



# LINEKONG

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● FIRST QUARTERLY REPORT ●

藍港互動集團有限公司

Linekong Interactive Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8267



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



## FIRST QUARTERLY RESULTS (UNAUDITED)

The Board announces the unaudited consolidated quarterly results of the Group for the three months ended March 31, 2023 and the unaudited condensed consolidated financial statements, together with the unaudited comparative figures for the corresponding period in 2022, as follows:



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the three months ended March 31, 2023

	Note	Three months ended March 31,	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	4	<b>87,729</b>	15,160
Cost of revenue		<b>(68,122)</b>	(11,331)
<b>Gross profit</b>		<b>19,607</b>	3,829
Selling and marketing expenses		<b>(1,213)</b>	(2,758)
Administrative expenses		<b>(8,804)</b>	(8,292)
Research and development expenses		<b>(5,142)</b>	(5,999)
Net impairment (losses)/gains on receivables and contract assets		<b>(41)</b>	35
Other operating income — net		<b>1,119</b>	1,767
<b>Operating profit/(loss)</b>	4	<b>5,526</b>	(11,418)
Other losses — net		<b>(578)</b>	(1,854)
Finance income/(costs) — net		<b>146</b>	(194)
Share of profit/(loss) of investments using equity accounting		<b>156</b>	(8)
<b>Profit/(loss) before income tax</b>		<b>5,250</b>	(13,474)
Income tax expense	5	<b>(3)</b>	(4)
<b>Profit/(loss) for the period</b>		<b>5,247</b>	(13,478)
<b>Other comprehensive loss</b>			
Items that may be subsequently reclassified to profit or loss:			
— Share of other comprehensive loss of investments accounted for using the equity method, net of tax		<b>(559)</b>	(196)
Items that will not be reclassified to profit or loss:			
— Currency translation differences		<b>(2,343)</b>	(603)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(2,902)</b>	(799)
<b>Total comprehensive income/(loss) for the period</b>		<b>2,345</b>	(14,277)



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

For the three months ended March 31, 2023

		Three months ended March 31,	
	Note	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		5,247	(13,152)
Non-controlling interests		—	(326)
<b>Profit/(loss) for the period</b>		<b>5,247</b>	<b>(13,478)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		2,345	(13,951)
Non-controlling interests		—	(326)
<b>Total comprehensive income/(loss) for the period</b>		<b>2,345</b>	<b>(14,277)</b>
<b>Earnings/(loss) per share (expressed in RMB per share)</b>			
— Basic	6(a)	0.02	(0.04)
— Diluted	6(b)	0.02	(0.04)

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



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2023

(Unaudited)	Attributable to owners of the Company					Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Accumulated losses RMB'000			
<b>Balance as of January 1, 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	—	—	—	—	(13,152)	(13,152)	(326)	(13,478)
Other comprehensive income								
— Share of other comprehensive loss of investments accounted for using the equity method, net of tax	—	—	—	(196)	—	(196)	—	(196)
— Currency translation differences	—	—	—	(603)	—	(603)	—	(603)
<b>Total comprehensive loss for the period</b>	—	—	—	(799)	(13,152)	(13,951)	(326)	(14,277)
<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	—	—	—	107	—	107	2	109
<b>Total contributions by and distributions to owners of the Company for the period</b>	—	—	—	883	—	883	(774)	109
<b>Balance as of March 31, 2022</b>	59	1,720,690	(10,555)	393,938	(1,813,710)	290,422	(600)	289,822



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

For the three months ended March 31, 2023

(Unaudited)	Attributable to owners of the Company					Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Accumulated losses RMB'000			
<b>Balance as of January 1, 2023</b>	59	1,720,690	(10,555)	413,414	(1,861,202)	262,406	—	262,406
<b>Comprehensive income/(loss)</b>								
Profit for the period	—	—	—	—	5,247	5,247	—	5,247
Other comprehensive loss								
— Share of other comprehensive loss of investments accounted for using the equity method, net of tax	—	—	—	(559)	—	(559)	—	(559)
— Currency translation differences	—	—	—	(2,343)	—	(2,343)	—	(2,343)
<b>Total comprehensive (loss)/income for the period</b>	—	—	—	(2,902)	5,247	2,345	—	2,345
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>								
Employee share option and RSU Scheme:								
— Value of employee services	—	—	—	27	—	27	—	27
<b>Total contributions by and distributions to owners of the Company for the period</b>	—	—	—	27	—	27	—	27
<b>Balance as of March 31, 2023</b>	59	1,720,690	(10,555)	410,539	(1,855,955)	264,778	—	264,778

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



## Notes to Interim Condensed Consolidated Financial Information

### 1. General information

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

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

The interim condensed consolidated statements of comprehensive income/(loss) for the three-month period ended March 31, 2023, changes in equity for the three-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 May 15, 2023.

