



# LINEKONG

● THIRD QUARTERLY REPORT ●

藍港互動集團有限公司

Linekong Interactive Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8267



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



## THIRD QUARTERLY RESULTS (UNAUDITED)

The Board announces the unaudited consolidated quarterly results of Group for the nine months ended September 30, 2023 and the unaudited condensed consolidated financial statements, together with the unaudited comparative figures for the corresponding period in 2022, as follows:



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the nine months ended September 30, 2023

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
<b>Revenue</b>	4	<b>10,115</b>	18,642	<b>108,646</b>	56,296
Cost of revenue		(7,624)	(10,530)	(83,860)	(36,228)
<b>Gross profit</b>		<b>2,491</b>	8,112	<b>24,786</b>	20,068
Selling and marketing expenses		(1,383)	(1,753)	(5,491)	(11,687)
Administrative expenses		(5,394)	(10,585)	(21,231)	(25,712)
Research and development expenses		(5,400)	(5,886)	(19,080)	(18,225)
Net impairment (losses)/reversals on receivables		(216)	561	529	510
Other operating income/(expenses) — net		2,260	(939)	629	1,400
<b>Operating loss</b>		<b>(7,642)</b>	(10,490)	<b>(19,858)</b>	(33,646)
Other losses — net	5	(46)	(1,284)	(1,249)	(9,470)
Finance income/(costs) — net		380	257	517	(982)
Share of income of investments using equity accounting		96	36	514	183
<b>Loss before income tax</b>		<b>(7,212)</b>	(11,481)	<b>(20,076)</b>	(43,915)
Income tax (expense)	6	(1)	(2)	(5)	(8)
<b>Loss from continuing operations</b>		<b>(7,213)</b>	(11,483)	<b>(20,081)</b>	(43,923)
<b>Discontinued operations</b>					
Loss from discontinued operations	7	—	(814)	—	(2,144)
<b>Loss for the period</b>		<b>(7,213)</b>	(12,297)	<b>(20,081)</b>	(46,067)
<b>Other comprehensive (loss)/income</b>					
Items that may be subsequently reclassified to profit or loss:					
— Share of other comprehensive (loss)/income of investments accounted for using the equity method, net of tax		(12,296)	1,501	(11,728)	2,709
Items that will not be reclassified to profit or loss:					
— Currency translation differences		1,573	10,206	6,609	21,643

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

For the nine months ended September 30, 2023

Note	Three months ended September 30, 2023		Nine months ended September 30, 2023	
	RMB'000 (Unaudited)	RMB'000 (Unaudited) (Restated)	RMB'000 (Unaudited)	RMB'000 (Unaudited) (Restated)
	<b>Other comprehensive (loss)/income for the period, net of tax</b>			
	(10,723)	11,707	(5,119)	24,352
	<b>Total comprehensive loss for the period</b>			
	(17,936)	(590)	(25,200)	(21,715)
	<b>Loss attributable to:</b>			
Owners of the Company	(7,213)	(12,162)	(20,081)	(45,288)
Non-controlling interests	—	(135)	—	(779)
	<b>Loss for the period</b>			
	(7,213)	(12,297)	(20,081)	(46,067)
	<b>Total comprehensive loss attributable to:</b>			
Owners of the Company	(17,936)	(455)	(25,200)	(20,936)
Non-controlling interests	—	(135)	—	(779)
	<b>Total comprehensive loss for the period</b>			
	(17,936)	(590)	(25,200)	(21,715)
	<b>Total comprehensive (loss)/income attributable to owners of the Company arises from:</b>			
Continuing operations	(17,936)	224	(25,200)	(19,571)
Discontinued operations	—	(814)	—	(2,144)
	(17,936)	(590)	(25,200)	(21,715)
	<b>Loss per share (expressed in RMB per share)</b>			
— Basic	8(a)	(0.021)	(0.035)	(0.057)
— Diluted	8(b)	(0.021)	(0.035)	(0.130)

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended September 30, 2023

(Unaudited)	Attributable to owners of the Company					Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Accumulated losses RMB'000			
<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)/income</b>								
Loss for the period	—	—	—	—	(20,081)	(20,081)	—	(20,081)
Other comprehensive (loss)/income								
— Share of other comprehensive loss of investments accounted for using the equity method, net of tax	—	—	—	(11,728)	—	(11,728)	—	(11,728)
— Currency translation differences	—	—	—	6,609	—	6,609	—	6,609
<b>Total comprehensive loss for the period</b>	—	—	—	(5,119)	(20,081)	(25,200)	—	(25,200)
<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	—	—	—	66	—	66	—	66
<b>Total contributions by and distributions to owners of the Company for the period</b>	—	—	—	66	—	66	—	66
<b>Balance as of September 30, 2023</b>	59	1,720,690	(10,555)	408,361	(1,881,283)	237,272	—	237,272



