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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors hereby announces the unaudited interim results of the Group for the six months ended 30 June 2023 (the “**Reporting Period**”) (the “**Interim Results**”) together with comparative figures for the corresponding period in 2022, which have been prepared in accordance with HKFRS.

FINANCIAL PERFORMANCE SUMMARY

	For the six months ended 30 June		
	2023	2022	Changes
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
Revenue	620,342	826,057	-24.9%
Gross profit	412,614	572,745	-28.0%
Loss for the period	(80,944)	(72,962)	-10.9%
Adjusted loss for the period*	(77,911)	(58,461)	-33.3%

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

The Group is headquartered in Suzhou, China, with branches in regions of Shanghai, Wuxi, Chengdu and Hong Kong in China, and South Korea, and was listed on the Main Board of the Stock Exchange on 8 October 2019. Since our inception in 2010, we have been strategically focusing on mobile games targeting female players to capture the significant growth potential in both the mobile game industry and the female-oriented game market. We consecutively and successfully launched core products such as the Legend of Empress (熹妃傳), the Royal Chaos (熹妃Q傳), the Fate of the Empress (浮生為卿歌), the Promise of Lingyun (凌雲諾), A Story of Lala's: Rising Star (杜拉拉升職記) 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.

BUSINESS REVIEW

For the six months ended 30 June 2023, the total revenue of the Group was approximately RMB620.3 million, representing a decrease of 24.9% as compared to the corresponding period in 2022. Net loss for the period was approximately RMB80.9 million, as compared to the net loss for the period of approximately RMB73.0 million for the corresponding period in 2022. Adjusted net loss for the period was approximately RMB77.9 million, as compared to the adjusted net loss for the period of approximately RMB58.5 million for the corresponding period in 2022.

The decline in the Group's results was mainly due to the decrease in revenue for the period as compared to the corresponding period in 2022, which is mainly attributable to a normal decrease in revenue from our existing games in line with their lifecycle extension. Furthermore, it is expected that tax losses will unlikely be utilized before their expiry amidst the uncertain fluctuation in the Company's results, leading to an impairment of the deferred tax assets of approximately RMB60 million.

The Group continues to increase its investment in research and development to accelerate breakthroughs in cutting-edge technologies such as AIGC, which will be integrated into aesthetic production, plot planning, game interaction, copywriting, production of placement materials, etc. Utilization of such new technology will help develop smarter development tools, editors, data models, thereby fully enhancing our efficiency at lower costs. On 27 February 2023, the Group announced that it is one of the first eco-partners of Baidu's "ERNIE Bot" (文心一言), which will help to improve the NPC interaction function in the game, and increase in-game flexibility and enhance the emotional connection between players. In addition, the Group has been actively exploring various innovative AI applications at home and abroad, and attempting to integrate AI functions into gameplay, with certain new features entering the testing period.

To promote our stable and sustainable development as part of our proactive commitments to responding to the current market conditions, the Group will continue to strengthen cost control by enhancing our efficiency at lower costs. In terms of staffing, we will ensure effective staffing optimization and efficient control of employee size. In terms of project management, we will refine our management by bolstering the cost monitoring, analysis, assessment and decision-making processes, while exercising strict cost control and effective lifecycle planning, including a higher assessment standard for new projects. In terms of marketing and customer operation, we will redouble our efforts to identify new customers and new channels, while ensuring targeted services for our potential players and long-term retention of our existing users.

Fate of the Empress (浮生為卿歌)

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

We sophisticatedly operate the Fate of the Empress (浮生為卿歌) under the long-lifecycle strategy, which allows us to maintain high frequent version updates and optimization, while continuing to explore game scene maps, upload new maps, plots, game rules, fashion, pets, pet mounts, and other contents. For instance, we introduced a cute and good-natured pet mount bear (布偶熊) with a variety of adorable expressions, which will provide our players with a sense of security when players are carried by the pet mount bear like a princess. Inspired by the afterglow of the heavenly palace (天闕之霞), in combination with the artistic conception by the poet Tao Yuanming where “Mountain air is pleasant day and night, birds on the wing would gather in pairs as they home return.” (山氣日夕佳，飛鳥相與還), our designers designed a new aesthetic Chinese-style fashion “Scarlet Embroidered Gown” (錦繡赤霞). In the first half of 2023, the Fate of the Empress (浮生為卿歌) won the 39th place in the best-selling iOS game list in Mainland China.

Promise of Lingyun (凌雲諾)

The Promise of Lingyun (凌雲諾) was officially launched on 20 January 2022, being a glamorous Chinese-style social mobile game with modern art. It blends classical aspects with modern art to demonstrate the fascinating ancient Chinese culture. With the traditional and innovative new style of Chinese drawing technique, we have created for the game a variety of Chinese-styled features such as glamorous costume, manor creation and social interaction by means of poetry and painting. Besides, through small fun games such as floral art, drinking games and mahjong-styled games, details of the game are much developed, thereby allowing the players to enjoy the remastered pictures of ancient Chinese lifestyles centuries ago.

In the first half of 2023, we continued with the updates of new game rules, replacement and optimization of apparel tools, and other refined operational activities, so as to delivery gratifying gaming experiences to our players. For instance, in celebration of the Chinese New Year of the Rabbit, we introduced the “Lunar Lord of the Rabbits” (月下卯君), which is a brand-new pet companion based on the Jade Rabbit that symbolizes the moon in traditional Chinese myths. By drawing on the “Major Court Hymns” (大雅) in the poem collection “Classic of Poetry” (詩經), and referencing the local customs and humanities throughout various dynasties, we further launched a new luxurious but elegant fashion “Whisper from Classic of Poetry” (大雅微音). In collaboration with Ms. Ni Wanwen (倪婉文), who is a successor of the intangible cultural heritage Suzhou-style paper cutting (carving) art, the Promise of Lingyun (凌雲諾) created the game event that celebrate both the Chinese New Year and its own market launch, where Ms. Ni presented our gaming audiences the paper-cutting artwork “Shadow Engraved in the Chronicle” (韶光鐫影), which is characterized by the Chinese New Year festivities and based on a new school of fine arts.

