



# 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 and Chief Executive Office*)

Mr. Chen Hao (*Vice President*)

Mr. Wang Jin (also known as Yan Yusong) (*Vice President*)

#### Independent Non-executive Directors

Mr. Zhang Xiangdong

Ms. Wu Yueqin

Mr. FU Frank Kan

### Board Committees

#### Audit Committee

Ms. Wu Yueqin (*Chairman*)

Mr. Zhang Xiangdong

Mr. FU Frank Kan

#### Remuneration Committee

Mr. Zhang Xiangdong (*Chairman*)

Mr. Wang Feng

Ms. Wu Yueqin

Mr. FU Frank Kan

#### Nomination Committee

Mr. Wang Feng (*Chairman*)

Mr. Zhang Xiangdong

Ms. Wu Yueqin

Mr. FU Frank Kan

### Company Secretary

Ms. Chan Yin Wah (*FCG, HKFCG, FCCA*)

### Authorised Representatives

Mr. Wang Feng

Ms. Chan Yin Wah

### Compliance Officer

Mr. Wang Feng

### 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")

Room B128  
1/F, Block B  
No. 32 Rongchuang Cultural  
Innovative Industry Base  
No. 5 Guangshun North Street  
Chaoyang District  
Beijing  
the PRC

## Principal Place of Business in Hong Kong

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

## Auditors

**Baker Tilly Hong Kong Limited**  
*Certified Public Accountants*  
*Registered Public Interest Entity*  
*Auditors*

Level 8  
728 King's Road  
Quarry Bay  
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

China CITIC Bank, Beijing Branch  
Wangjing Sub-Branch  
Woori Bank (China) Limited Business  
Department  
The Beijing Olympic Village Branch of  
Huaxia Bank  
Agricultural Bank of China, Khorgos  
Branch Business Department  
Bank of Communications, Beijing  
Branch Wangjing Sub-Branch

## GEM Stock Code

8267

## Company Website

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



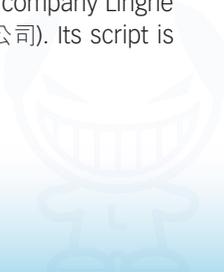
## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the second quarter of 2023, the Group continued to cultivate its two main business strategies in respect of games and films, deployed more resources in self-development of strategic fields and explored Web3, in order to preserve the Group's overall long-term business development and input new options.

The Group continues to focus on new mobile game development, application of advanced technology and extension of game's IP value. Internal and external tests of mobile games, such as the remake version of "Uproar in Heaven I (鬧鬧天宮1)", "Uproar in Heaven II (鬧鬧天宮2)" and "Ys VIII (伊蘇VIII)", have begun. Various advanced technologies like ChatGPT and AIGC have been utilised in the game development and content marketing of "Uproar in Heaven II (鬧鬧天宮2)". We expect to launch independent AI application products in combination with the "Uproar in Heaven (鬧鬧天宮)" IP. Meanwhile, we will continue to strengthen its business strategies of game publishing and further explore overseas markets. The launch and optimisation of "蠻荒紀元" has begun on June 15, 2023 in Thailand, while "大航海之路" maintained stable operation and product update in Korea to contribute sustained revenue.

The film business of Linekong has been gradually developing its matrix product. We have been enriching our potential IP reserves and producing quality drama. Internet dramas "對你不止是喜歡" and "唸唸人間玉" (originally "Mejaz Regulus in the World (摩耶人間玉)") are ready and are waiting for platforms to allocate timeslots. We entered into cooperation with Tencent Video on the production of the S-tier IP, "陷入我們的熱戀", with its production expected to begin in the fourth quarter of 2023. We will jointly produce "Ancient Music Records (古樂風華錄)" with the reputable movie company Shanghai Hengxing Movie Media Co., Ltd. (上海恆行影視傳媒有限公司) and has entered into cooperation with Tencent Video on its production, with its production expected to begin after the next Chinese New Year. "少年藏寶行" (originally "雲海傳") will be jointly produced with the well-known movie company Linghe Culture Media (Shanghai) Co., Ltd. (靈河文化傳媒(上海)有限公司). Its script is currently being written.



The Group launched its Web3 gaming platform, NAGA, to further explore the Web3 industry and secure opportunities amidst evolution within the gaming industry. We are optimistic about the long-term development potential of the virtual asset market. We aggressively consolidated our investment and research business, reorganised the cryptocurrency investment and research institution, Consensus Lab, and officially established LK Venture in Hong Kong to venture into the Web3 industry and virtual asset investment market. Meanwhile, we improved our asset allocation structure by purchasing 33.1273 units of Bitcoin in the public market in the second quarter of 2023, in order to preserve and increase the value of our assets.

### **Gaming Sector: favorable research and development of new products and accelerating expansion in overseas game markets**

In 2021, the Group officially commenced self-operated research and development of “Uproar in Heaven II (鬧鬧天宮2)”. As a real time battle tower defense mobile game based on the renowned novel “Journey to the West”, “Uproar in Heaven II (鬧鬧天宮2)” has adopted the art style and ancient Chinese mythical characters from the previous version. Players can organise their own hero pools and update their battle characters to achieve final victory. During the game, players may enjoy exciting tower defense game and appreciate the randomness of the game through strategic heroes upgrade and consolidation. In addition, “Uproar in Heaven II (鬧鬧天宮2)” bears the mission to encourage new and experienced players to appreciate and inherit the Chinese traditional culture. The Peking Opera skins and cross talk skins design have also been simultaneously inserted into the game. As of today, this product has obtained publication number in April 2023. It is undergoing internal and external testing and expected to be launched in the fourth quarter of 2023.

Meanwhile, as the predecessor of “Uproar in Heaven II (鬧鬧天宮2)”, the development of the remake of “Uproar in Heaven I (鬧鬧天宮1)”, the Chinese themed casual competitive MOBA, has been completed. Balance test of external limited heroes began in July. The game was well-received with high retention rate. Historical registered users of “Uproar in Heaven I (鬧鬧天宮1)” exceed 20 million, which effectively fill the gap of casual competitive MOBA in the market. The remake version optimises the matching mechanics and game environment on the basis of the original version. It has a higher emphasis on fair competition and strengthens its characteristics as a casual competitive MOBA. The product is currently available for pre-order on TAPTAP and other channels.

Previously, the Group has been exclusively licensed to adapt and globally distribute the mobile game product “伊蘇-夢境交織的長夜” of epic ARPG Japanese game “Ys VIII (伊蘇VIII)”, the mobile game product has entered into the final completion and optimisation stage. We have entered into global distribution cooperation with Bilibili during the first quarter of 2023, and are expected to join the Comic Market exhibition in Tokyo in August. We will soon begin product pre-order.

The launch and optimization of “蠻荒紀元”, a fairy tale mobile MMORPG, has begun in cooperation with our Thai cooperating operator on June 15, 2023. Marketing is scheduled to begin in August. It features aesthetic realism graphics to provide players with a glimpse of the splendor and prosperity of ancient era and a glamorous fairy tale experience.

“甄嬛傳之浮生一夢”, a female-oriented AVG+RPG mobile game jointly developed by the Group and its partners, has obtained publication number and completed its optimisation. We are currently cooperating with external partners to engage in the game’s marketing. It is expected to launch by the end of the year.

“大航海之路” is steadily operating in the Korea market. We plan to release two large DLCs that include new occupations, legendary battleships, homestead system, and other contents in this year, which will bring stable revenue to the Group.

### **Linekong Pictures: steadily develops its product matrix and diversifies its contents**

Currently, there are demands to provide customised and tailored contents and services for users. Linekong Pictures has been exploring contents and cooperating with professionals and reputable movie companies in the industry to create high-quality dramas with craftsman spirit.



Among these, Linekong Pictures has achieved satisfactory results in sweet youth romance dramas which are well received by young female audiences. “對你不止是喜歡” is an urban-setting romance drama jointly produced by Linekong Pictures and Mango TV and adopted from the well-known IP in Jinjiang Wenxuecheng (晉江文學城). It tells the crush story between Tangyu, a cold-hands and warm-heart producer, and Tangxin, a mischievous and playful junior scriptwriter. As of now, the drama has obtained its online filing number, and has been approved by the National Radio and Television Administration for front page release. It is now awaiting platform for timeslot allocation and is expected to broadcast in the third quarter of 2023.

“唵唵人間玉” (originally “Mejaz Regulus in the World (摩耶人間玉)”), a fairy tale romance drama produced by Linekong Pictures, is about the protagonists struggle against their emotional feelings and social position arising from their rival relationship. The drama is currently waiting for the second approval from Shanghai Radio and Television Administration, and is expected to broadcast in the fourth quarter of 2023.

“陷入我們的熱戀” is a S-tier IP and a Top 5 JinJiang romance drama newly written by the famous writer Er Dong Tu Zi (耳東兔子). The drama is about Xu Zhi (徐樞) gaining overwhelming popularity in Ruijun Middle School after the open exam. Xu Zhi, the dark horse of the Ruijun Middle School, met the handsome jerk Chen Luzhou (陳路周) in a summer and created a sweet and intense love story. We have entered into cooperation with Tencent Video on its production. Production is expected to begin in the fourth quarter of 2023.

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 the PRC. 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. 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. In 2022, Linekong Pictures has entered in joint production with a PRC renowned production company Shanghai Hengxingyinli Film Media Co., Ltd. (上海恆星引力影視傳媒有限公司) to produce “Ancient Music Records (古樂風華錄)” and has entered into cooperation with Tencent Video on its production. Production is expected to begin after the next Chinese New Year.

“少年藏寶行” (originally “雲海傳”) is the first ancient-setting youth adventure drama in the PRC 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. It will be jointly produced with the well-known movie company Linghe Culture Media (Shanghai) Co., Ltd. (靈河文化傳媒(上海)有限公司). Its script is currently being written.

### **Web3 Gaming Platform: further explore the Web3 Industry to grasp opportunities amidst evolution within the gaming industry**

With the emergence of blockchain and NFT technology, the gaming industry saw unprecedented changes. Not only could Web3 game facilitate players in protecting their entitlement of virtual game assets (game account, character and equipment, pets, virtual currency, etc.) and improve the transaction of virtual game assets, but could also provide a brand new business model for game developers and enterprises. Furthermore, this will promote the interoperability between different games and platforms to enhance the gaming experience of players.

In the second quarter, the Group launched the brand new Web3 gaming platform, NAGA. It positions itself as a one-stop Web3 gaming platform driven by distributing game missions, and covers services such as mission platform, game library, network data, community and guild and game information.

