



# LINEKONG

● INTERIM 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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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Mr. Wang Feng (*Chairman*)  
Ms. Liao Mingxiang  
(*Chief Executive Officer*)  
Mr. Chen Hao (*Vice President*)  
Mr. Wang Jin  
(also known as Yan Yusong)  
(*Vice President*)

#### Non-executive Director

Mr. Ji Xuefeng

#### Independent Non-executive Directors

Ms. Zhao Yifang  
Mr. Zhang Xiangdong  
Ms. Wu Yueqin

### Board Committees

#### Audit Committee

Ms. Wu Yueqin (*Chairman*)  
Ms. Zhao Yifang  
Mr. Zhang Xiangdong  
Mr. Ji Xuefeng

#### Remuneration Committee

Mr. Zhang Xiangdong (*Chairman*)  
Mr. Wang Feng  
Ms. Liao Mingxiang  
Ms. Zhao Yifang  
Ms. Wu Yueqin

#### Nomination Committee

Mr. Wang Feng (*Chairman*)  
Ms. Zhao Yifang  
Mr. Zhang Xiangdong  
Ms. Wu Yueqin  
Mr. Ji Xuefeng

### Company Secretary

Ms. Leung Wing Han Sharon (*FCS, FCG*)

### Authorised Representatives

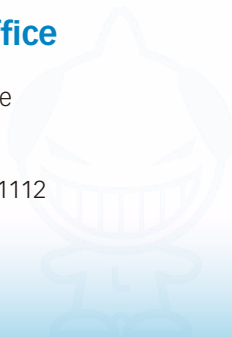
Mr. Wang Feng  
Ms. Liao Mingxiang

### Compliance Officer

Ms. Liao Mingxiang

### Registered Office

Floor 4, Willow House  
Cricket Square  
P.O. Box 2804  
Grand Cayman KY1-1112  
Cayman Islands



## Headquarters and Principal Place of Business in the People's Republic of China (The "PRC")

5/F, Qiming International Mansion  
Wangjing North Road  
Chaoyang District  
Beijing  
PRC

## Principal Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

## Auditors

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity  
Auditors  
22/F, Prince's Building  
Central  
Hong Kong

## Legal Advisors as to Hong Kong Laws

King & Wood Mallesons  
13/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

## Cayman Islands Principal Share Registrar And Transfer Agent

Offshore Incorporations (Cayman)  
Limited  
Floor 4, Willow House  
Cricket Square  
P.O. Box 2804  
Grand Cayman KY1-1112  
Cayman Islands

## Hong Kong Share Registrar

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## Principal Banks

Woori Bank (China) Limited Business  
Department  
China CITIC Bank, Beijing Branch  
Wangjing Sub-Branch  
Bank of Communications, Beijing  
Branch Wangjing Sub-Branch  
Bank of Communications, Hong Kong  
Branch  
Xiamen International Bank, Beijing  
Branch Xicheng Sub-Branch

## GEM Stock Code

8267

## Company Website

[www.linekong.com](http://www.linekong.com)



## MANAGEMENT DISCUSSION AND ANALYSIS

As a well-known internet content developer and distributor in China, the Group is mainly engaged in the development, production and distribution of mobile games, internet dramas and TV dramas and strives to offer more quality productions. As operating loss significantly decreased in 2020, the Group has adopted a business strategy in 2021 to increase investments in the self-development of our two major business segments, gaming and filming, so as to reserve more prime products for our long term development.

For the Group's gaming business segment, we have launched several new product development projects earlier this year, including the development of "Uproar in Heaven 2 (鬧鬧天宮2)" and internal technical testing of several products. In respect of distribution strategies, the Group will continue to develop overseas markets (e.g South Korea, Japan and North America, etc.) and focus on the development of female-oriented games and casual games and the extension of the IP values of games.

For our filming business, the Group has entered into the phase of matrix product development. Our urban romance drama, "原來你是這樣的顧先生", which was premiered on Tencent Video, recorded over 0.1 billion views within three days from its launch. The first ancient-setting drama of Horgos Linekong Pictures Corporation ("**Linekong Pictures**"), "花好月又圓", which is exclusively broadcasted on Youku Video, has been ranked within the top three dramas among the dramas broadcasted during the same period since its broadcast. Posts on Weibo regarding the drama recorded more than one billion views. In addition, we continue to produce and refine scripts of IP productions including "雲海傳", "錦堂春宴", "Ancient Music Records (古樂風華錄)", "對你不止是喜歡" and "三生有笑".

The artist agency business of Linekong Pictures has developed smoothly. Four of its potential stars are engaged in filming and variety shows and will continue to present quality productions in the market. The Group will further enhance commercialization ability of its artists.



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

### **Favorable research and development of new products and accelerating expansion of overseas game markets of Linekong Games**

“蠻荒紀元” is the Group’s newest generation of MMORPG fairy tale mobile game which featured 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 in progress and the commercial test of the game is expected to commence in the second half of 2021.

Besides, “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 a first-person perspective and players can experience various interesting features of the game, including dress fitting, romantic relationship development and business operation while revisiting the legendary classic IP, “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.

“Uproar in Heaven 2 (鬧鬧天宮2)” is a real-time tower defence battle mobile game with the theme of “Journey to the West (西遊記)”. Based on the ancient Chinese mythological characters developed in the original “Uproar in Heaven (鬧鬧天宮)” with drawings in cartoon style, the game allows players to edit their hero deck lists, battle against others with tower defence strategies and upgrade their hero deck lists by synthesizing hero characters. The game is full of randomness and brings exciting tower defence battle experience to players. In addition, the game introduces a large number of character skins such as Peking Opera skin and crosstalk skin, which allow new and existing players to appreciate the charm of traditional Chinese culture and pay tribute to traditional Chinese essence through playing the game. The product is at its development stage.

The Group further cultivates the market in South Korea and continues the stable operation of the game, “大航海時代”, based on our research and analysis of overseas markets. The Group has chosen Japan as its second overseas market expansion focus 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” (伊蘇VIII). The entire adaptation of the “Ys VIII Mobile” (伊蘇VIII Mobile) is supervised by Falcom and it provides the game offers 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.

“Ys VIII Mobile” (伊蘇VIII Mobile) participated in the Tokyo Game Show (“TGS”) for two consecutive years in 2019 and 2020 and received overwhelming responses from the local market. The development of the game is at the final completion and optimization stage. Many overseas and domestic leading game publishers are interested in the game due to its quality. The Group has officially authorized the domestic distribution rights of product to Bilibili.

In addition, during the reporting period, our other games such as “Uproar in Heaven” (鬧鬧天宮) (distributed under the Tencent A.C.E Program), “Daybreak Legends” (黎明之光) and “Heaven Sword & Dragon Sabre” (倚天劍與屠龍刀) have continued to contribute stable revenue to the Group. The Group will continue with their promotion and operation.

### **Linekong Pictures steadily develops its product matrix and diversify contents to gradually develop the critical scale advantage of content development and production**

In the first half of 2021, initial results of matrix product development of Linekong Pictures made a progress by focusing on target audiences and developing diversified productions of different contents. After five years of experiences and brands accumulation, Linekong Pictures has launched six quality dramas and has accumulated multiple potential pieces with excellent contents.

Linekong Pictures has achieved satisfactory results in terms of the production and distribution of sweet youth romance dramas which are well received by young female audiences.



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, was officially broadcasted in March 2021. With its light comedy and fashion elements, this drama is about a special kind of love story in the city. The drama has received more than 0.1 billion views within three days of its premiere and has appeared in the hot search of various channels.

“花好月又圓”, an ancient-setting light comedy romance drama, is a quality original IP jointly produced by the Group and Youku. It has been ranked within the top three dramas among the dramas broadcasted during the same period since its broadcast in June 2021, and relevant topics on Weibo have received views of over one billion. It has a maximum of 9,735 viral points on Youku website and ranked the first among five different rankings including ancient-setting romance drama ranking, ancient-setting drama ranking, romance drama ranking, TV drama ranking and TV drama viral ranking, such drama is well recognized by the market and audiences.

In terms of prime IPs (頭部 IP), Linekong Pictures has masterpieces such as “Ancient Music Records (古樂風華錄)” and “雲海傳” in reserve. Historical-style IP, “Ancient Music Records (古樂風華錄)” is the first ancient costume fairy and devil drama developed on ancient music in China and its filming is planned to commence in 2022. Through a beautiful love story with ups-and-downs, the drama reveals the legend of a forgotten ancient musical instrument and the beauty of stunning 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 the 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 (國家新聞出版廣電總局). The comic on which the drama is based 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 drama in China produced by the Group, which is about a treasure hunt journey without a map and the revelation of 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.

“三生有笑”, 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 who strive to revive traditional culture despite hurdles, the drama unravels the impact of traditional culture on youngsters nowadays and the inheritance of traditional culture in order to promote the treasure of the Chinese culture and boost positive energy among the Chinese youngsters. The staff composition stage of this project has already commenced.

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”. “錦堂春宴”, an ancient-setting gourmet drama, is also a potential production which can reach new group of audiences.

The artist agency business of Linekong Pictures has developed smoothly. Four potential new stars have performed major roles in a number of dramas in the first half of 2021 and established good reputation with their outstanding performances.

