



# 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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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

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

#### Non-executive Director

Mr. Ji Xuefeng

#### Independent Non-executive Directors

Mr. Zhang Xiangdong  
Ms. Wu Yueqin  
Mr. Kong Yi

### Board Committees

#### Audit Committee

Ms. Wu Yueqin (*Chairman*)  
Mr. Ji Xuefeng  
Mr. Zhang Xiangdong  
Mr. Kong Yi

#### Remuneration Committee

Mr. Zhang Xiangdong (*Chairman*)  
Mr. Wang Feng  
Ms. Liao Mingxiang  
Ms. Wu Yueqin  
Mr. Kong Yi

#### Nomination Committee

Mr. Wang Feng (*Chairman*)  
Mr. Ji Xuefeng  
Mr. Zhang Xiangdong  
Ms. Wu Yueqin  
Mr. Kong Yi

### Company Secretary

Ms. Leung Wing Han Sharon (*FCG, HKFCG*)  
(*resigned with effect from February 28, 2022*)  
Ms. Chan Yin Wah (*FCG, HKFCG, FCCA*)  
(*appointed with effect from February 28, 2022*)

### Authorised Representatives under the GEM Listing Rules

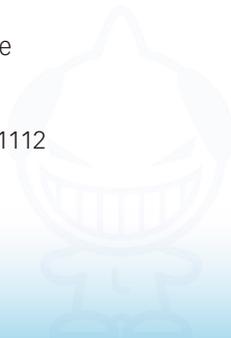
Mr. Wang Feng  
Ms. Liao Mingxiang

### Compliance Officer

Ms. Liao Mingxiang

### Registered Office

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



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

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

## Principal Place of Business in Hong Kong

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

## Auditors

### **PricewaterhouseCoopers**

*Certified Public Accountants  
Registered Public Interest Entity  
Auditors*

22/F, Prince's Building  
Central  
Hong Kong

## Legal Advisors as to Hong Kong Laws

### **King & Wood Mallesons**

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

## Cayman Islands Principal Share Registrar And Transfer Agent

### **Offshore Incorporations (Cayman) Limited**

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

## Hong Kong Share Registrar

### **Computershare Hong Kong Investor Services Limited**

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

## Principal Banks

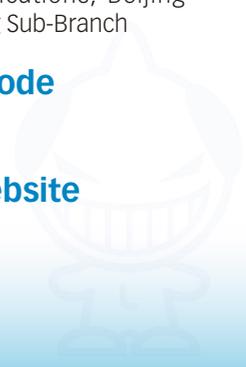
China CITIC Bank, Beijing Branch  
Wangjing Sub-Branch  
Woori Bank (China) Limited Business Department  
The Beijing Olympic Village Branch of Huaxia Bank  
Agricultural Bank of China, Khorgos Branch Business Department  
Bank of Communications, Beijing Branch Wangjing Sub-Branch

## GEM Stock Code

8267

## Company Website

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

As a well-known internet content developer and publisher in the PRC, the Group mainly engages in the development, production and distribution of products including mobile games, internet dramas and TV dramas, and strives to offer more quality productions to our users. In the second quarter of 2022, the Group has adopted the business strategy to increase investments in self-operated development in our two major business segments, namely game business and film business, in order to reserve more prime products for our long-term development.

For the game business of Linekong, “Dream Mansion (築夢公館)” has been launched, whereas the internal technical tests for several products such as “蠻荒紀元” and “Ys VIII (伊蘇VIII)” have commenced. In respect of publishing strategy, the Group will continue to explore overseas markets (i.e. Korea, Japan and North America, etc.), and at the same time enhance the development of female-oriented games, casual games and IP values of games.

The film business of Linekong has entered the phase of matrix product development. We will continue to enrich our potential IP reserves and promote quality drama productions. It is expected that one to two high-quality productions of the Group will be broadcasted in 2022. The filming of internet dramas “對你不止是喜歡” and “Mejaz Regulus in the World (摩耶人間玉)” have wrapped up successfully and are at an intense post-production stage to be scheduled for launch. In addition, we continue to create and refine the production scripts of different IPs, including “Ancient Music Records (古樂風華錄)”, “雲海傳” and “陷入我們的熱戀”.

The Group also attempted to develop food e-commerce business in the second quarter of 2022, with Douyin, Kuaishou, Tmall and other e-commerce platforms as the main sales channels. Such business is currently at the initial exploration stage.

Going forward, the Group will continue to proactively implement its corporate strategies, focus on and invest in self-operated game development on the one hand, and continuously acquire quality IPs on the other hand. Leverage on these high-quality content products, the Group aims to actively drive the industry development, promote cultural diffusion, as well as to establish a good reputation and create a strong branding effect.

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

“Dream Mansion (築夢公館)”, a game product independently developed by the Group, is a female-oriented AVG mobile game based on a highly immersive suspense plot. Players act as the landlord of a mansion and interact with six tenants of different personalities to create a heartstring-tugging adventure. The product has been launched in the second quarter of 2022.

“蠻荒紀元” is the Group’s latest generation of MMORPG fairy tale mobile game which featured aesthetic realism graphics to provide players with a glimpse of the splendor and prosperity of ancient era and a glamorous fairy tale experience. The Group has contracted with local publisher in Thailand in relation to the product and the game is scheduled to be launched in Thailand within the year.

Based on our research and analysis of overseas markets, the Group further cultivates the market in South Korea and continues its stable operation of the game “大航海之路”. In addition, the Group has been exclusively licensed to adapt and globally distribute the mobile version of epic ARPG Japanese game “Ys VIII (伊蘇VIII)”. The entire adaptation of “Ys VIII Mobile (伊蘇VIII Mobile)” is supervised by Falcom and provides players impressive gaming experiences with its craftsman spirit. Apart from engaging well-known Japanese writers to refine and upgrade the plot of the game, a number of famous Japanese painters are gathered to create beautiful artworks.

“Ys VIII Mobile (伊蘇VIII Mobile)” participated in the Tokyo Game Show (TGS) in 2019 and 2020 consecutively and received overwhelming responses from the local market in Japan. The development of the game is at the final completion and optimization stage, and its quality has been favored and recognized by many overseas and domestic leading game publishers. The Group has officially authorized the distribution rights of the product in the PRC to Bilibili.



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

The preliminary results of matrix product development of Linekong Pictures can be observed in 2022. By focusing on target audiences and developing diversified productions of different contents and after six years of experiences and brands building, Linekong Pictures has launched six quality dramas and accumulated multiple potential pieces of excellent contents.

Linekong Pictures has achieved satisfactory results in terms of the production and distribution of sweet youth romance dramas which are well received by young female audiences. A number of our premium online dramas, such as “Long For You (我與你的光年距離)”, “Unexpected (來到你的世界)”, “Long For You 2 (我與你的光年距離2)”, “Love The Way You Are (身為一個胖子)”, “Hello Mr. Gu (原來你是這樣的顧先生)” and “花好月又圓”, have appeared in the hot searches of various channels many times and have been unanimously recognized by the market and audiences.