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the nine months ended September 30, 2022

(Unaudited)	Attributable to owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
<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 income/(loss)</b>								
Loss for the period	—	—	—	—	(45,288)	(45,288)	(779)	(46,067)
Other comprehensive income								
— Share of other comprehensive income of investments accounted for using the equity method, net of tax	—	—	—	2,709	—	2,709	—	2,709
— Currency translation differences	—	—	—	21,643	—	21,643	—	21,643
<b>Total comprehensive income/(loss) for the period</b>	—	—	—	24,352	(45,288)	(20,936)	(779)	(21,715)
<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	—	—	—	170	—	170	2	172
<b>Total contributions by and distributions to owners of the Company for the period</b>	—	—	—	946	—	946	(774)	172
<b>Balance as of September 30, 2022</b>	59	1,720,690	(10,555)	419,152	(1,845,846)	283,500	(1,053)	282,447

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. General information

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

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in developing and publishing online games (the “**Game Business**”) in the People’s Republic of China (the “**PRC**”) and other countries and regions, and film business (the “**Film Business**”) in the PRC. Since December 2022, the Group ceased the food business (the “**Food Business**”) in the PRC.

The interim condensed consolidated statements of comprehensive loss for the nine-month period ended September 30, 2023, changes in equity for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Financial Information**”) have been approved by the Board of Directors on November 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 (the “**2022 Financial Statements**”) as set out in the 2022 annual report of the Company, which have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), and any public announcements made by the Company during this reporting period.

## 3. Summary of significant accounting policies

The accounting policies (see 2022 Financial Statements) 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 and 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 (Continued)

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

Certain standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial period beginning January 1, 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, including Bitcoins, 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 accounting policies applied for 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 recognised in profit or loss, shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the cryptocurrencies in prior accounting periods.



#### 4. Revenue and segment information

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

The Company separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. For the nine months ended September 30, 2023 and 2022, the Group is organised into three reportable operating segments.

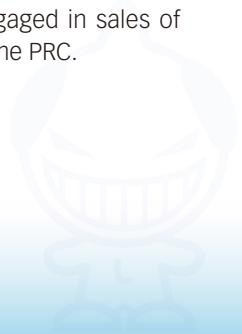
In December 2022, the Group has disposed of the Food Business. The Group identifies 2 continuing operations segments and 1 discontinued operation segment as follows:

##### — **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.



#### 4. 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 statement of comprehensive loss.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
<b>Segment revenue:</b>				
— Game Business	10,002	14,661	57,046	51,892
— Film Business	113	3,981	51,600	4,404
<b>Total</b>	<b>10,115</b>	<b>18,642</b>	<b>108,646</b>	<b>56,296</b>
<b>Segments results — operating (loss)/profit:</b>				
— Game Business	(6,296)	(13,502)	(16,622)	(32,147)
— Film Business	(1,346)	3,012	(3,236)	(1,499)
<b>Total</b>	<b>(7,642)</b>	<b>(10,490)</b>	<b>(19,858)</b>	<b>(33,646)</b>
<b>Discontinued operations:</b>				
<b>Segment revenue:</b>				
— Food Business	—	19,286	—	26,313
<b>Segment results — operating loss:</b>				
— Food Business	—	(828)	—	(2,144)



#### 4. Revenue and segment information (Continued)

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
<b>Revenue from external customers:</b>				
— PRC	5,602	12,262	85,212	35,111
— South Korea	3,967	6,298	12,666	20,210
— Other overseas countries and regions	546	82	10,768	975
	10,115	18,642	108,646	56,296

#### 5. Other losses — net

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value loss from financial assets at fair value through profit or loss	(46)	—	(558)	(10,372)
Dividend income from financial assets at fair value through profit or loss	—	—	141	1,152
Fair value loss and dividend income from an associate measured at fair value through profit or loss	—	(1,284)	(832)	(250)
	(46)	(1,284)	(1,249)	(9,470)

## 6. Income tax expense

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

	Three months ended September 30,		Nine months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Current income tax	1	2	5	8
<b>Income tax expense</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>8</b>

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

No income tax provision for Hong Kong 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 three months and nine months ended September 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 three months and nine months ended September 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 three months and nine months ended September 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 three months and nine months ended September 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 three months and nine months ended September 30, 2023 and 2022.