Currently, NAGA platform features the following functions: provides game recommendations and reviews to help users discover more high-quality games; events held directly on NAGA by game developers for game promotion or cold boot; Web3 game library that includes over 3,000 Web3 games and supports filtering and searching functions; information channel that features exclusive game interviews, insights in the gaming industry, update announcements of games and other contents to provide the latest information on Web3 games for players. Our next step is to attract games to adopt the platform and introduce player mission modes and guild invitation mechanics.

As a global leading interactive and entertainment company, Linekong Interactive has always strived to provide innovative and attractive game products and services. Through the launch of the Web3 gaming platform NAGA, the Company hopes to provide global players with richer and more customised gaming experience, while at the same time breathes new life into the development of Web3 industry.

The gaming industry and Web3 industry are both important components of digital economy. They are both mainly technology-driven and place high emphasis on the community and its users. Given their use of virtual assets, the two segments are highly correlated. Coordinated development of both segments could give rise to synergies and provide more opportunities and potential for the overall business development of the Group in the future.

### **Virtual Asset Market: integrates investment and research segments to optimise asset allocation and structure**

In the second quarter of 2023, the Group purchased 33.1273 units of Bitcoin. The purchase of Bitcoin is part of the Group's asset allocation strategy. Blockchain technology has the potential to subvert the current financial and science industry. This industry is still rapidly developing, which provides long-term value to virtual assets. For capital management, allocating part of the Company's fund to virtual assets would distribute our cash, allowing for diverse asset allocation to preserve and increase the value of our assets.

Based on its preliminary in-depth research, the Group completed the reorganisation of the cryptocurrency investment and research institution, Consensus Lab, in early April. LK Venture was officially established in Hong Kong to venture into the Web3 industry and virtual asset investment market. LK Venture will launch primary market and secondary market funds. Linekong Interactive will cooperate with multiple institutions and participate as a cornerstone investor.

LK Venture will focus on Web3 advanced territory like network, infrastructure service (security audit, oracle, index and search, data analysis, data storage, digital identity, etc.) and application (DeFi, NFT, gaming, socialisation, wallet, browser, aggregator and other DApps) of blockchain. We will continue to invest in and support global Web3 technological innovation projects. The original partner of Consensus Lab, Kevin Ren, will also assume the office of management partner of LK Venture.

The Company will further leverage on its forward-looking insights on the emerging Web3 technology and its professional review on virtual assets market to achieve asset diversification and the strategic goal of preserving and increasing the value of assets through flexible investment strategies and sound asset allocation.

## BUSINESS OUTLOOK

In the second half of 2023, the Group will continue to focus on IP development, female-oriented and casual mobile games and Web3 to further develop its business. 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 domestic interactive cultural content platforms, 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 the PRC.

With deeper understanding on the Web3 industry and blockchain technology, the Group will continue to recognise the long-term value of virtual assets to explore its future use in financial innovation and application in the gaming industry with the industry. Our global partners will jointly support more innovation projects in advanced Web3 sectors to create a more open, transparent and inter-connected digital world.



## Financial Review

### Revenue

The Group's revenue increased by approximately 120.5% from approximately RMB44.7 million for the six months ended June 30, 2022 to approximately RMB98.5 million for the six months ended June 30, 2023.

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

	<b>Six months ended June 30,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Segment revenue:</b>		
Continuing operations:		
— Game Business	<b>47,044</b>	37,231
— Film Business	<b>51,487</b>	423
<b>Total</b>	<b>98,531</b>	37,654
Discontinued operations:		
— Food Business	—	7,027
<b>Total</b>	—	7,027



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

	For the six months ended June 30, 2023		2022	
	RMB'000	approximate %	RMB'000	approximate %
China (including Hong Kong, Macau and Taiwan regions)	79,610	80.8	29,876	66.9
South Korea	8,699	8.8	13,912	31.1
Other overseas countries and regions	10,222	10.4	893	2.0
Total	98,531	100.0	44,681	100.0

For the six months ended June 30, 2023, the revenue contributed by game business amounted to approximately RMB47.0 million, representing an increase of approximately 26.3% or RMB9.8 million as compared with the corresponding period of 2022, which was mainly attributable to the recognised revenue of the current period from authorising Bilibili the exclusive license to publish “伊蘇-夢境交織的長夜” globally.

In respect of the Group's film business, the Group recognised revenue from licensing and production of internet dramas and others of approximately RMB51.5 million for the six months ended June 30, 2023, representing an increase of approximately 12,065% or RMB51.1 million from approximately RMB0.4 million for the six months ended June 30, 2022, which was mainly due to the recognised revenue of the current period related to “對你不止是喜歡”.

## Cost

The Group's cost for the six months ended June 30, 2023 was approximately RMB76.2 million, representing an increase of approximately 145.8% as compared to approximately RMB31.0 million for the six months ended June 30, 2022, which was mainly due to the recognised cost related to “對你不止是喜歡”.

## Gross profit and gross profit margin

The Group's gross profit for the six months ended June 30, 2023 was approximately RMB22.3 million, representing an increase of approximately 63.2% from approximately RMB13.7 million for the six months ended June 30, 2022, which was mainly due to the recognised revenue of game business from authorising “伊蘇-夢境交織的長夜”.

The Group's gross profit margin for the six months ended June 30, 2023 was approximately 22.6%, representing a decrease of approximately 8.0% as compared to approximately 30.6% for the six months ended June 30, 2022, which was mainly due to partially recognising the revenue from rights of film business related to “對你不止是喜歡” but recognising all cost.

## Selling and marketing expenses

The Group's selling and marketing expenses for the six months ended June 30, 2023 were approximately RMB4.1 million, representing a decrease of approximately 67.4% from approximately RMB12.6 million for the six months ended June 30, 2022, which was mainly due to the advertising expense of compressing current business by the Group.

## Administrative expenses

The Group's administrative expenses for the six months ended June 30, 2023 were approximately RMB15.8 million, representing an increase of approximately 2.3% from approximately RMB15.5 million for the six months ended June 30, 2022, which was mainly due to the increase in one-off compensation for loss of office paid.



## Research and development expenses

The Group's research and development expenses for the six months ended June 30, 2023 were approximately RMB13.7 million, representing an increase of approximately 10.9% from approximately RMB12.3 million for the six months ended June 30, 2022, which was mainly due to the increase in the investment of self-developed games.

## Segments results — operating (loss)/profit

	<b>Six months ended June 30,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Segments results — operating loss</b>		
Continuing operations:		
— Game Business	<b>(10,326)</b>	(18,645)
— Film Business	<b>(1,890)</b>	(4,511)
<b>Total</b>	<b>(12,216)</b>	(23,156)
Discontinued operations:		
— Food Business	—	(1,316)
<b>Total</b>	—	(1,316)

The operating loss for the six months ended June 30, 2023 was approximately RMB12.2 million, as compared to the operating loss for the corresponding period of 2022 of approximately RMB24.5 million.

For the six months ended June 30, 2023, the operating loss from the game business was approximately RMB10.3 million, and the operating loss from the game business for the corresponding period of 2022 was approximately RMB18.6 million, which was mainly due to the recognised revenue of the current period related to “伊蘇-夢境交織的長夜”.



For the six months ended June 30, 2023, the operating loss from the film business was approximately RMB1.9 million, and the operating loss from the film business for the corresponding period of 2022 was approximately RMB4.5 million, which was mainly due to the recognised revenue of the current period related to “對你不止是喜歡” and the further reduction of management costs.

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

The Group’s share of profit of investments using equity accounting for the six months ended June 30, 2023 was approximately RMB0.4 million, and the share of profit of investments for the six months ended June 30, 2022 was approximately RMB0.1 million.

### **Non-IFRSs measure — adjusted net loss**

To supplement our condensed consolidated financial statements presented in accordance with the International Financial Reporting Standards, 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 before fair value (losses)/ gains from investment in an associate measured at fair value through profit or loss, fair value (losses)/gains from financial assets at fair value through profit or loss, share-based compensation expenses and one-off compensation for loss of office paid. The non-IFRSs measured adjusted net loss is an unaudited figure.



The following table sets out the reconciliation from loss for the period under IFRSs to the adjusted net loss for the six months ended June 30, 2023 and 2022:

	For the six months ended		
	June 30,		
	2023	2022	Change
	RMB'000	RMB'000	approximate
	(Unaudited)	(Unaudited)	%
<b>Loss for the period</b>	<b>(12,868)</b>	(33,770)	(61.9)
<b>Add:</b>			
Fair value losses/(gains) from investment in an associate measured at fair value through profit or loss	<b>832</b>	954	(12.8)
Fair value losses/(gains) from financial assets at fair value through profit or loss	<b>512</b>	10,372	(95.1)
Share-based compensation expenses	<b>49</b>	176	(72.2)
One-off compensation for loss of office paid	<b>3,468</b>	948	265.8%
<b>Adjusted net loss</b>	<b>(8,007)</b>	(21,320)	(62.4)

The Group's adjusted net loss for the six months ended June 30, 2023 was approximately RMB8.0 million, as compared to the adjusted net loss of approximately RMB21.3 million for the six months ended June 30, 2022.

The decrease in adjusted net loss as compared to the six months June 30, 2023 was mainly due to the recognised revenue of the current period related to “伊蘇-夢境交織的長夜” and the further reduction in various costs and fees.



## 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, 2023, the majority of the Group's idle capital was deposited in time deposit bank accounts at commercial banks in the PRC. We have adopted a prudent financial management approach to our funding policy to manage liquidity risk. The Board closely monitors the liquidity position of the Group to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding needs from time to time.

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

As of June 30, 2023, we had cash and cash equivalents of approximately RMB82.4 million (as of December 31, 2022: approximately RMB116.4 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 42.7%), RMB (as to approximately 44.3%), HKD (as to approximately 12.2%) and other currencies (as to approximately 0.8%).

As of June 30, 2023, we had short-term bank deposits of RMB55.0 million (as of December 31, 2022: approximately RMB32.1 million).