“對你不止是喜歡”, an urban-setting romance drama jointly produced by Linekong Pictures and Mango TV, has wrapped up successfully in May. The drama tells the crush story between Tangyu, a cold-hands and warm-heart producer, and Tangxin, a mischievous and playful junior scriptwriter. The production is currently at an intense post-production process and is expected to be broadcasted in the fourth quarter of 2022.

“Mejaz Regulus in the World (摩耶人間玉)”, a fairy tale romance drama jointly produced by Linekong Pictures, has wrapped up in Chongqing in the end of January. The drama is about the protagonists struggle against their emotional feelings and social position arising from their rival relationship. The drama is currently at its post-production stage and is expected to be broadcasted in the fourth quarter of 2022.



In terms of IPs, Linekong Pictures has masterpieces such as “Ancient Music Records (古樂風華錄)” and “雲海傳” in reserve. “Ancient Music Records (古樂風華錄)”, a historical-style IP, 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 (國家新聞出版廣電總局). The comic on which the drama is based was selected for the 2016 Mobility Supporting Plan for Chinese Original Comic and Animation (二零一六年原動力中國原創動漫出版扶持計劃) by the National Radio and Television Administration (國家廣電總局).

“雲海傳” is the first ancient-setting youth adventure drama in 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 in adversity and making choices between right and wrong.

## **BUSINESS OUTLOOK**

In the second half of 2022, the Group will continue to focus on the development of IP games, female-oriented games and casual games. The Group will also place great emphasis on the expansion of overseas market and matrix product development of filming projects. 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.



## Financial Review

### Revenue

The Group's revenue decreased by approximately 8.2% from approximately RMB48.7 million for the six months ended June 30, 2021 to approximately RMB44.7 million for the six months ended June 30, 2022.

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

	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Segment revenue:</b>		
— Game Business	<b>37,231</b>	39,238
— Film Business	<b>423</b>	9,444
— Other Business	<b>7,027</b>	—
<b>Total</b>	<b>44,681</b>	48,682



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

	For the six months ended June 30, 2022		2021	
	RMB'000	approximate %	RMB'000	approximate %
China (including Hong Kong, Macau and Taiwan regions)	29,876	66.9	25,968	53.4
South Korea	13,912	31.1	19,924	40.9
Other overseas countries and regions	893	2.0	2,790	5.7
Total	44,681	100.0	48,682	100.0

For the six months ended June 30, 2022, the revenue contributed by game business amounted to approximately RMB37.2 million, representing a decrease of approximately 5.1% or RMB2.0 million as compared with the corresponding period of 2021, which was mainly attributable to a decrease in revenue generated from games. The Group has formulated strategies to reserve more time for strengthening game development quality and rolling out competitive games.

In respect of the Group's film business, the Group recognised revenue from licensing and production of internet dramas and others of approximately RMB0.4 million for the six months ended June 30, 2022, representing a decrease of approximately 95.7% from approximately RMB9.4 million for the six months ended June 30, 2021, which was mainly due to the cyclical nature of film business.

## Cost

The Group's cost for the six months ended June 30, 2022 was approximately RMB31.0 million, representing an increase of approximately 8.4% as compared to approximately RMB28.6 million for the six months ended June 30, 2021.



For the six months ended June 30, 2022, the cost incurred for our game business was approximately RMB24.4 million, representing a decrease of 4.7% from approximately RMB25.6 million for the corresponding period in 2021, which was mainly due to reduction of game cost in line with decrease in revenue from games as well as effective cost control.

For the six months ended June 30, 2022, the cost incurred for film business was approximately RMB1.3 million, representing a decrease of approximately 56.7% from approximately RMB3.0 million for the corresponding period in 2021. The corresponding decrease in cost of the Group was mainly driven by the decrease in revenue recognized due to the cyclical nature of revenue from licensing and production of internet dramas and others.

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

The Group's gross profit for the six months ended June 30, 2022 was approximately RMB13.7 million, representing a decrease of approximately 31.8% from approximately RMB20.1 million for the six months ended June 30, 2021. The decrease in the Group's gross profit was primarily due to the decrease in revenue from film business and existing games.

The Group's gross profit margin for the six months ended June 30, 2022 was approximately 30.6%, representing a decrease of approximately 10.7 percentage points as compared to approximately 41.3% for the six months ended June 30, 2021. The decrease in gross profit margin of the Group was mainly due to the decrease in revenue of film business compared to the corresponding period last year.



## Selling and marketing expenses

The Group's selling and marketing expenses for the six months ended June 30, 2022 were approximately RMB12.6 million, representing an increase of approximately 34.0% from approximately RMB9.4 million for the six months ended June 30, 2021. The increase in selling and marketing expenses was primarily due to the increase in (i) employee benefit expenses and (ii) marketing expenses associated with the game business.

## Administrative expenses

The Group's administrative expenses for the six months ended June 30, 2022 were approximately RMB15.5 million, representing a decrease of approximately 1.9% from approximately RMB15.8 million for the six months ended June 30, 2021.

## Research and development expenses

The Group's research and development expenses for the six months ended June 30, 2022 were approximately RMB12.3 million, representing an increase of approximately 28.1% from approximately RMB9.6 million for the six months ended June 30, 2021. The increase in research and development expenses was primarily due to the increase in investment in self operated research and development.

## Segments results — operating (loss)/profit

	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Segments results — operating (loss)/profit:</b>		
— Game Business	<b>(18,645)</b>	(15,282)
— Film Business	<b>(4,511)</b>	403
— Other Business	<b>(1,316)</b>	—
<b>Total</b>	<b>(24,472)</b>	(14,879)

The operating loss for the six months ended June 30, 2022 was approximately RMB24.5 million, as compared to the operating loss for the corresponding period of 2021 of approximately RMB14.9 million.

For the six months ended June 30, 2022, the operating loss from the game business was approximately RMB18.6 million, and the operating loss from the game business for the corresponding period of 2021 was approximately RMB15.3 million. Such increase in operating loss from the game business was mainly due to the increase in investment in research and development by the Group leading to a corresponding increase in employee expenses.

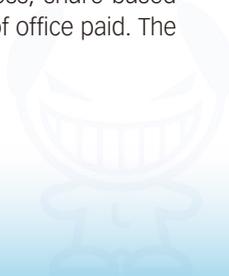
For the six months ended June 30, 2022, the operating loss from the film business was approximately RMB4.5 million, and the operating profit from the film business for the corresponding period of 2021 was approximately RMB0.4 million. Such increase in operating loss from the film business was mainly due to the decrease in revenue from the film business as compared to that of the corresponding period of 2021.