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

A Story of Lala's: Rising Star (杜拉拉升職記) is an authentic inspirational female-oriented simulation mobile game. It is adapted from a novel with the same title, and is a role-playing game in the modern female workplace setting. By focusing on the perspective of modern women, the game constructs the core value of “having attitudes even in the workplace” and emphasizes on self-confidence and independence of modern women in metropolitan. The product incorporates the classic storyline of the novel, with glamorous 3D workplace scenes and delicate portrait, combines a variety of game play and practical advice in the workplace, allowing players to experience personal growth and socialisation in a relaxing and enjoyable gaming environment.

A Story of Lala's: Rising Star (杜拉拉升職記) was officially launched on 12 January 2023, and became a recommended game on the Apple App Store in a short time. We enhanced the playability and immersive experiences of the game through new features and technologies such as fashion co-branding, internet celebrities' favorite scenic spots, market grabbing, facial expression motion capture system, smart voice assistant, and AR photo-taking. In the first half of 2023, A Story of Lala's: Rising Star (杜拉拉升職記) reached the highest ranking of 10th among the free iOS games and the highest ranking of 37th among the iOS Best-selling Games in Mainland China.

As a metropolitan lifestyle game characterized by female protagonists, A Story of Lala's: Rising Star (杜拉拉升職記) is committed to fulfilling aesthetic demands of game players for cosmetics and fashion. The hair, face, make-up and facial details of the characters in the game feature a high degree of refinement, including facial parameters for forehead size, the height of nose tips, the inner and outer corners of eyes, and the front, middle and back of the eyelashes, which are freely adjustable. The foundation, eyebrow color, eyeshadow, lipstick, and other different make-up can also flexibly pair with the apparel. Players may select their own options based on personal preferences and styles, and express their own interpretation on aesthetics and personal growth by changing the appearance of the game characters.

In addition, the Legend of Empress (熹妃傳) has been in operation for more than eight years and the Royal Chaos (熹妃Q傳) and the Rise of Queendom (宮廷計手遊) have also been in operation for more than five years, and we maintained stable performance in revenue through frequent game updates and content optimization, constantly providing new momentum to the games. At present, these three mobile games continue to update and optimize its version, content, and activities at least once a month, ensuring the player's gaming experience.

Game Reserve

Twist of the Fate (浮生憶玲瓏)

As the Company's strategic flagship product, the *Twist of the Fate* (浮生憶玲瓏), a new generation of female-oriented traditional Chinese-style mobile game, is built upon the success of its predecessor, *Fate of the Empress* (浮生為卿歌), which creates a new theme employing next-generation engine effects, artistic production techniques, and innovative gameplay features, aiming to bring players a free, realistic, and multifaceted gameplay experience. The game focuses on creating an “artistic conception (意境)” of Chinese aesthetics, which showcases a poetic landscape of “mountains shrouding in clouds and mist rising from water” and presents players with a Chinese-style visual experience of “full words and endless meanings”. Through a series of gameplay modes such as deciphering clues, collecting adventures, and unlocking multiple identities, the game builds an open world with “Love & Mystery” for players.

Besides creating scenes with a design style focused on Chinese aesthetics, the game incorporates elements of the ancient charm of the Jiangnan region, with a vivid sense using rich layers. For instance, in Bianjing City, the “Inner Sanctum” (內舍閣), where elite members are trained, exudes a cool and solemn atmosphere, while the “Misty House” (煙雨樓), where the gentry linger, combines grandeur and elegance. Furthermore, the “Hall of Heaven and Earth” (乾元殿), as the center of power, exudes a sense of grandeur and heritage. The main roads are wide with few shops, while the side streets are bustling with numerous shops and vendors roaming the outskirts. The combination of these scenes makes Bianjing City more authentic. On the other hand, the instance “Path to the Inner Heart” (此心路) adopts a completely different art style, drawing inspiration from traditional Chinese landscape painting. The scene includes steep mountains, raging waterfalls, towering pine and cypress trees, flying egrets in mountain streams, and blooming peach blossoms, which also incorporates Chinese cultural elements, such as Su Shi's “Inscription on the West Forest Wall” (題西林壁), to enhance the sense of immersion, and showcases the beautiful landscape.

In April 2023, the *Twist of the Fate* (浮生憶玲瓏) conducted a two-week closed beta test called “Spring Beta Test”, free of charge, allowing players to try over 500,000 times of Hero Summon and experience nearly 100,000 times of cooking, crafting, musical performance, and dancing. Hundreds of recipes are developed. The makeup process offers extensive customization options, providing a highly realistic makeup experience featuring “thousands of faces”, which is highly acclaimed. In July 2023, the *Twist of the Fate* (浮生憶玲瓏) launched a one-month “Summer Beta Test” with in-game purchase enabled, focusing on the theme of “Love & Mystery”. The game was again highly acclaimed among the players, as they progressed through interconnected plotlines by fulfilling the protagonist's potential. Currently, it has a rating of 9.1 points on TapTap and future open beta testing and promotional activities are being planned according to the project's schedule.

Code: WX (代號 : WX)

Code: WX (代號 : WX) is a role-playing strategy game set in a fictional Chinese-style wuxia world, featuring the classic martial arts as its core. The game illustrates an unrestrained and pleasant world of wuxia, creating stereoscopic and realistic martial artists, and a multi-dimensional wuxia epic. Players can foster their own martial arts systems without restrictions, enjoy the fun of tactics and moves, and experience the love in the wuxia world.

Code: PE (代號 : PE)

Code: PE (代號 : PE) is a female-oriented role-playing game set in a fictional European royal world. The game portrays the Western royal family with immersive audio-visual experiences and a multi-dimensional storytelling approach, creating a dynasty of legendary queen. Players will enter the royal world, experience the struggle for power, enjoy emotional interactions, and cast a generation of queen legends.

