



LINEKONG

● FIRST QUARTERLY REPORT ●

藍港互動集團有限公司

Linekong Interactive Group Co.,Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8267



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*This report, for which the directors (the “**Directors**”) of Linekong Interactive Group Co., Ltd. (the “**Company**” or “**we**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



FIRST QUARTERLY RESULTS (UNAUDITED)

The Board announces the unaudited consolidated quarterly results of Group for the three months ended March 31, 2021 and the unaudited condensed consolidated financial statements, together with the unaudited comparative figures for the corresponding period in 2020. Such results were reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee comprises all independent non-executive Directors and non-executive Directors of the Company and is chaired by an independent non-executive Director.



Interim Condensed Consolidated Statement of Comprehensive (Loss)/Income

For the three months ended March 31, 2021

		Three months ended March 31,	
		2021	2020
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	20,977	58,489
Cost of revenue		(14,552)	(39,997)
Gross profit		6,425	18,492
Selling and marketing expenses		(3,213)	(5,076)
Administrative expenses		(7,009)	(9,787)
Research and development expenses		(4,868)	(5,349)
Net impairment losses on receivables and contract assets		(73)	(50)
Other operating (loss)/income — net		(436)	4,626
Operating (loss)/profit	4	(9,174)	2,856
Other (loss)/gains — net		(18)	50
Finance costs — net		(1,088)	(95)
Share of loss of investments using equity accounting		(237)	(615)
(Loss)/income before income tax		(10,517)	2,196
Income tax credit/(expense)	5	74	(673)
(Loss)/income for the period		(10,443)	1,523
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
— Share of other comprehensive income of investments accounted for using the equity method, net of tax		292	1,012
Items that will not be reclassified to profit or loss:			
— Currency translation differences		1,824	7,853
Other comprehensive income for the period, net of tax		2,116	8,865
Total comprehensive (loss)/income for the period		(8,327)	10,388

Interim Condensed Consolidated Statement of Comprehensive (Loss)/Income (Continued)

For the three months ended March 31, 2021

	Note	Three months ended March 31, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(Loss)/profit attributable to:			
Owners of the Company		(10,117)	(320)
Non-controlling interests		(326)	1,843
(Loss)/profit for the period		(10,443)	1,523
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(8,001)	8,545
Non-controlling interests		(326)	1,843
Total comprehensive (loss)/income for the period		(8,327)	10,388
Loss per share (expressed in RMB per share)			
— Basic	6(a)	(0.0291)	(0.0009)
— Diluted	6(b)	(0.0291)	(0.0009)

The above interim condensed consolidated statement of comprehensive (loss)/income should be read in conjunction with the accompanying notes.



Interim Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2021

(Unaudited)	Attributable to owners of the Company					Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Accumulated losses RMB'000			
Balance as of January 1, 2020	59	1,720,690	(10,019)	416,225	(1,690,739)	436,216	14,351	450,567
Comprehensive income/(loss)								
(Loss)/profit for the period	—	—	—	—	(320)	(320)	1,843	1,523
Other comprehensive income								
— Share of other comprehensive income of investments accounted for using the equity method, net of tax	—	—	—	1,012	—	1,012	—	1,012
— Currency translation differences	—	—	—	7,853	—	7,853	—	7,853
Total comprehensive income/(loss) for the period	—	—	—	8,865	(320)	8,545	1,843	10,388
Total contributions by and distributions to owners of the Company recognised directly in equity								
Employee share option and RSU Scheme:								
— Shares repurchased for RSU Scheme	—	—	(98)	—	—	(98)	—	(98)
— Value of employee services	—	—	—	1,098	—	1,098	18	1,116
Total contributions by and distributions to owners of the Company for the period	—	—	(98)	1,098	—	1,000	18	1,018
Balance as of March 31, 2020	59	1,720,690	(10,117)	426,188	(1,691,059)	445,761	16,212	461,973



Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the three months ended March 31, 2021

(Unaudited)	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Shares held for RSU Scheme	Reserves	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of January 1, 2021	59	1,720,690	(10,454)	399,333	(1,725,253)	384,375	9,316	393,691
Comprehensive income/(loss)								
Loss for the period	—	—	—	—	(10,117)	(10,117)	(326)	(10,443)
Other comprehensive income								
— Share of other comprehensive income of investments accounted for using the equity method, net of tax	—	—	—	292	—	292	—	292
— Currency translation differences	—	—	—	1,824	—	1,824	—	1,824
Total comprehensive income/(loss) for the period	—	—	—	2,116	(10,117)	(8,001)	(326)	(8,327)
Total contributions by and distributions to owners of the Company recognised directly in equity								
Employee share option and RSU Scheme:								
— Shares repurchased for RSU Scheme	—	—	(101)	—	—	(101)	—	(101)
— Value of employee services	—	—	—	242	—	242	7	249
Total contributions by and distributions to owners of the Company for the period	—	—	(101)	242	—	141	7	148
Balance as of March 31, 2021	59	1,720,690	(10,555)	401,691	(1,735,370)	376,515	8,997	385,512

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



Notes to Interim Condensed Consolidated Financial Information

1. General information

Linekong Interactive Group Co., Ltd. (the “**Company**”), was incorporated in the Cayman Islands on May 24, 2007 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 address of the Company’s registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company’s shares have been listed on GEM of The Stock Exchange of Hong Kong Limited since December 30, 2014 by way of its initial public offering (“**IPO**”).

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in developing and publishing online games (the “**Game Business**”) in the People’s Republic of China (the “**PRC**”) and other countries and regions, and film business (the “**Film Business**”) in the PRC.

The interim condensed consolidated statements of comprehensive (loss)/income for the three-month period ended March 31, 2021, changes in equity for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Financial Information**”) have been approved by the Board of Directors on May 14, 2021.

The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Information has not been audited.



2. Basis of preparation

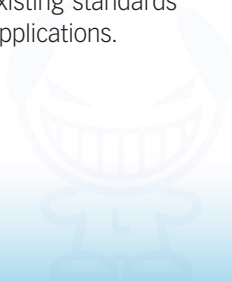
The Interim Financial Information has been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”).

The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2020 as set out in the 2020 annual report of the Company (the “**2020 Financial Statements**”) which have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), and any public announcements made by the Company during the interim reporting period.

3. Summary of significant accounting policies

The accounting policies applied are consistent with those used in the 2020 Financial Statements, as described in the 2020 Financial Statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of standards, amendments and interpretations effective for the first time for the interim period. The Interim Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and an associate measured at fair value through profit or loss which are carried at fair value.

The Group has not early adopted any new standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial period beginning January 1, 2021. The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards on the financial statements of the Group in their initial applications.