## Capital Expenditures

	<b>Six months ended June 30,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Procurement of furniture and office equipment	<b>808</b>	227
Purchase of trademarks and licenses	<b>7</b>	880
Expenditures on film/online drama rights and films/online drama in progress	<b>3,165</b>	41,456
<b>Total</b>	<b>3,980</b>	42,563

Our capital expenditures comprised expenditures on film/online drama rights and films/online drama in progress, purchase of trademarks and licenses and computer software and procurement of furniture and office equipment. For the six months ended June 30, 2023, our total capital expenditure amounted to approximately RMB4.0 million (for the six months ended June 30, 2022: approximately RMB42.6 million), including expenditures on film/online drama rights and films/online drama in progress of approximately RMB3.2 million (for the six months ended June 30, 2022: approximately RMB41.5 million), purchase of trademarks and licenses of approximately RMB0 million (for the six months ended June 30, 2022: RMB0.9 million) and procurement of furniture and office equipment of approximately RMB0.8 million (for the six months ended June 30, 2022: RMB0.2 million). As of the end of the reporting period, we had no committed capital expenditures, and the capital expenditures for 2023 are expected to be expenditures on film/online drama in particular.



## 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, 2023, there was no bank loans borrowed by the Group (as at December 31, 2022: Nil). The gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 21.5% (as at December 31, 2022: approximately 28.1%).

## Pledge of Group Assets

As at June 30, 2023, there was no restricted deposits of the Group were pledged to secure bank borrowings (as at December 31, 2022: Nil).

## 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, 2023, the Group had 102 employees. For the six months ended June 30, 2023, total remuneration for employees of the Group was approximately RMB25.7 million (for the six months ended June 30, 2022: approximately RMB28.7 million).



The Company has adopted a share option scheme which awards Share options (the **“Share Option Scheme”**) and a share award scheme which awards restricted share units (the **“RSU Scheme”**) as incentive to the Directors and eligible persons, details of which are set out in the sections headed **“Share Option Scheme”** and **“Share Award Scheme”** of this interim 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 Group is able to provide its employees with ample career development choices and opportunities of advancement. The Group 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 Group also provides various incentives to motivate its employees.

## **Significant Investment Held During The Reporting Period**

As of June 30, 2023, the significant investments held by the Group included: the Group purchased 33.1273 units of Bitcoin at a total cost of approximately US\$891,000 in open market transactions. For further details of the purchased cryptocurrencies, please refer to note 6 to the financial statements and the Company’s announcements dated June 15, 2023, July 7, 2023 and August 8, 2023.



## Contingent Liabilities

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

## Foreign Exchange Risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily USD. Therefore, foreign exchange risk primarily arises from recognised assets and liabilities in the Groups' subsidiaries when receiving or to receive foreign currencies from overseas cooperated counterparties. For the six months ended June 30, 2023, the Group has not hedged any foreign currency fluctuations, 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**").

In June 2021, the Board has resolved to reallocate the then unutilised net IPO Proceeds for more effective use of resources of the Company and to better fit the latest business development and object of the Company. For details of the reallocation, please refer to the announcement of the Company dated June 29, 2021.



As of June 30, 2023, the Group's IPO Proceeds have been utilised as follows:

	Allocation as announced in the announcement dated June 29, 2021	Amounts utilised as of December 31, 2022	Amounts utilised as of June 30, 2023	Amounts unutilised as of June 30, 2023	Expected timeline for full utilisation
	HKD million	HKD million	HKD million	HKD million	
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	59.7	0	0	—
Potential strategic acquisition or investment in companies in game business, film business or related businesses	8.9	0	0	8.9	Before December 31, 2023
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	20.7	0	0	—
Providing funding for our working capital and other general corporate purposes	34.3	34.3	0	0	—
Investing in our technology platform, including developing and improving our game development tools and purchase of commercialised 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	10.7	0	0	—
Development of and investment in movies and dramas and accumulation of intellectual property rights reserves of movie and drama contents	22.1	22.1	0	0	—
<b>Total</b>	<b>686.2</b>	<b>677.3</b>	<b>0</b>	<b>8.9</b>	

As of June 30, 2023, approximately HKD8.9 million of the IPO Proceeds remained unutilised. The unutilised IPO Proceeds have been deposited into a bank account maintained by the Group.

## DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2023.

## REVIEW OF THE INTERIM RESULTS

The interim financial results of the Group for the six months ended June 30, 2023 is unaudited and has not been reviewed 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 interim financial results for the six months ended June 30, 2023 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, 2023, 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 required standards of dealings by directors of listed issuers as set out under 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

Name of Director/ chief executive	Capacity/Nature of interest	Total number of shares	Approximate percentage of shareholding <small>(Note 4)</small>
Mr. Wang Feng <small>(Note 1)</small>	Interest of controlled corporation	66,576,160 (L)	21.53%
	Beneficial owner	12,640,380 (L)	
Mr. Wang Jin <small>(Note 2)</small>	Beneficial owner	2,540,000 (L)	0.69%
Mr. Chen Hao <small>(Note 3)</small>	Beneficial owner	1,815,841 (L)	0.49%

(L) Long position

*Notes:*

- (1) 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. As of June 30, 2023, all the RSUs have been vested.

For further details of the RSUs, please refer to the section headed “Share Award Scheme” in this report.

- (2) The 2,540,000 Shares that Mr. Wang Jin was interested in consisted of (a) 300,000 share options, 1,000,000 share options and 125,000 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 1,425,000 Shares upon exercise; and (b) 1,115,000 RSUs granted to him under the RSU Scheme entitling him to receive 1,115,000 Shares. As of June 30, 2023, all RSUs have been vested.

For further details of the share options and RSUs, please refer to the sections headed “Share Option Scheme” and “Share Award Scheme” in this report.

- (3) The 1,815,841 Shares that Mr. Chen Hao was interested in consisted of (a) 100,000 share options, 1,000,000 share options and 125,000 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 1,225,000 Shares upon exercise; and (b) 590,841 RSUs granted to him under the RSU Scheme entitling him to receive 590,841 Shares. As of June 30, 2023, all RSUs have been vested.

For further details of the share options and RSUs, please refer to the sections headed “Share Option Scheme” and “Share Award Scheme” in this report.

- (4) As of June 30, 2023, the Company had 367,974,964 Shares in issue.



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

As of June 30, 2023, 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") (Note 1)	Beneficial owner	RMB7,545,000	75.45%
Mr. Wang Jin	Horgos Linekong Pictures Corporation ("Linekong Pictures") (Note 2)	Beneficial owner	RMB4,155,000	8.31%
Mr. Wang Jin	Juyingshiguang (Hainan) Pictures Limited ("Juyingshiguang") (Note 3)	Beneficial owner	RMB190,000	9.50%
Mr. Wang Jin	Horgos Chenxi Entertainment and Media Co., Ltd. ("Chenxi Entertainment") (Note 4)	Beneficial owner	RMB90,000	9.00%

*Notes:*

1. Linekong Online is a subsidiary of the Company controlled through contractual arrangements. Mr. Wang Feng is 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.

Save as disclosed above, as of June 30, 2023, none of the Directors and chief executives 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.

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

So far as is known to the Directors or chief executives of the Company, as of June 30, 2023, the following persons (other than Directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### (i) Substantial Shareholders

Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company <sup>(Note 3)</sup>
Zhu Li <sup>(Note 1)</sup>	Interest of spouse	79,216,540 (L)	21.53%
Wangfeng Management Limited <sup>(Note 2)</sup>	Beneficial owner	66,576,160 (L)	18.09%
Jin Jiawei (金佳偉)	Beneficial owner	52,318,760 (L)	14.22%

(L) Long position

Notes:

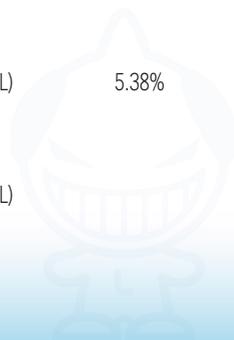
- Ms. Zhu Li is the wife of Mr. Wang Feng and is deemed to be interested in the Shares in which Mr. Wang Feng is interested under the SFO. For details of Mr. Wang Feng's interests, please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report.

2. Mr. Wang Feng, the chairman of the Company and Director, holds the entire issued share capital of Wangfeng Management Limited.
3. As of June 30, 2023, the Company had 367,974,964 Shares in issue.

## (ii) Other Shareholders

Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company <small>(Note 5)</small>
The Core Trust Company Limited <small>(Note 1)</small>	Trustee of a trust	34,839,317 (L)	9.47%
TCT (BVI) Limited <small>(Note 1)</small>	Trustee of a trust	34,839,317 (L)	9.47%
Premier Selection Limited <small>(Note 1)</small>	Nominee for another person	34,839,317 (L)	9.47%
Ho Chi Sing <small>(Notes 2&amp;3)</small>	Interest of controlled corporation	29,922,996 (L)	8.13%
IDG-Accel China Growth Fund GP Associates Ltd. <small>(Note 2)</small>	Interest of controlled corporation	27,774,323 (L)	7.55%
IDG-Accel China Growth Fund Associates, L.P. <small>(Note 2)</small>	Interest of controlled corporation	27,774,323 (L)	7.55%
IDG-Accel China Growth Fund L.P. <small>(Note 2)</small>	Beneficial owner	23,061,443 (L)	6.27%
Zhou Quan <small>(Note 2)</small>	Interest of controlled corporation	27,774,323 (L)	7.55%
Ms. Liao Mingxiang <small>(Note 4)</small>	Interest of controlled corporation	12,168,720(L)	5.38%
	Beneficial owner	7,626,769(L)	

(L) Long position



*Notes:*

1. 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).
2. 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.

3. IDG-Accel China Investors L.P. ("**IDG China Investors**", holding 2,148,673 Shares) is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd. ("**IDG Associates**"), which in turn is held as to 100.00% by Mr. Ho Chi Sing. Accordingly, each of Mr. Ho Chi Sing and IDG Associates is deemed to be interested in all the Shares held by IDG China Investors under the SFO.
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 7,351,769 Shares and was interested in 275,000 share options granted to her on May 17, 2021 under the Share Option Scheme entitling her to receive 275,000 Shares upon exercise.

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

5. As of June 30, 2023, the Company had 367,974,964 Shares in issue.



## SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME

### Share Incentive Scheme

The Company approved and adopted the RSU Scheme on March 21, 2014 and as amended on August 22, 2014. Pursuant to the amendments to Chapter 23 of the GEM Listing Rules which become effective from January 1, 2023, the RSU Scheme will need to comply with the relevant regulations in accordance with the relevant transitional arrangements. For details of the principal terms of the RSU Scheme, please refer to the section headed “Share Incentive Scheme” in the 2022 annual report of the Company.