### **Share of profit/(loss) of investments using equity accounting**

The Group's share of profit of investments using equity accounting for the six months ended June 30, 2022 was approximately RMB0.1 million, and the share of loss of investments for the six months ended June 30, 2021 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 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, 2022 and 2021:

	For the six months ended		
	June 30,		
	2022	2021	Change
	RMB'000	RMB'000	approximate
	(Unaudited)	(Unaudited)	%
<b>Loss for the period</b>	<b>(33,770)</b>	(14,051)	140.3
<b>Add:</b>			
Fair value losses/(gains) from financial assets at fair value through profit or loss	<b>10,372</b>	(2,860)	—
Share-based compensation expenses	<b>176</b>	1,622	(89.1)
One-off compensation for loss of office paid	<b>948</b>	457	107.4
<b>Adjusted net loss</b>	<b>(22,274)</b>	(14,832)	50.2

The Group's adjusted net loss for the six months ended June 30, 2022 was approximately RMB22.3 million, as compared to the adjusted net loss of approximately RMB14.8 million for the six months ended June 30, 2021.

The increase in adjusted net loss as compared to the six months June 30, 2021 was mainly due to the combined effect of the following factors: i) revenue of the Group decreased as compared to that of the corresponding period of 2021; ii) increase in selling and marketing expenses; and iii) increase in investment in self operated research and development.



## 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, 2022, the majority of the Group's idle capital was deposited in time deposit bank accounts at commercial banks in the PRC. For the purpose of generating better return for the Group's idle capital, the Group's treasury policy is not to engage in any investments with high risks or transactions of speculative derivatives. In order to meet the domestic working capital requirements, we seek long-term stable financial supports from banks at market lending rate.

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

As of June 30, 2022, we had cash and cash equivalents of approximately RMB98.4 million (as of December 31, 2021: approximately RMB132.2 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 58.6%), RMB (as to approximately 31.5%), HKD (as to approximately 9.3%) and other currencies (as to approximately 0.6%).

As of June 30, 2022, we had short-term bank deposits of RMB60.5 million (as of December 31, 2021: approximately RMB57.4 million).



As of June 30, 2022, approximately RMB59.1 million (as of December 31, 2021: RMB55.5 million) are restricted deposits held at a bank as its reserve for provision of a loan facility of RMB50.0 million (as of December 31, 2021: approximately RMB50.0 million). The loan facility will expire within 1 year.

## Capital Expenditures

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, 2022, our total capital expenditure amounted to approximately RMB42.6 million (for the six months ended June 30, 2021: approximately RMB11.2 million), including expenditures on film/online drama rights and films/online drama in progress of approximately RMB41.5 million (for the six months ended June 30, 2021: approximately RMB2.7 million), purchase of trademarks and licenses of approximately RMB0.9 million (for the six months ended June 30, 2021: RMB8.4 million) and procurement of furniture and office equipment of approximately RMB0.2 million (for the six months ended June 30, 2021: RMB0.1 million). As of the end of the reporting period, we had no committed capital expenditures, and the capital expenditures for 2022 are expected to be game rights and IP 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, 2022, bank loans borrowed by the Group amounted to approximately RMB50.0 million (as at December 31, 2021: RMB50.0 million), which are RMB loans bearing fixed interest rates, for a term of one year. The gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 36.6% (as at December 31, 2021: approximately 32.3%).

## Pledge of Group Assets

As at June 30, 2022, restricted deposits of approximately RMB59.1 million of the Group were pledged to secure bank borrowings (as at December 31, 2021: approximately RMB55.5 million).

## Information on Employees and Remuneration Policy

The Group has established the remuneration committee on April 21, 2014 with written terms of reference in compliance with Appendix 15 to the GEM Listing Rules. The remuneration committee will regularly review and recommend to the Board from time to time regarding the remuneration and compensation of the Directors and the senior management of the Group. The Group offers a competitive remuneration package commensurate with industry practice and provides benefits to employees of the Group, including social insurance coverage, defined contribution retirement scheme and bonus. As at June 30, 2022, the Group had 177 employees. For the six months ended June 30, 2022, total remuneration for employees of the Group was approximately RMB28.7 million (for the six months ended June 30, 2021: approximately RMB26.8 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 Company is able to provide its employees with ample career development choices and opportunities of advancement. The Company organizes various training programs on a regular basis for its employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team building. The Company also provides various incentives to motivate its employees.

## Significant Investment Held During The Reporting Period

As at June 30, 2022, significant investment held by the Group includes the following:

- Fuze Entertainment Co., Ltd (“**Fuze**”), the Group’s initial investment was RMB26,250,000 with a shareholding of 36.82%, the fair value at the end of the period was RMB32,049,000. Fuze is engaged in development and sales of smart device, is undergoing business transformation and has not yet generated any revenue;
- Suzhou Ji Ke Bang Undertaking Investment Partnership Enterprise (the “**Jikebang Fund**”), a private equity fund, the Group’s initial investment was RMB30,000,000 with a shareholding of 31.19%, the fair value at the end of the period was RMB43,771,000. Jikebang Fund is mainly engaged in entrepreneurship investment, agency business for other organizations such as entrepreneurship investment enterprises or personal entrepreneurship investment, consultancy business in relation to entrepreneurship investment, provision of management service to entrepreneurship investment enterprises, participate in establishment of entrepreneurship investment enterprises and consultancy organization for entrepreneurship investment management. During the year, there is no significant change in the fair value (note 4.2 to the consolidated financial statements); and



- Certain security investments in unlisted companies (note 8 to the consolidated financial statements). No individual project exceeds 5% of the Group's total assets as of June 30, 2022, therefore no separate disclosure is made.

The table below summarises the details and performances of Fuze and Jikebang Fund as at the dates / for the periods indicated:

	<b>As at / for the six months ended June 30, 2022 RMB'000</b>	As at / for the year ended December 31, 2021 RMB'000	As at / for the six months ended June 30, 2021 RMB'000
<b>Fuze</b>			
Fair value	32,049	30,694	30,995
% of total assets of the Group	7.18%	6.84%	5.56%
Share of profit/(loss) of investments using equity accounting	147	(60)	(91)
Dividend received	—	—	—
<b>Jikebang Fund</b>			
Fair value	43,771	44,725	40,421
% of total assets of the Group	9.80%	9.96%	7.26%
Fair value (loss)/gain from an associate measured at fair value through profit or loss	(954)	2,694	(1,610)
Dividend received	1,988	—	—

Going forward, the Group will closely monitor the transformation and business development of Fuze and evaluate its investment in Fuze as well as seek for business synergy with Fuze. As for the investment in Jikebang Fund, the Group currently intends to continue to hold its interests in Jikebang Fund.

## Contingent Liabilities

As at June 30, 2022, the Group did not have any significant contingent liabilities (December 31, 2021: Nil).

## Foreign Exchange Risk

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

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. Therefore, foreign exchange risk primarily arose from recognised assets in the Group's subsidiaries when receiving or to receive foreign currencies from overseas cooperated counterparties. 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**”).

