



LINEKONG

● THIRD QUARTERLY REPORT ●

藍港互動集團有限公司

Linekong Interactive Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8267



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



THIRD QUARTERLY RESULTS (UNAUDITED)

The Board announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the nine months ended September 30, 2021, together with the unaudited comparative figures for the corresponding period in 2020, as follows:

Interim Condensed Consolidated Statement of Comprehensive Loss

For the nine months ended September 30, 2021

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	20,454	23,344	69,136	130,649
Cost of revenue		(15,749)	(18,241)	(44,346)	(87,958)
Gross profit		4,705	5,103	24,790	42,691
Selling and marketing expenses		(3,277)	(1,162)	(12,633)	(8,910)
Administrative expenses		(8,100)	(9,679)	(23,929)	(28,623)
Research and development expenses		(4,773)	(3,108)	(14,402)	(10,684)
Net impairment losses on receivables and contract asset		(184)	(1,071)	(1,157)	(1,370)
Other operating (loss)/income — net		(700)	4,641	123	10,538
Operating (loss)/profit		(12,329)	(5,276)	(27,208)	3,642
Other gains/(losses) — net	5	3,434	(11,892)	5,836	(12,094)
Finance costs — net		(632)	(800)	(2,179)	(1,411)
Share of loss of investments using equity accounting		(3)	(409)	(94)	(929)
Loss before income tax		(9,530)	(18,377)	(23,645)	(10,792)
Income tax (expense)/credit	6	(5)	(150)	59	(754)
Loss for the period		(9,535)	(18,527)	(23,586)	(11,546)

Interim Condensed Consolidated Statement of Comprehensive Loss (Continued)

For the nine months ended September 30, 2021

	Three months ended		Nine months ended	
	September 30,		September 30,	
Note	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income/ (loss)				
Items that may be subsequently reclassified to profit or loss:				
— Share of other comprehensive income/(loss) of investments accounted for using the equity method, net of tax	174	(1,669)	(375)	(1,031)
Items that will not be reclassified to profit or loss:				
— Currency translation differences	2,093	(12,472)	(401)	(6,456)
Other comprehensive income/ (loss) for the period, net of tax	2,267	(14,141)	(776)	(7,487)
Total comprehensive loss for the period	(7,268)	(32,668)	(24,362)	(19,033)
(Loss)/profit attributable to:				
Owners of the Company	(9,126)	(18,407)	(22,424)	(13,510)
Non-controlling interests	(409)	(120)	(1,162)	1,964
Loss for the period	(9,535)	(18,527)	(23,586)	(11,546)

Interim Condensed Consolidated Statement of Comprehensive Loss (Continued)

For the nine months ended September 30, 2021

	Note	Three months ended		Nine months ended	
		September 30, 2021	2020	September 30, 2021	2020
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total comprehensive (loss)/ income attributable to:					
Owners of the Company		(6,859)	(32,548)	(23,200)	(20,997)
Non-controlling interests		(409)	(120)	(1,162)	1,964
Total comprehensive loss for the period					
		(7,268)	(32,668)	(24,362)	(19,033)
Loss per share (expressed in RMB per share)					
— Basic	7(a)	(0.03)	(0.05)	(0.06)	(0.04)
— Diluted	7(b)	(0.03)	(0.05)	(0.06)	(0.04)

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



Interim Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2021

(Unaudited)	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Shares held			Accumulated		Total		
		Share premium	for RSU	Scheme	Reserves	losses			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as of January 1, 2021	59	1,720,690	(10,454)	399,333	(1,725,253)	384,375	9,316	393,691	
Comprehensive loss									
Loss for the period	—	—	—	—	(22,424)	(22,424)	(1,162)	(23,586)	
Other comprehensive loss									
— Share of other comprehensive loss of investments accounted for using the equity method, net of tax	—	—	—	(375)	—	(375)	—	(375)	
— Currency translation differences	—	—	—	(401)	—	(401)	—	(401)	
Total comprehensive loss for the period	—	—	—	(776)	(22,424)	(23,200)	(1,162)	(24,362)	
Total contributions by and distributions to owners of the Company recognised directly in equity									
Disposal of a subsidiary	—	—	—	—	—	—	(2,967)	(2,967)	
Employee share option and RSU Scheme:									
— Shares repurchased for RSU Scheme	—	—	(101)	—	—	(101)	—	(101)	
— Value of employee services	—	—	—	2,309	—	2,309	13	2,322	
Total contributions by and distributions to owners of the Company for the period	—	—	(101)	2,309	—	2,208	(2,954)	(746)	
Balance as of September 30, 2021	59	1,720,690	(10,555)	400,866	(1,747,677)	363,383	5,200	368,583	