In the second half of 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 matrix product development of filming projects and build the affection of our contracted artists. The Group will continue to adhere to its principles of practicality and customer-centricity in order to create high quality products and offer fascinating entertainment. As a participant of the culture and entertainment industry, the Group will fulfill its social responsibilities by promoting healthy culture visions and attaching great importance to traditional Chinese culture in the entire process of product production and distribution, so as to make contributions to the culture and entertainment industry of China.

## Financial Review

### Revenue

The Group's revenue decreased by approximately 54.6% from approximately RMB107.3 million for the six months ended June 30, 2020 to approximately RMB48.7 million for the six months ended June 30, 2021.

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

	<b>For the six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>Segment revenue:</b>		
<b>Game Business</b>		
— Sales of in-game virtual items	<b>37,844</b>	58,508
— License fee and technical support fee	<b>1,394</b>	15,916
	<b>39,238</b>	74,424
<b>Film Business</b>		
Licensing and production of internet dramas and others	<b>9,444</b>	32,881
<b>Total</b>	<b>48,682</b>	107,305



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

	For the six months ended June 30, 2021		2020	
	RMB'000	approximate %	RMB'000	approximate %
China (including Hong Kong, Macau and Taiwan regions)	25,968	53.4	66,407	61.9
South Korea	19,924	40.9	35,085	32.7
Other overseas countries and regions	2,790	5.7	5,813	5.4
Total	48,682	100.0	107,305	100.0

For the six months ended June 30, 2021, the revenue contributed by game business decreased by approximately 47.3% or RMB35.2 million as compared with the corresponding period of 2020, which was mainly attributable to the decrease in number of our new games released for the six months ended June 30, 2021 as compared with the corresponding period and a decrease in revenue from our existing games of declining popularity. The Group has implemented strategies to reserve more time to strengthen the quality of game development and roll out competitive games.

In respect of the Group's film business, the Group recognised revenue from licensing and production of internet dramas and others of approximately RMB9.4 million for the six months ended June 30, 2021, representing a decrease of approximately 71.4% from approximately RMB32.9 million for the six months ended June 30, 2020, which was mainly due to the cyclical impact of film business.

## Cost

The Group's cost for the six months ended June 30, 2021 was approximately RMB28.6 million, representing a decrease of approximately 59.0% as compared to approximately RMB69.7 million for the six months ended June 30, 2020.

For the six months ended June 30, 2021, the cost incurred for our game business was approximately RMB25.6 million, representing a decrease of 47.5% from approximately RMB48.8 million for the corresponding period in 2020, which was mainly due to the decrease in the number of new games released in the six months ended June 30, 2021 and attenuation of our existing games.

For the six months ended June 30, 2021, the cost incurred for film business was approximately RMB3.0 million, representing a decrease of approximately 85.6% from approximately RMB20.9 million for the corresponding period in 2020. The decrease in cost of the Group was mainly due to the decrease in income caused by cyclical impact on revenue from licensing and production of internet dramas and others.

### **Gross profit and gross profit margin**

The Group's gross profit for the six months ended June 30, 2021 was approximately RMB20.1 million, representing a decrease of approximately 46.5% from approximately RMB37.6 million for the six months ended June 30, 2020. The decrease in the Group's gross profit was primarily due to the decrease in the number of our new games released and decrease in revenue from our existing games of declining popularity.

The Group's gross profit margin for the six months ended June 30, 2021 was approximately 41.3%, representing an increase of approximately 6.3 percentage points as compared to approximately 35.0% for the six months ended June 30, 2020. The increase in gross profit margin of the Group was mainly due to the recognition of revenue from licensed dramas from our film business and lower cost incurred for such licensed dramas.



## Selling and marketing expenses

The Group's selling and marketing expenses for the six months ended June 30, 2021 were approximately RMB9.4 million, representing an increase of approximately 22.1% from approximately RMB7.7 million for the six months ended June 30, 2020. The increase in selling and marketing expenses was primarily due to the increase in marketing expenses for our internet dramas “原來你是這樣的顧先生” and “花好月又圓”.

## Administrative expenses

The Group's administrative expenses for the six months ended June 30, 2021 were approximately RMB15.8 million, representing a decrease of approximately 16.4% from approximately RMB18.9 million for the six months ended June 30, 2020. The decrease in administrative expenses was primarily due to the decrease in expenses to meet the needs of our business phase and development strategies.

## Research and development expenses

The Group's research and development expenses for the six months ended June 30, 2021 were approximately RMB9.6 million, representing an increase of approximately 26.3% from approximately RMB7.6 million for the six months ended June 30, 2020. The increase in research and development expenses was primarily due to the increase in our investment in research and development based on strategic considerations of the Company.

## Segments results — operating (loss)/profit

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
<b>Segments results</b>		
— operating (loss)/profit:		
— Game business	(15,282)	2,091
— Film business	403	6,827
<b>Total</b>	<b>(14,879)</b>	<b>8,918</b>

The operating loss for the six months ended June 30, 2021 was approximately RMB14.9 million, as compared to the operating profit for the corresponding period of 2020 of approximately RMB8.9 million.

For the six months ended June 30, 2021, the operating loss from the game business was approximately RMB15.3 million, and the operating profit from the game business for the corresponding period of 2020 was approximately RMB2.1 million.

For the six months ended June 30, 2021, the operating profit from the film business was approximately RMB0.4 million, representing a decrease of 94.1% from the operating profit from the film business of approximately RMB6.8 million for the six months ended June 30, 2020.

### **Share of loss of investments using equity accounting**

The Group's share of loss of investments using equity accounting for the six months ended June 30, 2021 was approximately RMB0.1 million, and the share of loss of investments for the six months ended June 30, 2020 was approximately RMB0.5 million.

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

To supplement our condensed consolidated financial statements presented in accordance with the International Financial Reporting Standards, 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 for the period before share-based compensation expenses and one-off compensation for loss of office paid. The non-IFRSs measured adjusted net (loss)/profit 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 six months ended June 30, 2021 and 2020:

	For the six months ended		Change approximate %
	2021	2020	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
<b>(Loss)/profit for the period</b>	<b>(14,051)</b>	6,981	
<b>Add:</b>			
Share-based compensation expenses	1,622	1,160	39.8
One-off compensation for loss of office paid	457	1,218	-62.5
<b>Adjusted net (loss)/profit</b>	<b>(11,972)</b>	9,359	

The Group's adjusted net loss for the six months ended June 30, 2021 was approximately RMB12.0 million, as compared to the adjusted net profit of approximately RMB9.4 million for the six months ended June 30, 2020.





## Liquidity and Financial Resources

The Group has been maintaining a solid cash position since we received the net proceeds from the listing of the Company's shares (the "**Shares**") on the Stock Exchange (the "**Listing**") which was completed in December 2014.

### Treasury policy

During the six months ended June 30, 2021, the majority of the Group's idle capital was deposited in time deposit bank accounts at commercial banks in the PRC. For the purpose of generating better return for the Group's idle capital, the Group's treasury policy is not to engage in any investments with high risks or transactions of speculative derivatives. In order to meet the domestic working capital requirements, we will seek for long-term stable financial supports from banks at market lending rate.

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

As of June 30, 2021, we had cash and cash equivalents of approximately RMB85.4 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 ("**USD**") (as to approximately 69.2%), RMB (as to approximately 23.6%), HKD (as to approximately 6.7%) and other currencies (as to approximately 0.5%).

As of June 30, 2021, we had short-term bank deposits of RMB84.2 million (as of December 31, 2020: approximately RMB90.8 million).

As of June 30, 2021, approximately RMB113.1 million (as of December 31, 2020: RMB114.2 million) are restricted deposits held at a bank as its reserve for the provision of a loan facility of RMB100.0 million (as of December 31, 2020: approximately RMB100.0 million) provided by the bank which will expire within 1 year.



## Capital Expenditures

Our capital expenditures comprised expenditures on film/online drama rights and films/online drama in progress, the purchase of trademarks and licenses and computer software, furniture and office equipment and leasehold improvements. For the six months ended June 30, 2021, our total capital expenditure amounted to approximately RMB11.4 million (for the six months ended June 30, 2020: approximately RMB51.1 million), including expenditures on film/online drama rights and films/online drama in progress of approximately RMB2.7 million (for the six months ended June 30, 2020: approximately RMB51.1 million), the purchase of trademarks and licenses of approximately RMB8.4 million (for the six months ended June 30, 2020: Nil), the purchase of furniture and office equipment of approximately RMB0.1 million (for the six months ended June 30, 2020: Nil) and new leasehold improvements of approximately RMB0.1 million (for the six months ended June 30, 2020: Nil). As of the end of the reporting period, we have no committed capital expenditures, and the capital expenditures for 2021 are expected to be game rights and IP.



## 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 June 30, 2021, bank loans borrowed by the Group amounted to approximately RMB100.0 million (as at December 31, 2020: RMB100.0 million). As at June 30, 2021, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 32.1% (as at December 31, 2020: approximately 31.2%).

## Pledge of Group Assets

As at June 30, 2021, restricted deposits of approximately RMB113.1 million of the Group were 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 will regularly review and recommend 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 commensurate with industry practice and provides benefits to employees of the Group, including social insurance coverage, defined contribution retirement scheme and bonus. As at June 30, 2021, the Group had 131 employees. For the six months ended June 30, 2021, total remuneration for employees of the Group was approximately RMB26.8 million (for the six months ended June 30, 2020: approximately RMB24.8 million).