## 7. 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 September 30, 2023 and 2022 are presented below. The comparative figures in the unaudited consolidated statement of comprehensive loss have been restated to represent the Food Business as discontinued operations.

	Three ended months September 30,		Nine months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Revenue	—	19,286	—	26,313
Expenses <sup>#</sup>	—	(20,098)	—	(28,455)
Loss before income tax from discontinued operations	—	(812)	—	(2,142)
Income tax expenses	—	(2)	—	(2)
Loss for the period of discontinued operations	—	(814)	—	(2,144)

<sup>#</sup> Expenses included amounting of approximately RMB14,385,000 relating to cost of inventories sold for the nine months ended September 30, 2022.



## 8. Loss per share

### (a) Basic

Basic loss per share for the three months and nine months ended September 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 September 30, 2023		Nine months ended September 30, 2023	
	RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)	RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Loss attributable to owners of the Company (RMB'000)				
— Continuing operations	(7,213)	(11,348)	(20,081)	(43,144)
— Discontinued operations	—	(814)	—	(2,144)
	<b>(7,213)</b>	<b>(12,162)</b>	<b>(20,081)</b>	<b>(45,288)</b>
Weighted average number of ordinary shares in issue (thousand shares)	<b>349,641</b>	349,262	<b>349,606</b>	349,049
Basic loss per share (expressed in RMB per share)				
— Continuing operations	(0.021)	(0.033)	(0.057)	(0.124)
— Discontinued operations	—	(0.002)	—	(0.006)
	<b>(0.021)</b>	<b>(0.035)</b>	<b>(0.057)</b>	<b>(0.130)</b>





## 8. Loss per share (continued)

### (b) Diluted

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

For the nine months ended September 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 nine months ended September 30, 2023 and 2022, the potential ordinary shares were not included in the calculation of dilutive loss per share where their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the three months and nine months ended September 30, 2023 and 2022 are the same as basic loss per share of the period.

## 9. Dividends

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



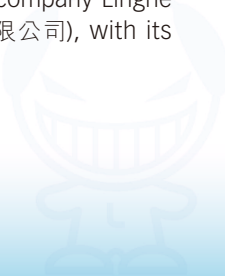
## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

In the third 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 major strategic fields and fully explored Web3, in order to soundly develop the Group's reserve in the long-term and reinvigorate the Group.

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. In particular, the Group is developing the mini application version of "Uproar in Heaven II (鬧鬧天宮2)", with an aim to explore the prospect of mini applications in China. Meanwhile, we continued to strengthen our business strategies of game publishing and further explore oversea markets. "蠻荒紀元" was launched in the second quarter of 2023 in Thailand. Its marketing and operation has continued. "大航海之路" maintained stable operation and product update in South 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 first quarter of 2024. 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 in the second quarter of 2024. "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), with its production expected to begin in the third quarter of 2024.



NAGA, a Web3 gaming platform jointly created by the Group, has been expanding its product lines and introduced data on games, social platforms and market. It cooperated with popular Web3 games and high performance public blockchain and is included in the Hong Kong Cyberport Incubator Project. It will have in-depth cooperation with Cyberport in the future. We are optimistic about the long-term development potential of the virtual asset market. Timely adjustment to the investment and research direction will be made in accordance with market changes. Meanwhile, we optimised our asset structure. In the third quarter of 2023, the Group purchased a total of 72.7689 units of Bitcoin in the public market. As of the end of the third quarter, the Group purchased a total of 97.6621 units of Bitcoin in the public market at a total cash consideration of approximately US\$2.8 million, in order to preserve and raise the value of our assets.

### **Gaming Sector: research and development of new products, accelerating expansion in overseas markets and exploring the prospects of mini applications in China**

In 2021, the Group officially commenced independent research and development of "Uproar in Heaven II (鬧鬧天宮2)". As a tower defense mobile card game based on the "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 organize their own hero pools and build various different teams 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 crosstalk 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 data optimisation. External test is expected to begin 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 undergoing optimisation on artistic expression and commercialisation, and is available for pre-order on TAPTAP and other channels. External test is expected to begin in 2024.

Furthermore, given the enthusiasm of the mini application market in China and the fit of the gameplay and characteristics of “Uproar in Heaven II (鬧鬧天宮2)” among mini application users, its corresponding mini application version is expected to launch in 2024, which will further expand the size of its user base.

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”, a mobile game version of the epic Japanese ARPG “Ys VIII (伊蘇VIII)”. It has entered into the final refinement and optimisation stage. We have entered into global distribution cooperation with Bilibili during the first quarter of 2023. Pre-order began in the third quarter, while internal test invitation will be extended to core players soon. We are currently focusing improving the product’s battle gameplay, plot revision and other aspects.