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the nine months ended September 30, 2021

(Unaudited)	Attributable to owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
Balance as of January 1, 2020	59	1,720,690	(10,019)	416,225	(1,690,739)	436,216	14,351	450,567
Comprehensive (loss)/income								
(Loss)/profit for the period	—	—	—	—	(13,510)	(13,510)	1,964	(11,546)
Other comprehensive loss								
— Share of other comprehensive loss of investments accounted for using the equity method, net of tax	—	—	—	(1,031)	—	(1,031)	—	(1,031)
— Currency translation differences	—	—	—	(6,456)	—	(6,456)	—	(6,456)
Total comprehensive (loss)/income for the period	—	—	—	(7,487)	(13,510)	(20,997)	1,964	(19,033)
Total contributions by and distributions to owners of the Company recognised directly in equity								
Transaction with non-controlling interests	—	—	—	—	—	—	10	10
Increase in ownership interest in subsidiaries without change of control	—	—	—	(890)	—	(890)	890	—
Employee share option and RSU Scheme:								
— Shares repurchased for RSU Scheme	—	—	(404)	—	—	(404)	—	(404)
— Value of employee services	—	—	—	1,409	—	1,409	38	1,447
Total contributions by and distributions to owners of the Company for the period	—	—	(404)	519	—	115	938	1,053
Balance as of September 30, 2020	59	1,720,690	(10,423)	409,257	(1,704,249)	415,334	17,253	432,587

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

Notes to Interim Condensed Consolidated Financial Information

1. General information

Linekong Interactive Group Co., Ltd. (the “**Company**”), was incorporated in the Cayman Islands on May 24, 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Floor 4, Willow House, Cricket Square, P.O.Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company’s shares have been listed on GEM of The Stock Exchange of Hong Kong Limited since December 30, 2014 by way of its initial public offering (“**IPO**”).

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

The interim condensed consolidated statements of comprehensive income loss for the nine-month period ended September 30, 2021, changes in equity for the nine-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 November 12, 2021.

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

The Interim Financial Information has not been audited.



2. Basis of preparation

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

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

3. Summary of significant accounting policies

The accounting policies applied are consistent with those 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.

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

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

4. Revenue and segment information

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

The Company separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. For the nine months ended September 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.



4. Revenue and segment information (Continued)

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:				
Game Business				
— Sales of in-game virtual items	14,420	21,117	52,264	79,625
— License fee and technical support fee	771	623	2,165	16,539
	15,191	21,740	54,429	96,164
Film Business				
— Licensing of rights and production of online dramas and others	5,263	1,604	14,707	34,485
Total	20,454	23,344	69,136	130,649
Segments results — operating (loss)/profit:				
— Game Business	(11,831)	(3,110)	(27,113)	(1,019)
— Film Business	(498)	(2,166)	(95)	4,661
Total	(12,329)	(5,276)	(27,208)	3,642



4. 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		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers:				
— PRC	12,192	9,571	38,160	75,978
— South Korea	7,080	12,066	27,004	47,151
— Other overseas countries and regions	1,182	1,707	3,972	7,520
	20,454	23,344	69,136	130,649

5. Other gains/(losses) — net

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2,021	2,020	2,021	2,020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value loss from financial assets at fair value through profit or loss	(4,988)	(11,933)	(2,128)	(12,376)
Dividend income from financial assets at fair value through profit or loss	334	—	1,486	—
Fair value gain from an associate measured at fair value through profit or loss	8,088	41	6,478	282
	3,434	(11,892)	5,836	(12,094)

6. Income tax expense/(credit)

The income tax expense/(credit) of the Group for the three months and nine months ended September 30, 2021 and 2020 is analysed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax	5	76	(59)	1,010
Deferred income tax	—	74	—	(256)
Income tax expense/(credit)	5	150	(59)	754

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 nine months ended September 30, 2021 and 2020.

The income tax provision of the Group in respect of operations in the PRC has been calculated based on the statutory tax rate of 25% on the estimated assessable profits for the nine months ended September 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 nine months ended September 30, 2020 and entitled to a preferential income tax rate of 12.5% for the nine months ended September 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 nine months ended September 30, 2021 and 2020; (iii) 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 nine months ended September 30, 2021 and 2020; and (iv) one subsidiary was accredited as software enterprises and entitled to a preferential income tax rate of 12.5% for the nine months ended September 30, 2020.