The Company has adopted a share option scheme (the “**Share Option Scheme**”) as incentive to the Directors and eligible persons, details of which are set out in the paragraph headed “Share Option Scheme” of this interim report.

In addition, the Company has adopted a restricted share unit scheme (the **“RSU Scheme”**) on March 21, 2014 with the objective to incentivize Directors, senior management, employees and any person who provides or has provided consultancy or other advisory services to the Group for their contribution to the Group, and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

The Directors believe that maintaining a stable and motivated employee force is critical to the success of the Group’s business. As a fast growing company, the Company is able to provide its employees with ample career development choices and opportunities of advancement. The Company organizes various training programs on a regular basis for its employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team building. The Company also provides various incentives to motivate its employees.

## Contingent Liabilities

As at June 30, 2021, the Group did not have any significant contingent liabilities (December 31, 2020: Nil).

## Foreign Exchange Risk

Most of the transactions of the Company are denominated and settled in its functional currency, USD. The Company’s foreign exchange risk primarily arose from the cash and cash equivalents and short-term bank deposits denominated in USD. The Company’s net assets are exposed to foreign currency translation risk from the translation of the USD denominated net assets into the Group’s presentation currency RMB.

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. Therefore, foreign exchange risk primarily arose from recognised assets in the Group’s PRC subsidiaries when receiving or to receive foreign currencies from overseas cooperated counterparties. The Group does not hedge against any fluctuation in foreign currency. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

## 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 June 30, 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 six months ended June 30, 2021 million HKD	Amounts unutilised million HKD	Expected timeline for full utilisation
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	59.7	59.4	0.3	0	-
Potential strategic acquisition or investment in companies in game business, film (movie and drama) business or related businesses	8.9	0	0	8.9	Before December 31, 2022
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	-
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	-
Enhancing game development capability, developing and operating new games, distributing and operating high quality games developed by third parties and accumulation of intellectual property rights of game contents	20.7	0	3.5	17.2	Before December 31, 2022
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	29.0	29.0	0	0	-
Mastering user usage flow entry point via developing intellectual hardware and mobile phone software	10.7	10.3	0.4	0	-
Development of and investment in movies and dramas and accumulation of intellectual property rights of movie and drama contents	22.1	0	6.4	15.7	Before December 31, 2022
<b>Total</b>	<b>686.2</b>	<b>633.8</b>	<b>10.6</b>	<b>41.8</b>	

As of June 30, 2021, approximately HKD41.8 million of the IPO Proceeds remained unutilised. The unutilised IPO Proceeds have been deposited into a time deposit bank account maintained by the Group.

Among the unutilised proceeds, the Company's funding reserved for acquisition or investment in companies in game business, film (movie and drama) business or related business will be utilised in accordance with the progress of our potential acquisition projects. Funding for enhancing game development capability, developing and operating new games, distributing and operating high quality games developed by third parties and accumulation of intellectual property rights of game contents will be used according to the progress of business in 2021. Funding for the development of and investment in movies and dramas and accumulation of intellectual property rights of movie and drama contents will be used according to the needs of production of the relevant projects in 2021.

The Company will continue to utilise the IPO Proceeds for the purposes which are consistent with those set out in the announcement in relation to the change in use of proceeds of the Company dated June 29, 2021.

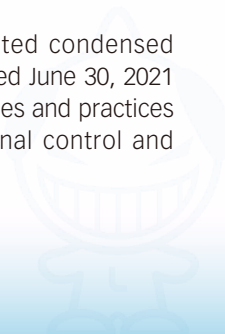
## DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2021.

## REVIEW OF THE INTERIM RESULTS

The interim financial results of the Group for the six months ended June 30, 2021 is unaudited and has not been reviewed by the auditors of the Company, but has been reviewed by the audit committee of the Company (the "**Audit Committee**").

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial results for the six months ended June 30, 2021 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters of the Group.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of June 30, 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 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 (Note 1)	Approximate percentage of interest (Note 2)
Mr. Wang Feng (Note 3)	Interest of controlled corporation	66,576,160 (L)	21.53%
	Beneficial owner	12,640,380 (L)	
Ms. Liao Mingxiang (Note 4)	Interest of controlled corporation	12,168,720 (L)	6.13%
	Beneficial owner	10,386,769 (L)	
Mr. Wang Jin (Note 5)	Beneficial owner	3,260,000 (L)	0.89%
Mr. Chen Hao (Note 6)	Beneficial owner	2,535,841 (L)	0.69%

*Notes:*

1. (L) denotes long position.
2. Based on the number of issued Shares as of June 30, 2021, being 367,974,964 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 under the SFO.

In addition, Mr. Wang Feng held 4,207,072 Shares and was interested in 8,433,308 RSUs granted to him under the RSU Scheme entitling him to receive 8,433,308 Shares subject to vesting. As of June 30, 2021, all of the RSUs (as defined below) have been vested.

4. Ms. Liao Mingxiang held the entire issued share capital of Liao Mingxiang 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 Liao Mingxiang Holdings Limited under the SFO.

In addition, Ms. Liao Mingxiang held 5,805,169 Shares and was interested in (a) 1,100,000 share options granted to her on May 17, 2021 under the Share Option Scheme entitling her to receive 1,100,000 Shares upon exercise; and (b) 3,481,600 RSUs granted to her under the RSU Scheme entitling her to receive 3,481,600 Shares subject to vesting. As of June 30, 2021, 645,000 RSUs have been vested.

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

5. The 3,260,000 Shares that Mr. Wang Jin was interested in consisted of (a) 300,000 share options, 1,000,000 share options and 500,000 share options granted to him on June 15, 2016, April 1, 2019 and May 17, 2021, respectively, under the Share Option Scheme entitling him to receive an aggregate of 1,800,000 Shares upon exercise; and (b) 1,460,000 RSUs granted to him under the RSU Scheme entitling him to receive 1,460,000 Shares subject to vesting, among which, 955,000 RSUs have been vested as of June 30, 2021.

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

6. The 2,535,841 Shares that Mr. Chen Hao was interested in consisted of (a) 100,000 share options, 1,000,000 share options and 500,000 share options granted to him on October 9, 2015, January 18, 2017 and May 17, 2021, respectively, under the Share Option Scheme entitling him to receive an aggregate of 1,600,000 Shares upon exercise; and (b) 935,841 RSUs granted to him under the RSU Scheme entitling him to receive 935,841 Shares subject to vesting, among which 590,841 RSUs have been vested as of June 30, 2021.

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



Save as disclosed above, as of June 30, 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 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 June 30, 2021, the following Directors or the chief executive of the Company are directly or indirectly (other than indirectly by virtue of their interest in the Company) interested in the shares or underlying shares of the other member of the Group as follows:

Director/ Chief executive	Company concerned	Capacity/ Nature of Interest	Registered share capital	Approximate percentage of interest
Mr. Wang Feng	Linekong Online (Beijing) Technology Co., Ltd. ("Linekong Online")	Beneficial owner <sup>(Note 1)</sup>	RMB7,545,000	75.45%
Ms. Liao Mingxiang	Linekong Online	Beneficial owner <sup>(Note 1)</sup>	RMB1,364,000	13.64%
Mr. Wang Jin	Horgos Linekong Pictures Corporation ("Linekong Pictures")	Beneficial owner <sup>(Note 2)</sup>	RMB4,155,000	8.31%
Mr. Wang Jin	Juyingshiguang (Hainan) Pictures Limited ("Juyingshiguang")	Beneficial owner <sup>(Note 3)</sup>	RMB190,000	9.50%
Mr. Wang Jin	Horgos Chenxi Entertainment and Media Co., Ltd. ("Chenxi Entertainment")	Beneficial owner <sup>(Note 4)</sup>	RMB90,000	9.00%

*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 84.50% by Linekong Online.
4. Chenxi Entertainment is a subsidiary of the Company controlled through Linekong Online which is owned as to 60.00% 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 June 30, 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 of the Company 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 <i>(Note 1)</i>	Approximate percentage of interest <i>(Note 2)</i>
Zhu Li <i>(Note 3)</i>	Interest of spouse	79,216,540 (L)	21.53%
Wangfeng Management Limited <i>(Note 4)</i>	Beneficial owner	66,576,160 (L)	18.09%
Starwish Global Limited <i>(Note 5)</i>	Beneficial owner	52,318,760 (L)	14.22%
China Momentum Fund, L.P. <i>(Note 5)</i>	Interest of controlled corporation	52,318,760 (L)	14.22%

Shareholder	Nature of Interest	Number of Shares <i>(Note 1)</i>	Approximate percentage of interest <i>(Note 2)</i>
Fosun China Momentum Fund GP, Ltd. <i>(Note 5)</i>	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Momentum Holdings Limited <i>(Note 5)</i>	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Financial Holdings Limited <i>(Note 5)</i>	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun International Limited <i>(Note 5)</i>	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Holdings Limited <i>(Note 5)</i>	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun International Holdings Limited <i>(Note 5)</i>	Interest of controlled corporation	52,318,760 (L)	14.22%
Guo Guangchang <i>(Note 5)</i>	Interest of controlled corporation	52,318,760 (L)	14.22%
The Core Trust Company Limited <i>(Note 6)</i>	Trustee of a trust	36,442,917 (L)	9.90%
TCT (BVI) Limited <i>(Note 6)</i>	Trustee of a trust	36,442,917 (L)	9.90%
Premier Selection Limited <i>(Note 6)</i>	Nominee for another person	36,442,917 (L)	9.90%