As of June 30, 2022, the IPO Proceeds have been utilised as follows:

	Net proceeds million HKD	Amounts utilised as of December 31, 2021 million HKD	Amounts utilised during the six months ended June 30, 2022 million HKD	Amounts unutilised as of June 30, 2022 million HKD	Expected timeline for full utilisation
Overseas expansions (expanding our business in overseas markets)	137.2	137.2	0	0	-
Potential strategic acquisition or investment in companies in online game or related businesses	59.7	59.7	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	Before December 31, 2022
Creating pan-entertainment environment	157.8	157.8	0	0	-
Licensing more high quality games with different genres and themes from Chinese and overseas game developers and the operation of such games	68.6	68.6	0	0	-
Research and development of games, the operation of existing and brand new self-developed games, and the purchase of intellectual property rights of popular entertainment content	137.2	137.2	0	0	-
Enhancing game development capability, developing and operating new games, distributing and operating high quality games developed by third parties and accumulation of intellectual property rights of game contents	20.7	12.2	8.5	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	17.9	4.2	0	-
<b>Total</b>	<b>686.2</b>	<b>664.6</b>	<b>12.7</b>	<b>8.9</b>	

As of June 30, 2022, 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.

The Company will continue to utilise the IPO Proceeds in accordance with the purposes set out in the change in use of proceeds announcement of the Company dated June 29, 2021. In particular, the Company will utilise the unutilised funds reserved for acquisition or investment in companies in game business, film (movie and drama) business or related business in accordance with the progress of our future acquisition projects.

## DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2022.

## REVIEW OF THE INTERIM RESULTS

The interim financial results of the Group for the six months ended June 30, 2022 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, 2022 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, 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Interest in Shares and underlying Shares

Name of Director/ chief executive	Capacity/Nature of interest	Total number of shares	Approximate percentage of shareholding <small>(Note 5)</small>
Mr. Wang Feng <small>(Note 1)</small>	Interest of controlled corporation	66,576,160 (L)	21.53%
	Beneficial owner	12,640,380 (L)	
Ms. Liao Mingxiang <small>(Note 2)</small>	Interest of controlled corporation	12,168,720 (L)	5.38%
	Beneficial owner	7,626,769 (L)	
Mr. Wang Jin <small>(Note 3)</small>	Beneficial owner	2,540,000 (L)	0.69%
Mr. Chen Hao <small>(Note 4)</small>	Beneficial owner	1,815,841 (L)	0.49%
(L) Long position	(S) Short 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 subject to vesting. As of June 30, 2022, 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) Ms. Liao Mingxiang held the entire issued share capital of Liaomingxiang Holdings Limited, which in turn directly held 12,168,720 Shares. Accordingly, Ms. Liao Mingxiang is deemed to be interested in all the 12,168,720 Shares held by Liaomingxiang Holdings Limited under the SFO.

In addition, Ms. Liao Mingxiang held 5,805,169 Shares and was interested in (a) 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; and (b) 1,546,600 RSUs granted to her under the RSU Scheme entitling her to receive 1,546,600 Shares subject to vesting, among which, 1,270,600 RSUs have been vested as of June 30, 2022.

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 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 subject to vesting, among which, 1,115,000 RSUs have been vested as of June 30, 2022.

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) 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, among which, 590,841 RSUs have been vested as of June 30, 2022.

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.

- (5) As of June 30, 2022, the Company had 367,974,964 Shares in issue.

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

As of June 30, 2022, the following Directors or the chief executive of the Company are directly or indirectly (other than indirectly by virtue of their interest in the Company) interested in the shares or underlying shares of the other member of the Group as follows:

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

Notes:

- Linekong Online is a subsidiary of the Company controlled through contractual arrangements. Mr. Wang Feng and Ms. Liao Mingxiang are the registered shareholders of Linekong Online.
- 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 June 30, 2022, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as of June 30, 2022, the following persons (other than Directors and chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

### (i) Substantial Shareholders

Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company <sup>(Note 4)</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%
Starwish Global Limited <sup>(Note 3)</sup>	Beneficial owner	52,318,760 (L)	14.22%
China Momentum Fund, L.P. <sup>(Note 3)</sup>	Interest of controlled corporation	52,318,760 (L)	14.22%

<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 4)</small>
Fosun China Momentum Fund GP, Ltd. <small>(Note 3)</small>	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Momentum Holdings Limited <small>(Note 3)</small>	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Financial Holdings Limited <small>(Note 3)</small>	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun International Limited <small>(Note 3)</small>	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Holdings Limited <small>(Note 3)</small>	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun International Holdings Limited <small>(Note 3)</small>	Interest of controlled corporation	52,318,760 (L)	14.22%
Guo Guangchang <small>(Note 3)</small>	Interest of controlled corporation	52,318,760 (L)	14.22%
(L) Long position	(S) Short 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.



3. Starwish Global Limited is wholly-owned by China Momentum Fund, L.P. (“**China Momentum**”), an exempted limited partnership in Cayman Islands. Fosun China Momentum Fund GP, Ltd. (“**Fosun China Momentum**”) is the general partner of China Momentum and is in turn wholly-owned by Fosun Momentum Holdings Limited (“**Fosun Momentum Holdings**”). Fosun Momentum Holdings is wholly-owned by Fosun Financial Holdings Limited (“**Fosun Financial Holdings**”) which is in turn wholly-owned by Fosun International Limited (“**Fosun International**”), a company listed on the Main Board of the Stock Exchange (Stock Code: 00656).

As of June 30, 2022, based on information available on the Stock Exchange, Fosun International is 72.45% owned by Fosun Holdings Limited (“**Fosun Holdings**”) which is in turn wholly-owned by Fosun International Holdings Ltd. (“**Fosun International Holdings**”), a company controlled as to approximately 85.29% by Mr. Guo Guangchang.

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

4. As of June 30, 2022, 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 4)</small>
The Core Trust Company Limited <small>(note 1)</small>	Trustee of a trust	36,442,917 (L)	9.90%
TCT (BVI) Limited <small>(note 1)</small>	Trustee of a trust	36,442,917 (L)	9.90%
Premier Selection Limited <small>(note 1)</small>	Nominee for another person	36,442,917 (L)	9.90%
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%

Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company <small>(Note 4)</small>
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%
Fubon Financial Holding Co., Ltd. <small>(Note 4)</small>	Interest of controlled corporation	21,987,000 (L)	5.98%
Fubon Life Insurance Co., Ltd. <small>(Note 4)</small>	Beneficial owner	21,987,000 (L)	5.98%
(L) Long position	(S) Short position		

## Notes:

- 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).
- 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. Fubon Life Insurance Co., Ltd. is wholly-owned by Fubon Financial Holding Co., Ltd..
5. As of June 30, 2022, the Company had 367,974,964 Shares in issue.

## Share Option Scheme

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

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (whether full-time or part-time) or a director of a member of the Group or associated companies of the Company or any person who provides or has provided consultancy or other advisory services to the Group. For details of the key terms of the Share Option Scheme, please refer to the section headed "Share Option Scheme" in the 2021 annual report of the Company.