As of June 30, 2023, there were 16,866,170 RSUs granted and outstanding, among which 16,738,670 RSUs have been vested. During the six months ended June 30, 2023, no RSUs were granted, no RSU was cancelled and 36,250 RSUs had lapsed. From June 30, 2023 to the date of this report, no RSUs had lapsed. The Core Trust Company Limited, the RSU trustee assisting with the administration and vesting of RSUs granted, did not purchase any Shares on the Stock Exchange during the six months ended June 30, 2023 for satisfying the RSUs upon exercise.



## Movement of RSUs

Category	Date of grant	Validity period <sup>(1)</sup>	RSUs granted	Exercise price HKD	Closing price of the Shares immediately before the date of grant HKD	Granted but not exercised (including unvested) balance as at December 31, 2022	During the Reporting Period					Granted but not exercised (including unvested) balance as at June 30, 2023
							Granted	Vested	Exercised	Cancelled	Lapsed	
Wang Feng (Director) <sup>(2)</sup>	2014/3/21	2014/3/20-2024/3/20	8,432,308 <sup>(3)</sup>	N/A	N/A	8,432,308 (-)	-	-	-	-	-	8,432,308 (-)
	2015/1/21	2015/1/21-2025/1/20	1,000 <sup>(4)</sup>	N/A	9.80	1,000 (-)	-	-	-	-	-	1,000 (-)
Liao Mingxiang (former Director) <sup>(5)</sup>	2014/3/21	2014/3/20-2024/3/20	2,810,769 <sup>(3)</sup>	N/A	N/A	-	-	-	-	-	-	- (-)
	2015/1/21	2015/1/21-2025/1/20	1,000 <sup>(4)</sup>	N/A	9.80	-	-	-	-	-	-	- (-)
	2019/9/12	2019/9/12-2029/9/11	3,680,000 <sup>(6)</sup>	N/A	0.72	901,600 (-)	-	-	901,600	-	-	- (-)
	2021/5/17	2021/5/17-2031/5/16	2,580,000 <sup>(6)</sup>	N/A	0.73	645,000 (-)	-	-	645,000	-	-	- (-)
Chen Hao (Director) <sup>(2)</sup>	2014/3/21	2014/3/21-2024/3/20	54,841 <sup>(3)</sup>	N/A	N/A	54,841 (-)	-	-	-	-	-	54,841 (-)
	2015/1/21	2015/1/21-2025/1/20	21,000 <sup>(4)</sup>	N/A	9.80	21,000 (-)	-	-	-	-	-	21,000 (-)
	2017/1/18	2017/1/18-2027/1/17	400,000 <sup>(6)</sup>	N/A	3.10	400,000 (-)	-	-	-	-	-	400,000 (-)
	2021/5/17	2021/5/17-2031/5/16	460,000 <sup>(6)</sup>	N/A	0.73	115,000 (-)	-	-	-	-	-	115,000 (-)
Wang Jin (Director) <sup>(2)</sup>	2019/4/1	2019/4/1-2029/3/31	1,000,000 <sup>(7)</sup>	N/A	0.88	1,000,000 (-)	-	-	-	-	-	1,000,000 (-)
	2021/5/17	2021/5/17-2031/5/16	460,000 <sup>(6)</sup>	N/A	0.73	115,000 (-)	-	-	-	-	-	115,000 (-)
Qi Yunhao <sup>(11)</sup>	2014/3/21	2014/3/21-2024/3/20	1,316,173 <sup>(3)</sup>	N/A	N/A	911,173 (-)	-	-	-	-	-	911,173 (-)
	2015/1/21	2015/1/21-2025/1/20	101,000 <sup>(4)</sup>	N/A	9.80	101,000 (-)	-	-	-	-	-	101,000 (-)
	2019/4/1	2019/4/1-2029/3/31	300,000 <sup>(7)</sup>	N/A	0.88	300,000 (-)	-	-	-	-	-	300,000 (-)
	2021/5/17	2021/5/17-2031/5/16	200,000 <sup>(6)</sup>	N/A	0.73	50,000 (-)	-	-	-	-	-	50,000 (-)
Vested portion of employees' (other grantees) grants <sup>(12)</sup>	2014/3/21	2014/3/21-2024/3/20	18,757,403 <sup>(3)</sup>	N/A	N/A	-	-	-	-	-	-	-
	2015/1/21	2015/1/21-2025/1/20	2,151,000 <sup>(4)</sup>	N/A	9.80	4,644,098 <sup>(13)</sup> (-)	-	-	23,500	-	-	4,620,598 <sup>(13)</sup> (-)
	2015/10/9	2015/10/9-2025/10/8	20,000 <sup>(5)</sup>	N/A	7.18	-	-	-	-	-	-	-
	2017/1/18	2017/1/18-2027/1/17	1,405,385 <sup>(6)</sup>	N/A	3.10	-	-	-	-	-	-	-
Net fully vested portion of employees' (other grantees) grants	2019/8/16	2019/8/16-2029/8/15	760,000 <sup>(6)</sup>	N/A	0.64	518,750 (100,000)	-	50,000	30,000	-	10,000	478,750 (40,000)
	2021/5/17	2021/5/17-2031/5/16	615,000 <sup>(6)</sup>	N/A	0.73	295,250 (140,625)	-	26,875	3,500	-	26,250	265,500 (87,500)

*Notes:*

1. The RSUs are valid for a period of ten years from the date of grant.
2. Such individuals are among the five persons with the highest total emoluments of the Group for the six months ended June 30, 2023.
3. The RSUs granted on March 21, 2014 may be vested in accordance with the following vesting timetable:
  - 3.1 In respect of Wang Feng (8,432,308), Liao Mingxiang (2,810,769), Qi Yunxiao (1,316,173) and other grantees (10,317,355)

20% of the RSUs shall be vested on the date that expires 1 month after the listing date;  
35% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;  
10% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;  
10% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;  
7.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs;  
7.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs;  
5% of the RSUs shall be vested on the date that expires 42 months after the date of grant of the RSUs; and  
5% of the RSUs shall be vested on the date that expires 48 months after the date of grant of the RSUs.
  - 3.2 A total of 2,810,769 RSUs of which may be vested in accordance with the following timetable  

one-third of the RSUs shall be vested on January 10, 2015; and  
the remaining two-thirds of the RSUs shall be divided into 8 equal portions of shares and vested quarterly from the first month starting from January 10, 2015.
  - 3.3 A total of 987,129 RSUs of which may be vested in accordance with the following timetable  

20% of the RSUs shall be vested on the date that expires 1 month after the listing date;  
35% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;  
10% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;  
10% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;  
7.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs;  
7.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs;  
5% of the RSUs shall be vested on the date that expires 42 months after the date of grant of the RSUs; and  
the remaining 5% of the RSUs shall be vested on the date that expires 48 months after the date of grant of the RSUs.

- 3.4 A total of 910,353 RSUs of which may be vested in accordance with the following timetable

10% of the RSUs shall be vested on the date that expires 1 month after the listing date;  
20% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs;  
10% of the RSUs shall be vested on the date that expires 42 months after the date of grant of the RSUs; and  
the remaining 10% of the RSUs shall be vested on the date that expires 48 months after the date of grant of the RSUs.

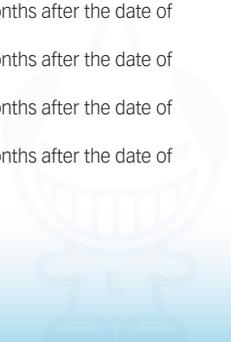
- 3.5 A total of 3,691,216 RSUs of which may be vested in accordance with the following timetable

25% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs; and  
the remaining 75% of the RSUs shall be divided into 6 equal portions of shares and vested semi-annually from the 18 months after the date of grant of the RSUs (i.e. 12.5% of the RSUs shall be vested respectively on the dates that expire 18, 24, 30, 36, 42 and 48 months after the date of grant of the RSUs).

4. The RSUs granted on January 21, 2015 may be vested in accordance with the following vesting timetable:

- 4.1 A total of 1,570,000 RSUs of which may be vested in accordance with the following timetable

25% of the RSUs shall be vested on the date that expires 8 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 14 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 20 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 26 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 32 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 38 months after the date of grant of the RSUs; and  
12.5% of the RSUs shall be vested on the date that expires 44 months after the date of grant of the RSUs.



- 4.2 A total of 250,000 RSUs of which may be vested in accordance with the following timetable
- 25% of the RSUs shall be vested on the date that expires 6 months after the date of grant of the RSUs;
  - 25% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;
  - 25% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs; and
  - 25% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs.
- 4.3 A total of 455,000 RSUs of which may be 100% vested on the date that expires 6 months after the date of grant of the RSUs.
5. The RSUs granted on October 9, 2015 may be vested in accordance with the following vesting timetable:
- 25% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;
  - 12.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;
  - 12.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;
  - 12.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs;
  - 12.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs;
  - 12.5% of the RSUs shall be vested on the date that expires 42 months after the date of grant of the RSUs; and
  - 12.5% of the RSUs shall be vested on the date that expires 48 months after the date of grant of the RSUs.
6. The RSUs granted on January 18, 2017 and August 16, 2019 may be vested in accordance with the following vesting timetable:
- 25% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;
  - 12.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;
  - 12.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;
  - 12.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs;
  - 12.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs;
  - 12.5% of the RSUs shall be vested on the date that expires 42 months after the date of grant of the RSUs; and
  - 12.5% of the RSUs shall be vested on the date that expires 48 months after the date of grant of the RSUs.

7. The RSUs granted on April 1, 2019 may be vested in accordance with the following vesting timetable:

50% of the RSUs shall be vested on the date of grant of the RSUs;

8.5% of the RSUs shall be vested on the date that expires 6 months after the date of grant of the RSUs;

8.5% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;

8.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;

8.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;

8.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs; and

7.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs.

8. The RSUs granted on September 12, 2019 may be vested in accordance with the following vesting timetable:

50% of the RSUs shall be vested on January 1, 2020;

8.5% of the RSUs shall be vested on the date that expires 6 months after the date of grant of the RSUs;

8.5% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;

8.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;

8.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;

8.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs; and

7.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs.