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

The Interim Financial Information has not been audited.



## 2. Basis of preparation

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

The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2022 as set out in the 2022 annual report of the Company (the “**2022 Financial Statements**”) which have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), and any public announcements made by the Company during the interim reporting period.

## 3. Summary of significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2022, as described in those Financial Statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below. The Interim Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and an associate measured at fair value through profit or loss which are carried at fair value.

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

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

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

Certain standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial period beginning January 1, 2023, and not expected to have a material impact on consolidated financial statement in the foreseeable future.

#### 4. Revenue and segment information

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

The Company separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. For the three months ended March 31, 2023 and 2022, the Group is organised into two reportable operating segments.

The Group identifies 2 segments as follows:

- The Game Business, which is primarily engaged in developing and publishing online games in the PRC and other countries and regions;
- The Film Business, which is primarily engaged in licensing self-developed online drama rights to third-party publishers and producing online drama rights for specific customers in the PRC.



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

The CODM assesses the performance of the operating segments based on the operating loss of each reporting segments.

	<b>Three months ended March 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Segment revenue:</b>		
<b>Game Business</b>		
— Sales of in-game virtual items	<b>11,858</b>	14,279
— License fee and technical support fees	<b>24,384</b>	458
	<b>36,242</b>	14,737
<b>Film Business</b>		
— Licensing and production of online dramas and others	<b>51,487</b>	423
<b>Total</b>	<b>87,729</b>	15,160
<b>Segments results — operating profit/(loss):</b>		
— Game Business	<b>5,723</b>	(9,103)
— Film Business	<b>(197)</b>	(2,315)
<b>Total</b>	<b>5,526</b>	(11,418)



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

A breakdown of revenue derived from different countries and regions for the three months ended March 31, 2023 and 2022 is as follows:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue from external customers:		
— PRC	<b>72,765</b>	7,874
— South Korea	<b>4,742</b>	6,798
— Other overseas countries and regions	<b>10,222</b>	488
	<b>87,729</b>	15,160

#### 5. Income tax expense

The income tax expense of the Group for the three months ended March 31, 2023 and 2022 is analysed as follows:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax	<b>3</b>	4
<b>Income tax expense</b>	<b>3</b>	4

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 ended March 31, 2023 and 2022.



## 5. Income tax expense (Continued)

The income tax provision of the Group in respect of operations in the PRC has been calculated based on the statutory tax rate of 25% on the estimated assessable profits for the three months ended March 31, 2023 and 2022, except that: (i) one subsidiary of the Company, incorporated in Horgos, was entitled to a preferential income tax rate of 12.5% for the three months ended March 31, 2023 and 2022 under the relevant PRC tax rules and regulations; (ii) two subsidiaries of the Company were qualified as “High and New Technology Enterprises” and entitled to a preferential income tax rate of 15% for the three months ended March 31, 2023 and 2022; and (iii) three subsidiaries of the Company, incorporated in Horgos, were exempted from income taxes under the relevant PRC tax rules and regulations for the three months ended March 31, 2023 and 2022.

## 6. Earnings/(loss) per share

	<b>Three months ended March 31, 2023 (Unaudited)</b>	2022 (Unaudited)
Basic and diluted earnings/(loss) per share (expressed in RMB per share)	<b>0.02</b>	(0.04)

### (a) Basic

Basic earnings/(loss) per share for the three months ended March 31, 2023 and 2022 is calculated by dividing the profit/(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.