Details of the granted and outstanding share options of the Company as of June 30, 2022 and movement during the six months ended June 30, 2022 are as follows:

Category	Date of grant	Option period <small>(note 1)</small>	Number of Share options granted	Exercise price HKD	Closing Price of the Shares immediately before the date of grant HKD	Outstanding balance as at January 1, 2022	During the six months ended June 30, 2022				Outstanding balance as at June 30, 2022
							Granted	Exercised	Cancelled	Lapsed	
Ms. Liao Mingxiang	May 17, 2021	May 17, 2021 to May 16, 2031	1,100,000 <small>(note 3)</small>	0.784	0.75	1,100,000	-	-	-	825,000	275,000
Mr. Chen Hao	October 9, 2015	October 9, 2015 to October 8, 2025	100,000 <small>(note 3)</small>	7.18	7.18	100,000	-	-	-	-	100,000
	January 18, 2017	January 18, 2017 to January 17, 2027	1,000,000 <small>(note 3)</small>	3.10	3.10	1,000,000	-	-	-	-	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 <small>(note 3)</small>	0.784	0.75	500,000	-	-	-	375,000	125,000
Mr. Wang Jin	June 15, 2016	June 15, 2016 to June 14, 2026	300,000 <small>(note 3)</small>	4.366	4.18	300,000	-	-	-	-	300,000
	April 1, 2019	April 1, 2019 to March 31, 2029	1,000,000 <small>(note 4)</small>	0.88	0.88	1,000,000	-	-	-	-	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 <small>(note 3)</small>	0.784	0.75	500,000	-	-	-	375,000	125,000
Employees	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 <small>(note 2)</small>	8.10	8.10	462,298	-	-	-	-	462,298
	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 <small>(note 3)</small>	7.18	7.18	2,778,750	-	-	-	-	2,778,750
	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 <small>(note 3)</small>	4.366	4.18	675,000	-	-	-	-	675,000
	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 <small>(note 3)</small>	3.10	3.10	2,291,250	-	-	-	-	2,291,250
	April 1, 2019	April 1, 2019 to March 31, 2029	300,000 <small>(note 4)</small>	0.88	0.88	300,000	-	-	-	-	300,000
	August 16, 2019	August 16, 2019 to August 15, 2029	860,000 <small>(note 3)</small>	0.65	0.64	668,750	-	-	-	22,500	646,250
	May 17, 2021	May 17, 2021 to May 16, 2031	845,000 <small>(note 3)</small>	0.784	0.75	765,000	-	-	-	135,000	630,000
	May 17, 2021	May 17, 2021 to May 16, 2031	700,000 <small>(note 3)</small>	0.784	0.75	700,000	-	-	-	525,000	175,000



*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><u>Vesting dates</u></b>	<b><u>Cumulative percentage of share options vested</u></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, 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 subject to the fulfilment of the vesting conditions:

<u>Vesting dates</u>	<u>Cumulative percentage of share options vested</u>
May 17, 2021	25% (rounded down to the nearest integral number of shares) of the share options granted
January 1, 2022	50% (rounded down to the nearest integral number of shares) of the share options granted
July 1, 2022	62.5% (rounded down to the nearest integral number of shares) of the share options granted
January 1, 2023	75% (rounded down to the nearest integral number of shares) of the share options granted
July 1, 2023	87.5% (rounded down to the nearest integral number of shares) of the share options granted
January 1, 2024	100% (rounded down to the nearest integral number of shares) of the share options granted

## Share Award Scheme

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

Under the RSU Scheme, restricted share unit(s) ("**RSU(s)**") are granted to the grantees, whereas each RSU represents the right to receive one underlying existing Share from The Core Trust Company Limited (the "**RSU Trustee**"), the trustee appointed to administrate the RSU Scheme, upon vesting.

As of June 30, 2022, there were 18,562,270 RSUs granted and outstanding, among which 17,900,020 RSUs have been vested.

During the six months ended June 30, 2022, no RSUs were granted; 549,050 RSUs were vested; no RSUs had been cancelled and 3,025,000 RSUs have lapsed. In addition, the RSU Trustee did not purchase any Share on the Stock Exchange during the six months ended June 30, 2022 for satisfying the RSUs upon exercise.

For further details of the movement of RSUs and expenses in connection with the RSU Scheme, please refer to note 13 of the condensed consolidated financial information of the Group for the six months ended June 30, 2022 in this report.

## Events during the Reporting Period and Subsequent Events

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

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

### Interests in Competing Business

None of the Directors or controlling shareholders of the Company or any of their respective associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group for the six months ended June 30, 2022.

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

There was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended June 30, 2022.

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

During the six months ended June 30, 2022, 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, 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 six months ended June 30, 2022.

## Audit Committee

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

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

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

## Directors' Securities Transactions

The Company has adopted the required standard of dealings regarding directors' securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. After specific enquiries were made with all Directors, all Directors confirmed that they have complied with the required standards of dealings throughout the six months ended June 30, 2022.



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	728	824
Right-of-use assets	6	3,062	5,036
Intangible assets	6	13,066	14,796
Film rights and films in progress	7	64,995	24,952
Investments using equity accounting		32,049	30,694
An associate measured at fair value through profit or loss		43,771	44,725
Financial assets at fair value through profit or loss	8	24,410	32,331
Other receivables	10	2,393	2,431
Other non-current assets	11	6,142	9,203
		<b>190,616</b>	164,992
<b>Current assets</b>			
Trade receivables	9	9,439	7,490
Other receivables	10	366	426
Other current assets	11	28,154	24,821
Financial assets at fair value through profit or loss	8	—	6,000
Short-term bank deposits		60,459	57,440
Restricted deposits		59,060	55,469
Cash and cash equivalents		98,386	132,248
		<b>255,864</b>	283,894
<b>Total assets</b>		<b>446,480</b>	448,886



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		59	59
Share premium		1,720,690	1,720,690
Shares held for RSU Scheme		(10,555)	(10,555)
Reserves	12	407,449	393,854
Accumulated losses		(1,833,684)	(1,800,558)
		<b>283,959</b>	303,490
<b>Non-controlling interests</b>		<b>(918)</b>	500
<b>Total equity</b>		<b>283,041</b>	303,990
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contract liabilities		2,654	2,363
Lease liabilities		208	574
		<b>2,862</b>	2,937
<b>Current liabilities</b>			
Bank borrowings	14	50,000	50,000
Trade and other payables	15	36,526	31,556
Current income tax liabilities		3,550	3,653
Contract liabilities		68,074	52,712
Lease liabilities		2,427	4,038
		<b>160,577</b>	141,959
<b>Total liabilities</b>		<b>163,439</b>	144,896
<b>Total equity and liabilities</b>		<b>446,480</b>	448,886