4. Revenue and segment information

The chief operating decision maker (“**CODM**”) of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

The Company separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. For the three months ended March 31, 2021, the Group is organised into two reportable operating segments.

The Group identifies 2 segments as follows:

- The Game Business, which is primarily engaged in developing and publishing online games in the PRC and other countries and regions;
- The Film Business, which is primarily engaged in licensing self-developed online dramas rights to third-party publishers and producing online dramas rights for specific customers in the PRC.



4. Revenue and segment information (Continued)

The CODM assesses the performance of the operating segments based on the operating (loss)/profit of each reporting segments. The reconciliation of operating (loss)/profit to (loss)/income before income tax is shown in the interim condensed consolidated statement of comprehensive (loss)/income.

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment revenue:		
Game Business		
— Sales of in-game virtual items	18,792	25,689
— License fee and technical support fees	733	10,170
	19,525	35,859
Film Business		
— Licensing of rights and production of online dramas and others	1,452	22,630
Total	20,977	58,489
Segments results — operating (loss)/profit:		
— Game Business	(7,304)	(2,015)
— Film Business	(1,870)	4,871
Total	(9,174)	2,856



4. Revenue and segment information (Continued)

A breakdown of revenue derived from different countries and regions for the three months ended March 31, 2021 and 2020 is as follows:

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from external customers:		
— PRC	9,660	42,280
— South Korea	9,895	14,588
— Other overseas countries and regions	1,422	1,621
	20,977	58,489

5. Income tax (credit)/expense

The income tax (credit)/expense of the Group for the three months ended March 31, 2021 and 2020 is analysed as follows:

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	(74)	809
Deferred income tax	—	(136)
Income tax (credit)/expense	(74)	673

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

5. Income tax (credit)/expense (Continued)

No income tax provision for Hong Kong profit tax has been made by the Group as the Company's subsidiaries incorporated in Hong Kong did not have any taxable profit generated from operations in Hong Kong for the three months ended March 31, 2021 and 2020.

The income tax provision of the Group in respect of operations in the PRC has been calculated based on the statutory tax rate of 25% on the estimated assessable profits for the three months ended March 31, 2021 and 2020 of each of the group companies, except that: (i) one subsidiary of the Company, incorporated in Horgos, is exempted from income taxes under the relevant PRC tax rules and regulations for the three months ended March 31, 2021 and 2020; (ii) two subsidiaries of the Company were qualified as "High and New Technology Enterprises" ("HNTES") and entitled to a preferential income tax rate of 15% for the three months ended March 31, 2021 and 2020; (iii) one subsidiary of the Company, was qualified as a software enterprise under the relevant PRC laws and regulations in December 2020, and the related tax provision arising for the three months ended March 31, 2021 and 2020 was exempted; and (iv) one subsidiary of the Company, incorporated in Horgos, was established in June 2020 and exempted from income taxes under the relevant PRC tax rules and regulations for the three months ended March 31, 2021.

6. Loss per share

(a) Basic

Basic loss per share for the three months ended March 31, 2021 and 2020 is calculated by dividing the loss of the Group attributable to the owners of the Company of the period by the weighted average number of ordinary shares in issue during the period.

	Three months ended March 31,	
	2021	2020
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	(10,117)	(320)
Weighted average number of ordinary shares in issue (thousand shares)	347,195	347,072
Basic loss per share (expressed in RMB per share)	(0.0291)	(0.0009)

6. Loss per share (Continued)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the three months ended March 31, 2021 and 2020, the Company had two categories of potential ordinary shares, restricted share units and share options granted to eligible persons. As the Group incurred a loss for the three months ended March 31, 2021 and 2020, the potential ordinary shares were not included in the calculation of the diluted loss per share where their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the three months ended March 31, 2021 and 2020 are the same as basic loss per share of the period.

7. Dividends

No dividends have been paid or declared by the Company during each of the three months ended March 31, 2021 and 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

In the first quarter of 2021, the Group maintained its prudent business strategy. As at March 31, 2021, the revenue of the Group amounted to RMB21 million, representing a decrease of approximately 64.1% as compared to RMB58.5 million in the same period of 2020. The decrease in revenue was mainly due to the decrease in gross billing in jointly operated games, our self-developed products are still under research and development stage and the cyclical impact of film business. For film business, “原來你是這樣的顧先生” was launched on Tencent Video on March 30, 2021 and attracted over one hundred million views in the first three days of broadcast, being one of the most popular online dramas launched with highest number of view counts in the same period. For game business, the Group further refined its product structure in response to the opportunities and challenges in the market.

The Group has put great efforts in the research and development of new products for its game business and several projects are at the advanced stage of research and development and commenced technical testing which are in the pre-publish stage. We will continue to develop our female-oriented and light to moderate casual games and strategically further explore key overseas markets, such as South Korea, Japan and North America.

In respect of filming business, new dramas or films have been launched continuously. “原來你是這樣的顧先生”, a drama jointly produced by the Group and Tencent Video, was officially broadcast on March 30, 2021 and has been one of the trending searches on major media platforms since the first day of broadcast. As the second online drama in this year, “花好月又圓” is scheduled for broadcast.



The artist agency business of the Group has been well organized. Four potential upcoming pop stars of the Group have been developed by participating in film production and managing new media platforms and are ready to demonstrate their strengths with their excellent performance.

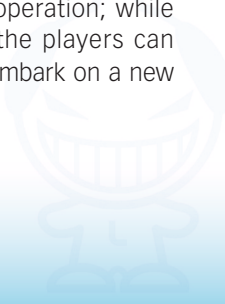
In the future, the Group will continue to implement its strategies to continuously acquire excellent IPs and to develop high-quality products. The Group aims to promote the development of the industry and foster culture with its high-quality products in order to establish reputation of the Group and create branding effect.

Research and development of new products and accelerating expansion of overseas game markets of Linekong Games

In order to further enrich the Group's product portfolio, our game business team established a product line of light to moderate casual games. The Group's self-developed game "精靈大亨", named as Coin Tycoon in overseas markets, is based on the civilization evolution and technology development of fairyland where players can casually interact and the testing of which has been launched around the world. The retention and payment results of the game are satisfactory and the game will be launched for testing in China.

"蠻荒紀元" is the newest generation of the Group's MMORPG fairy tale mobile game and features aesthetic realism graphics to provide players with a glimpse of the splendor and prosperity of ancient era and a glamorous fairy tale experience. The technical test of the game is currently under way and the commercial test of the game is expected to be commenced in 2021.

Besides, the development of "甄嬛傳之浮生一夢", a female-oriented AVG+RPG game jointly developed by the Group and its partners, is at its advanced development stage. The game allows players to embark on an elegant and romantic journey in 2D style graphics from first-person perspective and players can experience various fun features of the game, including dress fitting, romantic relationship development and business operation; while revisiting the legendary IP classic, "Zhen Huan (甄嬛)", the players can appreciate the glamour of a dynasty in its golden age and embark on a new and surprising adventure.