SOCIAL RESPONSIBILITIES

The Group actively fulfills its corporate social responsibility by integrating the environmental, social, and governance (“ESG”) issues into its entire corporate management framework, while striving to build a healthy and harmonious online and offline ecosystem through charity activities. Despite being a mobile game developer, publisher, and operator, which does not have a significant impact on the environment in terms of business operations, the Group still actively responds to national environmental policies related to carbon neutrality, energy conservation, and waste reduction, by promoting sustainable development practices within the Company. In addition to establishing the ESG policies and procedures, the Group actively encourages our products and platforms to participate in the ESG strategies, while integrating the sustainability concept into our daily operational management to enhance the environmental awareness among our employees and achieve long-term business prosperity.

As always, the Group continues to contribute its efforts to promote charity campaigns through diverse philanthropic commitments. By consistently taking practical actions in areas such as education assistance, animal rescue, “red culture education”, environmental protection, and epidemic prevention and control, the Group continues to fulfill its social responsibility and mission, demonstrating and delivering a message of love in public welfare. In June 2023, the Group donated hundreds of books and sets of sports equipment to schools in mountainous areas of Yunnan Province, making our due contribution to enriching the educational and sports resources of schools in remote areas and promoting the all-round development of students.

In strict compliance with relevant national policies, the Group connects all of its games to a comprehensive system encompassing real-name authentication, anti-addiction procedures, and age-appropriate reminders, imposes restrictions on underage spending, and operates a parental guardianship project with a dedicated channel for complaints from minors. To strictly enforce the new regulations on preventing addiction among minors issued by the National Press and Publication Administration, we only offer 1 hour of online gaming services to minors from 8 pm to 9 pm on Fridays, Saturdays, Sundays, and statutory holidays, ensuring the healthy growth of minors.

OUTLOOK

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2023 — unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	2	620,342	826,057
Cost of sales		<u>(207,728)</u>	<u>(253,312)</u>
Gross profit		412,614	572,745
Other income		34,013	17,801
Sales and marketing expenses		(276,068)	(469,968)
Research and development expenses		(160,019)	(169,112)
General and administrative expenses		(24,977)	(34,036)
Other expenses — donations		<u>—</u>	<u>(644)</u>
Loss from operations		(14,437)	(83,214)
Finance costs		(156)	(26)
Share of loss of associates and joint venture		—	(910)
Changes in fair value of financial assets measured at fair value through profit or loss		<u>(1,977)</u>	<u>10,096</u>
Loss before taxation	3	(16,570)	(74,054)
Income tax	4(a)	<u>(64,374)</u>	<u>1,092</u>
Loss for the period		<u>(80,944)</u>	<u>(72,962)</u>
Loss per share			
Basic and diluted (RMB)	5	<u>(0.04)</u>	<u>(0.03)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

*for the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)*

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Loss for the period	(80,944)	(72,962)
Other comprehensive income/(loss) for the period		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company	1,511	11,249
Equity investments at FVOCI — net movement in fair value reserves (non-recycling)	<u>—</u>	<u>(3,900)</u>
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	<u>10,113</u>	<u>14,014</u>
Total comprehensive loss for the period	<u>(69,320)</u>	<u>(51,599)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023 — unaudited

(Expressed in Renminbi)

		At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
	Note		
Non-current assets			
Property, plant and equipment		254,356	266,294
Intangible assets		2,545	3,790
Right-of-use assets		8,692	9,235
Financial assets measured at fair value through profit or loss	6	87,414	86,571
Film right		–	262
Time deposits		166,338	114,097
Deferred tax assets	4(b)	9,674	72,681
Other receivables	7	2,338	2,508
Other non-current assets		–	486
		<u>531,357</u>	<u>555,924</u>
Current assets			
Contract costs		6,941	5,243
Financial assets measured at fair value through profit or loss	6	194,553	404,744
Trade and other receivables	7	116,667	104,061
Pledged bank deposits		1,878	1,809
Time deposits		93,148	137,457
Cash and cash equivalents		499,436	403,942
		<u>912,623</u>	<u>1,057,256</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*as at 30 June 2023 — unaudited**(Expressed in Renminbi)*

		At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
	<i>Note</i>		
Current liabilities			
Trade and other payables	8	53,302	80,053
Bank loans		39,442	—
Contract liabilities		28,398	24,985
Current taxation		1,445	19
Lease liabilities		929	908
		<u>123,516</u>	<u>105,965</u>
Net current assets		<u>789,107</u>	<u>951,291</u>
Total assets less current liabilities		<u>1,320,464</u>	<u>1,507,215</u>
Non-current liabilities			
Contract liabilities		7,579	9,801
Lease liabilities		476	465
		<u>8,055</u>	<u>10,266</u>
NET ASSETS		<u>1,312,409</u>	<u>1,496,949</u>
CAPITAL AND RESERVES			
	9		
Share capital		154	154
Reserves		1,312,255	1,496,795
TOTAL EQUITY		<u>1,312,409</u>	<u>1,496,949</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 17 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagement 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2022 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 2022 are available in the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 March 2023.

2 REVENUE

(i) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	RMB'000	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	597,047	793,968
— Revenue from self-developed games published through intellectual property license arrangement and others	23,295	32,089
	<u>620,342</u>	<u>826,057</u>

(ii) 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	
	2023	2022
	RMB'000	RMB'000
Mainland of the PRC	442,760	616,941
Overseas	177,582	209,116
	<u>620,342</u>	<u>826,057</u>

3 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	<i>Note</i>	Six months ended 30 June	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits		136,354	145,034
Equity settled share-based payments	9(b)	3,033	14,501
Contributions to defined contribution plans	(i)	26,629	25,004
		166,016	184,539

- (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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	12,977	13,360
Depreciation of right-of-use assets	543	637
Amortisation of intangible assets	1,351	644
Impairment losses recognised/(reversed) in trade and other receivables	4	(136)
Auditors' remuneration	500	500

