's incentive system, align the interests of Eligible Participants (as defined under the Share Award Scheme) 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.

Pursuant to the Scheme Rules, the Board may, from time to time, inject certain amount of funds to the trust established by the Company for the Share Award Scheme 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. The Board shall not make any further grant such that the total number of shares granted under the Share Award Scheme will exceed 10% of the total number of issued shares as of the adoption date 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 (representing 3.66% of the total number of the then issued Shares of the Company) to Friends Together Holdings Limited, a company established in the British Virgin Islands in July 2020 by the Trustee of the Share Award Scheme for a specific purpose of the implementation of the Share Award Scheme, as a gift within three years, at nil consideration, as the pool of shares of the Share Award Scheme. To implement the above gift of shares, Agile Eagle Holding Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Jiang Xiaohuang will contribute an aggregate of 27,668 shares of Purple Dream Holdings Limited as the pool of shares of the Share Award Scheme. As Purple Dream Holdings Limited directly holds 100% of the issued shares of Purple Crystal Holdings Limited, which in turn directly holds 144,574,384 shares in the Company, the 27,668 shares in Purple Dream Holdings Limited (representing 55.336% of the total issued shares of Purple Dream Holdings Limited) represented the indirect interest in 80,000,000 shares of the Company.

Please refer to the announcements of the Company dated 14 September 2020 in relation to the adoption of Share Award Scheme and the share contribution by the controlling shareholder for the Share Award Scheme for details.

2. Subscription of Principal-protected Structured Deposit

On 15 September 2020, Purple Blaze Network Technology Co., Ltd. ("Purple Blaze Network"), a wholly-owned subsidiary of the Company, entered into a structured deposit agreement with the Suzhou Branch of CITIC Bank, pursuant to which Purple Blaze Network subscribed for principal-protected floating return and closed-end structured deposit with principal amount of RMB80 million, a term of 91 days and a yield rate ranging from 1.48% to 3.60%. Such subscription was funded by the recovered principal amount of the previous matured CITIC Bank subscription, in order to better utilise the surplus fund of the Group.

Please refer to the announcement of the Company dated 15 September 2020 in relation to the subscription of principal-protected structured deposit for details.

Management Discussion and Analysis

Use of Proceeds from the Listing

The IPO proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange were approximately RMB434.0 million. For the six months ended 30 June 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 RMB341.6 million. The balance of IPO proceeds will continue to be utilized according to the manner and proportions as disclosed in the Prospectus.

	Net amount available as at 31 December 2019	Actual net amount utilized for the six months ended 30 June 2020	Unutilized net amount as at 30 June 2020
	RMB million	RMB million	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	43.4	108.5
IP ecological construction	65.1	1.9	63.2
Acquisition of upstream and downstream industries	43.4	8.0	35.4
Working capital and general daily use	43.4	–	43.4
Total	434.0	92.4	341.6

Other Information

COMPLIANCE WITH THE CG CODE

The Company has adopted the code provisions set out in the CG Code as its own corporate governance framework. The Company has complied with the code provisions as set out in the CG Code for the six months ended 30 June 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 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 experience 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 proper consultation with members of the Board and appropriate committees, as well as the Senior Management. In addition, Directors are encouraged to participate actively in all meetings of the Board and of such Board committees of which they are members, and the Chairman ensures that all issues raised are properly briefed at the Board meetings, and he works with the Senior Management to provide adequate, accurate, clear, complete and reliable information to all members of the Board in a timely manner. Further, the Board meets with Mr. Jiang regularly to discuss issues relating to the operation of the Group.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. Mr. Jiang holding both positions of the Chairman of the Board and CEO of the Company will not have any impact on the balance between power and authority of the Board and the Senior Management 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 FOR 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 six months ended 30 June 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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

Other Information

AUDIT COMMITTEE

Our Company established the Audit Committee. 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. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment, re-appointment and removal of external auditors; review the financial statements; provide material advice in respect of our financial reporting process; oversee our internal control and risk management systems and audit process; and provide advice and comment to our Board on matters related to corporate governance.

The Audit Committee has reviewed and discussed with the management the Group's unaudited interim financial results for the six months ended 30 June 2020 and has met with the Auditor who has reviewed the interim financial report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

CHANGE IN INFORMATION OF DIRECTORS

There was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the six months ended 30 June 2020.