	<b>Three months ended March 31, 2023 (Unaudited)</b>	2022 (Unaudited)
Profit/(loss) attributable to owners of the Company (RMB'000)	<b>5,247</b>	(13,152)
Weighted average number of ordinary shares in issue (thousand shares)	<b>349,569</b>	348,731

## 6. Earnings/(loss) per share (Continued)

### (b) Diluted

Diluted earnings/(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 three months ended March 31, 2023 and 2022, the Company had two categories of potential ordinary shares, restricted share units and share options granted to eligible person. As the Group incurred a loss for the three months ended March 31, 2022, the potential ordinary shares were not included in the calculation of the diluted loss per share where their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the three months ended March 31, 2022 was the same as basic loss per share of the period.

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit/(loss) attributable to owners of the Company (RMB'000)	<b>5,247</b>	(13,152)
Weighted average number of ordinary shares in issue (thousand shares)	<b>349,569</b>	348,731
Dilutive equivalent shares arising from potential ordinary shares ('000)	<b>212</b>	—
Weighted average number of ordinary shares and potential ordinary shares in issue, used in the diluted earnings/(loss) per share calculation ('000)	<b>349,781</b>	—
Diluted earnings/(loss) per share (expressed in RMB per share)	<b>0.02</b>	(0.04)

## 7. Dividends

No dividends have been paid or declared by the Company during each of the three months ended March 31, 2023 and 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

In the first quarter of 2023, the Group continues to cultivate its two main business strategies in respect of games and films, deploys more resources in self-development of strategic fields and explores WEB3, in order to preserve the Group's overall long-term business development and input new options.

As of today, Linekong Games has officially commenced the internal and external testing on various products, including: “甄嬛傳之浮生一夢”, “蠻荒紀元”, “Ys VIII (伊蘇VIII)” and “Uproar in Heaven II (鬧鬧天宮2)”. Meanwhile, the Group continues to strengthen its business strategies of game publishing, further explore oversea markets, enhance the development of female-oriented games, casual games and IP values of games. Various advanced technologies including ChatGPT and AIGC has been further applied to game development, content marketing and products operation, with an aim to boost product development efficiency and gaming experiences of players.

In terms of Film Business, matrix product development has been steadily progressing, our potential IP reserves has been enriched and quality drama productions has been promoted. As of today, the post-production of internet dramas “對你不止是喜歡” and “Mejaz Regulus in the World (摩耶人間玉)” have been completed and pending to be launched. The scripts of different IPs, including “陷入我們的熱戀”, “Ancient Music Records (古樂風華錄)” and “雲海傳” are in active production.



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

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

The latest generation of MMORPG fairy tale mobile game of the Group “蠻荒紀元” has completed two rounds of external testing in cooperation with the Thai cooperating operator. The game is scheduled to be launched online in Thailand in the second quarter of 2023, it will feature aesthetic realism graphics to provide players with a glimpse of the splendor and prosperity of ancient era and a glamorous fairy tale experience.

As of today, “甄嬛傳之浮生一夢”, a female-oriented AVG+RPG mobile game jointly developed by the Group and its partners, has obtained publication number, it is now undergoing external tests and is expected to launch in second quarter of 2023. The game allows players to embark on an elegant and romantic journey in style graphics from a first-person perspective. While revisiting the legendary classic IP, “Zhen Huan (甄嬛)”, players can experience various interesting features of the game, including dress fitting, romantic relationship development and simulation business operation, and appreciate the glamour of a dynasty.

It is expected that “大航海之路”, the steadily operating game product in the Korea market will continue to contribute stable revenue to the Group during the year.

Currently, the Group has been exclusively licensed to adapt and globally distribute the mobile game product “伊蘇-夢境交織的長夜” of epic ARPG Japanese game “Ys VIII (伊蘇VIII)”, the mobile game product has entered into the final completion and optimization stage. We have entered into global distribution cooperation with Bilibili during the first quarter of 2023. The joint global distribution of mobile game “伊蘇-夢境交織的長夜” with Bilibili will also provide solid support for marketing and operation of the product internationally.

## Linekong Pictures: steadily develops its product matrix and diversifies its 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. “對你不止是喜歡”, an urban-setting romance drama jointly produced by Linekong Pictures and Mango TV has completed its post-production. The drama tells the crush story between Tangyu, a cold-hands and warm-heart producer, and Tangxin, a mischievous and playful junior scriptwriter. As of today, online registration number of the drama has been obtained from the National Radio and Television Administration (國家廣播電總局) and the National Radio and Television Administration has approved the first screen review, it is expected to be broadcasted in the second quarter of 2023.