Based on our research and analysis of overseas markets, the Group further cultivates the market in South Korea and continues the stable operation of “大航海時代”. The Group has also decided to choose Japan as its second target overseas market after South Korea. Our Japan distribution team was established in 2019, all of its members have experience in distributing top 30 best-selling games in Japan. Prior to that, the Group has been exclusively licensed to adapt and globally distribute the mobile version of the epic ARPG Japanese game “Ys VIII”. The entire adaptation of the “Ys VIII Mobile” is supervised by Falcom, exquisitely offering players with impressive gaming experiences. Apart from engaging well-known Japanese writers to refine and upgrade the plot of the game, a number of famous Japanese painters are gathered to create beautiful artworks.

Having received overwhelming responses from its participation in the Tokyo Game Show (“TGS”) in 2019, “Ys VIII Mobile” also participated in the TGS Online in 2020. Despite having to be carried out online due to the pandemic outbreak in 2020 where exhibitors presented their products via playback or live streaming, the presentation remained highly received with real-time broadcast on various major streaming platforms such as DouYu, Bilibili, Huya Live in China. “Ys VIII Mobile” displayed its latest game PV and various details of the game in development, such as characters, architecture and transitional animations and has been tracked by various renowned game media such as 4Gamer and Famitsu. The game remained popular in Japan and was well-received and recognized by new and experienced players. The game has entered the final stage of completion and optimization and is scheduled to commence testing in 2021.

In addition, during the reporting period, games such as “Uproar in Heaven (鬧鬧天宮)” (distributed under the Tencent A.C.E Program) and “Daybreak Legends (黎明之光)” have continued to contribute stable operating income to the Group. The Group will continue their promotion and operation.



Linekong Pictures has established a sound product matrix, ensuring that prime dramas and secondary dramas will continue to be well-received

In 2021, the matrix product development of Linekong Pictures has achieved satisfactory results. Linekong Pictures focuses on target audiences to ensure that our prime dramas and secondary dramas will continue to be well-received. After four years of experiences and brands accumulation, Linekong Pictures has accumulated multiple potential pieces with excellent contents, including prime dramas (頭部劇), secondary dramas (腰部劇) and movies (電影).

In terms of prime IPs (頭部 IP), Linkong Pictures held masterpieces such as “琴瑟緣” and “雲海傳”. Historical-style IP, “琴瑟緣” is the first ancient costume fairy and devil drama in China based on ancient music and its filming is planned to commence in 2022. Through a beauty love story with ups-and-downs, the drama reveals the legend of forgotten ancient musical instrument and the beauty of ancient music, showing the unique charm and inner nature of the nation and fostering new dynamics in traditional culture. The original IP was selected and ranked first in the 2017 List of National Items for Reforms and Development (改革發展項目庫二零一七年入庫名額) of the State Administration of Press, Publication, Radio, Film and Television. The comic which the drama bases on was selected for the 2016 Mobility Supporting Plan for Chinese Original Comic and Animation (二零一六年原動力中國原創動漫出版扶持計劃) by the National Radio and Television Administration (國家廣電總局). “雲海傳” is the first ancient-setting youth adventure online drama in China produced by the Group — through a treasure hunt journey without a map, revealing the truth of a ten-thousand-year treasure. It is a courageous and enthusiastic story of three young men growing up together hand-in-hand in adversity and making choices between right and wrong. Its filming is planned to start in 2021.



After several dramas, namely “Long For You (我與你的光年距離)”, “Unexpected (來到你的世界)”, “Long For You 2 (我與你的光年距離2)” and “Love The Way You Are (身為一個胖子)”, “原來你是這樣的顧先生”, a new online drama jointly produced by the Group, Tencent Video and Tencent Penguin Pictures, is officially broadcast on Tencent Video in March 2021. The potential upcoming pop stars such as Chen Jingke (陳靖可), Yan Zhichao (嚴智超), Ding Jiawen (丁嘉文) starred in this drama which talks about a special kind of love story in the city with light comedy and fashion elements. In the first three days of broadcast, the drama already attracted over one hundred million views and has been one of the trending searches for several times. The ancient romantic drama “花好月又圓”, an excellent original IP jointly developed by the Group and Youku, is under preparation for its launch and marketing and is expected to be launched in 2021.

In 2021, the Group will continue to enrich its IP reserves. “喂兒”, a new style drama, is a key project of the Group adapted from a popular IP written by Nan Bei Zhu Feng (南北逐風) of Changpei Wenxue (長佩文學). Through the growing up story of a pair of bound crosstalk partners with a love-hate relationship, the drama reveals an inspirational youth story about the inheritance of crosstalk, integrating traditional culture with youth and enthusiasm. Through the story of characters who strive to revive traditional culture despite hurdles, the drama unravels the impact of traditional culture on youngsters nowadays in order to promote the treasure of the Chinese culture and boost positive energy among the Chinese youngsters. “錦堂春宴”, an ancient costume female and inspirational drama, is adapted from a popular IP of the female channel of Qidian (起點). Through the inspirational story of a miserable girl from a peasant family building her wonderful life with peerless cooking skills and tenacious spirit, the drama unravels the traditional food carving skill and promotes culture of Chinese cuisine. The filming of these two dramas is expected to commence in 2021. In addition, the Group reserved several popular dramas, including a female emotional and inspirational idol drama “初戀循環”, adapted from a novel titled “少女甜”, a well-known IP from JinJiang Wenxuecheng (晉江文學城) and an urban romance drama “對你不止是喜歡”.



Chenxi Entertainment showed a rapid development and four excellent upcoming pop stars have been moving onward and upward steadily

Ding Jiawen's performance as a "fairy" named Cao Ping (曹評) in "Serenade of Peaceful Joy (清平樂)", a popular TV series, was highly appraised, and had been one of the trending searches on Weibo Hot Searches for several times. He also starred as the lead actor in "乘風少年" which was broadcast on two platforms in September 2020. The drama has been one of the trending searches and hot topics. His outstanding performance in the role Zhang Yin (章尹) in "原來你是這樣的顧先生", a popular drama broadcast on Tencent Video in the first quarter of 2021, was highly appraised. "花好月又圓", "藍色閃電", "我家娘子不好惹", "眼裏餘光都是你" and other dramas, all starring Ding Jiawen, are also expected to be broadcast online in 2021.