7. Loss per share

(a) Basic

Basic loss per share for the three months and nine months ended September 30, 2021 and 2020 is calculated by dividing the loss of the Group attributable to the owners of the Company of the period by the weighted average number of ordinary shares in issue during the period.

	Three months ended September 30,		Nine months ended September 30,	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Loss attributable to owners of the Company (RMB '000)	(9,126)	(18,407)	(22,424)	(13,510)
Weighted average number of ordinary shares in issue (thousand shares)	348,965	348,198	347,819	347,007
Basic loss per share (expressed in RMB per share)	(0.03)	(0.05)	(0.06)	(0.04)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the nine months ended September 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 nine months ended September 30, 2021 and 2020, the potential ordinary shares were not included in the calculation of dilutive loss per share where their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the three months and nine months ended September 30, 2021 and 2020 are the same as basic loss per share of the period.

8. Dividends

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



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Management Discussion and Analysis

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

In the third quarter this year, the Group launched the internal technical testing of several products, including “甄嬛傳之浮生一夢” and “蠻荒紀元”. In respect of distribution strategies, the Group will continue to develop overseas markets (e.g South Korea, Japan and North America, etc.) and enhance the development of female-oriented games, casual games and IP values of games.

The filming business of Linekong has entered into the phase of matrix product development. We will continue to enrich our potential IP reserve and promote quality drama production. It is expected that the Group will commence the production of one to two high quality products in the fourth quarter of 2021 and its preparation is in orderly process. In addition, we continue to produce and refine the scripts of IP productions including “Ancient Music Records (古樂風華錄)”, “雲海傳”, “錦堂春宴” and “對你不止是喜歡”.

The artist agency business of Linekong Pictures has developed smoothly. Its potential stars have engaged in filming and variety shows and will continue to present quality productions to the market. On October 15, 2021, Yao Xiaotang (姚曉棠), an artist of Chenxi Entertainment, finished as one of the national top four artists in the final of “The Voice of China”, a major music programme.



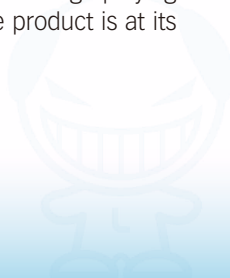
In the future, the Group will continue to implement its strategies to focus on and increase its investments in the self-operated development and continuously acquire high-quality IPs. The Group aims to promote the development of the industry and foster culture with its high-quality products in order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

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

“蠻荒紀元” is the Group’s latest 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 game is at the technical testing stage.

“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 and is expected to be launched in the second quarter of 2022. 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.

The Group launched its development of “Uproar in Heaven 2 (鬧鬧天宮2)” during the year. “Uproar in Heaven 2 (鬧鬧天宮2)” is a real-time tower defence battle mobile game with “Journey to the West (西遊記)” as its theme. 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 with the theme of Peking Opera and crosstalk, which allows new and existing players to appreciate the charm of traditional Chinese culture through playing the game and pay tribute to traditional Chinese essence. The product is at its intensive development stage.



In addition, “Dream Mansion (築夢公館)”, a new licensed product of the Group, is a female-oriented AVG mobile game based on a highly immersive suspense plot. In this mansion, the player, as the landlord, will meet six tenants with different personalities and start an exciting adventure. The product is currently in the internal testing phase and is expected to be launched in the first quarter of 2022.

The Group further cultivates the market in South Korea and continues the stable operation of the game, “Porto Estado (大航海時代)”, based on our research and analysis of overseas markets. The Group has identified Japan as its second overseas market expansion focus after South Korea. Our Japan distribution team was established in 2019, with 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 to provide players with impressive gaming experiences with its craftsman spirit. 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”) in 2019 and 2020 consecutively and received overwhelming responses from the local market in Japan. The development of the game is at the final completion and optimization stage, and its quality has been favored and recognised by many overseas and domestic leading game publishers. The Group has officially authorized the distribution rights in the PRC of the 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)” have continued to contribute stable revenue to the Group. The Group will continue their promotion and operation.