“Mejaz Regulus in the World (摩耶人間玉)”, a fairy tale romance drama 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. Currently, post-production of the drama has been completed and is expected to be broadcasted in the third quarter of 2023.

In terms of IPs, Linekong Pictures has masterpieces such as “陷入我們的熱戀”, “Ancient Music Records (古樂風華錄)” and “雲海傳” in reserve.

“陷入我們的熱戀”, our IP with good reputation, is a Top 10 Jinjiang romance drama newly written by the famous writer Er Dong Tu Zi (耳東兔子). The drama is about the leading actress Xu Zhi (徐樞) gained overwhelming popularity in Ruijun Middle School after the open exam. Xu Zhi, the dark horse of the Ruijun Middle School, met the handsome jerk Chen Luzhou (陳路周) in the Summer and created a sweet and intense love story.

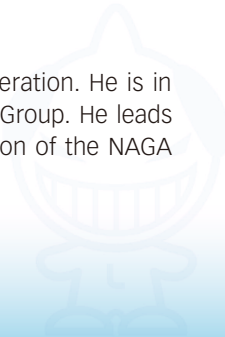
Historical-style IP, “Ancient Music Records (古樂風華錄)” is the first ancient costume fairy and devil drama with ancient music as its theme in the PRC. Through a beautiful love story with ups-and-downs, the drama reveals the legend of a forgotten ancient musical instrument and the beauty of stunning ancient music, showing the unique charm and inner nature of the nation and fostering new dynamics in traditional culture. The original IP was selected and ranked the first in the 2017 List of National Items for Reforms and Development (改革發展項目庫二零一七年入庫名額) of the State Administration of Press, Publication, Radio, Film and Television (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 (國家廣播電總局). In 2022, Linekong Pictures has entered in joint production with a PRC renowned production company 上海恆星引力影視傳媒有限公司 to produce “Ancient Music Records (古樂風華錄)”, which is expected to start filming in the fourth quarter of 2023. The masterpiece “蒼蘭訣” of 恆星引力 was broadcasted on iQIYI (愛奇藝) in August 2022 and became drama of the year, it received numerous rewards.

“雲海傳” is the first ancient-setting youth adventure drama in the PRC produced by the Group, which is about a treasure hunt journey without a map and the revelation of the truth of a ten-thousand-year treasure. It is a courageous and enthusiastic story of three young men growing up together hand-in-hand in adversity and making choices between right and wrong.

## Emerging Markets: further explore the WEB3 industry, tap into the cryptocurrency investment market

During the first quarter of 2023, we appointed Mr. FU Frank Kan, the former CEO of Huobi US (火幣), as the independent non-executive Director of the Company.

Mr. LAI Weifeng was appointed as the vice president of operation. He is in charge of the Web3 gaming platform to be explored by the Group. He leads the research and development of products and the operation of the NAGA gaming platform.



The Group is negotiating and conducting research with Consensus Lab (共識實驗室), a cryptocurrency investment and research institute, to establish a joint venture in Hong Kong, with an aim to tap into the Web3 industry as well as the cryptocurrency investment market. The Group plans to invite various institute (as investors) to participate in the establishment of the joint venture, and preliminarily expects to set up first-tier market and second-tier market funds. Such joint venture will focus on blockchain network, infrastructure services and application of the advanced Web3 technologies, continuous investment as well as global technological support for Web3 innovative projects.

The Group is confident towards the Web3 industry and is well aware of the potential of such emerging market. The Company wishes to consolidate the global resources of the Group and the Consensus Lab to bring new power to the Web3 industry by way of establishing a Web3 focused joint venture, benefiting from the distinct privilege of Hong Kong and the open, inclusive and supporting policies of Hong Kong, and setting up the fund in Hong Kong leveraged on the listed company platform of the Group.

## BUSINESS OUTLOOK

In 2023, the Group will continue to focus on IP development, female-oriented and casual mobile games and Web3 to further develop its business. The Group will continue to adhere to its principles of practicality and customer-centricity in order to create high quality products and offer fascinating entertainment. As a participant of the domestic interactive cultural content platforms, the Group will fulfill its social responsibilities by promoting healthy culture visions and attaching great importance to traditional Chinese culture in the entire process of product production and distribution, so as to make contributions to the culture and entertainment industry of the PRC.