4 INCOME TAX

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current tax:		
Provision for current income tax for the period	1,367	–
	1,367	–
Deferred tax:		
Origination and reversal of temporary differences	63,007	(1,092)
	64,374	(1,092)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year/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	Unrealized profit RMB'000	Impairment losses of an associate and joint venture RMB'000	Total RMB'000
Balance at 1 January 2022	4,772	64,239	1,179	1,810	72,000
Credited/(charged) to profit or loss	(388)	1,069	–	–	681
Balance at 31 December 2022	4,384	65,308	1,179	1,810	72,681
Charged to profit or loss	(5,437)	(55,325)	(1,179)	(1,066)	(63,007)
Balance at 30 June 2023	(1,053)	9,983	–	744	9,674

5 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the six months ended 30 June 2023 and 2022 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	
	2023	2022
Loss attributable to the equity shareholders of the Company (RMB'000)	(80,944)	(72,962)
Weighted average number of ordinary shares in issue ('000)	2,180,850	2,180,850
Basic loss per share	<u>(0.04)</u>	<u>(0.03)</u>

(b) Diluted Loss per share

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

6 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Investment in Limited Liability Partnerships (“LLPs”)	87,414	86,571
Investment in wealth management products	140,213	360,000
Listed equity securities	25,990	16,394
Unlisted equity securities	28,350	28,350
	<u>281,967</u>	<u>491,315</u>
Financial assets measured at fair value through profit or loss included in the consolidated financial statement:		
Current	194,553	404,744
Non-current	87,414	86,571

7 TRADE AND OTHER RECEIVABLES

		At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables	(a)	96,275	73,342
Less: Loss allowance		<u>(5)</u>	<u>(1)</u>
Trade receivables, net		96,270	73,341
Deposits and prepayments		2,947	11,855
VAT deductible		13	544
Income tax recoverable		11,947	11,854
Other receivables		<u>7,828</u>	<u>8,975</u>
		<u>119,005</u>	<u>106,569</u>
Trade and other receivables, net of loss allowance			
— current portion		116,667	104,061
— non-current portion		<u>2,338</u>	<u>2,508</u>
		<u>119,005</u>	<u>106,569</u>

(a) Ageing analysis

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade receivables, based on the invoice date and net of allowance, is as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 3 months	96,272	73,341
After 3 months but within 1 year	3	1
Less: Loss allowance	<u>(5)</u>	<u>(1)</u>
Trade receivables, net	<u>96,270</u>	<u>73,341</u>

8 TRADE AND OTHER PAYABLES

		At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade payables	(a)	32,307	17,226
Accrued payroll		17,488	56,529
Payables related to property, plant and equipment		–	1,363
Other payables and accruals		3,507	4,935
		<u>53,302</u>	<u>80,053</u>

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

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 3 months	31,624	16,516
Over 3 months but within 6 months	190	66
Over 6 months but within 12 months	29	47
Over 1 year	464	597
	<u>32,307</u>	<u>17,226</u>

9 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period:

The Board of directors did not recommend a payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Special dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD6 cents per share (six months ended 30 June 2022: HKD12 cents per share)	118,253	223,808

(b) Equity settled share-based transactions

The Company has adopted a share award scheme on 14 September 2020 (the “**Share Award Scheme**”) for the purpose of incentivise directors, senior management and certain key employees for their contribution to the Group, and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. Mr. Jiang Xiaohuang, the controlling shareholder of the Company, decided to indirectly transfer an aggregate of 80,000,000 shares of the Company as a gift within three years, at nil consideration, as the pool of shares of the Share Award Scheme. A trust has been set up to for the administration and vesting of restricted shares (“**RSUs**”) granted pursuant to the Share Award Scheme.

On 1 January 2021, the first aggregate of 40,000,000 restricted shares were granted for nil consideration to 37 eligible employees of the Group under the Share Award Scheme with fair value of HKD1.99 per share determined by the latest closing market price of the shares up to the date of grant. These restricted shares vest for a period from one month to 49 months. In addition to the service condition, there are other vesting conditions related to the employee’s performance and the Group’s performance for each of the vesting period.

On 5 January 2022, the aggregate of 16,000,000 restricted shares were granted for nil consideration to 27 eligible employees of the Group under the Share Award Scheme with fair value of HKD1.33 per share determined by the latest closing market price of the shares up to the date of grant. These restricted shares vest for a period from one month to 37 months. In addition to the service condition, there are other vesting conditions related to the employee’s performance and the Group’s performance for each of the vesting period.

On 2 January 2023, the aggregate of 2,152,000 restricted shares were granted for nil consideration to 5 eligible employees of the Group under the Share Award Scheme with fair value of HKD0.96 per share determined by the latest closing market price of the shares up to the date of grant. These restricted shares vest for a period from one month to 37 months. In addition to the service condition, there are other vesting conditions related to the employee’s performance and the Group’s performance for each of the vesting period.

On 5 January 2023, the aggregate of 6,461,600 restricted shares were granted for nil consideration to 22 eligible employees of the Group under the Share Award Scheme with fair value of HKD0.99 per share determined by the latest closing market price of the shares up to the date of grant. These restricted shares vest for a period of one month with only service condition.

Movements in the number of RSUs granted to the Group's directors, senior management, and employees and the respective weighted-average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU <i>HKD</i>
Outstanding as of 31 December 2022	26,186,000	1.81
Granted during six months ended 30 June 2023	8,613,600	0.98
Forfeited during six months ended 30 June 2023	(7,117,600)	1.80
Vested during six months ended 30 June 2023	<u>(11,065,600)</u>	<u>1.26</u>
Outstanding as of 30 June 2023	<u><u>16,616,400</u></u>	<u><u>1.75</u></u>

During the six months ended 30 June 2023, a total number of 11,065,600 shares had been vested. As at 30 June 2023, a total of 16,616,400 shares was outstanding for vesting.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB620.3 million, representing a decrease of approximately RMB205.8 million or approximately 24.9% from approximately RMB826.1 million for the corresponding period in 2022. This was mainly due to the normal decrease in revenue from aged games.