“甄嬛傳之浮生一夢”, a female-oriented AVG+RPG mobile game jointly developed by the Group and its partners, has officially 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 in 2024.



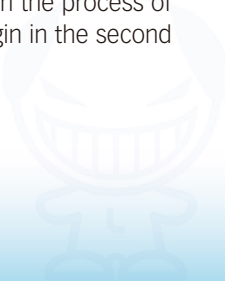
The launch and optimization of “蠻荒紀元”, a fairy tale mobile MMORPG, has begun in cooperation with our Thai cooperating operator on June 15, 2023. It features aesthetic realism graphics to provide players with a glimpse of the splendor and prosperity of ancient era and a glamorous fairy tale experience.

“大航海之路” is steadily operating in the South Korea market. Two large DLCs that include new occupations, legendary battleships, homestead system, and other contents have been successfully launched in this year, contributing higher turnover than our target, and will continue to bring stable revenue to the Group.

### **Film Sector: investing in hot IPs, integrating top resources in the industry and promoting product upgrade**

In the third quarter of 2023, Linekong Pictures explored its content and was gaining momentum. With S-tier major IP at hand, it cooperated with leading movie/TV companies and will gradually achieve product upgrade.

“陷入我們的熱戀”, a smash-hit IP of Linekong Pictures and a top-4 romance novel in Jinjiang Wenxuecheng (晉江文學城) written by the famous writer Er Dong Tu Zi (耳東兔子), is included in the list of Tencent Video V Conference (騰訊V視界大會) in the third quarter. It tells the youthful romance story between an arrogant high flier and an innocent top student. Its general tone is that of a casual romance with frequent quotes and humor, providing viewers with an immersive, youthful, passionate and unrelenting love story. This IP is highly popular, ranking among top search results during the announcement of its filing information and the pre-order of its novel. The announcement of its theatrical adaptation project resulted in widespread discussion on Weibo and attracted a lot of attention to its casting and progress. We have entered into cooperation with Tencent Video on its production. The popular S-tier screenwriter in China, Fang Qiangqiang (his past featured projects include Wu Xin The Monster Killer (無心法師), Once Upon a Time in Lingjian Mountain(從前有座靈劍山), Thousand Years For You (請君) and “四海重明”), is its screenwriter. The project is progressing steadily, and is now in the process of discussing with the main casts. Production is expected to begin in the second quarter of 2024.



“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. 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. Its released preview and derivative works on short video platforms capture the attention and expectation of viewers. Its leading actor, Miles Wei, participated in the popular variety show “披荊斬棘的哥哥” on Mango TV and performed well, and was well-regarded by all passers-by. The project is expected to launch in the first quarter of 2024.

“唸唸人間玉” is a drama produced by Linekong Pictures on the current hottest fairy tale romance with a wide viewer base. It is a tragic romance story between human and devil. As of now, the drama has obtained its broadcast filing number from the National Radio and Television Administration and completed the cooperation evaluation of iQIYI. The cooperation will be global exclusive, and its first preview will be released on the global event of iQIYI. Pre-order of the drama is currently available on the website of iQIYI, with the number of pre-orders exceeded 100,000. It is now undergoing pre-broadcast, and is expected to broadcast 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. The drama will be featured on Tencent V World Conference (騰訊V世界大會), while production is expected to begin in the second quarter of 2024.

“少年藏寶行”(originally “雲海傳” is an ancient-setting youth adventure drama 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. The drama is about a young man with possession of the secrets to a treasure who join force with his enthusiastic friends to carry out an adventurous and courageous journey. The drama is jointly produced by the Company and Linghe Culture Media (Shanghai) Co., Ltd. (靈河文化傳媒(上海)有限公司). Production is expected to begin in the third quarter in 2024.

### **Web3 Gaming Platform: expanding product mix and strengthening the relationship between the games and players, guilds and developers**

As the Web3 gaming platform developed by Linekong Interactive, NAGA naturally bears its gaming genes, showing its technical prowess and market potential in the Web3 gaming industry. NAGA makes full use of the opportunities and challenges in relation to Web3 technology and sees numerous successes in the cooperation and expansion in the gaming sector. It will hopefully become an important bridge between traditional games and the Web3 gaming sector.

In the third quarter, NAGA expanded its product line and introduce data on games, social platforms and market. It is now integrated with popular multiple public blockchains. Moreover, the game calendar function to be launched will help users quickly grasp the important news in the Web3 gaming industry. In terms of the market, NAGA is included in the Hong Kong Cyberport Incubator Project, and will engage in in-depth cooperation with Cyberport in the future. Furthermore, we also began cooperation with the popular Web3 game Bigtime, and became a strategic partner of the high performance public blockchain, Conflux.