## Financial Review

### Revenue

The Group's revenue increased by approximately 478.7% from approximately RMB15.2 million for the three months ended March 31, 2022 to approximately RMB87.7 million for the three months ended March 31, 2023.

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

	For the three months ended		Change (approximate %)
	2023 RMB'000 (Unaudited)	March 31, 2022 RMB'000 (Unaudited)	
Segment revenue:			
Game Business			
— Sales of in-game virtual items	11,859	14,279	(16.9)
— License fee and technical support fee	24,384	458	5,224.0
	<b>36,243</b>	14,737	145.9
Film Business			
— Licensing of rights and production of online dramas and others	51,486	423	12,071.6
Total	<b>87,729</b>	15,160	478.7





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

	For the three months ended March 31,			
	2023		2022	
	RMB'000 (Unaudited)	approximate %	RMB'000 (Unaudited)	approximate %
China (including Hong Kong, Macau and Taiwan regions)	72,765	82.9	7,874	52.0
South Korea	4,742	5.4	6,798	44.8
Other overseas countries and regions	10,222	11.7	488	3.2
<b>Total</b>	<b>87,729</b>	<b>100.0</b>	15,160	100.0

For the three months ended March 31, 2023, the revenue contributed by Game Business amounted to approximately RMB36.2 million, representing an increase of approximately 145.9% or RMB21.5 million as compared with the corresponding period of 2022, which was attributable to the exclusive authorization to globally distribute “伊蘇-夢境交織的長夜” by the Group to Bilibili and relevant revenue was recognized during the period.

The Group recognised revenue of approximately RMB51.5 million from licensing of rights and production of online dramas and others for the three months ended March 31, 2023, representing an increase of approximately 12,071.6% from approximately RMB0.4 million as compared with the three months ended March 31, 2022, due to the recognition of revenue in relation to “對你不止是喜歡”.



## Cost

The Group's cost for the three months ended March 31, 2023 was approximately RMB68.1 million, representing an increase of approximately 502.7% as compared to approximately RMB11.3 million for the three months ended March 31, 2022.

The change in cost of the Group was mainly due to recognition of cost in relation to “對你不止是喜歡”.

## Gross profit and gross profit margin

The Group's gross profit for the three months ended March 31, 2023 was approximately RMB19.6 million, representing an increase of approximately 415.8% from approximately RMB3.8 million for the three months ended March 31, 2022. It was mainly due to the recognition of licensing revenue of “伊蘇-夢境交織的長夜” in the Game Business.

The Group's gross profit margin for the three months ended March 31, 2023 was approximately 22.3%, representing a decrease of approximately 3.0 percentage points as compared to approximately 25.3% for the three months ended March 31, 2022. It was mainly due to the recognition of partial rights revenue in relation to “對你不止是喜歡” and fully recognition of its cost.

## Selling and marketing expenses

The Group's selling and marketing expenses for the three months ended March 31, 2023 were approximately RMB1.2 million, representing a decrease of approximately 57.1% from approximately RMB2.8 million for the three months ended March 31, 2022. It was mainly due to the decrease in promotional expenses for the existing business by the Company.

## Administrative expenses

The Group's administrative expenses for the three months ended March 31, 2023 were approximately RMB8.8 million, representing an increase of approximately 6.0% from approximately RMB8.3 million for the three months ended March 31, 2022. It was mainly due to the adjustment made to the Company's business, resulting in an increase in one-off compensation for loss of employment.

## Research and development expenses

The Group's research and development expenses for the three months ended March 31, 2023 were approximately RMB5.1 million, representing a decrease of approximately 15.0% from approximately RMB6.0 million for the three months ended March 31, 2022. It was mainly due to the decrease in amortization expense of intangible assets under development.

## Profit/(loss) for the period

As a result of the foregoing, the gain for the three months ended March 31, 2023 was approximately RMB5.2 million as compared to loss of approximately RMB13.5 million for the three months ended March 31, 2022. It was mainly due to the recognition of revenue in relation to “伊蘇-夢境交織的長夜” during the period.

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

To supplement our combined and consolidated financial statements presented in accordance with the IFRSs, we also adopted adjusted net profit/(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 profit/(loss) was derived from our net profit/(loss) for the period before deducting share-based compensation expenses and one-off compensation for loss of office paid. The adjusted net gain/(loss) measured at non-IFRSs is an unaudited figure.