Revenue from games by activity

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

	Six months ended 30 June				Period to period change %
	2023		2022		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Revenue from games	620,061	99.95%	825,594	99.94%	-24.90%
Others	281	0.05%	463	0.06%	-39.26%
Revenue	<u>620,342</u>	<u>100.0%</u>	<u>826,057</u>	<u>100.0%</u>	<u>-24.90%</u>

Revenue from games by geographic markets

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

	Six months ended 30 June				Period to period change %
	2023		2022		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Domestic market	442,479	71.4%	616,478	74.7%	-28.22%
Overseas market	177,582	28.6%	209,116	25.3%	-15.08%
Revenue from games	<u>620,061</u>	<u>100.0%</u>	<u>825,594</u>	<u>100.0%</u>	<u>-24.90%</u>

Cost of sales

The Group's cost of sales decreased by 18% from approximately RMB253.3 million for the six months ended 30 June 2022 to approximately RMB207.7 million for the six months ended 30 June 2023, which was mainly due to a reduction in game distribution costs resulting from the decrease in the Group's revenue.

Gross profit and gross profit margin

As a result of the above, gross profit decreased by 28% from approximately RMB572.7 million for the six months ended 30 June 2022 to approximately RMB412.6 million for the six months ended 30 June 2023. Gross profit margin decreased from approximately 69.3% for the six months ended 30 June 2022 to approximately 66.5% for the six months ended 30 June 2023, which was mainly due to the decrease in the proportion of revenue from our self-owned channels and the increase in the proportion of revenue from third-party intermodal channels.

Sales and marketing expenses

For the six months ended 30 June 2023, the Group's sales and marketing expenses amounted to approximately RMB276.1 million, representing a decrease of RMB193.9 million or approximately 41.3% from approximately RMB470.0 million for the six months ended 30 June 2022, which was mainly due to higher centralized-promotion expenses incurred in the initial stage upon the launch of the Promise of Lingyun (凌雲諾), a new product, in the prior period, as well as the control of promotion expenses for new products in the current period.

Research and development expenses

For the six months ended 30 June 2023, the Group's research and development expenses amounted to approximately RMB160.0 million, representing a decrease of RMB9.1 million or approximately 5.4% from approximately RMB169.1 million for the six months ended 30 June 2022, which was mainly due to the decrease in the share-based remuneration expenses of research and development personnels.

General and administrative expenses

For the six months ended 30 June 2023, the Group's administrative expenses amounted to approximately RMB25.0 million, representing a decrease of RMB9.0 million or approximately 26.6% from approximately RMB34.0 million for the six months ended 30 June 2022, which was mainly due to the animation film costs from the investment in the prior period being expensed.

Finance costs

For the six months ended 30 June 2023, the Group's finance costs amounted to approximately RMB0.16 million, representing an increase of RMB0.13 million from approximately RMB0.03 million for the six months ended 30 June 2022.

Income tax expense

For the six months ended 30 June 2023, the Group recorded an income tax expense amounted to approximately RMB64.4 million, representing an increase of RMB65.5 million from the income tax credit of approximately RMB1.1 million for the six months ended 30 June 2022, mainly due to the impairment of deferred tax assets caused by the expected inability to use tax losses before they expire, given the uncertainty of the Company's business fluctuations.

Loss for the period

For the six months ended 30 June 2023, our loss for the period amounted to approximately RMB80.9 million, representing an increase of approximately RMB7.9 million or approximately 10.9% from approximately RMB73.0 million for the six months ended 30 June 2022.

Adjusted loss for the period

Adjusted loss for the period is calculated by deducting share-based remuneration expenses from the loss for the period.

The table below sets forth the reconciliation between the Group's loss for the period and adjusted loss for the period for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period	80,944	72,962
Minus: Share-based remuneration	(3,033)	(14,501)
Adjusted loss for the period	<u>77,911</u>	<u>58,461</u>

Liquidity and capital resources

As at 30 June 2023, the Group's current liabilities/net assets amounted to approximately 0.09 (31 December 2022: 0.07).

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB499.4 million. The Group monitors and maintains cash and cash equivalents to a level that management believes to be sufficient to meet the Group's operating needs.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Net cash used in operating activities	(42,997)	(30,938)
Net cash generated from/(used in) investing activities	216,707	(113,747)
Net cash used in financing activities	(78,935)	(224,386)
Net change in cash and cash equivalents	94,775	(369,071)
Cash and cash equivalents as at the beginning of the period	403,942	752,264
Effect of foreign exchange rate changes	719	(38)
Cash and cash equivalents as at 30 June	499,436	383,155

Operating activities

During the six months ended 30 June 2023, net cash flow used in operating activities of the Group was RMB43.0 million.

Investing activities

For the six months ended 30 June 2023, the Group's net cash generated from investing activities was RMB216.7 million, which primarily consisted of (i) proceeds from redemption of investments measured at fair value through profit or loss of RMB523.7 million; (ii) payment for purchase of investments measured at fair value through profit or loss of RMB311.6 million; (iii) payment for purchase of time deposits of RMB152.3 million; and (iv) proceeds from redemption of time deposit investment of RMB145.7 million.

Financing activities

For the six months ended 30 June 2023, net cash used in financing activities of the Group was RMB78.9 million, which mainly consisted of (i) payment of a special dividend of RMB118.3 million; (ii) proceeds from unsecured bank borrowings of RMB39.3 million; while net cash used in financing activities amounted to RMB224.4 million as of 30 June 2022.

Capital expenditures

The Group's capital expenditures mainly included (i) construction of our new office building in Suzhou, purchase of property, plant and equipment such as servers and computer equipment; and (ii) purchase of copyrights, software and IP licenses of literature and intangible assets such as various office software that has been used or to be used by our games. Capital expenditures for the six months ended 30 June 2023 and 30 June 2022 are set out below:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	1,228	7,853
Intangible assets	106	547

Gearing ratio

As at 30 June 2023, gearing ratio was 3.1% (31 December 2022: 0.1%). As at 30 June 2023, the Group had unsecured bank borrowings of RMB39.4 million (31 December 2022: Nil).

Contingent liabilities

As of 30 June 2023, the Group did not have any unrecorded significant contingent liabilities or any guarantees (31 December 2022: Nil).