*Notes:*

1. (L) denotes long position.
2. Based on the number of issued Shares as of June 30, 2021, being 367,974,964 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, 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 June 30, 2021, based on information available on the Stock Exchange, Fosun International is 72.14% 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 interest 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 &amp; 4)</small>	Interest of controlled corporation	29,922,996 (L)	8.13%
IDG-Accel China Growth Fund GP Associates Ltd. <small>(Note 3)</small>	Interest of controlled corporation	27,774,323 (L)	7.55%
IDG-Accel China Growth Fund Associates, L.P. <small>(Note 3)</small>	Interest of controlled corporation	27,774,323 (L)	7.55%
IDG-Accel China Growth Fund L.P. <small>(Note 3)</small>	Beneficial owner	23,061,443 (L)	6.27%

Shareholder	Nature of Interest	Number of Shares <small>(Note 1)</small>	Approximate percentage of interest <small>(Note 2)</small>
Zhou Quan <small>(Note 3)</small>	Interest of controlled corporation	27,774,323 (L)	7.55%
Fubon Financial Holding Co., Ltd. <small>(Note 5)</small>	Interest of controlled corporation	23,739,000 (L)	6.45%
Fubon Life Insurance Co., Ltd. <small>(Note 5)</small>	Beneficial owner	23,739,000 (L)	6.45%

## Notes:

- (L) denotes long position.
- Based on the number of issued Shares as of June 30, 2021, being 367,974,964 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% 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 the Share Option Scheme on November 20, 2014. 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 June 30, 2021 and movement during the six months ended June 30, 2021 are as follows:

Category	Date of grant	Option period (note 1)	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 June 30, 2021
							Granted	Exercised	Cancelled	Lapsed	
Ms. Liao Mingxiang	May 17, 2021	May 17, 2021 to May 16, 2031	1,100,000 (note 5)	0.784	0.75	—	1,100,000	—	—	—	1,100,000
Mr. Chen Hao	October 9, 2015	October 9, 2015 to October 8, 2025	100,000 (note 3)	7.18	7.18	100,000	—	—	—	—	100,000
	January 18, 2017	January 18, 2017 to January 17, 2027	1,000,000 (note 3)	3.10	3.10	1,000,000	—	—	—	—	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 (note 5)	0.784	0.75	—	500,000	—	—	—	500,000
Mr. Wang Jin	June 15, 2016	June 15, 2016 to June 14, 2026	300,000 (note 3)	4.366	4.18	300,000	—	—	—	—	300,000
	April 1, 2019	April 1, 2019 to March 31, 2029	1,000,000 (note 4)	0.88	0.88	1,000,000	—	—	—	—	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 (note 5)	0.784	0.75	—	500,000	—	—	—	500,000

Category	Date of grant	Option period (note 1)	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 June 30, 2021
							Granted	Exercised	Cancelled	Lapsed	
Employees	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 (note 2)	8.10	8.10	462,298	—	—	—	—	462,298
	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 (note 3)	7.18	7.18	2,778,750	—	—	—	—	2,778,750
	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 (note 3)	4.366	4.18	675,000	—	—	—	—	675,000
	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 (note 3)	3.10	3.10	2,291,250	—	—	—	—	2,291,250
	April 1, 2019	April 1, 2019 to March 31, 2029	300,000 (note 4)	0.88	0.88	300,000	—	—	—	—	300,000
	August 16, 2019	August 16, 2019 to August 15, 2029	860,000 (note 3)	0.65	0.64	737,500	—	—	—	18,750	718,750
	May 17, 2021	May 17, 2021 to May 16, 2031	845,000 (note 3)	0.784	0.75	—	845,000	—	—	—	845,000
	May 17, 2021	May 17, 2021 to May 16, 2031	700,000 (note 5)	0.784	0.75	—	700,000	—	—	—	700,000

## 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, August 16, 2019 and May 17, 2021 may be exercised in accordance with the following vesting timetable:

<b>Vesting dates</b>	<b>Cumulative percentage of share options vested</b>
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:

<b>Vesting dates</b>	<b>Cumulative percentage of share options vested</b>
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



5. The share options granted on May 17, 2021 may be exercised in accordance with the following vesting timetable subject to the fulfilment of the vesting conditions:

<u>Vesting dates</u>	<u>Cumulative percentage of share options vested</u>
May 17, 2021	25% (rounded down to the nearest integral number of shares) of the share options granted
January 1, 2022	50% (rounded down to the nearest integral number of shares) of the share options granted
July 1, 2022	62.5% (rounded down to the nearest integral number of shares) of the share options granted
January 1, 2023	75% (rounded down to the nearest integral number of shares) of the share options granted
July 1, 2023	87.5% (rounded down to the nearest integral number of shares) of the share options granted
January 1, 2024	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 RSU Scheme on March 21, 2014 and as 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 June 30, 2021, there were 39,805,044 RSUs granted and outstanding, among which 34,980,444 RSUs have been vested.

During the six months ended June 30, 2021, 4,315,000 RSUs were granted; 1,527,050 RSUs were vested; no RSUs had been cancelled and 18,750 RSUs 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 six months ended June 30, 2021 for satisfying the RSUs upon exercise.

For further details of the movement of RSUs and expenses in connection with the RSU Scheme, please refer to note 13 of the condensed consolidated financial information of the Group for the six months ended June 30, 2021 in this report.

## Events during the Reporting Period and Subsequent Events

### The Impact of the Novel Coronavirus (“COVID-19”) on the Company

The PRC government proactively restrained the outbreak of COVID-19 in 2020. The COVID-19 has been well-contained in the mainland regions since 2021 and the PRC government has arranged residents to vaccinate with COVID-19 preventive vaccines progressively. The Board is of the view that the current situation of COVID-19 had no material impact on the operation of the Company for the reporting period. The Company will keep continuous attention on the situation of the COVID-19 outbreak and react actively to its impact on the financial position and operating results of the Company.

### Interests in Competing Business

None of the Directors or controlling shareholders of the Company or any of their respective 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 for the six months ended June 30, 2021.

### Significant Investments, Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies

There was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended June 30, 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 been cancelled as of June 30, 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 been cancelled as of June 30, 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 been cancelled as of June 30, 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 in the prospects of the Company.

Save as disclosed above, during the six months ended June 30, 2021, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## Corporate Governance

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (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 six months ended June 30, 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, and Ms. Zhao Yifang and Mr. Zhang Xiangdong, both are 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 six months ended June 30, 2021.



## Interim Condensed Consolidated Balance Sheet

	Note	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1,042	1,147
Right-of-use assets	6	6,174	6,767
Intangible assets	6	20,164	15,406
Film rights and films in progress	7	42,444	39,696
Investments using equity accounting		30,995	31,635
An associate measured at fair value through profit or loss		40,421	42,031
Financial assets at fair value through profit or loss	8	55,878	47,468
Other receivables	10	2,511	1,946
Other non-current assets	11	8,340	7,359
		<b>207,969</b>	193,455
<b>Current assets</b>			
Trade receivables and notes receivable	9	15,015	44,225
Contract assets		16,916	10,478
Other receivables	10	3,204	5,473
Other current assets	11	28,380	28,614
Financial assets at fair value through profit or loss	8	3,000	500
Short-term bank deposits		84,204	90,804
Restricted deposits		113,052	114,186
Cash and cash equivalents		85,379	84,699
		<b>349,150</b>	378,979
<b>Total assets</b>		<b>557,119</b>	572,434



## Interim Condensed Consolidated Balance Sheet (Continued)

	Note	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		59	59
Share premium		1,720,690	1,720,690
Shares held for RSU Scheme		(10,555)	(10,454)
Reserves	12	397,901	399,333
Accumulated losses		(1,738,551)	(1,725,253)
		<b>369,544</b>	384,375
<b>Non-controlling interests</b>		<b>8,574</b>	9,316
<b>Total equity</b>		<b>378,118</b>	393,691
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contract liabilities		2,620	2,082
Lease liabilities		2,013	3,083
		<b>4,633</b>	5,165
<b>Current liabilities</b>			
Bank borrowings	14	100,000	100,000
Trade and other payables	15	31,051	32,494
Current income tax liabilities		3,960	4,120
Contract liabilities		35,584	33,701
Lease Liabilities		3,773	3,263
		<b>174,368</b>	173,578
<b>Total liabilities</b>		<b>179,001</b>	178,743
<b>Total equity and liabilities</b>		<b>557,119</b>	572,434