9. The RSUs granted on May 17, 2021 may be vested in accordance with the following vesting timetable:
- 9.1 A total of 3,900,000 RSUs of which may be vested in accordance with the following timetable
- 25% of the RSUs shall be vested on the date of grant of the RSUs;  
25% of the RSUs shall be vested on January 1, 2022 if the established performance is achieved;  
12.5% of the RSUs shall be vested on July 1, 2022 if the established performance is achieved;  
12.5% of the RSUs shall be vested on January 1, 2023 if the established performance is achieved;  
12.5% of the RSUs shall be vested on July 1, 2023 if the established performance is achieved; and  
12.5% of the RSUs shall be vested on January 1, 2024 if the established performance is achieved.
- 9.2 A total of 415,000 RSUs of which may be vested in accordance with the following timetable
- 25% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs;  
12.5% of the RSUs shall be vested on the date that expires 42 months after the date of grant of the RSUs; and  
12.5% of the RSUs shall be vested on the date that expires 48 months after the date of grant of the RSUs.
10. These RSUs have been fully vested before 2022 after their respective dates of grant, involving more than 600 non-current Directors or employees who were not the five individuals with the highest emoluments during the six months ended June 30, 2023. In order to facilitate the understanding of the overall development of the Group and the overall condition of our employees, information regarding their exercise of rights are presented in aggregate.
11. Ms. Liao Mingxiang served as the executive director and chief executive officer of the Company, member of the Remuneration Committee, compliance officer of the Company under Rule 5.19 of the GEM Listing Rules and authorized representative of the Company under Rule 5.24 of the GEM Listing Rules. Ms. Liao Mingxiang resigned from the above positions since February 26, 2023. Ms. Qi Yunxiao served as a vice president of the Company, and resigned from the above position since March 25, 2023.
12. Please refer to note 13(a) to the financial statements regarding the basis for and representations on fair valuation measurement of the RSUs granted.
13. Based on the number of shares of the Company held by the RSU Trustee at the relevant dates, the total number of RSUs that may be granted under the RSU Scheme were 17,976,897 as at December 31, 2022 and 18,013,147 as at June 30, 2023.

## Share Option Scheme

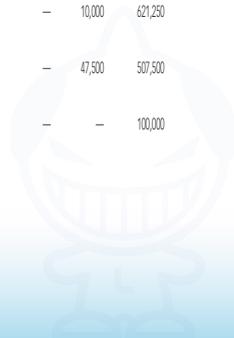
The Company conditionally approved the Share Option Scheme on November 20, 2014 which became effective on December 30, 2014, being the date of Listing. On August 12, 2015, October 9, 2015, June 15, 2016, January 18, 2017, April 1, 2019, August 16, 2019, September 12, 2019 and May 17, 2021, 1,849,192, 6,010,000, 1,750,000, 9,225,000, 1,300,000, 860,000, 6,900,000 and 3,645,000 share options were granted with exercise price of HKD8.10, HKD7.18, HKD4.366, HKD3.10, HKD0.88, HKD0.65, HKD0.72 and HKD0.784, respectively. The Company has used Binomial Option-Pricing Model to determine the fair value of the share option as of the grant date. For details of the accounting policy adopted for the share options and value of share options granted, please refer to note 2 and note 13(b) to the financial statements. For details of the principal terms of the Share Option Scheme, please refer to the section headed "Share Option Scheme" in the 2022 annual report of the Company.



## Movement of Share Options

For the six months ended June 30, 2023, details of the movement of outstanding share options of the Company are as follows:

Category	Date of grant	Option period <sup>(a)</sup>	Share options granted	Exercise price HKD	Closing Price of the Shares immediately before the date of grant HKD	Outstanding balance as at December 31, 2022	During the Reporting Period				Outstanding balance as at June 30, 2023
							Granted	Exercised	Cancelled	Lapsed	
Ms. Liao Mingxiang (former Director) <sup>(b)</sup>	May 17, 2021	May 17, 2021 to May 16, 2031	1,100,000 <sup>(c)</sup>	0.784	0.75	275,000	—	—	—	—	275,000
Mr. Chen Hao (Director) <sup>(b)</sup>	October 9, 2015	October 9, 2015 to October 8, 2025	100,000 <sup>(c)</sup>	7.18	7.18	100,000	—	—	—	—	100,000
	January 18, 2017	January 18, 2017 to January 17, 2027	1,000,000 <sup>(c)</sup>	3.10	3.10	1,000,000	—	—	—	—	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 <sup>(c)</sup>	0.784	0.75	125,000	—	—	—	—	125,000
Mr. Wang Jin (Director) <sup>(b)</sup>	June 15, 2016	June 15, 2016 to June 14, 2026	300,000 <sup>(c)</sup>	4.366	4.18	300,000	—	—	—	—	300,000
	April 1, 2019	April 1, 2019 to March 31, 2029	1,000,000 <sup>(c)</sup>	0.88	0.88	1,000,000	—	—	—	—	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 <sup>(c)</sup>	0.784	0.75	125,000	—	—	—	—	125,000
Ms. Qi Yunxiao <sup>(b)</sup>	April 1, 2019	April 1, 2019 to March 31, 2029	300,000	0.88	0.88	300,000	—	—	—	—	300,000
	May 17, 2021	May 17, 2021 to May 16, 2031	300,000	0.784	0.88	75,000	—	—	—	—	75,000
Employees (other grantees)	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 <sup>(c)</sup>	8.10	8.10	462,298	—	—	—	—	462,298
	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 <sup>(c)</sup>	7.18	7.18	2,778,750	—	—	—	—	2,778,750
	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 <sup>(c)</sup>	4.366	4.18	675,000	—	—	—	—	675,000
	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 <sup>(c)</sup>	3.10	3.10	2,291,250	—	—	—	—	2,291,250
	August 16, 2019	August 16, 2019 to August 15, 2029	840,000 <sup>(c)</sup>	0.65	0.64	631,250	—	—	—	10,000	621,250
	May 17, 2021	May 17, 2021 to May 16, 2031	845,000 <sup>(c)</sup>	0.784	0.75	555,000	—	—	—	47,500	507,500
	May 17, 2021	May 17, 2021 to May 16, 2031	400,000 <sup>(c)</sup>	0.784	0.75	100,000	—	—	—	—	100,000



*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:

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



3. The share options granted on October 9, 2015, June 15, 2016, January 18, 2017 and August 16, 2019 and those 845,000 share options granted to employees on 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 (other than those 845,000 share options granted to employees as indicated in note 3) 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

6. Such individuals (including Mr. Wang Feng who were not granted with share options) are among the five persons with the highest total emoluments of the Group for the six months ended June 30, 2023.
7. Ms. Liao Mingxiang served as the executive director and chief executive officer of the Company, member of the Remuneration Committee, compliance officer of the Company under Rule 5.19 of the GEM Listing Rules and authorized representative of the Company under Rule 5.24 of the GEM Listing Rules. Ms. Liao Mingxiang resigned from the above positions since February 26, 2023. Ms. Qi Yunxiao served as a vice president of the Company, and resigned from the above position since March 25, 2023.
8. Please refer to the announcements of the Company dated August 12, 2015, October 9, 2015, June 15, 2016, January 18, 2017, April 1, 2019, August 16, 2019, September 12, 2019, January 21, 2020, February 7, 2020, May 17, 2021 and May 18, 2021 for details.
9. The total number of share options that may be granted under the Share Option Scheme were increased from 26,190,298 as at December 31, 2022 to 26,247,798 as at June 30, 2023.

## Other Information

For the six months ended June 30, 2023, the number of shares that may be issued in respect of RSUs and share options granted under the RSU Scheme and Share Option Scheme divided by the weighted average number of ordinary Shares issued during the year is 0.075.

## 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, 2023.

## Material Acquisitions or Disposal of Subsidiaries, Affiliated Companies and Joint Venture

The Company did not carry out material acquisition and disposal of subsidiaries, associated companies and joint venture during the six months ended June 30, 2023.

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

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



## Corporate Governance

In the opinion of the Board, save as disclosed in “Chairman and Chief Executive Officer” in this section, the Company has complied with the code provisions set out in part 2 of the Corporate Governance Code (the “Code”) in Appendix 15 to the GEM Listing Rules throughout the six months ended June 30, 2023.

### Chairman and Chief Executive Officer

During the Reporting Period, since February 26, 2023, Mr. Wang Feng has been appointed as the chairman and the chief executive officer. Pursuant to code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang, the newly appointed chief executive officer of the Company, is also the chairman of the Board. Despite deviating from code provision C.2.1 of the Code, the Board believes that Mr. Wang, being the chairman of the Board, is familiar with the Company’s business operation and has superior knowledge and experience of the Company’s business, vesting the roles of both the chairman and the chief executive officer in the same person has the benefit of ensuring consistent leadership with the Company and improving the efficiency of overall strategic planning for the Company. Under the current relatively independent board structure (independent non-executive Directors accounting for 50%), the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.



## 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 include Mr. Zhang Xiangdong and Mr. FU Frank Kan, 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, as well as review on such 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 against which Directors must measure their conduct regarding transactions in securities of their issuers (the "**Required Standard of Dealings**") 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 Standard of Dealings throughout the six months ended June 30, 2023.



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	787	1,326
Right-of-use assets	6	3,526	3,992
Intangible assets	6	7,006	9,613
Film rights and films in progress	7	13,108	59,665
Investments using equity accounting An associate measured at fair value through profit or loss		34,227	33,240
Financial assets at fair value through profit or loss		22,245	35,303
	8	29,525	31,037
Other receivables	10	1,400	1,949
Other non-current assets	11	6,902	7,006
		<b>118,726</b>	183,131
<b>Current assets</b>			
Trade receivables	9	36,703	5,184
Other receivables	10	12,109	1,915
Other current assets	11	20,177	26,093
Short-term bank deposits		55,028	32,128
Cash and cash equivalents		82,368	116,371
		<b>206,385</b>	181,691
<b>Total assets</b>		<b>325,111</b>	364,822



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 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)	(10,555)
Reserves	12	419,067	413,414
Accumulated losses		(1,874,070)	(1,861,202)
		<b>255,191</b>	262,406
<b>Non-controlling interests</b>		—	—
<b>Total equity</b>		<b>255,191</b>	262,406
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contract liabilities		2,333	2,987
Lease liabilities		2,124	2,111
		<b>4,457</b>	5,098
<b>Current liabilities</b>			
Trade and other payables	14	25,950	27,002
Current income tax liabilities		3,223	3,669
Contract liabilities		34,757	65,309
Lease liabilities		1,533	1,338
		<b>65,463</b>	97,318
<b>Total liabilities</b>		<b>69,920</b>	102,416
<b>Total equity and liabilities</b>		<b>325,111</b>	364,882