Employees and remuneration policies

As at 30 June 2023, the Group had a total of 1,102 employees (31 December 2022: 1,201 employees), all based in the PRC. The Group determined the remuneration policy for the employees based on their performance, work experience and the current market salary level. We did not experience any material labour disputes during the six months ended 30 June 2023.

Restructuring and significant investments

During the six months ended 30 June 2023, the Group did not have any restructuring and significant investments.

Financial assets

1. As of 30 June 2023, the Group's wealth management products were issued by listed commercial banks in China, all of which were principal-protected deposits at floating rate. During the respective investment period of wealth management products, the Company shall not terminate any relevant subscription agreements, redeem or withdraw principal before the respective maturity dates of financial products of the commercial banks. The commercial banks also have no right to terminate any subscription agreements.
2. As of 30 June 2023, the wealth management products of the Group that have met the disclosable transaction requirements under the Listing Rules were disclosed in relevant announcements. None of the remaining wealth management products had a fair value accounting for 5% or more of the Group's total assets.
3. As of 30 June 2023, the Group's limited partnership investments were investments in three venture capital partnerships as a limited partner, and the fair value of the investments did not exceed 5% of the Group's total assets.
4. As of 30 June 2023, the Group's stock investments were all stock investments with an active stock market, and the fair value of stock investments did not exceed 5% or more of the Group's total assets.
5. As of 30 June 2023, the Group's financial assets measured at fair value through profit or loss were equity investments in unlisted companies. The fair value of such investments did not exceed 5% or more of the Group's total assets.
6. 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 2023 and up to date of this announcement, there were no material acquisitions and disposals of assets.

Off-balance sheet arrangements

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

Pledge of assets by the Group

As at 30 June 2023, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (31 December 2022: no assets were pledged).

Foreign currency exchange risks

For the six months ended 30 June 2023, 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.

Event after the reporting period

The Group did not have any significant events after 30 June 2023 and up to the date of this announcement.

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, which were utilized in accordance with the intended purposes stated in the Prospectus and announcement headed "CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING", published by the Company on 31 October 2022. The IPO proceeds was fully utilized in 2022 without any balance.

OTHER INFORMATION

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

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

During the six months ended 30 June 2023, neither the Company nor any of its Subsidiaries purchased, sold or redeemed the listed securities of the Company.

Share Award Scheme

The Board has approved the adoption of the Share Award Scheme of the Company on 14 September 2020.

Objectives of the Share Award Scheme

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

Eligible Participants of the Share Award Scheme

Any Directors, 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.

Administration of the Share Award Scheme

1. The Share Award Scheme is subject to the administration of the Scheme Rules and the terms of the Trust Deed (as the case may be);
2. The Board may, by passing ordinary resolutions, appoint the initial member(s) of the advisory committee; the advisory committee may by written instrument irrevocably appoint any person to be an additional member of the advisory committee. The advisory committee gives instructions or notices to the Trustee on all matters in connection with the Share Award Scheme and other matters in the routine administration of the Trust; and

3. The Trustee will hold the Shares and the income derived therefrom in accordance with the Scheme Rules and subject to the terms of the Trust Deed.

Sources of Awarded Shares of the Share Award Scheme

1. Mr Jiang Xiaohuang, the controlling shareholder of the Company, indirectly transferred 80,000,000 shares of the Company (representing approximately 3.7% of the issued Shares of the Company as of the date of this announcement) as a gift, at nil consideration, as the pool of shares; and
2. As of 30 June 2023, a total of 7,610,000 Shares of the Company (representing approximately 0.3% of the issued Shares of the Company as of the date of this announcement) are purchased as the pool of shares.

Limit of the Share Award Scheme

The Board shall not make any further grant of award such that the total number of shares granted under the Share Award Scheme will exceed 10 per cent. of the total number of issued Shares as of the Adoption Date.

If the relevant subscription or purchase would result in the Trustee holding in aggregate, more than 10% of the total number of issued Shares of the Company as of the Adoption Date, the Trustee shall not subscribe, purchase or accept any further Shares.

Save as prescribed in the Share Award Scheme or as otherwise restricted by the Listing Rules, for any 12-month period, the aggregate number of Shares granted to any Eligible Participant shall not exceed 1% of the total number of the issued Shares at the relevant time, without Shareholders' approval.

The Share Award Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.

Duration and Termination of the Share Award Scheme

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

As at 30 June 2023, the remaining life of the Share Award Scheme was approximately 7 years, provided that the Board may decide early termination in accordance with the relevant rules under the Share Award Scheme (which is amended from time to time).

Implementation of the Share Award Scheme

1. On 14 September 2020, Mr. Jiang Xiaohuang, a controlling shareholder of the Company, decided to indirectly transfer an aggregate of 80,000,000 shares of the Company as a gift within three years, at nil consideration, as the pool of Shares of the Share Award Scheme.
2. On 1 December 2020, Mr. Jiang Xiaohuang completed the first annual share contribution plan and indirectly transferred an aggregate of 40,000,000 shares of the Company as a gift at nil consideration, as the pool of Shares of the Share Award Scheme.
3. On 28 December 2020, the Board, based on the recommendation of the remuneration committee of the Company, resolved to grant a total of 40,000,000 Awarded Shares, which have been held by the Trustee on behalf of the Selected Participants, at nil consideration to the share award grantees. The grant of Awarded Shares has been effective from 1 January 2021. The share award grantees include (1) Mr. Wu Jie, a former executive Director (awarded 2,000,000 shares of the Company); (2) Mr. Sun Bo, an executive Director (awarded 2,000,000 shares of the Company); and (3) employees of the Group (awarded 36,000,000 shares of the Company). These Awarded Shares were granted as a gift at nil consideration with an exercise period ranging from 1 month to 49 months.
4. On 28 June 2021, Mr. Jiang Xiaohuang completed the second annual share contribution plan and indirectly transferred an aggregate of 20,000,000 shares of the Company as a gift at nil consideration, as the pool of Shares of the Share Award Scheme.
5. On 4 January 2022, pursuant to the recommendation from the remuneration committee of the Company, the Board resolved to grant an aggregate of 16,000,000 Awarded Shares held by the Trustee on behalf of the Selected Participants at nil consideration to the share award grantees. The grant of Awarded Shares has been effective from 5 January 2022. The Share Award Grantees are employees (excluding the Directors) of the Group. These Awarded Shares were granted as a gift at nil consideration with an exercise period ranging from 1 month to 37 months.
6. On 22 July 2022, Mr. Jiang Xiaohuang completed the third annual share contribution plan and indirectly transferred an aggregate of 20,000,000 Shares of the Company at nil consideration as the pool of Shares of the Share Award Scheme. By that time, the three-year gift plan of Mr. Jiang Xiaohuang has been completed.