Due to his outstanding performance in the leading role Luo Xiaoyi (洛小乙) in the film "老師 • 好", Wang Guangyuan has gained much popularity among audiences and received numerous attention and acknowledgement inside and outside the industry. In 2020, he starred as Hao Duanduan (郝端端), the lead actor of "開心合夥人", a prime online drama jointly produced by Huang Lan, a top producer, and Mahua FunAge (開心麻花), and is expected to be launched in 2021. The filming of "一日為囚", a high-quality suspense drama starring Wang Guangyuan, is in progress.

In 2021, Li Ao starred as Tian Meng (田夢), a character who speaks wise words, in an online drama, "我才不要和你做兄弟". His decent image in the drama has raised attention and expectation. The filming of "我才不要和你做兄弟" is under progress. In 2020, Li Ao starred as the lead actress He Mingyue (何明月) in an online drama, "本宮今天不加班", and starred as the supporting role Zhao Yishu (趙藝書) in another online drama, "謝謝讓我遇見你". These two dramas have ranked top among online dramas in major search engines shortly after its launch and are under spot light and highly appraised by fans.



Yao Xiaotang (姚曉棠) starred as the lead actress Lu Fei (鹿菲) in “沒問題先生” a film produced by Mahua FunAge, and has been widely praised for her acting skills. “紅樓夢”, a film where Yao Xiaotang (姚曉棠) starred as Jia Tanchun (賈探春), has completed filming, pending to be launched. The film was directed by Hu Mei (胡玫), a well-known director, and has been anticipated by the industry. In 2021, Yao Xiaotang cooperated with Red Star Macalline and has acted as Living Mall Ambassador of Red Star Macalline. She has also starred as the lead actress Ruan Lingzhou (阮凌竹) in a film, “隱秘直播”, which is expected to be launched in 2021.

In 2021, the Group will focus on the development of IP games, female-oriented games and casual games. The Group will also place great emphasis on the expansion of overseas market and the enhancement of the matrix product development of filming projects and promote the popularity of contracted artists. The Group will adhere to its principles of practicality and customer-centricity through the creation of high quality products and fascinating entertainment.



Financial Review

Revenue

The Group's revenue decreased by approximately 64.1% from approximately RMB58.5 million for the three months ended March 31, 2020 to approximately RMB21.0 million for the three months ended March 31, 2021.

The following table sets out the breakdown of the Group's results by segments:

	For the three months ended		Change (approximate %)
	2021 RMB'000 (Unaudited)	March 31, 2020 RMB'000 (Unaudited)	
Segment revenue:			
Game Business			
— Sales of in-game virtual items	18,792	25,689	(26.8)
— License fee and technical support fee	733	10,170	(92.8)
	19,525	35,859	(45.6)
Film Business			
— Licensing of rights and production of online dramas and others	1,452	22,630	(93.6)
Total	20,977	58,489	(64.1)



The following table sets forth the breakdown of the Group's revenue by geographical locations:

	For the three months ended March 31,			
	2021		2020	
	RMB'000 (Unaudited)	approximate %	RMB'000 (Unaudited)	approximate %
China (including Hong Kong, Macau and Taiwan regions)	9,660	46.0	42,280	72.3
South Korea	9,895	47.2	14,588	24.9
Other overseas countries and regions	1,422	6.8	1,621	2.8
Total	20,977	100.0	58,489	100.0

For the three months ended March 31, 2021, the revenue contributed by game business amounted to approximately RMB19.5 million, representing a decrease of approximately 45.6% or RMB16.4 million as compared with the corresponding period of 2020, which was attributable to the decrease in gross billing of jointly operated games and decrease in revenue from licensing of rights of games during the current period. The Group has implemented strategies to put more efforts in strengthening the quality of game development and roll out more competitive games.

The Group recognised revenue of approximately RMB1.5 million from licensing of rights and production of online dramas and others for the three months ended March 31, 2021, representing a decrease of approximately 93.6% from approximately RMB22.6 million as compared with the three months ended March 31, 2020, which was mainly due to the cyclical impact of film business and the revenue recognition of “原來你是這樣的顧先生” in the corresponding period of 2020.



Cost

The Group's cost for the three months ended March 31, 2021 was approximately RMB14.6 million, representing a decrease of approximately 63.5% as compared to approximately RMB40.0 million for the three months ended March 31, 2020.

The decrease in cost of the Group was in line with the year-on-year decrease in revenue, which was mainly due to the cyclical impact on revenue from licensing of rights and production of online dramas and others.

Gross profit and gross profit margin

The Group's gross profit for the three months ended March 31, 2021 was approximately RMB6.4 million, representing a decrease of approximately 65.4% from approximately RMB18.5 million for the three months ended March 31, 2020. The decrease in gross profit was mainly due to the decrease in revenue from existing games.

The Group's gross profit margin for the three months ended March 31, 2021 was approximately 30.6%, representing a decrease of approximately 1 percentage point as compared to approximately 31.6% for the three months ended March 31, 2020.

Selling and marketing expenses

The Group's selling and marketing expenses for the three months ended March 31, 2021 were approximately RMB3.2 million, representing a decrease of approximately 37.3% from approximately RMB5.1 million for the three months ended March 31, 2020. The decrease in selling and marketing expenses was primarily due to the decrease in advertising and promotion expenses as a result of the decrease in the number of new games released.



Administrative expenses

The Group's administrative expenses for the three months ended March 31, 2021 were approximately RMB7.0 million, representing a decrease of approximately 28.6% from approximately RMB9.8 million for the three months ended March 31, 2020. The decrease in the Group's administrative expenses was primarily due to the decrease in expenses as a result of the stage of business and development strategies of the Company.

Research and development expenses

The Group's research and development expenses for the three months ended March 31, 2021 were approximately RMB4.9 million, representing a decrease of approximately 7.5% from approximately RMB5.3 million for the three months ended March 31, 2020. The decrease in the Group's research and development expenses was primarily due to the decrease in amortisation expenses as a result of the decrease in capital expenditure.

Share of loss of investments using equity accounting

The Group's share of loss of investments using equity accounting for the three months ended March 31, 2021 was approximately RMB0.2 million, decreased by approximately 66.7% as compared to a loss of approximately RMB0.6 million for the three months ended March 31, 2020, mainly due to the decrease in operating loss incurred by Fuze Entertainment Co., Ltd, our investee.

(Loss)/profit for the period

As a result of the foregoing, the loss for the three months ended March 31, 2021 was approximately RMB10.4 million as compared to a profit of approximately RMB1.5 million for the three months ended March 31, 2020.



Non-IFRSs measure — adjusted net (loss)/profit

To supplement our combined and consolidated financial statements presented in accordance with the IFRSs, we also adopted adjusted net (loss)/profit as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted net (loss)/profit was derived from our net (loss)/profit for the period deducting share-based compensation expenses and one-off compensation for loss of office paid. The adjusted net (loss)/profit measured at non-IFRSs is an unaudited figure.