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

During the six months ended 30 June 2020, 3,762,000 ordinary Shares were repurchased on the Stock Exchange and the repurchased ordinary Shares were cancelled on 23 January 2020 and 14 February 2020 respectively.

The Share repurchases were approved by the Board to enhance the long-term value of the Shares held by the Shareholders. During the six months ended 30 June 2020, details of the Share repurchased 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	3,990,043
Total	3,762,000			3,990,043

The directors believe that the Share repurchases are in the best interests of the Company and its Shareholders as a whole, because the Share repurchases and subsequent cancellation of the repurchased Shares can enhance the value of the Shares and thereby improve returns to our Shareholders.

Save as disclosed above, during the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed the listed securities of the Company.

Other Information

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

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

As at 30 June 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 the shares or underlying shares of the Company as at 30 June 2020			
Name	Capacity/Nature of interest	Number of shares held/ interested	Approximate percentage of interest ⁽²⁾
Mr. Jiang Xiaohuang ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	Interest of a controlled corporation/ Founder of a discretionary trust	1,550,362,500 (L) ⁽¹⁾	70.87%
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 2,187,750,000 Shares in issue as at 30 June 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 Holding 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 Holding 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.

Other Information

- (5) 93,500,000 Shares are registered under the name of Lucky Fish Holdings Limited, the issued share capital of which is owned as to 100% by Gorgeous Sunshine Holding Limited, which is in turn the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. 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) 187,600,000 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 71.35% 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.
- (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 30 June 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 six months ended 30 June 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, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Other Information

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

As at 30 June 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 of 30 June 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	1,550,362,500 (L) ⁽¹⁾	70.87%
Ms. Mao Yuyan ⁽⁶⁾	Interest of spouse	1,550,362,500 (L) ⁽¹⁾	70.87%
TMF (Cayman) Ltd. ⁽³⁾	Trustee of a trust	1,218,188,116 (L) ⁽¹⁾	55.68%
Gorgeous Sunshine Holding Limited ⁽³⁾	Interest of a controlled corporation	1,218,188,116 (L) ⁽¹⁾	55.68%
Eternal Heart Holdings Limited	Beneficial owner	937,688,116 (L) ⁽¹⁾	42.86%
Ling Long Holdings Limited	Beneficial owner	187,000,000 (L) ⁽¹⁾	8.55%
Lucky Fish Holdings Limited	Beneficial owner	93,500,000 (L) ⁽¹⁾	4.27%
Future Wisdom Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	187,600,000 (L) ⁽¹⁾	8.58%
Warm Sunshine Holdings Limited	Beneficial owner	187,600,000 (L) ⁽¹⁾	8.58%
Agile Eagle Holdings Limited ⁽⁵⁾	Interest of a controlled corporation	144,574,384 (L) ⁽¹⁾	6.61%
Purple Dream Holdings Limited ⁽⁵⁾	Interest of a controlled corporation	144,574,384 (L) ⁽¹⁾	6.61%
Purple Crystal Holdings Limited	Beneficial owner	144,574,384 (L) ⁽¹⁾	6.61%
GLC Private Limited	Investment manager	109,762,000 (L) ⁽¹⁾	5.02%

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 2,187,750,000 Shares in issue as at 30 June 2020.
- (3) Eternal Heart Holdings Limited, Ling Long Holdings Limited and Lucky Fish Holdings Limited are wholly-owned by Gorgeous Sunshine Holding Limited which is the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. 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 71.35% 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.

Save as disclosed above, as at 30 June 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.

Review Report

Review report to the board of directors of FriendTimes Inc.

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 25 to 44 which comprises the consolidated statement of financial position of FriendTimes Inc. as of 30 June 2020 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 August 2020

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2020 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	4	1,050,260	780,709
Cost of sales		(361,351)	(283,306)
Gross profit		688,909	497,403
Other income	5	19,646	2,364
Sales and marketing expenses		(379,030)	(203,663)
Research and development expenses		(130,694)	(107,258)
General and administrative expenses		(21,680)	(27,580)
Other expenses — donations		(2,000)	—
Profit from operations		175,151	161,266
Finance costs		(50)	(146)
Share of loss of associate and joint venture		(175)	(152)
Changes in fair value of financial assets measured at fair value through profit or loss		(2,734)	—
Profit before taxation	6	172,192	160,968
Income tax expense	7(a)	(9,076)	(10,951)
Profit for the period		163,116	150,017
Earnings per share			
Basic and diluted (RMB)	8	0.07	0.08

The accompanying notes form parts of the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2020 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit for the period	163,116	150,017
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	7,460	18
Profit and total comprehensive income for the period	170,576	150,035

The accompanying notes form parts of the financial statements.