7. On 2 and 5 January 2023, the Board, based on the recommendation of the Remuneration Committee of the Company, resolved to grant 2,152,000 and 6,461,600 Awarded Shares respectively, 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 2 and 5 January 2023 respectively. The Share Award Grantees are employees (excluding the Directors) of the Group. These Awarded Shares were granted as a gift at nil consideration with an exercise period ranging from 1 month to 37 months.
8. As at 30 June 2023, a total of 7,610,000 shares of the Company are purchased as the pool of Shares under the Share Award Scheme.

The number of Shares available for grant under the Share Award Scheme as of 31 December 2022 and 30 June 2023 was 38,585,000 and 38,519,000, representing approximately 1.8% and approximately 1.8% of the total number of Shares in issue as of 31 December 2022 and 30 June 2023, respectively.

Set out below are the details of the number of Awarded Shares granted and movements under the Share Award Scheme for the six months ended 30 June 2023:

Name or category of the participant	Date of grant	Vesting period	Purchase price	Number of Awarded Shares					Unvested As at 30 June 2023
				Unvested As at 31 December 2022	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	
Directors									
Mr. Wu Jie (resigned as a Director on 19 May 2023)	1 January 2021	1 January 2021 to 31 January 2023	nil ⁽⁴⁾	400,000	-	-	(400,000)	-	-
		1 January 2021 to 31 January 2024	nil ⁽⁴⁾	400,000	-	-	-	-	400,000
		1 January 2021 to 31 January 2025	nil ⁽⁴⁾	200,000	-	-	-	-	200,000
Mr. Sun Bo	1 January 2021	1 January 2021 to 31 January 2023	nil ⁽⁴⁾	400,000	-	-	(400,000)	-	-
		1 January 2021 to 31 January 2024	nil ⁽⁴⁾	400,000	-	-	-	-	400,000
		1 January 2021 to 31 January 2025	nil ⁽⁴⁾	200,000	-	-	-	-	200,000

Name or category of the participant	Date of grant	Vesting period	Purchase price	Number of Awarded Shares					Unvested As at 30 June 2023
				Unvested As at 31 December 2022	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	
Five highest paid individuals (excluding directors) during the period									
In aggregate	1 January 2021	1 January 2021 to 31 January 2023	nil ⁽⁴⁾	1,426,000	–	(1,426,000) ⁽³⁾	–	–	–
		1 January 2021 to 31 January 2024	nil ⁽⁴⁾	1,420,000	–	–	–	–	1,420,000
		1 January 2021 to 31 January 2025	nil ⁽⁴⁾	710,000	–	–	–	–	710,000
In aggregate	5 January 2022	5 January 2022 to 31 January 2023	nil ⁽⁴⁾	1,000,000	–	–	(1,000,000)	–	–
		5 January 2022 to 31 January 2024	nil ⁽⁴⁾	1,400,000	–	–	–	–	1,400,000
		5 January 2022 to 31 January 2025	nil ⁽⁴⁾	600,000	–	–	–	–	600,000
In aggregate	2 January 2023	2 January 2023 to 31 January 2024	nil ⁽⁴⁾	–	100,000 ⁽¹⁾	–	–	–	100,000
		2 January 2023 to 31 January 2025	nil ⁽⁴⁾	–	100,000 ⁽¹⁾	–	–	–	100,000
		2 January 2023 to 31 January 2026	nil ⁽⁴⁾	–	300,000 ⁽¹⁾	–	–	–	300,000
In aggregate	5 January 2023	5 January 2023 to 31 January 2023	nil ⁽⁴⁾	–	1,420,000 ⁽²⁾	(1,420,000) ⁽³⁾	–	–	–

Name or category of the participant	Date of grant	Vesting period	Purchase price	Number of Awarded Shares					Unvested As at 30 June 2023	
				Unvested As at 31 December 2022	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period		
Employee Participants										
In aggregate	1 January 2021	1 January 2021 to 31 January 2023	nil ⁽⁴⁾	4,973,600	-	(1,416,000) ⁽³⁾	(3,557,600)	-	-	
		1 January 2021 to 31 January 2024	nil ⁽⁴⁾	4,917,600	-	-	(320,000)	-	4,597,600	
		1 January 2021 to 31 January 2025	nil ⁽⁴⁾	3,568,800	-	-	(440,000)	-	3,128,800	
In aggregate	5 January 2022	5 January 2022 to 31 January 2023	nil ⁽⁴⁾	1,410,000	-	(610,000) ⁽³⁾	(800,000)	-	-	
		5 January 2022 to 31 January 2024	nil ⁽⁴⁾	1,760,000	-	-	(200,000)	-	1,560,000	
		5 January 2022 to 31 January 2025	nil ⁽⁴⁾	1,000,000	-	-	-	-	1,000,000	
In aggregate	2 January 2023	2 January 2023 to 31 January 2023	nil ⁽⁴⁾	-	1,152,000 ⁽¹⁾	(1,152,000) ⁽³⁾	-	-	-	
		2 January 2023 to 31 January 2024	nil ⁽⁴⁾	-	200,000 ⁽¹⁾	-	-	-	200,000	
		2 January 2023 to 31 January 2025	nil ⁽⁴⁾	-	300,000 ⁽¹⁾	-	-	-	300,000	
In aggregate	5 January 2023	5 January 2023 to 31 January 2023	nil ⁽⁴⁾	-	5,041,600 ⁽²⁾	(5,041,600) ⁽³⁾	-	-	-	
Total				<u>26,186,000</u>	<u>8,613,600</u>	<u>(11,065,600)</u>	<u>(7,117,600)</u>	<u>-</u>	<u>16,616,400</u>	