The following table respectively sets out the reconciliation from (loss)/profit for the period under IFRSs to the adjusted net (loss)/profit for the three months ended March 31, 2021 and 2020:

	For the three months ended		
	March 31,		
	2021	2020	Change
	RMB'000	RMB'000	(approximate
	(Unaudited)	(Unaudited)	%)
(Loss)/profit for the period	(10,443)	1,523	
Add:			
Share-based compensation expenses	249	1,116	(77.7)
One-off compensation for loss of office paid	70	679	(89.7)
Adjusted net (loss)/profit	(10,124)	3,318	

The Group's adjusted net loss for the three months ended March 31, 2021 was approximately RMB10.1 million, as compared to the adjusted net profit of approximately RMB3.3 million for the three months ended March 31, 2020.



Liquidity and Financial Resources

During the three months ended March 31, 2021, we financed our businesses primarily through cash generated from our existing operating activities. The Group has been maintaining a solid cash position since the listing of the Company's shares (the "**Shares**") on GEM of the Stock Exchange and obtaining the net proceeds in December 2014. We intend to finance our expansion and business operations with internal resources and through organic and sustainable growth.

Treasury policy

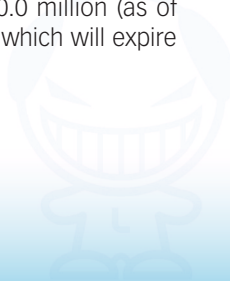
During the three months ended March 31, 2021, most of the Group's idle capital was invested in time deposits of commercial banks in the PRC. For the purpose of generating better return for the Group's idle cash, the Group's treasury policy is to invest in these time deposits, and not to engage in any investments with high risks or transactions of speculative derivatives. In order to meet the domestic working capital requirement, we will seek for stable and long-term funding from banks at market lending rate for the corresponding period.

Cash and cash equivalents, short-term bank deposits and restricted deposits

As of March 31, 2021, we had cash and cash equivalents of approximately RMB135.3 million (as of December 31, 2020: approximately RMB84.7 million), which primarily consisted of cash at bank, other financial institutions and cash in hand and were mainly denominated in U.S. dollars (as to approximately 70.8%), RMB (as to approximately 24.8%), HKD (as to approximately 4.0%), and other currencies (as to approximately 0.4%).

As of March 31, 2021, we had short-term bank deposits of approximately RMB52.0 million (as of December 31, 2020: approximately RMB90.8 million).

As of March 31, 2021, approximately RMB115.0 million (as of December 31, 2020: approximately RMB114.2 million) is restricted deposit held at a bank as its reserve for the provision of a loan facility of RMB100.0 million (as of December 31, 2020: RMB100.0 million) provided by the bank which will expire in one year.



Capital Structure

The Shares were listed on GEM of the Stock Exchange on December 30, 2014. The capital structure of the Company comprises ordinary Shares.

Borrowing and Gearing Ratio

As at March 31, 2021, bank loans borrowed by the Group amounted to approximately RMB100.0 million (as at December 31, 2020: approximately RMB100.0 million). As at March 31, 2021, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 32.8% (as at December 31, 2020: approximately 31.2%).

Charge on Group Assets

As at March 31, 2021, a restricted deposit of approximately RMB115.0 million of the Group was pledged to secure bank borrowings (as at December 31, 2020: approximately RMB114.2 million).

Information on Employees and Remuneration Policy

The Group has established the remuneration committee on April 21, 2014 with written terms of reference in compliance with Appendix 15 to the GEM Listing Rules. The remuneration committee regularly reviews and recommends to the Board from time to time regarding the remuneration and compensation of the Directors and the senior management of the Group. The Group offers a competitive remuneration package which is commensurate with industry practice and provides benefits to employees of the Group, including social insurance coverage, defined contribution retirement scheme and bonus.

As at March 31, 2021, the Group had 141 employees.



DIVIDEND

The Board did not recommend the payment of a dividend for the three months ended March 31, 2021.

USE OF IPO PROCEEDS

The net proceeds of the Company from the public offering of Shares in December 2014 amounted to approximately HKD686.2 million after deducting the underwriting commission and other expenses in connection with the public offering (the “**IPO Proceeds**”).

As of March 31, 2021, the IPO Proceeds have been utilised as follows:

	Net proceeds million HKD	Amounts utilised as of December 31, 2020 million HKD	Amounts utilised during the three months ended March 31, 2021 million HKD	Amounts unutilised million HKD
Overseas expansions (expanding our business in overseas markets)	137.2	137.2	0	0
Potential strategic acquisition or investment in companies in online game or related businesses	68.6	59.4	0.3	8.9
Creating pan-entertainment environment	157.8	157.8	0	0
Licensing more high quality games with different genres and themes from Chinese and overseas game developers and the operation of such games	68.6	68.6	0	0



	Net proceeds	Amounts utilised as of December 31, 2020	Amounts utilised during the three months ended March 31, 2021	Amounts unutilised
	million HKD	million HKD	million HKD	million HKD
Research and development of games, the operation of existing and brand new self-developed games, and the purchase of intellectual property rights of popular entertainment content	137.2	137.2	0	0
Providing funding for our working capital and other general corporate purposes	34.3	34.3	0	0
Investing in our technology platform, including developing and improving our game development tools and purchase of commercialized game engines developed by third parties	34.3	29.0	0	5.3
Mastering user usage flow entry point via developing intellectual hardware and mobile phone software	48.2	10.3	0.4	37.5
Total	686.2	633.8	0.7	51.7



As of March 31, 2021, approximately HKD51.7 million of the IPO Proceeds remained unutilised. The unutilised IPO Proceeds have been deposited into short-term demand deposits in a bank account maintained by the Group.

Among the unutilised proceeds, funding reserved for acquisition will be utilised in accordance with the progress of our potential acquisition projects. Funding for investing in our technology platform will be used in 2021 to purchase and develop new game engines; and funding for development of intellectual hardware and mobile phone software for mastering user usage flow entry point will be utilised in accordance with the development progress in 2021.

The Company will continue to utilise the IPO Proceeds for the purposes which are consistent with those set out in the announcement of “Change in Use of Proceeds” of the Company dated March 29, 2016.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of March 31, 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (“SFO”)) which 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in Shares and underlying Shares

Director/Chief executive	Capacity/Nature of interest	Number of Shares <i>(Note 1)</i>	Approximate percentage of interest <i>(Note 2)</i>
Mr. Wang Feng <i>(Note 3)</i>	Interest of controlled corporation	66,576,160 (L)	21.51%
	Beneficial owner	12,640,380 (L)	
Ms. Liao Mingxiang <i>(Note 4)</i>	Interest of controlled corporation	12,168,720 (L)	5.12%
	Beneficial owner	6,706,769 (L)	
Mr. Wang Jin <i>(Note 5)</i>	Beneficial owner	2,300,000 (L)	0.62%
Mr. Chen Hao <i>(Note 6)</i>	Beneficial owner	1,575,841 (L)	0.43%

Notes:

1. (L) denotes long position.
2. Based on the number of issued Shares as of March 31, 2021, being 368,350,964 Shares.
3. Mr. Wang Feng held the entire issued share capital of Wangfeng Management Limited, which in turn directly held 66,576,160 Shares. Accordingly, Mr. Wang Feng is deemed to be interested in all the 66,576,160 Shares held by Wangfeng Management Limited.