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Three months ended June 30,		Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
<b>Continuing operations</b>					
Revenue	5	10,802	22,494	98,531	37,654
Cost of revenue	15	(8,114)	(14,368)	(76,236)	(25,698)
<b>Gross profit</b>		<b>2,688</b>	8,126	<b>22,295</b>	11,956
Selling and marketing expenses	15	(2,895)	(7,176)	(4,108)	(9,934)
Administrative expenses	15	(7,033)	(6,834)	(15,837)	(15,127)
Research and development expenses	15	(8,538)	(6,340)	(13,680)	(12,339)
Net impairment reversals/(losses) on receivables	15	786	(86)	745	(51)
Other operating (expenses)/income — net	16	(2,750)	572	(1,631)	2,339
<b>Operating loss</b>		<b>(17,742)</b>	(11,738)	<b>(12,216)</b>	(23,156)
Other losses — net	17	(625)	(6,332)	(1,203)	(8,186)
Finance costs — net		(9)	(1,045)	137	(1,239)
Share of profit of investments using equity accounting		262	155	418	147
<b>Loss before income tax</b>		<b>(18,114)</b>	(18,960)	<b>(12,864)</b>	(32,434)
Income tax expense	18	(1)	(2)	(4)	(6)
<b>Loss from continuing operations</b>		<b>(18,115)</b>	(18,962)	<b>(12,868)</b>	(32,440)
<b>Discontinued operations</b>					
<b>Loss from discontinued operations</b>	19	—	(1,330)	—	(1,330)
<b>Loss for the year</b>		<b>(18,115)</b>	(20,292)	<b>(12,868)</b>	(33,770)
<b>Other comprehensive income</b>					
Items that may be subsequently reclassified to profit or loss:					
— Share of other comprehensive income of investments accounted for using the equity method, net of tax		1,127	1,404	568	1,208
Items that will not be reclassified to profit or loss:					
— Currency translation differences		7,379	12,040	5,036	11,437

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS (Continued)

Note	Three months ended June 30,		Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
<b>Other comprehensive income for the period, net of tax</b>	<b>8,506</b>	13,444	<b>5,604</b>	12,645
<b>Total comprehensive loss for the period</b>	<b>(9,609)</b>	(6,848)	<b>(7,264)</b>	(21,125)
<b>Loss attributable to:</b>				
Owners of the Company	<b>(18,115)</b>	(19,974)	<b>(12,868)</b>	(33,126)
Non-controlling interests	—	(318)	—	(644)
<b>Loss for the period</b>	<b>(18,115)</b>	(20,292)	<b>(12,868)</b>	(33,770)
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company	<b>(9,609)</b>	(6,530)	<b>(7,264)</b>	(20,481)
Non-controlling interests	—	(318)	—	(644)
<b>Total comprehensive loss for the period</b>	<b>(9,609)</b>	(6,848)	<b>(7,264)</b>	(21,125)
Total comprehensive loss attributable to owners of the Company arises from:				
Continuing operations	<b>(9,609)</b>	(5,518)	<b>(7,264)</b>	(19,795)
Discontinued operations	—	(1,330)	—	(1,330)
	<b>(9,609)</b>	(6,848)	<b>(7,264)</b>	(21,125)
<b>Loss per share (expressed in RMB per share)</b>				
— Basic	20	<b>(0.052)</b>	(0.056)	<b>(0.037)</b>
— Diluted	20	<b>(0.052)</b>	(0.056)	<b>(0.037)</b>

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

(Unaudited)	Note	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
		Share capital	Shares held		Reserves	Accumulated losses			
			premium	for RSU					
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance as of January 1, 2023</b>		59	1,720,690	(10,555)	413,414	(1,861,202)	262,406	—	262,406
<b>Comprehensive loss</b>									
Loss for the period		—	—	—	—	(12,868)	(12,868)	—	(12,868)
Other comprehensive income									
— Share of other comprehensive income of investments accounted for using the equity method, net of tax		—	—	—	568	—	568	—	568
— Currency translation differences		—	—	—	5,036	—	5,036	—	5,036
<b>Total comprehensive income/ (loss) for the period</b>		—	—	—	5,604	(12,868)	(7,264)	—	(7,264)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>									
Employee share option and RSU Scheme:									
— Value of employee services	13	—	—	—	49	—	49	—	49
<b>Total contributions by and distributions to owners of the Company for the period</b>		—	—	—	49	—	49	—	49
<b>Balance as of June 30, 2023</b>		59	1,720,690	(10,555)	419,067	(1,874,070)	255,191	—	255,191



## 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, 2022</b>		59	1,720,690	(10,555)	393,854	(1,800,558)	303,490	500	303,990
<b>Comprehensive loss</b>									
Loss for the period		—	—	—	—	(33,126)	(33,126)	(644)	(33,770)
Other comprehensive income									
— Share of other comprehensive income of investments accounted for using the equity method, net of tax		—	—	—	1,208	—	1,208	—	1,208
— Currency translation differences		—	—	—	11,437	—	11,437	—	11,437
<b>Total comprehensive income/ (loss) for the period</b>		—	—	—	12,645	(33,126)	(20,481)	(644)	(21,125)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>									
Transaction with non-controlling interests		—	—	—	776	—	776	(776)	—
Employee share option and RSU Scheme:									
— Value of employee services	13	—	—	—	174	—	174	2	176
<b>Total contributions by and distributions to owners of the Company for the period</b>		—	—	—	950	—	950	(774)	176
<b>Balance as of June 30, 2022</b>		59	1,720,690	(10,555)	407,449	(1,833,684)	283,959	(918)	283,041

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

	<i>Note</i>	<b>Six months ended June 30,</b> <b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	2022 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations		(5,268)	2,234
Income tax refunded — net		(450)	—
<b>Net cash outflow from operating activities of continuing operations</b>		<b>(5,718)</b>	(141)
<b>Net cash inflow from operating activities of discontinued operations</b>		<b>—</b>	2,375
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(808)	(227)
Purchase of intangible assets	6	(6,439)	(880)
Dividend income from an associate measured at fair value through profit or loss		2,191	1,988
Purchase of financial assets at fair value through profit or loss		—	(14,520)
Dividend income from financial assets at fair value through profit or loss		141	1,152
Proceeds from disposal of financial assets at fair value through profit or loss		1,000	18,068
Proceed from disposal of property, plant and equipment		105	—
Payments for film rights and films in progress	7	(3,165)	(41,456)
Increase in restricted deposits		—	(671)
Increase in short-term bank deposits		(22,900)	—
<b>Net cash outflow from investing activities</b>		<b>(29,875)</b>	(36,546)

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Cash flows from financing activities</b>			
Interest paid		—	(862)
Principal elements of lease payments		(757)	(1,973)
<b>Net cash outflow from financing activities</b>		<b>(757)</b>	<b>(2,835)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(36,350)</b>	<b>(37,147)</b>
Cash and cash equivalents at beginning of period		116,371	132,248
Effects of exchange rate changes on cash and cash equivalents		2,347	3,285
<b>Cash and cash equivalents at end of the period</b>		<b>82,368</b>	<b>98,386</b>

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, film business (the “**Film Business**”) and food business (the “**Food Business**”) in the PRC.

The interim condensed consolidated balance sheet of the Group as of June 30, 2023 and the related interim condensed consolidated statements of comprehensive loss 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 14, 2023.

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, 2022 as set out in the 2022 annual report of the Company (the “**2022 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, 2022, 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, 2023, and are not expected to have a material impact on consolidated financial statement in the foreseeable future.

(c) *Accounting policies adopted for acquisitions of cryptocurrencies*

Cryptocurrencies purchased and held by the Group include Bitcoins, which are accounted for as intangible assets under the cost model. The Group has ownership of and control over the cryptocurrencies and engages third-party custodian service provider to securely store them. The cryptocurrencies held by the Group are considered to have an indefinite life, given there is no foreseeable limit to the period over which the relevant cryptocurrencies are expected to generate net cash flows for the Group. They are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The impairment tests are carried out for Bitcoins. The accounting policies applied for impairment of cryptocurrencies are consistent with those for impairment of non-financial assets, as described in the annual financial statements for the year ended December 31, 2022. Cryptocurrencies that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The increased carrying amount of cryptocurrency attributable to a reversal of an impairment loss, which is recognized in profit or loss, will not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cryptocurrencies in prior accounting periods.

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

#### 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 2022 Financial Statements, except for the following:

##### (a) Accounting of cryptocurrencies transactions and balances

IFRSs do not specifically address accounting for cryptocurrencies. Accordingly, for the preparation of the Interim Financial Information, management needs to apply judgement in determining appropriate accounting policies based on the facts and circumstances of the Group's acquisition and holding of cryptocurrencies. Given the business model of the Group, cryptocurrencies purchased and held by the Group are accounted for as indefinite-lived intangible assets under the cost model.

As disclosed in Note 6(ii), in determining fair values used for impairment tests, management needs to apply judgement to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal cryptocurrency markets for the Group. Save as disclosed above, in preparing the Interim Financial Information, there have been no other changes in the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty since year end.

## 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 2022 Financial Statements.

There have been no changes in the risk management policies during the six months ended June 30, 2023.

### 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, 2023 and December 31, 2022.

## 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, 2023</b>				
<b>Assets</b>				
An associate measured at fair value through profit or loss	—	—	22,245	22,245
Financial assets at fair value through profit or loss				
— Unlisted securities	—	—	29,525	29,525
	—	—	51,770	51,770
<b>As of December 31, 2022</b>				
<b>Assets</b>				
An associate measured at fair value through profit or loss	—	—	35,303	35,303
Financial assets at fair value through profit or loss				
— Unlisted securities	—	—	31,037	31,037
	—	—	66,340	66,340

There were no transfers among level 1, 2 and 3 during the six months ended June 30, 2023.