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,	
		2022	2021	2022	2021
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	5	29,521	27,705	44,681	48,682
Cost of revenue	16	(19,686)	(14,045)	(31,017)	(28,597)
<b>Gross profit</b>		<b>9,835</b>	13,660	<b>13,664</b>	20,085
Selling and marketing expenses	16	(9,851)	(6,143)	(12,609)	(9,356)
Administrative expenses	16	(7,184)	(8,820)	(15,476)	(15,829)
Research and development expenses	16	(6,340)	(4,761)	(12,339)	(9,629)
Net impairment losses on receivables	16	(86)	(900)	(51)	(973)
Other operating income — net	17	572	1,259	2,339	823
<b>Operating loss</b>		<b>(13,054)</b>	(5,705)	<b>(24,472)</b>	(14,879)
Other (losses)/gains — net	18	(6,332)	2,420	(8,186)	2,402
Finance costs — net		(1,059)	(459)	(1,253)	(1,547)
Share of profit/(loss) of investments using equity accounting		155	146	147	(91)
<b>Loss before income tax</b>		<b>(20,290)</b>	(3,598)	<b>(33,764)</b>	(14,115)
Income tax (expense)/credit	19	(2)	(10)	(6)	64
<b>Loss for the period</b>		<b>(20,292)</b>	(3,608)	<b>(33,770)</b>	(14,051)
<b>Other comprehensive income/ (loss)</b>					
Items that may be subsequently reclassified to profit or loss:					
— Share of other comprehensive income/(loss) of investments accounted for using the equity method, net of tax		1,404	(841)	1,208	(549)
Items that will not be reclassified to profit or loss:					
— Currency translation differences		12,040	(4,318)	11,437	(2,494)

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Other comprehensive income/ (loss) for the period, net of tax</b>		<b>13,444</b>	(5,159)	<b>12,645</b>	(3,043)
<b>Total comprehensive loss for the period</b>		<b>(6,848)</b>	(8,767)	<b>(21,125)</b>	(17,094)
<b>Loss attributable to:</b>					
Owners of the Company		(19,974)	(3,181)	(33,126)	(13,298)
Non-controlling interests		(318)	(427)	(644)	(753)
<b>Loss for the period</b>		<b>(20,292)</b>	(3,608)	<b>(33,770)</b>	(14,051)
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		(6,530)	(8,340)	(20,481)	(16,341)
Non-controlling interests		(318)	(427)	(644)	(753)
<b>Total comprehensive loss for the period</b>		<b>(6,848)</b>	(8,767)	<b>(21,125)</b>	(17,094)
<b>Loss per share (expressed in RMB per share)</b>					
— Basic	20	(0.06)	(0.01)	(0.09)	(0.04)
— Diluted	20	(0.06)	(0.01)	(0.09)	(0.04)

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



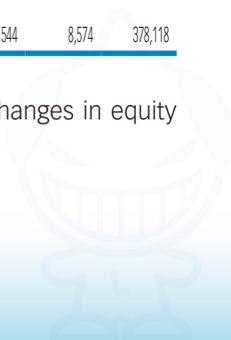
## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(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

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

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

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

		<b>Six months ended June 30,</b>	
	<i>Note</i>	<b>2022</b>	2021
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		2,234	12,696
Income tax refunded — net		—	82
		<b>2,234</b>	<b>12,778</b>
<b>Net cash inflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(227)	(211)
Purchase of intangible assets		(880)	(3,885)
Dividend income from an associate measured at fair value through profit or loss		1,988	—
Purchase of financial assets at fair value through profit or loss		(14,520)	(8,570)
Dividend income from financial assets at fair value through profit or loss		1,152	—
Proceeds from disposal of financial assets at fair value through profit or loss		18,068	1,672
Payments for film rights and films in progress	7	(41,456)	(2,748)
Increase in restricted deposits		(671)	—
Decrease in short term bank deposits		—	129,014
Increase in short term bank deposits		—	(122,414)
		<b>(36,546)</b>	<b>(7,142)</b>
<b>Net cash outflow from investing activities</b>			

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

	<b>Six months ended June 30,</b>	
<i>Note</i>	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from financing activities</b>		
Interest paid	<b>(862)</b>	(2,084)
Repurchase of shares for RSU Scheme	—	(101)
Principal elements of lease payments	<b>(1,973)</b>	(1,525)
<b>Net cash outflow from financing activities</b>	<b>(2,835)</b>	(3,710)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(37,147)</b>	1,926
Cash and cash equivalents at beginning of period	<b>132,248</b>	84,699
Effects of exchange rate changes on cash and cash equivalents	<b>3,285</b>	(1,246)
<b>Cash and cash equivalents at end of the period</b>	<b>98,386</b>	85,379

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 other business (the “**Other Business**”) in the PRC.

The interim condensed consolidated balance sheet of the Group as of June 30, 2022 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 12, 2022.

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, 2021 as set out in the 2021 annual report of the Company (the “**2021 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, 2021, 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, 2022, and are not expected to have a material impact on consolidated financial statement in the foreseeable future.

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

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

When preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2021 Financial Statements.



## 4. Financial risk management

### 4.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2021 Financial Statements.

There have been no changes in the risk management policies during the six months ended June 30, 2022.

### 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, 2022 and December 31, 2021.

## 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, 2022</b>				
<b>Assets</b>				
An associate measured at fair value through profit or loss	—	—	43,771	43,771
Financial assets at fair value through profit or loss				
— Unlisted securities	—	—	24,410	24,410
	—	—	68,181	68,181
<b>As of December 31, 2021</b>				
<b>Assets</b>				
An associate measured at fair value through profit or loss	—	—	44,725	44,725
Financial assets at fair value through profit or loss				
— Wealth management products	—	—	6,000	6,000
— Unlisted securities	—	—	32,331	32,331
	—	—	83,056	83,056

There were no transfers among level 1, 2 and 3 during the six months ended June 30, 2022.



## 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, 2022 and 2021, 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, 2022</b>	<b>44,725</b>	<b>38,331</b>	<b>83,056</b>
Additions	—	14,520	14,520
Disposals	—	(18,069)	(18,069)
Losses recognised in other (losses)/ gains — net	(954)	(10,372)	(11,326)
<b>Closing balance as of June 30, 2022</b>	<b>43,771</b>	<b>24,410</b>	<b>68,181</b>



## 4. Financial risk management (Continued)

### 4.2 Fair value estimation (Continued)

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

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

(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, 2022

	As of June 30, 2022	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Sensitivity of fair value to the input
Unlisted securities	24,410	Discounted cash flow mode	Discount rate Compound annual growth rate of revenue Discount for lack of marketability Volatility	21% ~ 23% 3% ~ 5% 20% 46% ~ 63%	Note (a)
An associate measured at fair value through profit or loss	43,771	Note 4.2(ii)	Note (b)	N/A	Note (b)

##### As of December 31, 2021

	As of December 31, 2021	Valuation technique	Significant unobservable inputs	Percentage or ratio range
Wealth management products	6,000	Discounted cash flow mode	Expected return rate	3%
Unlisted securities	32,331	Discounted cash flow mode	Discount rate Compound annual growth rate of revenue Discount for lack of marketability Volatility	21% ~ 25% 6% ~ 31% 20% 38% ~ 53%
An associate measured at fair value through profit or loss	44,725	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, 2022 RMB'000
Discount rate	21% ~ 23%	-1% 1%	81 (76)
Compound annual growth rate of revenue	3% ~ 5%	-5% 5%	(2,660) 4,092
Discount for lack of marketability	20%	-5% 5%	591 (591)
Volatility	46% ~ 63%	-5% 5%	12 (12)

- (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, 2022, the fair value as of June 30, 2022 would increase/decrease by RMB2,189,000.