In addition, Mr. Wang Feng held 4,207,072 Shares and was interested in 8,433,308 RSUs awards granted to him under the RSU Scheme entitling him to receive 8,433,308 Shares subject to vesting, all of which have been vested as of March 31, 2021.

4. Ms. Liao Mingxiang held the entire issued share capital of Liaomingxiang Holdings Limited, which in turn directly held 12,168,720 Shares. Accordingly, Ms. Liao Mingxiang is deemed to be interested in all the 12,168,720 Shares held by Liaomingxiang Holdings Limited.

In addition, Ms. Liao Mingxiang held 215,000 Shares and was interested in 6,491,769 RSUs granted to her under the RSU Scheme entitling her to receive 6,491,769 Shares subject to vesting, among which, 5,590,169 RSUs have been vested as of March 31, 2021.

5. The 2,300,000 Shares that Mr. Wang Jin was interested in consisted of (a) 300,000 share options and 1,000,000 share options granted to him on June 15, 2016 and April 1, 2019, respectively, under the Share Option Scheme entitling him to receive an aggregate of 1,300,000 Shares upon exercise; and (b) 1,000,000 RSUs granted to him under the RSU Scheme entitling him to receive 1,000,000 Shares subject to vesting, among which, 755,000 RSUs have been vested as of March 31, 2021.

For further details, please refer to the section headed "Share Option Scheme" in this report.

6. The 1,575,841 Shares that Mr. Chen Hao was interested in consisted of (a) 100,000 share options and 1,000,000 share options granted to him on October 9, 2015 and January 18, 2017, respectively, under the Share Option Scheme entitling him to receive an aggregate of 1,100,000 Shares upon exercise; and (b) 475,841 RSUs granted to him under the RSU Scheme entitling him to receive 475,841 Shares subject to vesting, all of which have been vested as of March 31, 2021.

For further details, please refer to the section headed "Share Option Scheme" in this report.



Save as disclosed above, as of March 31, 2021, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Interest in other member(s) of the Group

As of March 31, 2021, the following Directors or the chief executive of the Company were directly or indirectly (other than indirectly by virtue of their interest in the Company) interested in the shares or underlying shares of other member(s) of the Group as follows:

Director/ Chief executive	Company concerned	Capacity/ Nature of interest	Register share capital	Approximate percentage of interest
Mr. Wang Feng	Linekong Online (Beijing) Technology Co., Ltd. ("Linekong Online")	Beneficial owner <i>(Note 1)</i>	RMB7,545,000	75.45%
Ms. Liao Mingxiang	Linekong Online	Beneficial owner <i>(Note 1)</i>	RMB1,364,000	13.64%
Mr. Wang Jin	Horgos Linekong Pictures Corporation ("LineKong Pictures")	Beneficial owner	RMB4,155,000	8.31%
Mr. Wang Jin	Juyingshiguang (Hainan) Pictures Limited ("Juyingshiguang")	Beneficial owner	RMB190,000	9.5%
Mr. Wang Jin	Horgos Chenxi Entertainment and Media Co., Ltd. ("Chenxi Entertainment")	Beneficial owner	RMB90,000	9%

Notes:

1. Linekong Online is a subsidiary of the Company controlled through contractual arrangements. Mr. Wang Feng and Ms. Liao Mingxiang are the registered shareholders of Linekong Online.
2. Linekong Pictures is a subsidiary of the Company controlled through Linekong Online which is owned as to 82.19% by Linekong Online.
3. Juyingshiguang is a subsidiary of the Company controlled through Linekong Online which is owned as to 84.5% by Linekong Online.
4. Chenxi Entertainment is a subsidiary of the Company controlled through Linekong Online which is owned as to 60% by Linekong Online.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

So far as is known to the Directors, as of March 31, 2021, the following persons (other than Directors and chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

(i) Substantial Shareholders

Shareholder	Nature of interest	Number of Shares (Note 1)	Approximate percentage of interest (Note 2)
Zhu Li (Note 3)	Interest of spouse	79,216,540 (L)	21.51%
Wangfeng Management Limited (Note 4)	Beneficial owner	66,576,160 (L)	18.07%
Starwish Global Limited (Note 5)	Beneficial owner	52,318,760 (L)	14.20%
China Momentum Fund, L.P. (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.20%

Shareholder	Nature of interest	Number of Shares <small>(Note 1)</small>	Approximate percentage of interest <small>(Note 2)</small>
Fosun China Momentum Fund GP, Ltd. <small>(Note 5)</small>	Interest of controlled corporation	52,318,760 (L)	14.20%
Fosun Momentum Holdings Limited <small>(Note 5)</small>	Interest of controlled corporation	52,318,760 (L)	14.20%
Fosun Financial Holdings Limited <small>(Note 5)</small>	Interest of controlled corporation	52,318,760 (L)	14.20%
Fosun International Limited <small>(Note 5)</small>	Interest of controlled corporation	52,318,760 (L)	14.20%
Fosun Holdings Limited <small>(Note 5)</small>	Interest of controlled corporation	52,318,760 (L)	14.20%
Fosun International Holdings Limited <small>(Note 5)</small>	Interest of controlled corporation	52,318,760 (L)	14.20%
Guo Guangchang <small>(Note 5)</small>	Interest of controlled corporation	52,318,760 (L)	14.20%
The Core Trust Company Limited <small>(Note 6)</small>	Trustee of a trust	42,073,086 (L)	11.42%
TCT (BVI) Limited <small>(Note 6)</small>	Trustee of a trust	42,073,086 (L)	11.42%
Premier Selection Limited <small>(Note 6)</small>	Nominee for another person	42,073,086 (L)	11.42%



Notes:

1. (L) denotes long position.
2. Based on the number of issued Shares as of March 31, 2021, being 368,350,964 Shares.
3. Ms. Zhu Li is the wife of Mr. Wang Feng and is deemed to be interested in the Shares in which Mr. Wang Feng is interested under the SFO. For details of Mr. Wang Feng's interests, please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report.
4. Mr. Wang Feng, the chairman of the Company and Director, holds the entire issued share capital of Wangfeng Management Limited.
5. Starwish Global Limited is wholly-owned by China Momentum Fund, L.P. ("**China Momentum**"), an exempted limited partnership in Cayman Islands. Fosun China Momentum Fund GP, Ltd. ("**Fosun China Momentum**") is the general partner of China Momentum and is in turn wholly-owned by Fosun Momentum Holdings Limited ("**Fosun Momentum Holdings**"). Fosun Momentum Holdings is wholly-owned by Fosun Financial Holdings Limited ("**Fosun Financial Holdings**") which is in turn wholly-owned by Fosun International Limited ("**Fosun International**"), a company listed on the Main Board of the Stock Exchange (Stock Code: 00656).