## 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.



## 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, 2023 and 2022, 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, 2023</b>	35,303	31,037	66,340
Disposals	—	(1,000)	(1,000)
Losses recognised in other losses — net	(13,058)	(512)	(13,570)
<b>Closing balance as of June 30, 2023</b>	22,245	29,525	51,770



## 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, 2022</b>	44,725	38,331	83,056
Additions	—	14,520	14,520
Disposals	—	(18,069)	(18,069)
Losses recognised in other losses — net	(954)	(10,372)	(11,326)
<b>Closing balance as of June 30, 2022</b>	43,771	24,410	68,181

#### (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.



## 4. Financial risk management (Continued)

### 4.2 Fair value estimation (Continued)

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

#### As of June 30, 2023

	As of June 30, 2023	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Sensitivity of fair value to the input
Unlisted securities	29,525	Discounted cash flow mode	Discount rate Compound annual growth rate of revenue Discount for lack of marketability Volatility	20% ~ 23% 6% 20% 41%	Note (a)
An associate measured at fair value through profit or loss	22,245	Note 4.2(ii)	Note (b)	N/A	Note (b)

#### As of December 31, 2022

	As of December 31, 2022	Valuation technique	Significant unobservable inputs	Percentage or ratio range
Unlisted securities	31,037	Discounted cash flow mode	Discount rate Compound annual growth rate of revenue Discount for lack of marketability Volatility	20% ~ 23% 6% 20% 41%
An associate measured at fair value through profit or loss	35,303	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) 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, 2023 RMB'000
Discount rate	21% ~ 23%	-1%	366
		1%	(360)
Compound annual growth rate of revenue	6%	-5%	(583)
		5%	579
Discount for lack of marketability	20%	-5%	432
		5%	(433)
Volatility	41%	-5%	20
		5%	(20)

- (b) 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, 2023, the fair value as of June 30, 2023 would increase/decrease by RMB1,112,000.



## 5. Revenue and segment information

The 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, 2023 and 2022, the Group is organised into three reportable operating segments.

In December 2022, the Group has disposed of the Food Business.

The Group identifies 2 continuing operations segments and 1 discontinued operation segment as follows:

### — Continuing operations

- The Game Business, which is primarily engaged in developing and publishing online games in the PRC and other countries and regions, including sales of in-game virtual items and license fee and technical support fee.
- 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.

### — Discontinued operations

- The Food Business, which is primarily engaged in sales of food products on e-commerce platform in the PRC.



## 5. Revenue and segment information (Continued)

The CODM assesses the performance of the operating segments based on the operating loss of each reporting segments. The reconciliation of operating loss to loss before income tax is shown in the consolidated income statement.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
<b>Continuing operations:</b>				
<b>Segment revenue:</b>				
— Game Business	10,802	22,494	47,044	37,231
— Film Business	—	—	51,487	423
	<b>10,802</b>	22,494	<b>98,531</b>	37,654
<b>Segment results — operating loss:</b>				
— Game Business	(16,049)	(9,542)	(10,326)	(18,645)
— Film Business	(1,693)	(2,196)	(1,890)	(4,511)
	<b>(17,742)</b>	(11,738)	<b>(12,216)</b>	(23,156)
<b>Discontinued operations:</b>				
<b>Segment revenue:</b>				
— Food Business	—	7,027	—	7,027
<b>Segment results — operating loss:</b>				
— Food Business	—	(1,316)	—	(1,316)



## 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		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Revenue from external customers:				
— PRC	6,845	14,975	79,610	22,849
— South Korea	3,957	7,114	8,699	13,912
— Other overseas countries and regions	—	405	10,222	893
	10,802	22,494	98,531	37,654

A breakdown of revenue derived from the transfer of goods and services over time and at a point in time in the respective period is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Revenue from contracts with customers				
— Recognised over time	9,464	22,494	72,809	37,248
— Recognised at a point in time	1,338	—	25,722	406
	10,802	22,494	98,531	37,654

## 5. Revenue and segment information (Continued)

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

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
— PRC	<b>31,098</b>	80,420
— South Korea	<b>231</b>	1,182
	<b>31,329</b>	81,602

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

	<b>Property, plant and equipment RMB'000 (Unaudited)</b>	<b>Right-of-use assets RMB'000 (Unaudited)</b>	<b>Intangible assets RMB'000 (Unaudited)</b>
As of January 1, 2023	<b>1,326</b>	<b>3,992</b>	<b>9,613</b>
Additions	<b>808</b>	<b>965</b>	<b>6,439</b>
Depreciation/amortization charge	<b>(192)</b>	<b>(1,431)</b>	<b>(2,207)</b>
Disposal/write-off	<b>(1,152)</b>	<b>—</b>	<b>—</b>
Impairment	<b>—</b>	<b>—</b>	<b>(6,694)</b>
Exchange	<b>(3)</b>	<b>—</b>	<b>(145)</b>
As of June 30, 2023	<b>787</b>	<b>3,526</b>	<b>7,006</b>



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

	Property, plant and equipment RMB'000 (Unaudited)	Right-of-use assets RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)
As of January 1, 2022	824	5,036	14,796
Additions	227	—	12
Depreciation/amortization charge	(312)	(1,974)	(2,053)
Exchange	(11)	—	311
As of June 30, 2022	728	3,062	13,066

- (i) The additions in intangible assets for the six months ended June 30, 2023 was primarily due to the purchase of cryptocurrencies. The Group had purchased cryptocurrencies of 33.1273 units of Bitcoins at aggregate cash considerations of USD891,000 (equivalent to RMB6,431,000).
- (ii) The recoverable amount of each type of cryptocurrencies are determined based on fair value less costs of disposal. In determining the fair values, the relevant available markets are identified by the Group, and the Group consider accessibility to, and activity within those markets in order to identify the principal cryptocurrency markets for the Group. The fair value of Bitcoin traded in active markets (such as trading and exchange platforms) 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 and those prices represent actual and regularly occurring market transactions on an arm's length basis. Therefore, the fair value used for assessment of recoverable amount in impairment tests is determined as quoted prices (unadjusted) in active markets for Bitcoin (Level 1). Based on these impairment tests, the recoverable amount of Bitcoin are greater than its carrying amounts of approximately RMB6,438,000, therefore no impairment loss was recognised.

## 7. Film rights and films in progress

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
Film rights and films in progress		
— Under production/production yet to commence	<b>13,108</b>	59,665
	<b>Six months ended June 30, 2023 RMB'000 (Unaudited)</b>	2022 RMB'000 (Unaudited)
Beginning of the period	<b>59,665</b>	24,952
Additions	<b>3,165</b>	41,456
Recognised in cost of revenue	<b>(49,722)</b>	—
Impairment	<b>—</b>	(1,413)
End of the period	<b>13,108</b>	64,995

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

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
<b>Included in non-current assets</b>		
Unlisted securities ( <i>Note</i> )	<b>29,525</b>	31,037

*Note:*

There is no quoted market price available for the unlisted securities. The Group has determined the fair value of these investments based on estimated future cash flows method as disclosed in Note 4.2. The fair values are within level 3 of the fair value hierarchy.

## 9. Trade receivables

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
Trade receivables	<b>38,208</b>	7,081
Loss allowance	<b>(1,505)</b>	(1,897)
	<b>36,703</b>	5,184

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, 2023 RMB'000 (Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
0–60 days	<b>3,004</b>	4,724
61–90 days	<b>33,113</b>	184
91–180 days	<b>126</b>	113
181–365 days	<b>337</b>	423
Over 1 year	<b>1,628</b>	1,637
	<b>38,208</b>	7,081



## 10. Other receivables

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
<b>Current</b>		
Loans to third parties and related interest ( <i>Note</i> )	<b>21,219</b>	21,335
Dividend receivables	<b>10,035</b>	—
Receivables from disposal of Food Business	<b>—</b>	900
Others	<b>2,992</b>	1,817
	<b>34,246</b>	24,052
Loss allowance	<b>(22,137)</b>	(22,137)
	<b>12,109</b>	1,915
<b>Non-current</b>		
Rental and other deposits	<b>496</b>	1,049
Others	<b>904</b>	900
	<b>1,400</b>	1,949

*Note:*

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% (2022: 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, 2023 and December 31, 2022.



## 11. Other assets

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
<b>Current</b>		
Prepaid service charges to game distribution channels	<b>6,536</b>	8,098
Prepayments to game developers	<b>6,871</b>	8,916
Prepaid rental, advertising costs and others	<b>1,050</b>	2,964
Deductible value-added tax input	<b>5,720</b>	6,115
	<b>20,177</b>	26,093
<b>Non-current</b>		
Prepaid service charges to game distribution channels	<b>329</b>	433
Deductible value-added tax input (Note)	<b>6,573</b>	6,573
	<b>6,902</b>	7,006

Note:

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, 2023</b>	(4,293)	105,791	18,039	289,884	3,993	413,414
Share of other comprehensive income of investments using equity method, net of tax	—	—	—	—	568	568
Employee share option and RSU Scheme: — Value of employee services (Note 13)	—	—	—	49	—	49
Currency translation differences	—	5,036	—	—	—	5,036
<b>Balance as of June 30, 2023</b>	(4,293)	110,827	18,039	289,933	4,561	419,067
<b>Balance as of January 1, 2022</b>	(4,293)	88,690	18,039	289,625	1,793	393,854
Share of other comprehensive income of investments using equity method, net of tax	—	—	—	—	1,208	1,208
Transaction with non-controlling interests	—	—	—	—	776	776
Employee share option and RSU Scheme: — Value of employee services (Note 13)	—	—	—	174	—	174
Currency translation differences	—	11,437	—	—	—	11,437
<b>Balance as of June 30, 2022</b>	(4,293)	100,127	18,039	289,799	3,777	407,449



### 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 attract, motivate and retain skilled and experienced personnel, including directors, senior management, and other employees, for the development and expansion of the Group by providing them with the opportunity to own equity interests in the Company, and to reward non-employees who provides or has provided consultancy or other advisory services to the Group.

(i) *Grant of the RSUs*

On January 18, 2017, April 1, 2019, August 16, 2019, September 12, 2019 and May 17, 2021, 1,805,385, 1,300,000, 760,000, 3,680,000 and 4,315,000 RSUs under the RSU Scheme were granted to directors, senior management, other employees and consultants, respectively. Details of those RSUs should be read in conjunction with the 2022 Financial Statements.

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.



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

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

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

Movements in the number of RSUs outstanding:

	<b>Number of RSUs</b>	
	<b>Six months ended June 30,</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Beginning of the period	<b>240,625</b>	4,236,300
Lapsed	<b>(36,250)</b>	(3,025,000)
Vested	<b>(76,875)</b>	(549,050)
End of the period	<b>127,500</b>	662,250

As of June 30, 2023 and December 31, 2022, 36,470,044 and 36,393,169 RSUs respectively have been vested unconditionally.

(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.

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

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

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

The above shares held for RSU Scheme were regarded as treasury shares and have been deducted from shareholders' equity; the costs of these shares totalling approximately RMB6,488 were credited to “other reserves” as deemed contributions from shareholders. As a result of the vesting of 76,875 RSUs during the six months ended June 30, 2023, approximately RMB14 was transferred out from treasury shares upon vesting of these RSUs.