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	27,705	48,816	48,682	107,305
Cost of revenue	16	(14,045)	(29,720)	(28,597)	(69,717)
<b>Gross profit</b>		<b>13,660</b>	19,096	<b>20,085</b>	37,588
Selling and marketing expenses	16	(6,143)	(2,672)	(9,356)	(7,748)
Administrative expenses	16	(8,820)	(9,157)	(15,829)	(18,944)
Research and development expenses	16	(4,761)	(2,227)	(9,629)	(7,576)
Net impairment losses on receivables and contract assets	16	(900)	(249)	(973)	(299)
Other operating income-net	17	1,259	1,271	823	5,897
<b>Operating (loss)/profit</b>		<b>(5,705)</b>	6,062	<b>(14,879)</b>	8,918
Other gains/(losses) — net	18	2,420	(252)	2,402	(202)
Finance costs — net		(459)	(516)	(1,547)	(611)
Share of profit/(loss) of investments using equity accounting		146	95	(91)	(520)
<b>(Loss)/profit before income tax</b>		<b>(3,598)</b>	5,389	<b>(14,115)</b>	7,585
Income tax (expense)/credit	19	(10)	69	64	(604)
<b>(Loss)/profit for the period</b>		<b>(3,608)</b>	5,458	<b>(14,051)</b>	6,981
<b>Other comprehensive (loss)/income</b>					
Items that may be subsequently reclassified to profit or loss:					
— Share of other comprehensive (loss)/income of investments accounted for using the equity method, net of tax		(841)	(374)	(549)	638
Items that will not be reclassified to profit or loss:					
— Currency translation differences		(4,318)	(1,837)	(2,494)	6,016
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(5,159)</b>	(2,211)	<b>(3,043)</b>	6,654



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

	Note	Three months ended June 30,		Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Total comprehensive (loss)/income for the period</b>		<b>(8,767)</b>	3,247	<b>(17,094)</b>	13,635
<b>(Loss)/profit attributable to:</b>					
Owners of the Company		(3,181)	5,217	(13,298)	4,897
Non-controlling interests		(427)	241	(753)	2,084
<b>(Loss)/profit for the period</b>		<b>(3,608)</b>	5,458	<b>(14,051)</b>	6,981
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the Company		(8,340)	3,006	(16,341)	11,551
Non-controlling interests		(427)	241	(753)	2,084
<b>Total comprehensive (loss)/income for the period</b>		<b>(8,767)</b>	3,247	<b>(17,094)</b>	13,635
<b>(Loss)/earnings per share (expressed in RMB per share)</b>					
— Basic	20	(0.01)	0.02	(0.04)	0.01
— Diluted	20	(0.01)	0.01	(0.04)	0.01

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

(Unaudited)	Note	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Shares held for RSU		Accumulated losses	Total	Total equity		
				Scheme	Reserves					
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance as of January 1, 2021</b>		59	1,720,690	(10,454)	399,333	(1,725,253)	384,375	9,316	393,691	
<b>Comprehensive loss</b>										
Loss for the period		—	—	—	—	(13,298)	(13,298)	(753)	(14,051)	
Other comprehensive loss										
— Share of other comprehensive loss of investments accounted for using the equity method, net of tax		—	—	—	(549)	—	(549)	—	(549)	
— Currency translation differences		—	—	—	(2,494)	—	(2,494)	—	(2,494)	
<b>Total comprehensive loss for the period</b>		—	—	—	(3,043)	(13,298)	(16,341)	(753)	(17,094)	
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>										
Employee share option and RSU Scheme:										
— Shares repurchased for RSU Scheme		—	—	(101)	—	—	(101)	—	(101)	
— Value of employee services	13	—	—	—	1,611	—	1,611	11	1,622	
<b>Total contributions by and distributions to owners of the Company for the period</b>		—	—	(101)	1,611	—	1,510	11	1,521	
<b>Balance as of June 30, 2021</b>		59	1,720,690	(10,555)	397,901	(1,738,551)	369,544	8,574	378,118	

## Interim Condensed Consolidated Statement of Changes in Equity (Continued)

(Unaudited)	Note	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Shares held for RSU Scheme	Reserves	Accumulated losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance as of January 1, 2020</b>		59	1,720,690	(10,019)	416,225	(1,690,739)	436,216	14,351	450,567
<b>Comprehensive income</b>									
Profit for the period		—	—	—	—	4,897	4,897	2,084	6,981
Other comprehensive income									
— Share of other comprehensive income of investments accounted for using the equity method, net of tax		—	—	—	638	—	638	—	638
— Currency translation differences		—	—	—	6,016	—	6,016	—	6,016
<b>Total comprehensive income for the period</b>		—	—	—	6,654	4,897	11,551	2,084	13,635
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>									
Increase in ownership interest in subsidiaries without change of control		—	—	—	(890)	—	(890)	890	—
Employee share option and RSU Scheme:									
— Shares repurchased for RSU Scheme		—	—	(237)	—	—	(237)	—	(237)
— Value of employee services	13	—	—	—	1,132	—	1,132	28	1,160
<b>Total contributions by and distributions to owners of the Company for the period</b>		—	—	(237)	242	—	5	918	923
<b>Balance as of June 30, 2020</b>		59	1,720,690	(10,256)	423,121	(1,685,842)	447,772	17,353	465,125

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

## Interim Condensed Consolidated Statements of Cash Flows

	Note	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		12,696	15,248
Income tax refunded/(paid) — net		82	(483)
<b>Net cash inflow from operating activities</b>		<b>12,778</b>	14,765
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(211)	(31)
Purchase of intangible assets		(3,885)	(11)
Purchase of financial assets at fair value through profit or loss		(8,570)	(3,000)
Proceeds from disposal of financial assets at fair value through profit or loss		1,672	13,691
Payments for film rights	7	(2,748)	(51,061)
Loan repayments received from third parties		—	1,000
Decrease in restricted deposits		—	56,757
Decrease in short term bank deposits		129,014	231,685
Increase in short term bank deposits		(122,414)	(146,197)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(7,142)</b>	102,833

## Interim Condensed Consolidated Statements of Cash Flows (Continued)

		<b>Six months ended June 30,</b>	
		<b>2021</b>	2020
	<i>Note</i>	<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from financing activities</b>			
Repayment of bank borrowings	14	—	(50,000)
Interest paid		<b>(2,084)</b>	(4,338)
Repurchase of shares for RSU Scheme		<b>(101)</b>	(237)
Principal elements of lease payments		<b>(1,525)</b>	(1,800)
<b>Net cash outflow from financing activities</b>		<b>(3,710)</b>	(56,375)
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		<b>1,926</b>	61,223
Effects of exchange rate changes on cash and cash equivalents		<b>84,699</b>	96,471
		<b>(1,246)</b>	3,984
<b>Cash and cash equivalents at end of the period</b>		<b>85,379</b>	161,678

The above interim condensed consolidated statement of cash flows 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, the 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 balance sheet of the Group as of June 30, 2021 and the related interim condensed consolidated statements of comprehensive (loss)/income for the six-month period and the three-month period then ended, changes in equity and cash flows for the six-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 August 13, 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 in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. 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 and critical accounting estimates and judgments

### 3.1 Summary of significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2020, as described in those annual 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 new and amended standards as set out below. 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.

#### (a) *New and amended standards adopted by the group*

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### **3. Summary of significant accounting policies and critical accounting estimates and judgments (Continued)**

#### **3.1 Summary of significant accounting policies (Continued)**

*(b) Impact of standards issued but not yet applied by the entity*

Certain standards, amendments and interpretations to existing standards have been issued but are not yet effective for the financial period beginning January 1, 2021, and are not expected to have a material impact on consolidated financial statement in the foreseeable future.

#### **3.2 Critical accounting estimates and judgments**

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

When preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2020 Financial Statements.





## 4. Financial risk management

### 4.1 Financial risk factors

The Group is subject to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and concentration risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2020 Financial Statements.

There have been no changes in the risk management policies during the six months ended June 30, 2021.

### 4.2 Fair value estimation

#### (i) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group did not have any financial liabilities that were measured at fair value as of June 30, 2021 and December 31, 2020.

## 4. Financial risk management (Continued)

### 4.2 Fair value estimation (Continued)

#### (i) Fair value hierarchy (Continued)

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>As of June 30, 2021</b>				
<b>Assets</b>				
An associate measured at fair value through profit or loss	—	—	40,421	40,421
Financial assets at fair value through profit or loss				
— Wealth management products	—	—	3,000	3,000
— Unlisted securities	—	—	55,878	55,878
	—	—	99,299	99,299
<b>As of December 31, 2020</b>				
<b>Assets</b>				
An associate measured at fair value through profit or loss	—	—	42,031	42,031
Financial assets at fair value through profit or loss				
— Wealth management products	—	—	500	500
— Unlisted securities	—	—	47,468	47,468
	—	—	89,999	89,999

There were no transfers among level 1, 2 and 3 during the six months ended June 30, 2021.



## 4. Financial risk management (Continued)

### 4.2 Fair value estimation (Continued)

#### (ii) Valuation techniques used to determine fair values

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;



## 4. Financial risk management (Continued)

### 4.2 Fair value estimation (Continued)

(ii) *Valuation techniques used to determine fair values (Continued)*

- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- a combination of observable inputs and unobservable inputs, including discount rate, risk-free interest rate and expected volatility.

The fair value of the investment in associate is primarily based on the Group's attributable portion of the reported net asset value ("**NAV**") of the associate. The NAV was derived from the fair value of the underlying investments (most of total assets of the associate represented financial assets measured at fair value) at the same measurement date as that used by the Group. The Group understands and assesses the valuations provided by the general partner of the associate and made necessary adjustments as a result of the assessment. The associate measured at fair value through profit or loss is included in level 3.

All the wealth management products will be redeemable on demand or with a term less than three months with variable return rates indexed to the performance of underlying assets. The fair values were determined based on cash flow discounted assuming the expected return will be obtained upon maturity or redeemable.



#### 4. Financial risk management (Continued)

##### 4.2 Fair value estimation (Continued)

- (iii) *Fair value measurements using significant unobservable inputs*

The following table presents the changes in level 3 financial assets for the six months ended June 30, 2021 and 2020, respectively.