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

The preliminary results of matrix product development of Linekong Pictures can be seen in 2021. By focusing on target audiences and developing diversified productions of different contents and after five years of experiences and brands building, Linekong Pictures has launched six quality dramas and has accumulated multiple potential pieces of 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)”, “Hello Mr. Gu (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 100 million 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 ranking 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 been well recognized by the market and audiences with a maximum of 9,735 viral points on Youku website and ranked the first among five different rankings, namely ancient-setting romance drama ranking, ancient-setting drama ranking, romance drama ranking, TV drama ranking and TV drama viral ranking.

In terms of IPs, 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 with ancient music as its theme in China and its filming is scheduled 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 the revelation of the truth of a ten-thousand-year treasure through a treasure hunt journey without a map by three young men who has grown in danger and opportunities, making choices between right and wrong and becoming a couragerous and passionate legend. Its filming is scheduled to start in 2022.

In addition, the Group reserved several popular dramas, including a female emotional and inspirational idol drama “忽然醒來的一天”, 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 an exceptional production which can reach new group of audiences.

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

Business Outlook

In the fourth quarter of 2021, the Group will continue to 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 member 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 47.1% from approximately RMB130.6 million for the nine months ended September 30, 2020 to approximately RMB69.1 million for the nine months ended September 30, 2021.

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

	For the nine months ended September 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment revenue:		
Game Business		
— Sales of in-game virtual items	52,264	79,625
— License fee and technical support fee	2,165	16,539
	54,429	96,164
Film Business		
— Licensing and production of internet dramas and others	14,707	34,485
Total	69,136	130,649



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

	For the nine months ended September 30, 2021		2020	
	RMB'000 (Unaudited)	approximate %	RMB'000 (Unaudited)	approximate %
China (including Hong Kong, Macau and Taiwan regions)	38,160	55.2	75,978	58.1
South Korea	27,004	39.1	47,151	36.1
Other overseas countries and regions	3,972	5.7	7,520	5.8
Total	69,136	100.0	130,649	100.0

For the nine months ended September 30, 2021, the revenue contributed by the Game Business was approximately RMB54.4 million, representing a decrease of approximately 43.5% or RMB41.8 million as compared with the corresponding period of 2020, which was attributable to the decrease in revenue as a result of attenuation of existing games.

In respect of the Group's Film Business, the Group recognised revenue of approximately RMB14.7 million from licensing and production of internet dramas and others for the nine months ended September 30, 2021, representing a decrease of approximately 57.4% or RMB19.8 million as compared with the corresponding period of 2020, which was mainly due to the cyclicity of the Film Business.



Cost

The Group's cost for the nine months ended September 30, 2021 was approximately RMB44.3 million, representing a decrease of approximately 49.7% as compared to approximately RMB88.0 million for the nine months ended September 30, 2020.

The decrease in cost of the Group was mainly due to the decrease in cost of film business attributable to decreased revenue as well as effective cost control of the Group.

Gross profit and gross profit margin

The Group's gross profit for the nine months ended September 30, 2021 was approximately RMB24.8 million, representing a decrease of approximately 41.9% from approximately RMB42.7 million for the nine months ended September 30, 2020. The decrease in the Group's gross profit was primarily due to the attenuation of existing games.

The Group's gross profit margin for the nine months ended September 30, 2021 was approximately 35.9%, representing an increase of approximately 3.2 percentage points as compared to approximately 32.7% for the nine months ended September 30, 2020. The increase in the Group's gross profit margin was mainly due to the recognition of revenue from licensed dramas from our film business where the cost for such licensed dramas is relatively lower.

Selling and marketing expenses

The Group's selling and marketing expenses for the nine months ended September 30, 2021 were approximately RMB12.6 million, representing an increase of approximately 41.6% from approximately RMB8.9 million for the nine months ended September 30, 2020. The increase in selling and marketing expenses was primarily due to the increase in marketing expenses for our internet dramas “花好月又圓” and “Hello Mr. Gu (原來你是這樣的顧先生)”.



Administrative expenses

The Group's administrative expenses for the nine months ended September 30, 2021 were approximately RMB23.9 million, representing a decrease of 16.4% from approximately RMB28.6 million for the nine months ended September 30, 2020. The Group's administrative expenses, excluding share-based compensation expenses, for the nine months ended September 30, 2021 were approximately RMB21.3 million, represent a decrease of approximately 16.1% from approximately RMB25.4 million for the nine months ended September 30, 2020. The decrease in administrative expenses was primarily due to reduction of expenses as a result of the Group's business and development strategic needs, and the reduction of amortization of relevant intangible assets.

Research and development expenses

The Group's research and development expenses for the nine months ended September 30, 2021 were approximately RMB14.4 million, representing an increase of approximately 34.6% from approximately RMB10.7 million for the nine months ended September 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.