## 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, 2022 and 2021, the Group is organised into three reportable operating segments.

The Group identifies 3 segments as follows:

- 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.
- The Other Business, which is primarily engaged in sales of food product 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)/profit of each reporting segments. The reconciliation of operating (loss)/profit to loss before income tax is shown in the consolidated income statement.

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue:</b>				
— Game Business	22,494	19,713	37,231	39,238
— Film Business	—	7,992	423	9,444
— Other Business	7,027	—	7,027	—
<b>Total</b>	<b>29,521</b>	<b>27,705</b>	<b>44,681</b>	<b>48,682</b>
<b>Segments results — operating (loss)/profit:</b>				
— Game Business	(9,542)	(7,978)	(18,645)	(15,282)
— Film Business	(2,196)	2,273	(4,511)	403
— Other Business	(1,316)	—	(1,316)	—
<b>Total</b>	<b>(13,054)</b>	<b>(5,705)</b>	<b>(24,472)</b>	<b>(14,879)</b>



## 5. Revenue and segment information (Continued)

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers:				
— PRC	22,002	16,308	29,876	25,968
— South Korea	7,114	10,029	13,912	19,924
— Other overseas countries and regions	405	1,368	893	2,790
	29,521	27,705	44,681	48,682

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,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers				
— Recognised over time	22,494	20,874	37,248	41,201
— Recognised at a point in time	7,027	6,831	7,433	7,481
	29,521	27,705	44,681	48,682

## 5. Revenue and segment information (Continued)

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

	<b>As of June 30, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
— PRC	<b>87,189</b>	54,529
— South Korea	<b>804</b>	282
	<b>87,993</b>	54,811

## 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, 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	<b>728</b>	<b>3,062</b>	<b>13,066</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, 2021	1,147	6,767	15,406
Additions	211	969	8,451
Depreciation/amortization charge	(299)	(1,562)	(3,495)
Exchange	(17)	—	(198)
As of June 30, 2021	1,042	6,174	20,164

## 7. Film rights and films in progress

	<b>As of June 30, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
Film rights and films in progress		
— Under production/production yet to commence	<b>64,995</b>	24,952
	<b>Six months ended June 30, 2022 RMB'000 (Unaudited)</b>	2021 RMB'000 (Unaudited)
Beginning of the period	<b>24,952</b>	39,696
Additions	<b>41,456</b>	2,748
Impairment	<b>(1,413)</b>	—
End of the period	<b>64,995</b>	42,444

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

	<b>As of June 30, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
<b>Included in current assets</b>		
Wealth management products (Note (a))	—	6,000
<b>Included in non-current assets</b>		
Unlisted securities (Note (b))	<b>24,410</b>	32,331

### Notes:

- (a) The Group purchased certain wealth management products issued by commercial banks in the PRC. These wealth management products are with a variable return and redeemable on demand or with a term less than three months. The Group has classified its investments in such wealth management products as financial assets at fair value through profit or loss. Fair values of these investments were estimated based on the contracts of wealth management products. As of June 30, 2022, these investments have been recorded in "financial assets at fair value through profit or loss" in the balance sheet is nil. (December 31, 2021: RMB6,000,000) The related gains have been recorded in "other (losses)/gains — net" in the income statement.
- (b) 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, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
Trade receivables	<b>11,463</b>	9,278
Loss allowance	<b>(2,024)</b>	(1,788)
	<b>9,439</b>	7,490

The revenue of the Group from the game distribution channels, third-party payment vendors, game publishers, film publishers and third-party e-commerce platforms 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, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
0–60 days	<b>9,331</b>	7,223
61–90 days	<b>61</b>	51
91–180 days	<b>255</b>	153
181–365 days	<b>26</b>	318
over 1 year	<b>1,790</b>	1,533
	<b>11,463</b>	9,278



## 10. Other receivables

	<b>As of June 30, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
<b>Current</b>		
Loans to third parties and related interest ( <i>Note (a)</i> )	<b>23,729</b>	23,838
Others	<b>980</b>	915
	<b>24,709</b>	24,753
Loss allowance	<b>(24,343)</b>	(24,327)
	<b>366</b>	426
<b>Non-current</b>		
Rental and other deposits	<b>1,491</b>	1,526
Others	<b>902</b>	905
	<b>2,393</b>	2,431

Notes:

- (a) 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% (2021: 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, 2022 and December 31, 2021.



## 11. Other assets

	<b>As of June 30, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
<b>Current</b>		
Prepaid service charges to game distribution channels	<b>8,892</b>	9,843
Prepayments to game developers	<b>8,179</b>	5,937
Prepaid rental, advertising costs and others	<b>4,191</b>	2,579
Deductible value-added tax input	<b>6,892</b>	6,462
	<b>28,154</b>	24,821
<b>Non-current</b>		
Prepaid service charges to game distribution channels	<b>374</b>	317
Deductible value-added tax input (Note (a))	<b>5,768</b>	8,886
	<b>6,142</b>	9,203

Notes:

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



## 12. Reserves

(Unaudited)	Capital reserve	Currency translation differences	Statutory surplus reserve fund	Share-based compensation reserve	Other reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance as of January 1, 2022</b>	(4,363)	88,690	18,039	289,695	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>	(4,363)	100,127	18,039	289,869	3,777	407,449
<b>Balance as of January 1, 2021</b>	(4,293)	94,689	18,039	288,224	2,674	399,333
Share of other comprehensive loss of investments using equity method, net of tax	—	—	—	—	(549)	(549)
Employee share option and RSU scheme: — Value of employee services (Note 13)	—	—	—	1,611	—	1,611
Currency translation differences	—	(2,494)	—	—	—	(2,494)
<b>Balance as of June 30, 2021</b>	(4,293)	92,195	18,039	289,835	2,125	397,901



### 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 2021 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>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
Beginning of the period	<b>4,236,300</b>	2,055,400
Granted	—	4,315,000
Lapsed	<b>(3,025,000)</b>	(18,750)
Vested	<b>(549,050)</b>	(1,527,050)
End of the period	<b>662,250</b>	4,824,600