As of March 31, 2021, based on information available on the Stock Exchange, Fosun International is 72.15% owned by Fosun Holdings Limited ("**Fosun Holdings**") which is in turn wholly-owned by Fosun International Holdings Ltd. ("**Fosun International Holdings**"), a company controlled as to approximately 85.29% by Mr. Guo Guangchang.

Accordingly, each of Guo Guangchang, Fosun International Holdings, Fosun Holdings, Fosun International, Fosun Financial Holdings, Fosun Momentum Holdings, Fosun China Momentum and China Momentum is deemed to be interested in all the Shares held by Starwish Global Limited under the SFO.

6. The Core Trust Company Limited, being the RSU trustee, directly held the entire issued share capital of TCT (BVI) Limited, which in turn directly held the entire issued share capital of Premier Selection Limited (the RSU nominee).



(ii) Other Shareholders

Shareholder	Nature of interest	Number of Shares <small>(Note 1)</small>	Approximate percentage of interest <small>(Note 2)</small>
Ho Chi Sing <small>(Note 3 & 4)</small>	Interest of controlled corporation	29,922,996 (L)	8.12%
IDG-Accel China Growth Fund GP Associates Ltd. <small>(Note 3)</small>	Interest of controlled corporation	27,774,323 (L)	7.54%
IDG-Accel China Growth Fund Associates, L.P. <small>(Note 3)</small>	Interest of controlled corporation	27,774,323 (L)	7.54%
IDG-Accel China Growth Fund L.P. <small>(Note 3)</small>	Beneficial owner	23,061,443 (L)	6.26%
Zhou Quan <small>(Note 3)</small>	Interest of controlled corporation	27,774,323 (L)	7.54%
Fubon Financial Holding Co., Ltd. <small>(Note 5)</small>	Interest of controlled corporation	23,739,000 (L)	6.44%
Fubon Life Insurance Co., Ltd. <small>(Note 5)</small>	Beneficial owner	23,739,000 (L)	6.44%

Notes:

1. (L) denotes long position.
2. Based on the number of issued Shares as of March 31, 2021, being 368,350,964 Shares.



- Each of IDG-Accel China Growth Fund L.P. ("**IDG Fund**", holding 23,061,443 Shares) and IDG-Accel China Growth Fund-A LP. ("**IDG Fund-A**", holding 4,712,880 Shares) is controlled by its sole general partner, IDG-Accel China Growth Fund Associates, L.P. ("**IDG Fund Associates**"), which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd. ("**IDG GP Associates**"). IDG GP Associates is held as to 35.00% by each of Mr. Zhou Quan and Mr. Ho Chi Sing.

Accordingly, each of Mr. Zhou Quan, Mr. Ho Chi Sing, IDG GP Associates and IDG Fund Associates is deemed to be interested in all the Shares held by IDG Fund and IDG Fund-A under the SFO.

- IDG-Accel China Investors L.P. ("**IDG China Investors**", holding 2,148,673 Shares) is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd. ("**IDG Associates**"), which in turn is held as to 100.00% by Mr. Ho Chi Sing.

Accordingly, each of Mr. Ho Chi Sing and IDG Associates is deemed to be interested in all the Shares held by IDG China Investors under the SFO.

- Fubon Life Insurance Co., Ltd. is 100% owned by Fubon Financial Holding Co., Ltd..

Share Option Scheme

The Company adopted a share option scheme on November 20, 2014 (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to incentivise and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (whether full-time or part-time) or a director of a member of the Group or associated companies of the Company or any person who provides or has provided consultancy or other advisory services to the Group. Key terms of the Share Option Scheme are summarized in Appendix IV "Share Option Scheme" of the Prospectus.



Details of the granted and outstanding share options of the Company as of March 31, 2021 and movement during the three months ended March 31, 2021 are as follows:

Category	Date of grant	Option period <small>(note 1)</small>	Share options granted	Exercise price HKD	Closing Price of the Shares immediately before the date of grant HKD	Outstanding balance as at January 1, 2021	During the Reporting Period				Outstanding balance as at March 31, 2021
							Granted	Exercised	Cancelled	Lapsed	
Mr. Chen Hao	October 9, 2015	October 9, 2015 to October 8, 2025	100,000 <small>(note 3)</small>	7.18	7.18	100,000	-	-	-	-	100,000
	January 18, 2017	January 18, 2017 to January 17, 2027	1,000,000 <small>(note 3)</small>	3.10	3.10	1,000,000	-	-	-	-	1,000,000
Mr. Wang Jin	June 15, 2016	June 15, 2016 to June 14, 2026	300,000 <small>(note 3)</small>	4.366	4.18	300,000	-	-	-	-	300,000
	April 1, 2019	April 1, 2019 to March 31, 2029	1,000,000 <small>(note 4)</small>	0.88	0.88	1,000,000	-	-	-	-	1,000,000
Employees	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 <small>(note 2)</small>	8.10	8.10	462,298	-	-	-	-	462,298
	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 <small>(note 3)</small>	7.18	7.18	2,778,750	-	-	-	-	2,778,750
	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 <small>(note 3)</small>	4.366	4.18	675,000	-	-	-	-	675,000
	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 <small>(note 3)</small>	3.10	3.10	2,291,250	-	-	-	-	2,291,250
	April 1, 2019	April 1, 2019 to March 31, 2029	300,000 <small>(note 4)</small>	0.88	0.88	300,000	-	-	-	-	300,000
	August 16, 2019	August 16, 2019 to August 15, 2029	860,000 <small>(note 3)</small>	0.65	0.64	737,500	-	-	-	-	737,500

Notes:

1. The vesting period of the share options starts from the date of acceptance of the grant to the commencement of the exercise period.