The following table respectively sets out the reconciliation from profit/(loss) for the period under IFRSs to the adjusted net profit/(loss) for the three months ended March 31, 2023 and 2022:

	For the three months ended		
	March 31,		
	2023	2022	Change
	RMB'000	RMB'000	(approximate
	(Unaudited)	(Unaudited)	%)
<b>Profit/(loss) for the period</b>	<b>5,247</b>	(13,478)	(138.9)
<b>Add:</b>			
Share-based compensation expenses	27	109	(75.2)
One-off compensation for loss of office paid	1,537	190	708.9
<b>Adjusted net profit/(loss)</b>	<b>6,811</b>	(13,179)	—

The Group's adjusted net gain for the three months ended March 31, 2023 was approximately RMB6.8 million, as compared to the adjusted net loss of approximately RMB13.2 million for the three months ended March 31, 2022. It was mainly due to the recognition of revenue in relation to “伊蘇-夢境交織的長夜” during the period.

## Liquidity and Financial Resources

During the three months ended March 31, 2023, we financed our businesses primarily through cash generated from our existing operating activities. The Group has been maintaining a solid cash position since the listing of the Company's shares (the “**Shares**”) on GEM of the Stock Exchange and obtaining the net proceeds in December 2014. We intend to finance our expansion and business operations with internal resources and through organic and sustainable growth.

### Treasury policy

During the three months ended March 31, 2023, most of the Group's idle capital was invested in time deposits of commercial banks in the PRC. For the purpose of generating better return for the Group's idle cash, the Group's treasury policy is to deposit in these time deposits, and not to engage in any investments with high risks or transactions of speculative derivatives. In order to meet the domestic working capital requirement, we will seek for stable and long-term funding from banks at market lending rate for the corresponding period.

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

As of March 31, 2023 we had cash and cash equivalents of approximately RMB145.0 million (as of December 31, 2022: approximately RMB116.4 million), which primarily consisted of cash at bank, other financial institutions and cash in hand and were mainly denominated in U.S. dollars (as to approximately 64.8%), RMB (as to approximately 27.9%), HKD (as to approximately 6.7%), and other currencies (as to approximately 0.6%).

As of March 31, 2023, we had short-term bank deposits of approximately RMB4.2 million (as of December 31, 2022: approximately RMB32.1 million).



## Capital Structure

The Shares were listed on GEM of the Stock Exchange on December 30, 2014. The capital structure of the Company comprises ordinary Shares.

## Gearing Ratio

As at March 31, 2023, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 21.1% (as at December 31, 2022: approximately 28.1%).

## Charge on Group Assets

As at March 31, 2023, no restricted deposit of the Group was pledged to secure bank borrowings (as at December 31, 2022: nil).

## REVIEW OF THE QUARTERLY RESULTS

The quarterly financial results of the Group for the three months ended March 31, 2023 is unaudited and has not been reviewed nor audited by the auditors of the Company, but has been reviewed by the audit committee of the Board (the "**Audit Committee**"). The Audit Committee has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters of the Group.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES OR AFFILIATED COMPANIES

There was no significant investment, material acquisition or disposal of subsidiaries or associated companies by the Group during the three months ended March 31, 2023.



## Information on Employees and Remuneration Policy

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

As at March 31, 2023, the Group had 98 employees. For the three months ended March 31, 2023, total remuneration for employees of the Group was approximately RMB12.6 million (for the three months ended March 31, 2022: approximately RMB13.5 million).

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

## DIVIDEND

The Board resolved not to declare any dividend for the three months ended March 31, 2023.