	An associate at fair value through profit or loss RMB'000 (Unaudited)	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Opening balance as of January 1, 2021</b>	42,031	47,968	89,999
Additions	—	8,570	8,570
Disposals	—	(520)	(520)
(Losses)/gains recognised in other gains/(losses) — net	(1,610)	2,860	1,250
<b>Closing balance as of June 30, 2021</b>	<b>40,421</b>	<b>58,878</b>	<b>99,299</b>



## 4. Financial risk management (Continued)

### 4.2 Fair value estimation (Continued)

(iii) *Fair value measurements using significant unobservable inputs (Continued)*

	An associate at fair value through profit or loss RMB'000 (Unaudited)	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Opening balance as of January 1, 2020</b>	41,434	72,681	114,115
Additions	—	3,000	3,000
Disposals	—	(13,691)	(13,691)
Gains/(losses) recognised in other gains/(losses) — net	241	(443)	(202)
<b>Closing balance as of June 30, 2020</b>	41,675	61,547	103,222



#### 4. Financial risk management (Continued)

##### 4.2 Fair value estimation (Continued)

(iv) Valuation inputs and relationships to fair value

The components of the level 3 instruments include wealth management products investments in unlisted equity securities and an associate measured at fair value through profit or loss. As these instruments are not traded in an active market, their fair values have been determined using various applicable methodologies.

##### As of June 30, 2021

	As of June 30, 2021	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Sensitivity of fair value to the input
Wealth management products	3,000	Discounted cash flow mode	Expected return rate	3.60%	Note (a)
Unlisted securities	55,878	Discounted cash flow mode	Discount rate	21% ~ 26%	Note (b)
			Compound annual growth rate of revenue	6% ~ 60%	
			Discount for lack of marketability	20% ~ 23%	
			Volatility	33% ~ 52%	
An associate measured at fair value through profit or loss	40,421	Note 4.2 (ii)	Note (b)	N/A	Note (c)



#### 4. Financial risk management (Continued)

##### 4.2 Fair value estimation (Continued)

(iv) Valuation inputs and relationships to fair value (Continued)

##### As of December 31, 2020

	As of December 31, 2020	Valuation technique	Significant unobservable inputs	Percentage or ratio range
Wealth management products	500	Discounted cash flow mode	Expected return rate	3.12%
Unlisted securities	47,468	Discounted cash flow mode	Discount rate	21% ~ 26%
			Compound annual growth rate of revenue	6% ~ 61%
			Discount for lack of marketability	20% ~ 23%
			Volatility	33% ~ 53%
An associate measured at fair value through profit or loss	42,031	Note 4.2 (ii)	Note (b)	N/A





## 4. Financial risk management (Continued)

### 4.2 Fair value estimation (Continued)

#### (iv) Valuation inputs and relationships to fair value (Continued)

Notes:

- (a) For wealth management products, the change of estimated carrying amount as of June 30, 2021 would have been approximately nil should the expected return rate used in discounted cash flow analysis be higher/lower by 1% from management's estimates.
- (b) The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Key unobservable inputs	Range of inputs	Change	Fair value increase/ (decrease) for the six months ended June 30, 2021 RMB'000
Discount rate	21% ~ 26%	-1% +1%	2,129 (1,925)
Compound annual growth rate of revenue	6% ~ 60%	-5% +5%	(9,645) 10,087
Discount for lack of marketability	20% ~ 23%	-5% +5%	2,669 (2,669)
Volatility	33% ~ 52%	-5% +5%	1,211 (131)

- (c) The unobservable inputs which significantly impacted the fair value are the net asset value of the associate reported by its general partner and the adjustment made by the Group (together, the "adjusted NAV"). If the adjusted NAV increased/decreased by 5% as of June 30, 2021, the fair value as of June 30, 2021 would increase/decrease by RMB2,021,000.

## 5. 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 six months ended June 30, 2021 and 2020, 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 drama rights to third-party publishers and producing online drama rights for specific customers in the PRC.



## 5. Revenue and segment information (Continued)

The CODM assesses the performance of the operating segments based on the operating (loss)/profit of each reporting segments.

	Three months ended June 30,		Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Segment revenue:</b>				
<b>Game Business</b>				
— Sales of in-game virtual items	19,052	32,819	37,844	58,508
— License fee and technical support fee	661	5,746	1,394	15,916
	<b>19,713</b>	<b>38,565</b>	<b>39,238</b>	<b>74,424</b>
<b>Film Business</b>				
— Licensing of rights and production of online dramas and others	7,992	10,251	9,444	32,881
<b>Total</b>	<b>27,705</b>	<b>48,816</b>	<b>48,682</b>	<b>107,305</b>
<b>Segments results — operating (loss)/ profit:</b>				
— Game Business	(7,978)	4,106	(15,282)	2,091
— Film Business	2,273	1,956	403	6,827
<b>Total</b>	<b>(5,705)</b>	<b>6,062</b>	<b>(14,879)</b>	<b>8,918</b>



## 5. Revenue and segment information (Continued)

A breakdown of revenue derived from the PRC, South Korea and other overseas countries and regions in the respective period is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Revenue from external customers:</b>				
— PRC	16,308	24,127	25,968	66,407
— South Korea	10,029	20,497	19,924	35,085
— Other overseas countries and regions	1,368	4,192	2,790	5,813
	<b>27,705</b>	48,816	<b>48,682</b>	107,305

The Group's non-current assets other than financial instruments, investments using equity accounting and deferred tax assets were located as follows:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
— PRC	77,882	70,018
— South Korea	282	357
	<b>78,164</b>	70,375

## 6. Property, plant and equipment, right-of-use assets and intangible assets

	Property, plant and equipment RMB'000 (Unaudited)	Right-of-use assets RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)
As of January 1, 2021	1,147	6,767	15,406
Additions	211	969	8,451
Depreciation/amortization charge	(299)	(1,562)	(3,495)
Exchange	(17)	—	(198)
As of June 30, 2021	<b>1,042</b>	<b>6,174</b>	<b>20,164</b>
	Property, plant and equipment RMB'000 (Unaudited)	Right-of-use assets RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)
As of January 1, 2020	2,462	746	43,246
Additions	31	9,369	11
Depreciation/amortization charge	(634)	(1,786)	(7,051)
Disposals	(305)	—	—
Exchange	—	—	131
As of June 30, 2020	<b>1,554</b>	<b>8,329</b>	<b>36,337</b>



## 7. Film rights and films in progress

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
Film rights and films in progress		
— Under production/production yet to commence	<b>42,444</b>	39,696
	<b>Six months ended June 30,</b>	
	<b>2021 RMB'000 (Unaudited)</b>	2020 RMB'000 (Unaudited)
Beginning of the period	<b>39,696</b>	21,574
Additions	<b>2,748</b>	51,061
End of the period	<b>42,444</b>	72,635



## 8. Financial assets at fair value through profit or loss

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
<b>Included in current assets</b>		
Wealth management products (Note (a))	<b>3,000</b>	500
<b>Included in non-current assets</b>		
Unlisted securities (Note (b))	<b>55,878</b>	47,468

### Notes:

- (a) The Group purchased certain wealth management products issued by commercial banks in the PRC. These wealth management products are with a variable return and redeemable on demand or with a term less than three months. The Group has classified its investments in such wealth management products as financial assets at fair value through profit or loss. Fair values of these investments were estimated based on the contracts of wealth management products. As of June 30, 2021 and December 31, 2020, RMB3,000,000 and RMB500,000 of these investments have been recorded in "financial assets at fair value through profit or loss" in the balance sheet. The related gains have been recorded in "other gains/(losses)-net" in the income statement.
- (b) The unlisted securities represent shares held by the Group in certain entities, which are not held for trading, and had not been elected to present fair value gains and losses in other comprehensive income.

Each of these entities is a private company and there is no quoted market price available for its shares. The Group has determined the fair value of these financial assets based on estimated future cash flows method as disclosed in Note 4.2. The fair value is within level 3 of the fair value hierarchy.



## 9. Trade receivables and notes receivable

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
Trade receivables	<b>16,450</b>	39,417
Notes receivable	<b>—</b>	6,219
Loss allowance	<b>(1,435)</b>	(1,411)
	<b>15,015</b>	44,225

The revenue of the Group from the game distribution channels, third-party payment vendors, game publishers and film publishers are mainly made on credit terms determined on an individual basis with a normal period up to 60 days. Ageing analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
0–60 days	<b>14,406</b>	37,664
61–90 days	<b>174</b>	324
91–180 days	<b>296</b>	267
181–365 days	<b>512</b>	3
over 1 year	<b>1,062</b>	1,159
	<b>16,450</b>	39,417

As of December 31, 2020, notes receivable represents a note acceptable by bank with maturity dates within six months.