Operating (loss)/profit

The Group's operating loss for the nine months ended September 30, 2021 was approximately RMB27.2 million as compared to an operating profit of approximately RMB3.6 million for the nine months ended September 30, 2020. The increase in operating loss was primarily due to the decrease in revenue in jointly operated games. The Group has implemented strategies to devote more time to strengthen the quality of game development and roll out more competitive games.

Other gains/(losses) — net

The Group's other gains for the nine months ended September 30, 2021 were approximately RMB5.8 million as compared to other losses of approximately RMB12.1 million for the nine months ended September 30, 2020, which was mainly due to the gain on the change of fair value of financial instruments held by the Company.

Share of loss of investments using equity accounting

The Group's share of loss of investments using equity accounting for the nine months ended September 30, 2021 was approximately RMB0.1 million, while share of loss for the nine months ended September 30, 2020 was approximately RMB0.9 million.

Non-IFRSs measure — adjusted net loss

To supplement our condensed consolidated quarterly financial results presented in accordance with the GEM Listing Rules, we also adopted adjusted net loss 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 was derived from our net loss for the period deducting share-based compensation expenses and one-off compensation for loss of office paid. The adjusted net loss measured at Non-IFRSs is an unaudited figure.

The following table respectively sets out the reconciliation from loss for the period under IFRSs to the adjusted net loss for the nine months ended September 30, 2021 and 2020:

	For the nine months ended September 30,		
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	Change approximate %
Loss for the period	(23,586)	(11,546)	104.3
Add:			
Share-based compensation expenses	2,322	1,447	60.5
One-off compensation for loss of office paid	456	1,779	(74.4)
Adjusted net loss	(20,808)	(8,320)	150.1

The Group's adjusted net loss for the nine months ended September 30, 2021 was approximately RMB20.8 million and the adjusted net loss was approximately RMB8.3 million for the nine months ended September 30, 2020. The increase in our adjusted net loss for the current period was mainly due to the following facts: (i) in respect of our Game Business, decrease in revenue from our existing co-operated games; the Group has implemented strategies to reserve more time to strengthen the quality of game development and roll out competitive games; and (ii) in respect of our Film Business, various dramas are at their preparation stage; the Group is expected to recognize income from such dramas upon the commencement of their productions in subsequent period.

Liquidity and Financial Resources

During the nine months ended September 30, 2021, we financed our businesses primarily through cash generated from our major operating activities. The Group has been maintaining a solid cash position since obtaining the net proceeds from the listing of the Company's shares (the "**Shares**") on the Stock Exchange (the "**Listing**") in December 2014. We intend to finance our expansion and business operations with internal resources and operating income.

Treasury policy

During the nine months ended September 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 safeguarding idle capital and preventing risks, 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 seek long-term stable financial supports from banks at market lending rate.

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

As at September 30, 2021, we had cash and cash equivalents of approximately RMB117.1 million (as of December 31, 2020: approximately RMB84.7 million), which primarily consisted of cash at bank and other financial institutions and cash in hand and were mainly denominated in U.S. dollars ("**USD**") (as to approximately 56.5%), RMB (as to approximately 39.2%), HKD (as to approximately 3.9%) and other currencies (as to approximately 0.4%).

As at September 30, 2021, we had short-term bank deposits of approximately RMB76.4 million (as of December 31, 2020: approximately RMB90.8 million).

As at September 30, 2021, approximately RMB113.5 million (as of December 31, 2020: approximately 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: RMB100.0 million) by the bank which will expire within 1 year.

Capital Structure

The Shares of the Company 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 September 30, 2021, bank loans borrowed by the Group amounted to approximately RMB100.0 million (as at December 31, 2020: approximately RMB100.0 million). As at September 30, 2021, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 36.6% (as at December 31, 2020: approximately 31.2%).

Charge on Group Assets

As at September 30, 2021, restricted deposits of approximately RMB113.5 million (as at December 31, 2020: approximately RMB114.2 million) of the Group were pledged to secure bank borrowings.

Information on Employees and Remuneration Policy

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

As at September 30, 2021, the Group had 133 employees. For the nine months ended September 30, 2021, total remuneration for employees of the Group was approximately RMB39.6 million (for the nine months ended September 30, 2020: approximately RMB36.3 million).

The Company has adopted a 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 report.