In the fourth quarter, NAGA plans to further improve its products, with a focus on developing its gaming community, actively exploring the identity system of Web3 gaming and introduce game guilds to establish the relationship between games and players, guilds and developers.



## **Virtual Asset Market: aggressively adjusting investment and research directions and optimizing asset allocation and structure**

In the third quarter of 2023, the Group purchased 72.7689 units of Bitcoin in the public market. As of the end of the third quarter, the Group purchased a total of 97.6621 units of Bitcoin in the public market at a total cash consideration of approximately US\$2.8 million. The purchase of Bitcoin is part of the Group's business development and asset allocation strategy. Driven by the favorable news of possible approval from the U.S. Securities and Exchange Commission (SEC) for ETFs to directly invest in Bitcoin, Bitcoin price rose to over US\$35,000/BTC in October 2023, which is a record high in the last 17 months. The approval for ETF will be the catalyst for Bitcoin (and virtual assets) to become an emerging asset category accepted by the traditional finance sector. 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 the development landscape of the cryptocurrency market, LK Venture focused on emerging asset and secondary market transaction, while also explored Web3 advanced territory like networking, infrastructure service and application. It published high quality industry reports on popular topics, and support global Web3 technological innovation projects in a timely manner.

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.

However, Shareholders and potential investors should note that the cryptocurrency market is volatile and there is no guarantee to the investment in Bitcoins. In fact, the investment in Bitcoins can lead to loss of money over short or even long periods. The Board shall exercise its reasonable caution when conducting acquisitions of cryptocurrency.





## BUSINESS OUTLOOK

In the fourth quarter 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.

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 31.5% or RMB26.0 million from approximately RMB82.6 million for the nine months ended September 30, 2022 to approximately RMB108.6 million for the nine months ended September 30, 2023.

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

	<b>For the nine months ended September 30,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited) (Restated)
<b>Segment revenue:</b>		
Continuing operations:		
— Game Business	<b>57,046</b>	51,892
— Film Business	<b>51,600</b>	4,404
Subtotal	<b>108,646</b>	56,296
Discontinued operations:		
— Food Business	—	26,313
Total	<b>108,646</b>	82,609



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

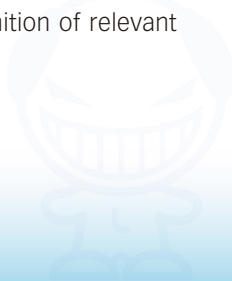
	For the nine months ended September 30,			
	2023		2022	
	RMB'000 (Unaudited)	approximate %	RMB'000 (Unaudited)	approximate %
China (including Hong Kong, Macau and Taiwan regions)	85,212	78.4	35,111	62.4
South Korea	12,666	11.7	20,210	35.9
Other overseas countries and regions	10,768	9.9	975	1.7
<b>Total</b>	<b>108,646</b>	<b>100</b>	<b>56,296</b>	<b>100</b>

For the nine months ended September 30, 2023, the revenue contributed by game business amounted to approximately RMB57 million, representing an increase of approximately 9.9% or RMB5.2 million as compared with the corresponding period of 2022, which was 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.

For the nine months ended September 30, 2023, the revenue contributed by film business amounted to approximately RMB51.6 million, representing an increase of 1,071.7% or RMB47.2 million from approximately RMB4.4 million for the nine months ended September 30, 2022, which was attributable to the recognised revenue related to “對你不止是喜歡”.

## Cost

The Group's cost for the nine months ended September 30, 2023 was approximately RMB83.9 million, representing an increase of 52.5% or RMB28.9 million from approximately RMB55.0 million for the nine months ended September 30, 2022, which was attributable to the recognition of relevant costs of “對你不止是喜歡”.



## Gross profit and gross profit margin

The Group's gross profit for the nine months ended September 30, 2023 was approximately RMB24.8 million, representing a decrease of 10.3% or RMB2.9 million from approximately RMB27.6 million for the nine months ended September 30, 2022, which was mainly due to the recognition of the relevant costs of “對你不止是喜歡”.

The Group's gross profit margin for the nine months ended September 30, 2023 was approximately 22.8%, representing a decrease of approximately 10.6 percentage point as compared to approximately 33.4% for the nine months ended September 30, 2022, which was mainly due to partially recognising the revenue from rights of “對你不止是喜歡” and recognising all cost.