## USE OF IPO PROCEEDS

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

As of March 31, 2023, the IPO Proceeds have been utilised as follows:

	Net proceeds million HKD	Amounts utilised as of December 31, 2022 million HKD	Amounts utilised during the three months ended March 31, 2023 million HKD	Amounts unutilised as of March 31, 2023 million HKD
Overseas expansions (expanding our business in overseas markets)	137.2	137.2	—	—
Potential strategic acquisition or investment in companies in online game or related businesses	59.7	59.7	—	—
Potential strategic acquisition or investment in companies in game business, film (movie and drama) business or related businesses	8.9	0	0	8.9
Creating pan-entertainment environment	157.8	157.8	—	—
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	—	—
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	—	—



	<b>Net proceeds</b>	<b>Amounts utilised as of December 31, 2022</b>	<b>Amounts utilised during the three months ended March 31, 2023</b>	<b>Amounts unutilised as of March 31, 2023</b>
	million HKD	million HKD	million HKD	million HKD
Enhancing game development capability, developing and operating new games, distributing and operating high quality games developed by third parties and accumulation of intellectual property rights of game contents	20.7	20.7	—	—
Providing funding for our working capital and other general corporate purposes	34.3	34.3	—	—
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	—	—
Mastering user usage flow entry point via developing intellectual hardware and mobile phone software	10.7	10.7	—	—
Development of and investment in movies and dramas and accumulation of intellectual property rights of movie and drama contents	22.1	22.1	—	—
<b>Total</b>	<b>686.2</b>	<b>677.3</b>	<b>0</b>	<b>8.9</b>





As of March 31, 2023, approximately HKD8.9 million of the IPO Proceeds remained unutilised. The unutilised IPO Proceeds have been deposited into a time deposits bank account maintained by the Group and will be utilised in accordance with the usage as announced in the announcement in relation to the change in use of proceeds of the Company dated June 29, 2021.

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

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

There is no material event occurred after March 31, 2023 which affects the Group that needed to be reported to the Shareholders.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

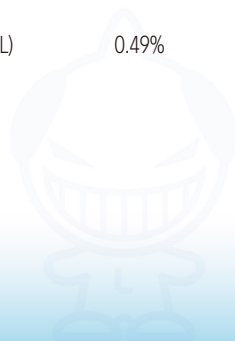
### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As of March 31, 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Long position in Shares and underlying Shares

Name of Director/ chief executive	Capacity/Nature of interest	Total number of shares	Approximate percentage of shareholding <small>(Note 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)	
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



*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 March 31, 2023, all the RSUs have been vested.

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

- (2) The 2,540,000 Shares that Mr. Wang Jin was interested in consisted of (a) 300,000 share options, 1,000,000 share options and 125,000 share options granted to him on June 15, 2016, April 1, 2019 and May 17, 2021, respectively, under the Share Option Scheme entitling him to receive an aggregate of 1,425,000 Shares upon exercise; and (b) 1,115,000 RSUs granted to him under the RSU Scheme entitling him to receive 1,115,000 Shares subject to vesting. As of March 31, 2023, all RSUs have been vested.

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

- (3) The 1,815,841 Shares that Mr. Chen Hao was interested in consisted of (a) 100,000 share options, 1,000,000 share options and 125,000 share options granted to him on October 9, 2015, January 18, 2017 and May 17, 2021, respectively, under the Share Option Scheme entitling him to receive an aggregate of 1,225,000 Shares upon exercise; and (b) 590,841 RSUs granted to him under the RSU Scheme entitling him to receive 590,841 Shares subject to vesting. As of March 31, 2023, all RSUs have been vested.

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

- (4) As of March 31, 2023, the Company issued 367,974,964 Shares.



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

As of March 31, 2023, the following Directors or the chief executive of the Company are directly or indirectly (other than indirectly by virtue of their interest in the Company) interested in the shares or underlying shares of other member(s) of the Group as follows:

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

Notes:

- Linekong Online is a subsidiary of the Company controlled through contractual arrangements. Mr. Wang Feng is the registered shareholder 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 March 31, 2023, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as of March 31, 2023, the following persons (other than Directors and chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

### (i) Substantial Shareholder(s)

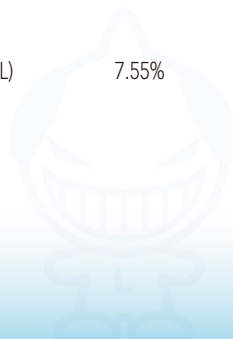
Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company <small>(Note 4)</small>
Zhu Li <small>(Note 1)</small>	Interest of spouse	79,216,540 (L)	21.53%
Wangfeng Management Limited <small>(Note 2)</small>	Beneficial owner	66,576,160 (L)	18.09%
Jin Jiawei (金佳偉)	Beneficial owner	52,318,760 (L)	14.22%
(L) Long position			

*Notes:*

- Ms. Zhu Li is the wife of Mr. Wang Feng and is deemed to be interested in the Shares in which Mr. Wang Feng is interested under the SFO. For details of Mr. Wang Feng's interests, please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report.
- Mr. Wang Feng, the chairman of the Company and Director, holds the entire issued share capital of Wangfeng Management Limited.
- As of March 31, 2023, the Company issued 367,974,964 Shares.