Consolidated Statement of Financial Position

at 30 June 2020 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	9	235,432	201,640
Intangible assets		4,493	7,930
Right-of-use assets		8,173	8,957
Interest in associate and joint venture	10	11,043	3,218
Deferred tax assets	7(b)	32,464	21,623
Other non-current assets		28,350	2,835
		319,955	246,203
Current assets			
Contract costs		12,664	12,274
Financial assets measured at fair value through profit or loss	11	206,388	138,685
Trade and other receivables	12	325,230	218,847
Pledged bank deposits		1,842	1,810
Cash and cash equivalents	13	750,890	893,400
		1,297,014	1,265,016
Current liabilities			
Trade and other payables	14	274,668	135,075
Contract liabilities		44,674	44,164
Current taxation		15,072	13,829
Lease liabilities		1,735	2,594
		336,149	195,662
Net current assets		960,865	1,069,354
Total assets less current liabilities		1,280,820	1,315,557

Consolidated Statement of Financial Position (continued)

at 30 June 2020 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current liability			
Contract liabilities		6,749	8,720
NET ASSETS		1,274,071	1,306,837
CAPITAL AND RESERVES			
	15		
Share capital		155	155
Reserves		1,273,916	1,306,682
TOTAL EQUITY		1,274,071	1,306,837

Approved and authorised for issue by the Board of Directors on 31 August 2020.

Jiang Xiaohuang

Executive Directors

Wu Jie

The accompanying notes form parts of the financial statements.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2019	51,663	–	107,501	25,830	(710)	389,198	573,482
Changes in equity for the six months ended 30 June 2019:							
Profit for the period	–	–	–	–	–	150,017	150,017
Other comprehensive income	–	–	–	–	18	–	18
Profit and total comprehensive income	–	–	–	–	18	150,017	150,035
Shares issued to shareholders of the Company	1	–	–	–	–	–	1
Profit distribution	–	–	–	–	–	(102,287)	(102,287)
Reorganization under common control	(51,660)	–	51,660	–	–	–	–
Balance at 30 June 2019 and 1 July 2019	4	–	159,161	25,830	(692)	436,928	621,231
Changes in equity for the six months ended 31 December 2019:							
Profit for the period	–	–	–	–	–	265,510	265,510
Other comprehensive income	–	–	–	–	(6,138)	–	(6,138)
Profit and total comprehensive income	–	–	–	–	(6,138)	265,510	259,372
Capitalization issue	129	(129)	–	–	–	–	–
Issue of ordinary shares by initial public offering, net of issuance costs	23	433,984	–	–	–	–	434,007
Repurchase and cancellation of ordinary shares	(1)	(7,772)	–	–	–	–	(7,773)
Balance at 31 December 2019	155	426,083	159,161	25,830	(6,830)	702,438	1,306,837

Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2020 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2020	155	426,083	159,161	25,830	(6,830)	702,438	1,306,837
Changes in equity for the six months ended 30 June 2020:							
Profit for the period	-	-	-	-	-	163,116	163,116
Other comprehensive income	-	-	-	-	7,460	-	7,460
Profit and total comprehensive income	-	-	-	-	7,460	163,116	170,576
Dividend (Note 15(a))	-	(199,829)	-	-	-	-	(199,829)
Repurchase and cancellation of ordinary shares (Note 15(b))	-*	(3,513)	-	-	-	-	(3,513)
Balance at 30 June 2020	155	222,741	159,161	25,830	630	865,554	1,274,071

* The balance represents an amount less than RMB1,000.

The accompanying notes form parts of the financial statements.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2020 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Operating activities:			
Cash generated from operations		104,064	110,768
Income tax paid		(21,269)	(18,275)
Net cash generated from operating activities		82,795	92,493
Investing activities:			
Payment for purchase of property, plant and equipment and intangible assets		(40,825)	(35,640)
Payment for investments measured at fair value through profit or loss		(240,000)	(135,000)
Proceeds from redemption of investments measured at fair value through profit or loss		170,000	115,000
Payment for equity investments		(33,515)	—
Other cash flows arising from investing activities		9,262	3,606
Net cash used in investing activities		(135,078)	(52,034)
Financing activities:			
Profit distribution		(88,560)	(102,287)
Other cash flows arising from financing activities		(5,648)	(11)
Net cash used in financing activities		(94,208)	(102,298)
Net decrease in cash and cash equivalents		(146,491)	(61,839)
Cash and cash equivalents at the beginning of the year	13	893,400	472,605
Effect of foreign exchange rate changes		3,981	(1,558)
Cash and cash equivalents at 30 June	13	750,890	409,208

The accompanying notes form part of these financial statements.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

I CORPORATE INFORMATION

FriendTimes Inc. (the “Company”) was incorporated in the Cayman Islands on 16 November 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 October 2019 (the “Listing”).