## Selling and marketing expenses

The Group's selling and marketing expenses for the nine months ended September 30, 2023 were approximately RMB5.5 million, representing a decrease of 73.5% or RMB15.2 million from approximately RMB20.7 million for the nine months ended September 30, 2022, which was primarily due to the Group is reducing promotional expenses of existing business.

## Administrative expenses

The Group's administrative expenses for the nine months ended September 30, 2023 were approximately RMB21.2 million, representing a decrease of 19.2% or RMB5.1 million from approximately RMB26.3 million for the nine months ended September 30, 2022, which was primarily due to the impairment loss of games and film IPs.

## Research and development expenses

The Group's research and development expenses for the nine months ended September 30, 2023 were approximately RMB19.1 million, representing an increase of 4.3% or RMB0.8 million from approximately RMB18.3 million for the nine months ended September 30, 2022, which was primarily due to increased investment in self-developed games.



## Segments results — operating (loss)/profit

	For the nine months ended September 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Segment revenue — operating loss		
Continuing Operations:		
— Game Business	(16,622)	(32,147)
— Film Business	(3,236)	(1,499)
Subtotal	(19,858)	(33,646)
Discontinued Operations:		
— Food Business	—	(2,144)
Total	(19,858)	(35,790)

## Other losses — net

The Group's other losses — net for the nine months ended September 30, 2023 were approximately RMB1.2 million, as compared to other loss — net of approximately RMB9.5 million for the nine months ended September 30, 2022, which was mainly due to the fair value changes of financial instruments held by the Group.

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

To supplement our combined and consolidated financial statements presented in accordance with the IFRSs, 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 from an associate measured at fair value through profit or loss, fair value losses from financial assets at fair value through profit or loss, share-based compensation expenses and one-off compensation for loss of office paid. The adjusted net loss measured at non-IFRSs is an unaudited figure.

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

	<b>For the nine months ended</b>		
	<b>September 30,</b>		
	<b>2023</b>	2022	Change
	<b>RMB'000</b>	RMB'000	(approximate
	<b>(Unaudited)</b>	(Unaudited)	%)
<b>Loss for the period</b>	<b>(20,081)</b>	(46,067)	(56.4)
<b>Add:</b>			
Fair value loss from an associate measured at fair value through profit or loss	<b>832</b>	250	232.8
Fair value loss from financial assets at fair value through profit or loss	<b>558</b>	10,372	(94.6)
Share-based compensation expenses	<b>66</b>	172	(61.7)
One-off compensation for loss of office paid	<b>3,678</b>	2,509	46.6
<b>Adjusted net loss</b>	<b>(14,947)</b>	(32,764)	(54.4)

The Group's adjusted net loss for the nine months ended September 30, 2023 was approximately RMB15 million, as compared to the adjusted net loss of approximately RMB32.8 million for the nine months ended September 30, 2022 which was mainly due to the recognition of the revenue related to “伊蘇 — 夢境交織的長夜” during the period and the further decrease of various costs and expenses.

## Liquidity and Financial Resources

During the nine months ended September 30, 2023, we financed our businesses primarily through cash generated from our existing operating activities. The Group has been maintaining a solid cash position since the listing of the Company's shares (the “Shares”) on GEM of the Stock Exchange and obtaining the net proceeds in December 2014. We intend to finance our expansion and business operations with internal resources and through organic and sustainable growth.

## Treasury policy

During the nine months ended September 30, 2023, most of the Group's idle capital was invested in time deposits of commercial banks in the PRC. For the purpose of generating better return for the Group's idle cash, the Group's treasury policy is to deposit in these time deposits, and not to engage in any investments with high risks or transactions of speculative derivatives. In order to meet the domestic working capital requirement, we will seek for stable and long-term funding from banks at market lending rate for the corresponding period.

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

As of September 30, 2023 we had cash and cash equivalents of approximately RMB80.6 million (as of December 31, 2022: approximately RMB116.4 million), which primarily consisted of cash at bank and other financial institutions as well as cash in hand and were mainly denominated in RMB (as to approximately 34.9%), U.S. dollars (as to approximately 53.5%), HKD (as to approximately 10.5%) and other currencies (as to approximately 1.1%).

As of September 30, 2023, we had short-term bank deposits of approximately RMB32.4 million (as of December 31, 2022: approximately RMB32.1 million).



## 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 September 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 18.4% (as at December 31, 2022: approximately 28.1%).

## Charge on Group Assets

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

## REVIEW OF THE QUARTERLY RESULTS

The quarterly financial results of the Group for the nine months ended September 30, 2023 is unaudited and has not been reviewed nor audited by the auditors of the Company, but has been reviewed by the audit committee of the Board (the "**Audit Committee**"). The Audit Committee has 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.