In addition, the Company has adopted a restricted share unit scheme (the **“RSU Scheme”**) on March 21, 2014 with the objective to incentivise 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. For details, please refer to the paragraph headed **“Share Incentive Scheme”** of this Report.

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 organises 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.

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 Group during the nine months ended September 30, 2021.

Subsequent to the end of the reporting period, the Group disposed its entire 1.7308% interest in Beijing Shengzhi Technology Co., Ltd.* (北京聲智科技有限公司). For details, please refer to the paragraph headed **“Events during the Reporting Period and Subsequent Events”** of this report.



REVIEW OF THE QUARTERLY RESULTS

The quarterly financial results of the Group for the nine months ended September 30, 2021 is unaudited and has not been reviewed nor audited by the auditors of the Company, but has been reviewed by the audit committee of the Board (the “**Audit Committee**”).

The Audit Committee has reviewed the Group’s unaudited condensed consolidated quarterly financial results for the nine months ended September 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.

DIVIDEND

The Board did not recommend the payment of a dividend for the nine months ended September 30, 2021.

USE OF IPO PROCEEDS

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



As of September 30, 2021, the IPO Proceeds have been utilised as follows:

	Net proceeds allocated million HKD	Amounts utilised as of December 31, 2020 million HKD	Amounts utilised during the nine months ended September 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	9.5	11.2	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	9.0	13.1	Before December 31, 2022
Total	686.2	633.8	19.2	33.2	

As of September 30, 2021, approximately HKD33.2 million of the IPO Proceeds remained unutilised. The unutilised IPO Proceeds have been deposited into a time deposits 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. 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.

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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of September 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 the standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in Shares and underlying Shares

Director/Chief executive	Capacity/Nature of interest	Number of Shares <i>(Note 1)</i>	Approximate percentage of interest <i>(Note 2)</i>
Mr. Wang Feng <i>(Note 3)</i>	Interest of controlled corporation	66,576,160 (L)	21.53%
	Beneficial owner	12,640,380 (L)	
Ms. Liao Mingxiang <i>(Note 4)</i>	Interest of controlled corporation	12,168,720 (L)	6.13%
	Beneficial owner	10,386,769 (L)	
Mr. Wang Jin <i>(Note 5)</i>	Beneficial owner	3,260,000 (L)	0.89%
Mr. Chen Hao <i>(Note 6)</i>	Beneficial owner	2,535,841 (L)	0.69%

Notes:

1. (L) denotes long position.
2. Based on the number of issued Shares as of September 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 September 30, 2021, all the RSUs have been vested.

4. Ms. Liao Mingxiang held the entire issued share capital of Liaomingxiang Holdings Limited, which in turn directly held 12,168,720 Shares. Accordingly, Ms. Liao Mingxiang is deemed to be interested in all the 12,168,720 Shares held by Liaomingxiang Holdings Limited 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 September 30, 2021, 957,800 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 September 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 September 30, 2021.

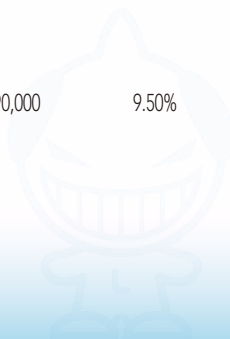
For further details on the share options, please refer to the section headed "Share Option Scheme" in this report.

Save as disclosed above, as of September 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 the standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As of September 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 other member(s) of the Group as follows:

Director/ Chief executive	Company concerned	Capacity/ Nature of interest	Register share capital	Approximate percentage of interest
Mr. Wang Feng	Linekong Online (Beijing) Technology Co., Ltd. ("Linekong Online")	Beneficial owner ^(note 1)	RMB7,545,000	75.45%
Ms. Liao Mingxiang	Linekong Online	Beneficial owner ^(note 1)	RMB1,364,000	13.64%
Mr. Wang Jin	Horgos Linekong Pictures Corporation ("Linekong Pictures")	Beneficial owner ^(note 2)	RMB4,155,000	8.31%
Mr. Wang Jin	Juyingshiguang (Hainan) Pictures Limited ("Juyingshiguang")	Beneficial owner ^(note 3)	RMB190,000	9.50%



Director/ Chief executive	Company concerned	Capacity/ Nature of interest	Register share capital	Approximate percentage of interest
Mr. Wang Jin	Horgos Chenxi Entertainment and Media Co., Ltd. (" Chenxi Entertainment ")	Beneficial owner ^(note 4)	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 September 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 as recorded in the register required to be kept under section 336 of the SFO:

(i) Substantial Shareholders

Shareholder	Nature of interest	Number of Shares (Note 1)	Approximate percentage of interest (Note 2)
Zhu Li (Note 3)	Interest of spouse	79,216,540 (L)	21.53%
Wangfeng Management Limited (Note 4)	Beneficial owner	66,576,160 (L)	18.09%
Starwish Global Limited (Note 5)	Beneficial owner	52,318,760 (L)	14.22%
China Momentum Fund, L.P. (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun China Momentum Fund GP, Ltd. (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Momentum Holdings Limited (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Financial Holdings Limited (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun International Limited (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Holdings Limited (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.22%

Shareholder	Nature of interest	Number of Shares <small>(Note 1)</small>	Approximate percentage of interest <small>(Note 2)</small>
Fosun International Holdings Limited <small>(Note 5)</small>	Interest of controlled corporation	52,318,760 (L)	14.22%
Guo Guangchang <small>(Note 5)</small>	Interest of controlled corporation	52,318,760 (L)	14.22%

Notes:

- (L) denotes long position.
- Based on the number of issued Shares as of September 30, 2021, being 367,974,964 Shares.
- 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.
- Mr. Wang Feng, chairman of the Company and Director, holds the entire issued share capital of Wangfeng Management Limited.
- 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 September 30, 2021, based on information available on the Stock Exchange, Fosun International is 72.31% owned by Fosun Holdings Limited ("**Fosun Holdings**") which is in turn wholly-owned by Fosun International Holdings Ltd. ("**Fosun International Holdings**"), a company controlled as to approximately 85.29% by Mr. Guo Guangchang.

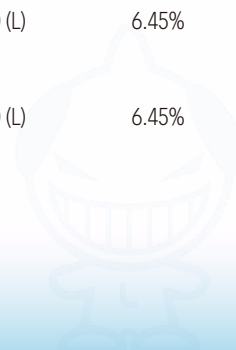
Accordingly, each of Guo Guangchang, Fosun International Holdings, Fosun Holdings, Fosun International, Fosun Financial Holdings, Fosun Momentum Holdings, Fosun China Momentum and China Momentum is deemed to be interested in all the Shares held by Starwish Global Limited under the SFO.

(ii) Other Shareholders

Shareholder	Nature of interest	Number of Shares (Note 1)	Approximate percentage of interest (Note 2)
The Core Trust Company Limited (Note 3)	Trustee of a trust	36,442,917 (L)	9.90%
TCT (BVI) Limited (Note 3)	Trustee of a trust	36,442,917 (L)	9.90%
Premier Selection Limited (Note 3)	Nominee for another person	36,442,917 (L)	9.90%
Ho Chi Sing (Notes 4 & 5)	Interest of controlled corporation	29,922,996 (L)	8.13%
Zhou Quan (Note 4)	Interest of controlled corporation	27,774,323 (L)	7.55%
IDG-Accel China Growth Fund GP Associates Ltd. (Note 4)	Interest of controlled corporation	27,774,323 (L)	7.55%
IDG-Accel China Growth Fund Associates, L.P. (Note 4)	Interest of controlled corporation	27,774,323 (L)	7.55%
IDG-Accel China Growth Fund L.P. (Note 4)	Beneficial owner	23,061,443 (L)	6.27%
Fubon Financial Holding Co., Ltd. (Note 6)	Interest of controlled corporation	23,739,000 (L)	6.45%
Fubon Life Insurance Co., Ltd. (Note 6)	Beneficial owner	23,739,000 (L)	6.45%

Notes:

- (L) denotes long position.



2. Based on the number of issued Shares as of September 30, 2021, being 367,974,964 Shares.
3. 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).
4. 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.

5. 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., which in turn is held as to 100.00% by Mr. Ho Chi Sing.

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

6. 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.