## 10. Other receivables

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
<b>Current</b>		
Loans to employees	<b>4,180</b>	4,078
— Loans to key management (Note 22)	<b>1,200</b>	—
— Loans to other employees (Note (a))	<b>2,980</b>	4,078
Loans to third parties and related interest (Note (b))	<b>23,168</b>	23,168
Others	<b>1,273</b>	2,911
	<b>28,621</b>	30,157
Loss allowance	<b>(25,417)</b>	(24,684)
	<b>3,204</b>	5,473
<b>Non-current</b>		
Rental and other deposits	<b>1,485</b>	913
Others	<b>1,026</b>	1,033
	<b>2,511</b>	1,946

### Notes:

- (a) Loans to other employees are mainly due from the non-controlling shareholders of one subsidiary who are also senior executives or directors of the subsidiary. The loans are repayable within 12 months and interest-free.
- (b) Loans to third parties are mainly due from film producers for the Group's investment in film projects. The loans are repayable within 12 months and with a fixed return of 15%~20% (2020: 15%~20%). The balance of these loans to third party and related interest has been fully impaired, thus the net balance after allowance is nil as of June 30, 2021 and December 31, 2020.

## 11. Other assets

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
<b>Current</b>		
Prepaid service charges to game distribution channels	<b>10,183</b>	9,357
Prepayments to game developers	<b>5,997</b>	5,909
Prepaid rental, advertising costs and others	<b>4,813</b>	3,979
Prepayments for online drama production	<b>102</b>	102
Deductible value-added tax input	<b>7,285</b>	9,267
	<b>28,380</b>	28,614
<b>Non-current</b>		
Prepaid service charges to game distribution channels	<b>382</b>	344
Deductible value-added tax input (Note(a))	<b>7,958</b>	7,015
	<b>8,340</b>	7,359

Notes:

- (a) The Group reclassified the deductible value-added tax input to non-current assets based on the forecast utilization of the deductible value-added tax input.



## 12. Reserves

(Unaudited)	Capital reserve	Currency translation differences	Statutory surplus reserve fund	Share-based compensation reserve	Other reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance as of January 1, 2021</b>	(4,293)	94,689	18,039	288,224	2,674	399,333
Share of other comprehensive loss of investments using equity method, net of tax	—	—	—	—	(549)	(549)
Employee share option and RSU scheme: — Value of employee services (Note 13)	—	—	—	1,611	—	1,611
Currency translation differences	—	(2,494)	—	—	—	(2,494)
<b>Balance as of June 30, 2021</b>	(4,293)	92,195	18,039	289,835	2,125	397,901
<b>Balance as of January 1, 2020</b>	(3,403)	109,407	18,039	286,698	5,484	416,225
Share of other comprehensive income of investments using equity method, net of tax	—	—	—	—	638	638
Increase in ownership interest in subsidiaries without change of control	(890)	—	—	—	—	(890)
Employee share option and RSU scheme: — Value of employee services (Note 13)	—	—	—	1,132	—	1,132
Currency translation differences	—	6,016	—	—	—	6,016
<b>Balance as of June 30, 2020</b>	(4,293)	115,423	18,039	287,830	6,122	423,121



### 13. Share-based payments

#### (a) **Restricted Share Units (“RSUs”)**

Pursuant to a resolution passed by the Board of Directors of the Company on March 21, 2014, the Company set up a restricted share unit scheme (“**RSU Scheme**”) with the objective to incentivize directors, senior management, employees and any person who provides or has provided consultancy or other advisory services to the Group for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

##### (i) *Grant of the RSUs*

On January 18, 2017, April 1, 2019, August 16, 2019, and September 12, 2019, 1,805,385, 1,300,000, 760,000 and 3,680,000 RSUs under the RSU Scheme were granted to employees, directors and consultants, respectively. Details of those RSUs should be read in conjunction with the 2020 Financial Statements.

On May 17, 2021, 415,000 RSUs under the RSU Scheme were granted to employees, which are vested as follows: 25% on May 17, 2022 and 12.5% each on every 6 months from May 17, 2022. The RSUs are vested only if the grantees remain engaged by the Group.

On May 17, 2021, 3,900,000 RSUs under the RSU Scheme were granted to directors and senior management, which are vested as follows: 25% on the date of the grant date, 25% on January 1, 2022, 12.5% each on the date ending 6, 12, 18, 24 months from January 1, 2022. Except the 25% vested on the date of the grant date, the remaining RSUs are vested only if certain performance standards are met and the grantees remain engaged by the Group.

### 13. Share-based payments (Continued)

#### (a) Restricted Share Units ("RSUs") (Continued)

##### (i) Grant of the RSUs (Continued)

The RSU Scheme will be valid and effective for a period of ten years commencing from March 21, 2014, unless it is terminated earlier in accordance with the rules of RSU Scheme.

Movements in the number of RSUs outstanding:

	<b>Number of RSUs</b>	
	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Beginning of the period	<b>2,055,400</b>	5,129,500
Granted	<b>4,315,000</b>	—
Lapsed	<b>(18,750)</b>	(50,000)
Vested	<b>(1,527,050)</b>	(2,313,300)
End of the period	<b>4,824,600</b>	2,766,200

As of June 30, 2021 and December 31, 2020, 34,980,444 and 33,453,394 RSUs respectively have been vested unconditionally.



### 13. Share-based payments (Continued)

#### (a) **Restricted Share Units ("RSUs") (Continued)**

##### (ii) *Shares held for RSU Scheme*

Pursuant to a resolution passed by the Board of Directors of the Company on March 21, 2014, the Company entered into a trust deed (the "**Trust Deed**") with The Core Trust Company Limited (the "**RSU Trustee**") and Premier Selection Limited (the "**RSU Nominee**") to assist with the administration of the RSU Scheme. On March 21, 2014, the Company issued 42,161,541 ordinary shares to the RSU Nominee at a par value of USD0.000025 each, totalling RMB6,488 funded by Mr. Wang Feng. Accordingly, 42,161,541 ordinary shares of the Company underlying the RSUs were held by the RSU Nominee for the benefit of eligible participants pursuant to the RSU Scheme and the Trust Deed.

In addition, the Company entrusted the RSU Trustee to purchase certain numbers of Shares from the market for RSU Scheme. As of June 30, 2021, the Company entrusted the Trust Trustee to purchase 11,906,150 shares of the Company from the market at a total consideration of approximately RMB10.6 million. Plan, which would be deducted from "shares held for RSU scheme" under Reserves. The shares are held by the RSU Trustee.

As a result of the vesting of 1,527,050 RSUs during the six months ended June 30, 2021, approximately RMB247 was transferred out from treasury shares upon vesting of these RSUs.



### 13. Share-based payments (Continued)

#### (a) **Restricted Share Units (“RSUs”) (Continued)**

##### (iii) *Fair value of RSUs*

The fair value of RSUs granted on May 17, 2021 was assessed to approximate to the market price of the grant date in the amount of HKD0.73 each (equivalent to approximately RMB2,608,000 in total).

#### (b) **Share options**

On November 20, 2014, the shareholders of the Company approved the establishment of a share option scheme (the “**Pre-IPO Share Option Scheme**”) with an objective 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 Pre-IPO Share Option Scheme will be valid and effective for a period of ten years commencing from December 30, 2014, (the listing date) unless it is terminated earlier in accordance with the rules of Pre-IPO Share Option Scheme.

##### (i) *Grant of share options*

On January 18, 2017, April 1, 2019, and August 16, 2019, 9,225,000, 1,300,000, and 860,000 share options were granted under the Pre-IPO Share Option, details of which should be read in conjunction with the 2020 Financial Statements.

On May 17, 2021, 845,000 share options with an exercise price of HKD0.784 per share option were granted to employees, which are vested as follows: 25% on May 17, 2022 and 12.5% each on every 6 months from May 17, 2022. The options are vested only if the grantees remain engaged by the Group.

### 13. Share-based payments (Continued)

#### (b) Share options (Continued)

##### (i) Grant of share options (Continued)

On May 17, 2021, 2,800,000 share options with an exercise price of HKD0.784 per share option were granted to directors and senior management, which are vested as follows: 25% on the date of the grant date, 25% on January 1, 2022, 12.5% each on the date ending 6, 12, 18, 24 months from January 1, 2022. Except the 25% vested on the date of the grant date, the remaining options are vested only if certain performance standards are met and the grantees remain engaged by the Group.

The option period shall be ten years commencing from the grant date.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Six months ended June 30,			
	2021		2020	
	Average Exercise Price	Number of share options	Average Exercise Price	Number of share options
Beginning of the period	HKD4.2	9,644,798	HKD4.15	9,791,048
Granted	HKD0.784	3,645,000		—
Lapsed	HKD0.65	(18,750)	HKD1.38	(71,250)
End of the period	HKD3.27	13,271,048	HKD4.17	9,719,798



### 13. Share-based payments (Continued)

#### (b) Share options (Continued)

##### (i) Grant of share options (Continued)

Out of the 13,271,048 outstanding options (December 31, 2020: 9,644,798), 9,680,548 options (December 31, 2020: 8,603,798) were exercisable. Share options outstanding as of June 30, 2021 include 462,298 (December 31, 2020: 462,298) share options, 2,878,750 (December 31, 2020: 2,878,750) share options, 975,000 (December 31, 2020: 975,000) share options, 3,293,750 (December 31, 2020: 3,291,250), 1,300,000 (December 31, 2020: 1,300,000), 718,750 (December 31, 2020: 860,000) share options and 3,645,000 (December 31, 2020: nil) share options, with the exercise price of HKD8.10, HKD7.18, HKD4.366, HKD3.10, HKD0.88, HKD0.65 and HKD0.784 per share option, respectively. All these options will expire in 10 years from the grant date.