## Significant investments, material acquisitions or disposal of subsidiaries or associated companies

During the nine months ended September 30, 2023, the Group had no significant investment, material acquisition or disposal of subsidiaries or associated companies.





## Information on Employees and Remuneration Policy

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

As at September 30, 2023, the Group had 103 employees. For the nine months ended September 30, 2023, total remuneration for employees of the Group was approximately RMB36.6 million (for the nine months ended September 30, 2022: approximately RMB43.7 million).

The Company has adopted a share option scheme and a share award scheme as incentive to the Directors and eligible persons, details of which are set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" of this report.

## DIVIDEND

The Board resolved not to declare any dividend for the nine months ended September 30, 2023.

## USE OF IPO PROCEEDS

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



As of September 30, 2023, the IPO Proceeds have been utilised as follows:

	Allocation as announced in the announcement dated June 29, 2021 million HKD	Amounts utilised as of December 31, 2022 million HKD	Amounts utilised during the nine months ended September 30, 2023 million HKD	Amounts unutilised as of September 30, 2023 million HKD
Overseas expansions (expanding our business in overseas markets)	137.2	137.2	0	0
Potential strategic acquisition or investment in companies in online game or related businesses	59.7	59.7	0	0
Potential strategic acquisition or investment in companies in game business, film (movie and drama) business or related businesses	8.9	0	0	8.9
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 commercialized game engines developed by third parties	29.0	29.0	0	0
Mastering user usage flow entry point via developing intellectual hardware and mobile phone software	10.7	10.7	0	0
Development of and investment in movies and dramas and accumulation of intellectual property rights 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 September 30, 2023, approximately HKD8.9 million of the IPO Proceeds remained unutilised. The unutilised IPO Proceeds have been deposited into a time deposits bank account maintained by the Group and will be utilised in accordance with the usage as announced in the announcement in relation to the change in use of proceeds of the Company dated June 29, 2021.

Among the unutilised proceeds, the Company's funding reserved for acquisition or investment in companies in game business, film (movie and drama) business or related business will be utilised in accordance with the progress of our potential acquisition projects, it is expected to be fully utilised before December 31, 2023.

## **MATERIAL EVENT AFTER THE REPORTING PERIOD**

There is no material event occurred after September 30, 2023 which affects the Group that needed to be reported to the Shareholders.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

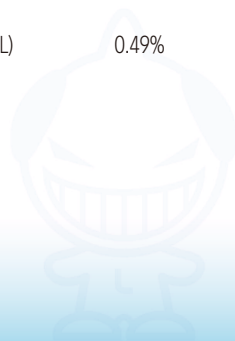
### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

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

#### (i) Long position 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 September 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 September 30, 2023, all the 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 subject to vesting. As of September 30, 2023, all the 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 September 30, 2023, the Company issued 367,974,964 Shares.



**(ii) Long position in the shares of other members of the Group**

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

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

*Notes:*

- Linekong Online is a subsidiary of the Company controlled through contractual arrangements. Mr. Wang Feng are the registered shareholders of Linekong Online.
- Linekong Pictures is a subsidiary of the Company controlled through Linekong Online which is owned as to 82.19% by Linekong Online.
- Juyingshiguang is a subsidiary of the Company controlled through Linekong Online which is owned as to 84.50% by Linekong Online.
- 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 September 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 Rules 5.46 to 5.68 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, as of September 30, 2023, the following persons (other than Directors and chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

### (i) Substantial Shareholder(s)

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.
- Mr. Wang Feng, the chairman of the Company and Director, holds the entire issued share capital of Wangfeng Management Limited.
- As of September 30, 2023, the Company issued 367,974,964 Shares.

**(ii) Other Shareholder(s)**

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares or securities held</b>	<b>Approximate percentage of interest in our Company</b> <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%



Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company <small>(Note 5)</small>
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 September 30, 2023, the Company issued 367,974,964 Shares.

## Share Option Scheme

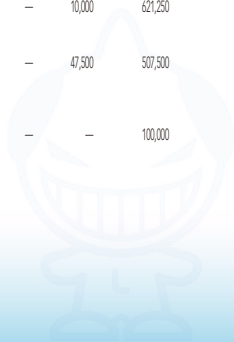
The Company adopted a share option scheme on November 20, 2014 (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to incentivise and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to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

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (whether full-time or part-time) or a director of a member of the Group or associated companies of the Company or any person who provides or has provided consultancy or other advisory services to the Group. Key terms of the Share Option Scheme are summarized in the 2022 Annual Report of the Company.