The Company and its subsidiaries (together, “the Group”) are a mobile game developer, publisher and operator in ancient Chinese style female-oriented games in the PRC and overseas market.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 31 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 24.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2019 are available in the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2020.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE

The Group is principally engaged in provision of mobile game development and publishing services.

For the purpose of resources allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

(i) Disaggregation of revenue

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

	Six months ended 30 June	
	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	1,022,088	746,774
— Revenue from self-developed games published through intellectual property license arrangement and others	28,172	33,935
	1,050,260	780,709

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Over-time	1,050,228	780,709
Point-in-time	32	—
	1,050,260	780,709

The Group's customer base is diversified and includes nil customer with whom transactions have exceeded 10% of the Group's revenues during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE (continued)

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

As at 30 June 2020, the aggregated amount of the transaction price allocated to the unsatisfied performance obligations under the Group's existing contract is RMB51,423,000 (31 December 2019: RMB52,884,000), among which RMB44,674,000 (31 December 2019: RMB44,164,000) is expected to be recognised within one year. This amount represents revenue expected to be recognized in the future from unamortized mobile game revenue and unamortized licensing fees. The Group will 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.

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
PRC	891,035	568,904
Overseas	159,225	211,805
	1,050,260	780,709

5 OTHER INCOME

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Government grants	(i)	9,074	2,723
Interest income from bank deposits		6,149	2,529
Income from wealth management products		2,247	969
Net exchange gain/(loss)		2,129	(3,943)
Others		47	86
		19,646	2,364

(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 Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits		124,421	100,009
Contributions to defined contribution plans	(i)	8,763	18,796
		133,184	118,805

- (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.

(b) Other items

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment	3,637	3,007
Depreciation of right-of-use assets	2,010	2,105
Amortisation of intangible assets	3,437	416
Impairment losses of trade and other receivables	342	15
Auditors' remuneration	500	–
Listing expenses	–	11,546

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current tax:		
Provision for current income tax for the period	19,917	11,668
Deferred tax:		
Origination and reversal of temporary differences	(10,841)	(717)
	9,076	10,951

(b) Deferred tax assets recognized:

The components of the deferred tax assets recognized in the condensed consolidated statement of financial position and the movements during the period are as follows:

Deferred tax arising from:	Change in fair value of financial assets measured at fair value through profit or loss RMB'000	Cumulative tax losses RMB'000	Accruals and others RMB'000	Deductible advertising expenses RMB'000	Total RMB'000
Balance at 1 January 2019	–	10,642	2,678	–	13,320
Credited to profit or loss	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	410	10,883	(452)	–	10,841
Balance at 30 June 2020	1,666	23,594	1,954	5,250	32,464

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2020 and 2019 is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2020	2019
Profit attributable to the equity shareholders of the Company (RMB'000)	163,116	150,017
Weighted average number of ordinary shares in issue ('000)	2,187,997	1,870,000
Basic earnings per share	0.07	0.08

Weighted average number of ordinary shares in issue

	Six months ended 30 June	
	2020 '000	2019 '000
Ordinary shares at 1 January	2,191,512	51,660
Effect of capitalization issue on 8 October 2019 (note)	–	1,818,340
Effect of shares repurchased	(3,515)	–
Weighted average number of ordinary shares at 30 June	2,187,997	1,870,000

Note: The number of ordinary shares outstanding before the capitalization issue on 8 October 2019 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalization issue had occurred at the beginning of the earliest period presented.

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

9 PROPERTY, PLANT AND EQUIPMENT

Acquisitions

During the six months ended 30 June 2020, acquisitions of property, plant and equipment amounted to RMB37,560,000 (six months ended 30 June 2019: RMB56,311,000).

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10 INTEREST IN ASSOCIATE AND JOINT VENTURE

The following list contains only the particulars of the Group's associate and joint venture, which is immaterial and accounted for using the equity method in the consolidated financial information.