(iii) *Fair value of RSUs*

The fair value of RSUs granted on January 18, 2017, April 1, 2019, August 16, 2019, September 12, 2019 and May 17, 2021 was assessed to approximate to the market price of the grant date at the amount of HKD3.10 each (equivalent to RMB4,945,015 in total), HKD0.88 each (equivalent to RMB979,000 in total), HKD0.64 each (equivalent to RMB436,000 in total), HKD0.72 each (equivalent to RMB2,396,000 in total), HKD0.73 each (equivalent to RMB2,608,000 in total) respectively.

(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.

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

(b) *Share options (Continued)*

(i) *Grant of share options*

On January 18, 2017, April 1, 2019, August 16, 2019, and May 17 2021, 9,225,000, 1,300,000, 860,000, and 3,645,000 share options were granted under the Pre-IPO Share Option, details of which should be read in conjunction with the 2022 Financial Statements.

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,			
	2023		2022	
	Average Exercise Price	Number of share options	Average Exercise Price	Number of share options
Beginning of the period	HKD3.84	10,793,548	HKD3.29	13,141,048
Lapsed	HKD0.76	(57,500)	HKD0.78	(2,257,500)
End of the period	HKD3.85	10,736,048	HKD3.77	10,883,548



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

(b) *Share options (Continued)*

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

Out of the 10,736,048 outstanding options (December 31, 2022: 10,793,548), 10,473,548 options (December 31, 2022: 10,351,673) were exercisable. Share options outstanding as of June 30, 2023 include 462,298 (December 31, 2022: 462,298) share options, 2,878,750 (December 31, 2022: 2,878,750) share options, 975,000 (December 31, 2022: 975,000) share options, 3,291,250 (December 31, 2022: 3,291,250), 1,300,000 (December 31, 2022: 1,300,000), 621,250 (December 31, 2022: 631,250) share options and 1,207,500 (December 31, 2022: 1,255,000) 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 shares of HKD3.10, HKD0.88, HKD0.65 and HKD0.73 on the respective grant dates of the share options, the Company has used a Binomial option-pricing model to determine the fair value of the share options as of each grant date. The fair values of the share options granted on January 18, 2017, April 1, 2019, August 16, 2019 and May 17, 2021 were assessed to be HKD14,823,000 (approximately equivalent to RMB13,097,000), HKD678,000 (approximately equivalent to RMB580,000), HKD308,000 (approximately equivalent to RMB277,000) and HKD1,640,000 (approximately equivalent to RMB1,358,000) respectively.

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

(b) *Share options (Continued)*

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

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

	January 18, 2017	April 1, 2019	August 16, 2019	May 17, 2021
Risk-free interest rate	1.72%	1.6%	1.07%	1.23%
Volatility	57.20%	61.00%	61.40%	67.50%
Dividend yield	—	—	—	—

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. As of June 30, 2023, the Expected Retention Rate of interim condensed employees was assessed to be 70% (December 31, 2022: 70%) and the Expected Retention Rate of existing directors and senior management was assessed to be 100% (December 31, 2022: 100%).

## 14. Trade and other payables

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
Trade payables ( <i>Note</i> )	<b>2,918</b>	2,826
Accrued expenses and liabilities	<b>6,527</b>	7,534
Salary and staff welfare payables	<b>11,067</b>	10,868
Amount due to a related party ( <i>Note 22</i> )	<b>5,438</b>	5,438
Other taxes payables	<b>—</b>	336
	<b>25,950</b>	27,002

*Note:*

Trade payables are mainly arising from online drama production, licensing games from game developers and products suppliers. 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, 2023 RMB'000 (Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
0–180 days	<b>2,151</b>	2,542
181–365 days	<b>374</b>	109
1–2 years	<b>318</b>	101
2–3 years	<b>15</b>	17
Over 3 years	<b>60</b>	57
	<b>2,918</b>	2,826

## 15. 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 are analysed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Service charges by game distribution channels	2,850	6,626	6,838	10,380
Content fee to game developers	1,401	2,225	3,441	4,298
Bandwidth and server custody fees	1,168	1,761	2,670	3,329
Film production costs	50	—	49,722	—
Employee benefit expenses (excluding share-based compensation expenses)	13,084	14,145	25,654	27,518
Charged to share-based compensation expenses	22	67	49	176
Depreciation of property, plant and equipment and right-of-use assets (Note 6)	643	1,108	1,623	2,286
Amortization and impairment of intangible assets (Note 6)	16	975	8,901	2,053
Net impairment (reversals)/losses on receivables	(786)	86	(745)	51
Impairment of films rights and films in progress (Note 7)	—	—	—	1,413
Promotion and advertising expenses	1,322	4,346	1,708	5,114
Traveling and entertainment expenses	335	106	537	358
Office rental expenses	465	106	1,024	256
Other professional service fees	4,612	2,298	5,896	3,860
Game development outsourcing costs	210	111	484	234
Utilities and office expenses	202	295	368	672
Auditors' remuneration	—	—	—	—
— Non-audit related services	180	400	432	650
Others	20	149	514	501
Total	25,794	34,804	109,116	63,149

**16. Other operating (expenses)/income — net**

	Three months ended June 30,		Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Government subsidies	112	656	688	973
Foreign exchange losses, net	(1,268)	(86)	(734)	(773)
Gains on clearance of long aging payables	—	—	—	2,034
Loss on disposal of property, plant and equipment, net	(89)	—	(78)	—
Write-off of property, plant and equipment	(969)	—	(969)	—
Others	(536)	2	(538)	105
	<b>(2,750)</b>	572	<b>(1,631)</b>	2,339

**17. Other losses — net**

	Three months ended June 30,		Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Fair value loss from financial assets at fair value through profit or loss	(539)	(7,233)	(512)	(10,372)
Dividend income from financial assets at fair value through profit or loss	141	—	141	1,152
Fair value (loss)/gain from an associate measured at fair value through profit or loss	(2,418)	901	(13,058)	(954)
Dividend income from an associate measured at fair value through profit or loss	2,191	—	12,226	1,988
	<b>(625)</b>	(6,332)	<b>(1,203)</b>	(8,186)

## 18. Income tax expense

The income tax expense of the Group for each of the three months and six months ended June 30, 2023 and 2022 is analysed as follows:

	Three ended months June 30,		Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax	1	2	4	6
Income tax expense/(credit)	1	2	4	6

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 Profits 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 six months ended June 30, 2023 and 2022.

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, 2023 and 2022 of each of the group companies, except that: (i) one subsidiary of the Company, incorporated in Horgos, was entitled to a preferential income tax rate of 12.5% for the six months ended June 30, 2023 and 2022 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, 2023 and 2022; and (iii) three subsidiaries of the Company, incorporated in Horgos, were exempted from income taxes under the relevant PRC tax rules and regulations for the six months ended June 30, 2023 and 2022.

## 19. Discontinued operations

During the year ended December 31, 2022, the Group disposed of the Food Business in the PRC. The result of the discontinued operations for the periods ended June 30, 2023 and 2022 are presented below. The comparative figures in the unaudited consolidated statement of profit or loss and other comprehensive income have been restated to represent the Food Business as discontinued operations.

	(unaudited) Three ended months June 30,		(unaudited) Six months ended June 30,	
	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)
Revenue	—	7,027	—	7,027
Expenses <sup>#</sup>	—	(8,357)	—	(8,357)
Loss before income tax from discontinued operations	—	(1,330)	—	(1,330)
Income tax expenses	—	—	—	—
Loss for the period of discontinued operations	—	(1,330)	—	(1,330)

# Expenses included amounting of approximately RMB3,972,000 relating to cost of inventories sold.



## 20. Loss per share

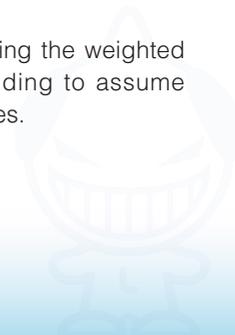
### (a) Basic

Basic loss per share for the three months and the six months ended June 30, 2023 and 2022 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 June 30,		Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Loss attributable to owners of the Company (RMB'000)				
— Continuing operations	(18,115)	(18,644)	(12,868)	(31,796)
— Discontinued operations	—	(1,330)	—	(1,330)
	<b>(18,115)</b>	<b>(19,974)</b>	<b>(12,868)</b>	<b>(33,126)</b>
Weighted average number of ordinary shares in issue (thousand shares)	<b>349,608</b>	349,142	<b>349,588</b>	348,938
Basic loss per share (expressed in RMB per share)				
— Continuing operations	(0.052)	(0.053)	(0.037)	(0.091)
— Discontinued operations	—	(0.003)	—	(0.004)
	<b>(0.052)</b>	<b>(0.056)</b>	<b>(0.037)</b>	<b>(0.095)</b>

### (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.



## 20. Loss per share (Continued)

### (b) Diluted (Continued)

For the six months ended June 30, 2023 and 2022, the Company had two categories of potential ordinary shares, restricted share units and share options granted to eligible person. As the Group incurred loss for the three months and the six months ended June 30, 2023, 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 six months ended June 30, 2023 and 2022 are the same as basic loss per share of the period.

## 21. Dividends

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2023 and 2022.

## 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, 2023 and 2022. 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 June 30,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Loan granted to		
— Chen Hao <sup>(*)</sup>	—	1,200

\* The Group granted a housing loan with principal of RMB1,200,000 to a director in January 2022. The loan is unsecured, fully repayable on February 15, 2022 and with an interest rate of 4.35% per annum. The loan was fully repaid in February 2022.

## 22. Significant related party transactions (Continued)

(b) *Balances with related parties*

(i) *Amount due to a related party*

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
Fuze Entertainment Co., Ltd.	<b>5,438</b>	5,438

(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:

	<b>Three ended months June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2023 RMB'000 (Unaudited)</b>	2022 RMB'000 (Unaudited)	<b>2023 RMB'000 (Unaudited)</b>	2022 RMB'000 (Unaudited)
Wages, salaries and bonuses	<b>1,064</b>	1,601	<b>2,625</b>	3,201
Pension costs — defined contribution plans	<b>25</b>	67	<b>58</b>	135
Other social security costs, housing benefits and other employee benefits	<b>47</b>	100	<b>116</b>	200
Share-based compensation expenses	<b>—</b>	15	<b>—</b>	53
	<b>1,136</b>	1,783	<b>2,799</b>	3,589