2. The share options granted on August 12, 2015 may be exercised in accordance with the following vesting timetable:

Vesting dates	Cumulative percentage of share options vested
10 months upon the acceptance of the offer for grant of share options	25% (rounded down to the nearest integral number of shares) of the share options granted
16 months upon the acceptance of the offer for grant of share options	37.5% (rounded down to the nearest integral number of shares) of the share options granted
22 months upon the acceptance of the offer for grant of share options	50% (rounded down to the nearest integral number of shares) of the share options granted
28 months upon the acceptance of the offer for grant of share options	62.5% (rounded down to the nearest integral number of shares) of the share options granted
34 months upon the acceptance of the offer for grant of share options	75% (rounded down to the nearest integral number of shares) of the share options granted
40 months upon the acceptance of the offer for grant of share options	87.5% (rounded down to the nearest integral number of shares) of the share options granted
46 months upon the acceptance of the offer for grant of share options	100% (rounded down to the nearest integral number of shares) of the share options granted

3. The share options granted on October 9, 2015, June 15, 2016, January 18, 2017 and August 16, 2019 may be exercised in accordance with the following vesting timetable:

Vesting dates	Cumulative percentage of share options vested
12 months upon the acceptance of the offer for grant of share options	25% (rounded down to the nearest integral number of shares) of the share options granted
18 months upon the acceptance of the offer for grant of share options	37.5% (rounded down to the nearest integral number of shares) of the share options granted
24 months upon the acceptance of the offer for grant of share options	50% (rounded down to the nearest integral number of shares) of the share options granted
30 months upon the acceptance of the offer for grant of share options	62.5% (rounded down to the nearest integral number of shares) of the share options granted
36 months upon the acceptance of the offer for grant of share options	75% (rounded down to the nearest integral number of shares) of the share options granted
42 months upon the acceptance of the offer for grant of share options	87.5% (rounded down to the nearest integral number of shares) of the share options granted
48 months upon the acceptance of the offer for grant of share options	100% (rounded down to the nearest integral number of shares) of the share options granted

4. The share options granted on April 1, 2019 may be exercised in accordance with the following vesting timetable:

<u>Vesting dates</u>	<u>Cumulative percentage of share options vested</u>
Upon the acceptance of the offer	50% (rounded down to the nearest integral number of shares) of the share options granted
6 months upon the acceptance of the offer for grant of share options	58.5% (rounded down to the nearest integral number of shares) of the share options granted
12 months upon the acceptance of the offer for grant of share options	67% (rounded down to the nearest integral number of shares) of the share options granted
18 months upon the acceptance of the offer for grant of share options	75.5% (rounded down to the nearest integral number of shares) of the share options granted
24 months upon the acceptance of the offer for grant of share options	84% (rounded down to the nearest integral number of shares) of the share options granted
30 months upon the acceptance of the offer for grant of share options	92.5% (rounded down to the nearest integral number of shares) of the share options granted
36 months upon the acceptance of the offer for grant of share options	100% (rounded down to the nearest integral number of shares) of the share options granted

Share Incentive Scheme

As incentive to Directors and eligible persons, the Company approved and adopted the restricted share unit scheme ("**RSU Scheme**") on March 21, 2014 (amended on August 22, 2014) where each restricted share unit ("**RSU**") granted thereunder represents one underlying Share. The RSU Scheme is not subject to the provisions of Chapter 23 of the GEM Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

As of March 31, 2021, there were 35,508,794 RSUs granted and outstanding, among which 33,894,944 RSUs have been vested.

During the three months ended March 31, 2021, no RSUs was granted; no RSUs was exercised; no RSUs has been cancelled and no RSUs has been lapsed. In addition, The Core Trust Company Limited, the RSU trustee assisting with the administration and vesting of RSUs granted, did not purchase any Share on the Stock Exchange during the three months ended March 31, 2021 for satisfying the RSUs upon exercise.

Interests in Competing Business

None of the Directors or controlling shareholders of the Company or any of their respective close associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during the three months ended March 31, 2021.

Purchase, Sale or Redemption of Listed Securities of the Company

On January 14, 2021, the Company repurchased on-market 250,000 Shares, representing approximately 0.068% of the then total number of issued Shares, between the highest and lowest prices of HKD0.440 and HKD0.405 per Share (the **"First Share Repurchase"**). The aggregate purchase price paid (before brokerage and expenses) for the First Share Repurchase was approximately HKD104,232.5, which was funded by internal resources of the Company and not from any of the proceeds raised from its Listing and the Shares repurchased have not been cancelled as of March 31, 2021. Details of the First Share Repurchase are set out in the announcement of the Company dated January 14, 2021.

On January 29, 2021, the Company repurchased on-market 20,000 Shares, representing approximately 0.005% of the then total number of issued Shares, between the highest and lowest prices of HKD0.440 and HKD0.415 per Share (the **"Second Share Repurchase"**). The aggregate purchase price paid (before brokerage and expenses) for the Second Share Repurchase was approximately HKD8,475, which was funded by internal resources of the Company and not from any of the proceeds raised from its Listing and the Shares repurchased have not been cancelled as of March 31, 2021. Details of the Second Share Repurchase are set out in the announcement of the Company dated January 29, 2021.



On February 1, 2021, the Company repurchased on-market 20,000 Shares, representing approximately 0.005% of the then total number of issued Shares, between the highest and lowest prices of HKD0.440 and HKD0.435 per Share (the **“Third Share Repurchase”**). The aggregate purchase price paid (before brokerage and expenses) for the Third Share Repurchase was approximately HKD8,772.5, which was funded by internal resources of the Company and not from any of the proceeds raised from its Listing and the Shares repurchased have not been cancelled as of March 31, 2021. Details of the Third Share Repurchase are set out in the announcement of the Company dated February 1, 2021.

The Board considers that the value of the Shares is consistently undervalued and believes that the current financial resources of the Company would enable it to conduct the relevant Share repurchases while maintaining a solid financial position for the continuation of the Company’s business.

The Board also believes that the relevant Share repurchases can improve the return to shareholders of the Company. The relevant Share repurchases also reflect the confidence of the Board to the prospects of the Company.

Save as disclosed above, during the three months ended March 31, 2021, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

Corporate Governance Code

The Company has applied the principles and code provisions in the Corporate Governance Code (the **“CG Code”**) as set out in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the CG Code throughout the three months ended March 31, 2021.



Audit Committee

The Audit Committee was established on April 24, 2014. The chairman of the Audit Committee is Ms. Wu Yueqin, an independent non-executive Director. Other members included Mr. Ji Xuefeng, a non-executive Director, Ms. Zhao Yifang and Mr. Zhang Xiangdong, both independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the GEM website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and the Company's risk management and internal control systems, the effectiveness of the internal audit function, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company complied with the requirements under Rule 5.28 of the GEM Listing Rules in relation to the composition of the Audit Committee.

Directors' Securities Transactions

The Company has adopted the required standard of dealings regarding directors' securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. After specific enquiries were made with all Directors, all Directors confirmed that they have complied with the required standards of dealings throughout the three months ended March 31, 2021.