As of June 30, 2022 and December 31, 2021, 36,027,794 and 35,478,744 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 549,050 RSUs during the six months ended June 30, 2022, approximately RMB92 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 2021 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,			
	2022		2021	
	Average Exercise Price	Number of share options	Average Exercise Price	Number of share options
Beginning of the period	HKD3.29	13,141,048	HKD4.2	9,644,798
Granted		—	HKD0.784	3,645,000
Lapsed	HKD0.78	(2,257,500)	HKD0.65	(18,750)
End of the period	HKD3.77	10,883,548	HKD3.27	13,271,048



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

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

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

Out of the 10,883,548 outstanding options (December 31, 2021: 13,141,048), 10,212,298 options (December 31, 2021: 9,878,548) were exercisable. Share options outstanding as of June 30, 2022 include 462,298 (December 31, 2021: 462,298) share options, 2,878,750 (December 31, 2021: 2,878,750) share options, 975,000 (December 31, 2021: 975,000) share options, 3,293,750 (December 31, 2021: 3,291,250), 1,300,000 (December 31, 2021: 1,300,000), 646,250 (December 31, 2021: 668,750) share options and 1,330,000 (December 31, 2021: 3,565,000) 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, 2022, the Expected Retention Rate of interim condensed employees was assessed to be 70% (December 31, 2021: 70%) and the Expected Retention Rate of existing directors and senior management was assessed to be 100% (December 31, 2021: 100%).

#### 14. Bank borrowings

	<b>As of June 30, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
Bank borrowings		
— Secured loans	<b>50,000</b>	50,000
Included in:		
Current liabilities	<b>50,000</b>	50,000

- (a) Bank borrowings are secured by the restricted deposits of RMB59,060,000 (2021: RMB55,469,000).
- (b) The fair value of the borrowings approximately equals their carrying amount, as the impact of discounting is not significant.
- (c) Effective interest rates per annum on borrowings is 3% (2021: 3.1%).
- (d) Borrowings are repayable as follows:

	<b>As of June 30, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
Within 1 year	<b>50,000</b>	50,000

- (e) As of June 30, 2022 and December 31, 2021, the Group's borrowings are denominated in RMB.



## 15. Trade and other payables

	<b>As of June 30, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
Trade payables (Note (i))	<b>11,568</b>	10,518
Accrued expenses and liabilities	<b>8,765</b>	7,586
Salary and staff welfare payables	<b>10,335</b>	7,772
Amount due to a related party (Note 22)	<b>5,438</b>	5,438
Other taxes payables	<b>391</b>	207
Interests payable	<b>29</b>	35
	<b>36,526</b>	31,556

Note:

- (i) 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, 2022 RMB'000 (Unaudited)</b>	As of December 31, 2021 RMB'000 (Audited)
0-180 days	<b>7,447</b>	6,343
181-365 days	<b>35</b>	3,849
1-2 years	<b>4,021</b>	235
2-3 years	<b>12</b>	35
over 3 years	<b>53</b>	56
	<b>11,568</b>	10,518

## 16. Expenses by nature

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

	Three months ended June 30,		Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Service charges by game distribution channels	6,626	4,711	10,380	9,757
Content fee to game developers	2,225	2,623	4,298	5,268
Bandwidth and server custody fees	1,761	1,681	3,329	3,893
Cost of inventories sold	3,893	—	3,972	—
Employee benefit expenses (excluding share-based compensation expenses)	15,193	12,593	28,566	25,204
Charged to share-based compensation expenses	67	1,373	176	1,622
Depreciation of property, plant and equipment and right-of-use assets (Note 6)	1,108	928	2,286	1,861
Amortization and impairment of intangible assets (Note 6)	975	1,924	2,053	3,495
Net impairment losses on receivables	86	900	51	973
Impairment of films rights and films in progress (Note 7)	—	—	1,413	—
Promotion and advertising expenses	6,452	4,862	7,220	6,391
Traveling and entertainment expenses	176	386	428	754
Office rental expenses	106	301	256	575
Other professional service fees	2,376	659	3,938	1,742
Game development outsourcing costs	111	628	234	642
Utilities and office expenses	1,340	528	1,717	826
Auditors' remuneration				
— Non-audit related services	400	500	650	800
Others	252	72	525	581
<b>Total</b>	<b>43,147</b>	<b>34,669</b>	<b>71,492</b>	<b>64,384</b>

## 17. Other operating income — net

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government subsidies	656	76	973	202
Foreign exchange (losses)/gains, net	(86)	911	(773)	345
Gains on clearance of long aging payables	—	—	2,034	—
Others	2	272	105	276
	572	1,259	2,339	823

## 18. Other (losses)/gains — net

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value (loss)/gain from financial assets at fair value through profit or loss	(7,233)	4,010	(10,372)	2,860
Dividend income from financial assets at fair value through profit or loss	—	—	1,152	1,152
Fair value gain/(loss) from an associate measured at fair value through profit or loss	901	(1,590)	(954)	(1,610)
Dividend income from an associate measured at fair value through profit or loss	—	—	1,988	—
	(6,332)	2,420	(8,186)	2,402

## 19. Income tax expense/(credit)

The income tax expense of the Group for each of the three months and six months ended June 30, 2022 and 2021 is analysed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	2	10	6	(64)
Income tax expense/(credit)	2	10	6	(64)

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

No income tax provision for Hong Kong profit tax has been made by the Group as the Company's subsidiaries incorporated in Hong Kong did not have any taxable profit generated from operations in Hong Kong for the three months and six months ended June 30, 2022 and 2021.

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, 2022 and 2021 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, 2022 and 2021 under the relevant PRC tax rules and regulations; (ii) two subsidiaries of the Company were qualified as "High and New Technology Enterprises" and entitled to a preferential income tax rate of 15% for the six months ended June 30, 2022 and 2021; 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, 2022 and 2021.

## 20. Loss per share

### (a) Basic

Basic loss per share for the three months and the six months ended June 30, 2022 and 2021 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,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	(19,974)	(3,181)	(33,126)	(13,298)
Weighted average number of ordinary shares in issue (thousand shares)	349,142	348,594	348,938	347,625
Basic loss per share (expressed in RMB per share)	(0.06)	(0.01)	(0.09)	(0.04)

### (b) Diluted

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

For the six months ended June 30, 2022 and 2021, 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, 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 six months ended June 30, 2022 and 2021 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, 2022 and 2021.

## 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, 2022 and 2021. 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>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Loan granted to		
— Chen Hao(*)	<b>1,200</b>	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.

### (b) Balances with related parties

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

	<b>As of</b>	As of
	<b>June 30,</b>	December 31,
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Fuze Entertainment Co., Ltd.	<b>5,438</b>	5,438

## 22. Significant related party transactions (Continued)

### (c) Key management personnel compensations

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

	Three months ended June 30,		Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Wages, salaries and bonuses	1,601	1,340	3,201	2,941
Pension costs — defined contribution plans	67	63	135	126
Other social security costs, housing benefits and other employee benefits	100	73	200	147
Share-based compensation expenses	15	1,301	53	1,429
	<b>1,783</b>	<b>2,777</b>	<b>3,589</b>	<b>4,643</b>