	Form of business structure	Place of incorporation and operation	Portion of ownership interest-effective interest	Investment date	Paid-in capital	Principal activity
Interest in an associate						
Suzhou Jingxiang Times Network Technology Co., Ltd.	Incorporated	The PRC	30.16%	29 March 2017	RMB5,181,347	Electronic sports
Interest in a joint venture						
Beijing Aoshen Interactive Technology Co., Ltd	Incorporated	The PRC	40.00%	25 May 2020	RMB3,333,333	Mobile game development

11 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Investment in wealth management products	140,000	70,000
Listed equity securities	56,114	55,677
Investment in TV-series-based financial instrument	10,274	13,008
Total	206,388	138,685

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade receivables	(a)	289,751	179,760
Less: Loss allowance		(428)	(549)
Trade receivables, net		289,323	179,211
Deposits and prepayments		13,126	19,843
VAT deductible		11,763	11,101
Income tax recoverable		5,798	3,359
Other receivables		5,220	5,333
		325,230	218,847

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

(a) Ageing analysis

As at the end of each reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 3 months	230,989	178,876
After 3 months but within 1 year	58,559	421
After 1 year but within 2 years	203	463
Less: Loss allowance	(428)	(549)
Trade receivables, net	289,323	179,211

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13 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash at banks	750,885	892,192
Cash at other financial institutions	5	1,208
	750,890	893,400

14 TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables	59,174	14,293
Accrued payroll	48,542	62,814
Payables related to property, plant and equipment	52,212	55,477
Dividends payables	111,269	–
Other payables and accruals	3,471	2,491
Trade and other payables	274,668	135,075

As at the end of each reporting period, the aging analysis of the trade payables based on the invoice date is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 3 months	58,869	13,993
Over 3 months but within 6 months	89	252
Over 6 months but within 12 months	168	–
Over 1 year	48	48
	59,174	14,293

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

Notes to the Unaudited Interim Financial Report

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15 CAPITAL, RESERVES AND DIVIDEND

(a) Dividend

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 HK\$96,956,000 (equivalent to approximately RMB88,560,000) has been paid during the six months ended 30 June 2020.

The Board of directors did not recommend a payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

(b) Repurchase and cancellation of ordinary shares

The Company repurchased an aggregate of 3,762,000 shares of its own shares through the Stock Exchange, at a total consideration of HK\$3,990,000 (equivalent to approximately RMB3,513,000) during six months ended 30 June 2020 (six months ended 30 June 2019: Nil). The aforesaid repurchased shares were cancelled as at 30 June 2020.

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including investment in 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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(Expressed in Renminbi unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(i) Fair value hierarchy (continued)

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Level 1 Assets		
Listed equity securities	56,114	55,677
Level 3 Assets		
Investment in wealth management products	140,000	70,000
Investment in TV-series-based financial instrument	10,274	13,008
	206,388	138,685

During the six months ended 30 June 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.

(ii) 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 fair value of the TV-series-based financial instrument is determined by discounting a cash flow forecast using risk-adjusted discount rate, among which the 60% success rate of broadcasting the TV series is the significant unobservable input underlying the cash flow forecast. It is estimated that with all other variables held constant, an increase/decrease in the success rate of broadcasting the TV series by 5% would have increased/decreased the Group's net profits by RMB727,739 for six months ended 30 June 2020. 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.

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(Expressed in Renminbi unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(ii) Information about Level 3 fair value measurements (continued)

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

	At 30 June 2020 RMB'000	At 30 June 2019 RMB'000
Investment in wealth management products		
At 1 January	70,000	–
Payment for purchases	240,000	115,000
Realised gain from investment recognised in “other income” in the consolidated statement of profit or loss	2,247	969
Proceeds upon maturity	(172,247)	(115,969)
At 30 June	140,000	–
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	(2,734)	–
At 30 June	10,274	20,000
Total losses for the period included in profit or loss for assets held at the end of the reporting period	(2,734)	–

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 30 June 2020 due to short-term maturity of these instruments.

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17 COMMITMENTS

Capital commitments of the Group in respect of construction-in-process outstanding at 30 June 2020 not provided for in the financial statement were as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for but not provided for	67,718	103,124
Authorised but not contracted for	10,845	10,845
	78,563	113,969

18 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.

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Short-term employee benefits	3,597	3,527
Post-employee benefits	35	102
	3,632	3,629

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