Details of the granted and outstanding share options of the Company as of September 30, 2023 and movement during the nine months ended September 30, 2023 are as follows:

Category	Date of grant	Option period (note 1)	Options granted	Exercise price HKD	Closing Price of the Shares immediately before the date of grant HKD	Outstanding balance as at January 1, 2023	During the nine months ended September 30, 2023				Outstanding balance as at September 30, 2023
							Granted	Exercised	Cancelled	Lapsed	
Ms. Liao Mingxiang (former Director) <sup>(note 3, 7)</sup>	May 17, 2021	May 17, 2021 to May 16, 2031	1,100,000 (note 9)	0.784	0.75	275,000	—	—	—	—	275,000
Mr. Chen Hao (Director) <sup>(note 4)</sup>	October 9, 2015	October 9, 2015 to October 8, 2025	100,000 (note 9)	7.18	7.18	100,000	—	—	—	—	100,000
	January 18, 2017	January 18, 2017 to January 17, 2027	1,000,000 (note 9)	3.10	3.10	1,000,000	—	—	—	—	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 (note 9)	0.784	0.75	125,000	—	—	—	—	125,000
Mr. Wang Jin (Director) <sup>(note 4)</sup>	June 15, 2016	June 15, 2016 to June 14, 2026	300,000 (note 9)	4.366	4.18	300,000	—	—	—	—	300,000
	April 1, 2019	April 1, 2019 to March 31, 2029	1,000,000 (note 4)	0.88	0.88	1,000,000	—	—	—	—	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 (note 9)	0.784	0.75	125,000	—	—	—	—	125,000
Ms. Qi Yunxiao <sup>(note 3, 7)</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 (note 2)	8.10	8.10	462,298	—	—	—	—	462,298
	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 (note 3)	7.18	7.18	2,778,750	—	—	—	—	2,778,750
	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 (note 3)	4.366	4.18	675,000	—	—	—	—	675,000
	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 (note 3)	3.10	3.10	2,291,250	—	—	—	—	2,291,250
	August 16, 2019	August 16, 2019 to August 15, 2029	860,000 (note 3)	0.65	0.64	631,250	—	—	—	10,000	621,250
	May 17, 2021	May 17, 2021 to May 16, 2031	845,000 (note 3)	0.784	0.75	555,000	—	—	—	47,500	507,500
	May 17, 2021	May 17, 2021 to May 16, 2031	400,000 (note 9)	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:

<b>Vesting dates</b>	<b>Cumulative percentage of share options vested</b>
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 nine months ended September 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 September 30, 2023.



## Share Award Scheme

As incentive to Directors and eligible persons, the Company approved and adopted the restricted share unit scheme (“**RSU Scheme**”) on March 21, 2014 (amended on August 22, 2014) where each restricted share unit (“**RSU**”) granted thereunder represents one underlying Share. The RSU Scheme was not previously subject to the provisions of Chapter 23 of the GEM Listing Rules as the RSU Scheme did not involve the grant of options by the Company to subscribe for new Shares. Pursuant to the amendments to Chapter 23 of the GEM Listing Rules which become effective from January 1, 2023, the RSU Scheme shall comply with the relevant regulations in accordance with the relevant transitional arrangements.

As of September 30, 2023, there were 16,866,170 RSUs granted and outstanding, among which 16,778,670 RSUs have been vested.

During the nine months ended September 30, 2023, no RSU was granted; no RSU has been cancelled and 36,250 RSUs have been lapsed. In addition, The Core Trust Company Limited, the RSU trustee assisting with the administration and vesting of RSUs granted, did not purchase any Share on the Stock Exchange during the nine months ended September 30, 2023 for satisfying the RSUs upon exercise.

## Interests in Competing Business

None of the Directors or controlling shareholders of the Company or any of their respective close associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during the nine months ended September 30, 2023.

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

During the nine months ended September 30, 2023, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.





## Corporate Governance

Since February 26, 2023, Mr. Wang Feng has been appointed as the chairman of the Board and the chief executive officer. Pursuant to code provision C.2.1 of the Corporate Governance Code in Appendix 15 to the GEM Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Despite deviating from code provision C.2.1 of the Corporate Governance 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.

Save for the aforementioned, in the opinion of the Board, the Company has complied with the code provisions set out in part 2 of the Corporate Governance Code in Appendix 15 to the GEM Listing Rules throughout the nine months ended September 30, 2023.

## Audit Committee

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

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and the Company's risk management and internal control systems, the effectiveness of the internal audit function, audit plan and relationship with external auditors 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.