##### (ii) Fair value of share options

Based on the market price of the underlying ordinary share of HKD0.73 on the respective grant date of the share options, the Company has used a Binomial option-pricing model to determine the fair value of the share options as of the grant date. The fair value of the share options granted on May 17, 2021 was assessed to be HKD1,640,000 (equivalent to approximately RMB1,358,000).

The key assumptions used in the valuation of the share options as of the grant date are set out in the table below:

	August 12, 2015	October 9, 2015	June 15, 2016	January 18, 2017	April 1, 2019	August 16, 2019	May 17, 2021
Risk-free interest rate	1.69%	1.62%	2.50%	1.72%	1.6%	1.07%	1.23%
Volatility	49.30%	49.70%	52.30%	57.20%	61.00%	61.40%	67.50%
Dividend yield	—	—	—	—	—	—	—

### 13. Share-based payments (Continued)

#### (b) Share options (Continued)

##### (ii) Fair value of share options (Continued)

The Company estimated the risk-free interest rate based on the yield of a HK 10-Year Government Bond with a maturity life equal to the life of the share options. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

#### (c) Expected retention rate of grantees

The Group estimates the expected yearly percentage of RSU and option grantees that will stay within the Group at the end of vesting periods (the “**Expected Retention Rate**”) in order to determine the amount of share-based compensation expenses to be recorded in the interim condensed consolidated statements of comprehensive (loss)/income. As of June 30, 2021, the Expected Retention Rate of interim condensed employees was assessed to be 70% (December 31, 2020: 70%) and the Expected Retention Rate of existing directors and senior management was assessed to be 100% (December 31, 2020: 100%).



## 14. Bank borrowings

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
Bank borrowings		
— Secured loans	<b>100,000</b>	100,000
Included in:		
Current liabilities	<b>100,000</b>	100,000

- (a) Bank borrowings are secured by the restricted deposits of RMB113,052,000 (2020: RMB114,186,000).
- (b) The fair value of the borrowings approximately equals their carrying amount, as the impact of discounting is not significant.
- (c) Effective interest rates per annum on borrowings is 3.72%–3.9% (2020: 3.72%–4.3%)
- (d) Borrowings are repayable as follows:

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
Within 1 year	<b>100,000</b>	100,000

- (e) As of June 30, 2021 and December 31, 2020, the Group's borrowings are denominated in RMB.



## 15. Trade and other payables

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
Trade payables (Note (i))	<b>11,600</b>	11,222
Accrued expenses and liabilities	<b>5,544</b>	8,420
Salary and staff welfare payables	<b>6,101</b>	4,591
Amount due to a related party (Note 22)	<b>5,438</b>	5,438
Other taxes payables	<b>2,256</b>	2,720
Interests payable	<b>112</b>	103
	<b>31,051</b>	32,494

Note:

- (i) Trade payables are mainly arising from online drama production and licensing games from game developers. The credit terms of trade payables granted by the vendors are usually up to 30 days. The ageing analysis of trade payables based on recognition date is as follows:

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
0–180 days	<b>11,156</b>	10,243
181–365 days	<b>37</b>	76
1–2 years	<b>263</b>	869
2–3 years	<b>104</b>	18
over 3 years	<b>40</b>	16
	<b>11,600</b>	11,222

## 16. Expenses by nature

Expenses included in cost of revenue, selling and marketing expenses, administrative expenses, research and development expenses and net impairment losses on receivables and contract assets are analysed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Service charges by game distribution channels	4,711	10,172	9,757	19,159
Content fee to game developers	2,623	3,958	5,268	7,792
Bandwidth and server custody fees	1,681	2,662	3,893	5,089
Online drama production cost	—	6,294	301	25,968
Employee benefit expenses (excluding share-based compensation expenses)	12,593	10,400	25,204	23,683
Charged to share-based compensation expenses	1,373	43	1,622	1,160
Depreciation of property, plant and equipment and right-of-use assets (Note 6)	928	1,095	1,861	2,420
Amortization and impairment of intangible assets (Note 6)	1,924	3,897	3,495	7,051
Net impairment losses on receivables and contract assets	900	249	973	299
Prepayment write-offs	—	67	49	67
Promotion and advertising expenses	4,862	1,217	6,391	4,632
Traveling and entertainment expenses	386	304	754	644
Office rental expenses	301	363	575	535
Other professional service fees	659	1,753	1,742	3,135
Game development outsourcing costs	628	199	642	217
Utilities and office expenses	528	398	826	873
Auditors' remuneration				
— Non-audit related services	500	500	800	800
Others	72	454	231	760
<b>Total</b>	<b>34,669</b>	<b>44,025</b>	<b>64,384</b>	<b>104,284</b>

**17. Other operating income — net**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government subsidies	76	550	202	732
Foreign exchange gains, net	911	584	345	311
Losses on disposals of property, plant and equipment	—	(102)	—	(102)
Penalties income from termination of contracts	—	—	—	4,717
Others	272	239	276	239
	<b>1,259</b>	<b>1,271</b>	<b>823</b>	<b>5,897</b>

**18. Other gains/(losses) — net**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value gain/(loss) from financial assets at fair value through profit or loss	4,010	(493)	2,860	(443)
Dividend income from financial assets at fair value through profit or loss	—	—	1,152	—
Fair value (loss)/gain from an associate measured at fair value through profit or loss	(1,590)	241	(1,610)	241
	<b>2,420</b>	<b>(252)</b>	<b>2,402</b>	<b>(202)</b>



## 19. Income tax expense/(credit)

The income tax expense of the Group for each of the three months and six months ended June 30, 2021 and 2020 is analysed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	10	125	(64)	934
Deferred income tax	—	(194)	—	(330)
<b>Income tax expense/(credit)</b>	<b>10</b>	<b>(69)</b>	<b>(64)</b>	<b>604</b>

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.

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 and six months ended June 30, 2021 and 2020.



## 19. Income tax expense/(credit) (Continued)

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 six months ended June 30, 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 for the six months ended June 30, 2020 and entitled to a preferential income tax rate of 12.5% for the six months ended June 30, 2021 under the relevant PRC tax rules and regulations; (ii) two subsidiaries of the Company were qualified as “High and New Technology Enterprises” and entitled to a preferential income tax rate of 15% for the six months ended June 30, 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 six months ended June 30, 2021 and 2020 was exempted; (iv) three subsidiaries of the Company, incorporated in Horgos, were established in 2020 and exempted from income taxes under the relevant PRC tax rules and regulations for the six months ended June 30, 2021 and 2020; and (v) one subsidiary was accredited as software enterprises and entitled to a preferential income tax rate of 12.5% for the six months ended June 30, 2020.





## 20. (Loss)/earnings per share

Basic (loss)/earnings per share for the three months and the six months ended June 30, 2021 and 2020 is calculated by dividing the (loss)/profit 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 June 30,		Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(Loss)/earnings attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation (RMB'000)	(3,181)	5,217	(13,298)	4,897
<b>Number of ordinary shares</b>				
Weighted average number of ordinary shares in issue, used in the basic and diluted (loss)/earnings per share calculation ('000)	348,594	347,834	347,625	347,056
Dilutive equivalent shares arising from potential ordinary shares ('000) (Note (i))	—	2,766	—	2,932
Weighted average number of ordinary shares and potential ordinary shares in issue, used in the diluted (loss)/earnings per share calculation ('000)	348,594	350,600	347,625	349,988
Basic (loss)/earnings per share (expressed in RMB per share)	(0.01)	0.02	(0.04)	0.01
Diluted (loss)/earnings per share (expressed in RMB per share)	(0.01)	0.01	(0.04)	0.01

## 20. (Loss)/earnings per share (Continued)

*Note:*

- (i) 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 six months ended June 30, 2021 and 2020, the Company had two categories of potential ordinary shares, RSUs and share options granted to eligible person. As the Group incurred loss for the three months and the six months ended June 30, 2021, the potential ordinary shares were not included in the calculation of dilutive loss per share where their inclusion would be anti-dilutive.

## 21. Dividends

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2021 and 2020.



## 22. Significant related party transactions

In addition to those disclosed elsewhere in the interim financial information, the following significant transactions were carried out between the Group and its related parties during the six months ended June 30, 2021 and 2020. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

### (a) Related party transactions

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Rendering of services to		
— Hainan Tianchen Network		
Technology Co., Ltd.		
( <b>"Hainan Tianchen"</b> )	—	87



## 22. Significant related party transactions (Continued)

### (b) Balances with related parties

#### (i) Amount due from a related party

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
Chen Hao(*)	<b>1,200</b>	—

\* The Group granted a housing loan with principal of RMB1,200,000 to a director in February 2021. The loan is unsecured, fully repayable on December 25, 2021 and with an interest rate of 4.35% per annum.

#### (ii) Amount due to a related party

	<b>As of June 30, 2021 RMB'000 (Unaudited)</b>	As of December 31, 2020 RMB'000 (Audited)
Fuze Entertainment Co., Ltd.	<b>5,438</b>	5,438



## 22. Significant related party transactions (Continued)

### (c) Key management personnel compensations

The compensations paid or payable to key management personnel (including directors, CEO and other senior executives) for employee services are shown below:

	Three months ended June 30,		Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Wages, salaries and bonuses	1,340	1,555	2,941	3,201
Pension costs — defined contribution plans	63	—	126	19
Other social security costs, housing benefits and other employee benefits	73	77	147	163
Share-based compensation expenses	1,301	257	1,429	1,181
	<b>2,777</b>	1,889	<b>4,643</b>	4,564