Notes:

- (1) The Awarded Shares are subject to certain performance targets with reference to the annual results of the Company and the selected employees' individual key performance indicators for the financial year preceding the respective vesting date. The closing price of the Shares immediately before the date (i.e. 2 January 2023) on which the Awarded Shares were granted during the year was HK\$0.96.
- (2) The Awarded Shares are subject to certain performance targets with reference to the annual results of the Company and the selected employees' individual key performance indicators for the financial year preceding the respective vesting date. The closing price of the Shares immediately before the date (i.e. 5 January 2023) on which the Awarded Shares were granted during the year was HK\$0.97.
- (3) The weighted average closing price of the Shares immediately before the date (i.e. 31 January 2023) on which the Awarded Shares were vested during the Reporting Period was HK\$1.03.
- (4) As all the aforementioned Awarded Shares are donated by Mr. Jiang Xiaohuang, the Board has decided to grant the aforementioned Awarded Shares to the Eligible Participants at nil consideration.
- (5) There is no participant with Awarded Shares granted and to be granted in excess of the 1% individual limit, nor related entity participant or service provider with Awarded Shares granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue.

The fair value of each Awarded Shares granted in January 2023 was HK\$0.98. The fair value is determined based on the market price of the Company's shares on the corresponding grant date. It is expected that the dividends are not included in the measurement of fair value. Details of fair value are set out in Part (b) of Note 9 in the interim results announcement.

Compliance with the CG Code

The Company has adopted the code provisions set out in the CG Code as its own corporate governance framework. The Company complied with the code provisions as set out in the CG Code for the six months ended 30 June 2023, save for the deviations from code provision C.2.1 as disclosed below.

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

Mr. Jiang Xiaohuang is the chairman of the Board and CEO of the Company currently. Due to Mr. Jiang's background, qualifications and experiences in the Company, he is considered to be the best candidate for both roles at present. The Board considers that Mr. Jiang's dual role at this stage is conducive to maintaining the continuity of the Company's policies and the operation efficiency and stability of the Company, which is appropriate and in the best interest of the Company and Shareholders.

Besides, all major decisions of the Company have been made in consultation with members of the Board and appropriate committees, as well as the Senior Management. In addition, Directors are encouraged to participate actively in all meetings of the Board and of such Board committees of which they are members, and the Chairman ensures that all issues raised are properly briefed at the Board meetings, and he works with the Senior Management to provide adequate, accurate, clear, complete and reliable information to all members of the Board in a timely manner. Further, the Board meets with Mr. Jiang regularly to discuss issues relating to the operation of the Group.

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

Compliance with the Model Code on Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by Directors. The Company has made specified enquiry with all the Directors, and each of them has confirmed that during the six months ended 30 June 2023, 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.

Sufficiency of Public Float

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

Audit Committee

Our Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. 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 the Group's unaudited consolidated interim financial statements for the six months ended 30 June 2023 and has met with the Auditor who has reviewed the interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

Publication of the Interim Results and 2023 Interim Report

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.friendtimes.net). The 2023 interim report of the Group will be dispatched to the Shareholders and published on the aforementioned websites in due course in accordance with Rule 13.40 of the Listing Rules.

DEFINITIONS

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

“Adoption Date”	14 September 2020, being the date on which the Board adopted the Share Award Scheme
“AI”	Artificial intelligence
“AIGC”	AI Generated Content, refers to the content generated by using artificial intelligence technology
“AR”	Augmented reality, AR technology is a technology that integrates virtual information with the real world
“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”	<i>KPMG, Certified Public Accountants, Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance</i>
“Award”	an award by the Board to a Selected Participant entitling the Selected Participant to receive such number of Awarded Shares and the related income on such terms and conditions as the Board may determine
“Awarded Shares”	in respect of a Selected Participant, such number of Shares determined by the Board under an Award
“Board” or “Board of Directors”	board of directors of the Company

“CEO”	chief executive officer
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan herein
“Company” or “our Company” or “the Company”	FriendTimes Inc., an exempted company incorporated in the Cayman Islands on 16 November 2018 with limited liability and listed on the Stock Exchange on 8 October 2019 (Stock code: 6820)
“Director(s)”	director(s) of the Company
“Eligible Participant(s)”	any senior and mid-level management, core technical personnel and key employees who, at the absolute discretion of the Board, will contribute or have contributed to any member of the Group
“Group” or “the Group” or “we” or “us”, or “our”	the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“IP”	intellectual property
“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
“NPC”	Non-Player Character, which refers to the game characters in electronic games that are not controlled by players
“Reporting Period”	from 1 January 2023 to 30 June 2023
“Prospectus”	the prospectus of the Company dated 24 September 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme Rules”	the rules of the Share Award Scheme, as amended from time to time
“Selected Participant(s)”	Eligible Participant(s) selected by the Board pursuant to the Scheme Rules who holds a subsisting Award
“Senior Management”	senior management of the Company
“Share(s)”	ordinary share(s) in the issued capital of the Company with nominal value of US\$0.00001 each
“Share Award Scheme”	the share award scheme adopted by the Company on the Adoption Date (in its present or any amended form)
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	the company(ies) which are for the time being and from time to time the subsidiary(ies) (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Listing Rules) of the Company, whether incorporated in Hong Kong, the British Virgin Islands, the PRC or elsewhere
“Trust”	the trust constituted by the Trust Deed

“Trust Deed”	a trust deed dated 3 August 2020 and entered into by and among the Company, the Trustee and its nominee (as restated, supplemented and amended from time to time)
“Trustee”	TMF Trust (HK) Limited, the trustee which has been appointed by the Company to manage the Share Award Scheme
“%”	per cent

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

Hong Kong, 17 August 2023

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