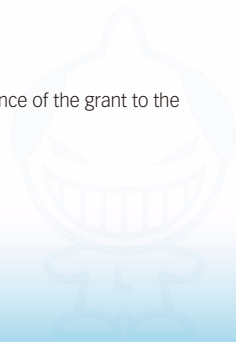
The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (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 September 30, 2021 and movement during the nine months ended September 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 September 30, 2021
							Granted	Exercised	Cancelled	Lapsed	
Ms. Liao Mingxiang	May 17, 2021	May 17, 2021 to May 16, 2031	1,100,000 <small>(note 3)</small>	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 <small>(note 3)</small>	7.18	7.18	100,000	—	—	—	—	100,000
	January 18, 2017	January 18, 2017 to January 17, 2027	1,000,000 <small>(note 3)</small>	3.10	3.10	1,000,000	—	—	—	—	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 <small>(note 3)</small>	0.784	0.75	—	500,000	—	—	—	500,000
Mr. Wang Jin	June 15, 2016	June 15, 2016 to June 14, 2026	300,000 <small>(note 3)</small>	4.366	4.18	300,000	—	—	—	—	300,000
	April 1, 2019	April 1, 2019 to March 31, 2029	1,000,000 <small>(note 4)</small>	0.88	0.88	1,000,000	—	—	—	—	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 <small>(note 3)</small>	0.784	0.75	—	500,000	—	—	—	500,000
Employees	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 <small>(note 2)</small>	8.10	8.10	462,298	—	—	—	—	462,298
	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 <small>(note 3)</small>	7.18	7.18	2,778,750	—	—	—	—	2,778,750
	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 <small>(note 3)</small>	4.366	4.18	675,000	—	—	—	—	675,000
	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 <small>(note 3)</small>	3.10	3.10	2,291,250	—	—	—	—	2,291,250
	April 1, 2019	April 1, 2019 to March 31, 2029	300,000 <small>(note 4)</small>	0.88	0.88	300,000	—	—	—	—	300,000
	August 16, 2019	August 16, 2019 to August 15, 2029	860,000 <small>(note 3)</small>	0.65	0.64	737,500	—	—	—	68,750	668,750
	May 17, 2021	May 17, 2021 to May 16, 2031	845,000 <small>(note 3)</small>	0.784	0.75	—	845,000	—	—	80,000	765,000
	May 17, 2021	May 17, 2021 to May 16, 2031	700,000 <small>(note 3)</small>	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:

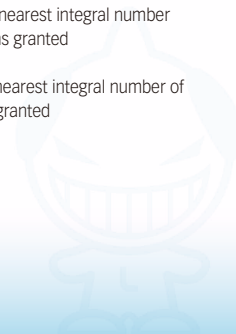
Vesting dates	Cumulative percentage of share options vested
12 months upon the acceptance of the offer for grant of share options	25% (rounded down to the nearest integral number of shares) of the share options granted
18 months upon the acceptance of the offer for grant of share options	37.5% (rounded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

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

Vesting dates	Cumulative percentage of share options vested
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:

Vesting dates	Cumulative percentage of share options vested
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 (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 September 30, 2021, there were 39,715,044 RSUs granted and outstanding, among which 35,368,244 RSUs have been vested.

During the nine months ended September 30, 2021, 4,315,000 RSUs were granted; 1,914,850 RSUs were vested; no RSUs had been cancelled and 108,750 RSUs have 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 nine months ended September 30, 2021 for satisfying the RSUs upon exercise.

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.



Disposal of 1.7308% equity interest in Beijing Shengzhi Technology Co., Ltd.* (北京聲智科技有限公司) (“Beijing Shengzhi”)

On November 3, 2021, Linekong Online, a subsidiary of the Company controlled through contractual arrangements, entered into an equity transfer agreement to dispose an aggregate of 1.7308% equity interest in Beijing Shengzhi, a company principally engaged in innovative acoustic technology and artificial intelligent interaction technology business, to three purchasers at the total consideration of RMB11,754,624, namely (i) Suzhou Muhua Equity Investment Partners Corporation (Limited Partnership)* (蘇州慕華股權投資合夥企業(有限合夥)) as to 0.7308% at the consideration of RMB4,963,184, (ii) Mr. Meng Qingchun (孟慶春) as to 0.6000% at the consideration of RMB4,074,864; and (iii) Beijing Qisen Group Co., Ltd.* (北京棋森集團股份有限公司) as to 0.4000% at the consideration of RMB2,716,576.

The filings with the Administration for Market Regulation in relation to the disposal have been completed and the Group ceased to hold any interest in Beijing Shengzhi. For further details of the disposal, please refer to the announcement of the Company dated November 3, 2021.

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 an interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during the nine months ended September 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 to the prospects of the Company.

Save as disclosed above, during the nine months ended September 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 (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 nine months ended September 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 (resigned on August 27, 2021), Mr. Kong Yi (appointed on August 27, 2021) and Mr. Zhang Xiangdong, 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 being made with all Directors, all Directors confirmed that they have complied with the required standards of dealings throughout the nine months ended September 30, 2021.