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

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares or securities held</b>	<b>Approximate percentage of interest in our Company</b> <small>(Note 4)</small>
The Core Trust Company Limited <small>(note 1)</small>	Trustee of a trust	34,869,317 (L)	9.48%
TCT (BVI) Limited <small>(note 1)</small>	Trustee of a trust	34,869,317 (L)	9.48%
Premier Selection Limited <small>(note 1)</small>	Nominee for another person	34,869,317 (L)	9.48%
Ho Chi Sing <small>(Notes 2&amp;3)</small>	Interest of controlled corporation	29,922,996 (L)	8.13%
IDG-Accel China Growth Fund GP Associates Ltd. <small>(Note 2)</small>	Interest of controlled corporation	27,774,323 (L)	7.55%
IDG-Accel China Growth Fund Associates, L.P. <small>(Note 2)</small>	Interest of controlled corporation	27,774,323 (L)	7.55%



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 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%

(L) Long 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.

- 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.

- As of March 31, 2023, the Company issued 367,974,964 Shares.



## Share Option Scheme

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

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





Details of the granted and outstanding share options of the Company as of March 31, 2023 and movement during the three months ended March 31, 2023 are as follows:

Category	Date of grant	Option period (note 1)	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, 2023	During the three months ended March 31, 2023				Outstanding balance as at March 31, 2023
							Granted	Exercised	Cancelled	Lapsed	
Ms. Liao Mingxiang (note 4)	May 17, 2021	May 17, 2021 to May 16, 2031	1,100,000 (note 3)	0.784	0.75	275,000	-	-	-	-	275,000
Mr. Chen Hao	October 9, 2015	October 9, 2015 to October 8, 2025	100,000 (note 3)	7.18	7.18	100,000	-	-	-	-	100,000
	January 18, 2017	January 18, 2017 to January 17, 2027	1,000,000 (note 3)	3.10	3.10	1,000,000	-	-	-	-	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 (note 3)	0.784	0.75	125,000	-	-	-	-	125,000
Mr. Wang Jin	June 15, 2016	June 15, 2016 to June 14, 2026	300,000 (note 3)	4.366	4.18	300,000	-	-	-	-	300,000
	April 1, 2019	April 1, 2019 to March 31, 2029	1,000,000 (note 4)	0.88	0.88	1,000,000	-	-	-	-	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 (note 3)	0.784	0.75	125,000	-	-	-	-	125,000
Mr. Qi Yunxiao	April 1, 2019	April 1, 2019 to March 31, 2029	300,000	0.88	0.88	300,000	-	-	-	-	300,000
	May 17, 2021	May 17, 2021 to May 16, 2031	300,000	0.784	0.88	75,000	-	-	-	-	75,000
Employees	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 (note 2)	8.10	8.10	462,298	-	-	-	-	462,298
	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 (note 3)	7.18	7.18	2,778,750	-	-	-	-	2,778,750
	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 (note 3)	4.366	4.18	675,000	-	-	-	-	675,000
	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 (note 3)	3.10	3.10	2,291,250	-	-	-	-	2,291,250
	August 16, 2019	August 16, 2019 to August 15, 2029	860,000 (note 3)	0.65	0.64	631,250	-	-	-	3,750	627,500
	May 17, 2021	May 17, 2021 to May 16, 2031	845,000 (note 3)	0.784	0.75	555,000	-	-	-	12,500	542,500
	May 17, 2021	May 17, 2021 to May 16, 2031	400,000 (note 3)	0.784	0.75	100,000	-	-	-	-	100,000

**Notes:**

1. The vesting period of the share options starts from the date of acceptance of the grant to the commencement of the exercise period.



2. The share options granted on August 12, 2015 may be exercised in accordance with the following vesting timetable:

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

3. The share options granted on October 9, 2015, June 15, 2016, January 18, 2017 and August 16, 2019 and those 845,000 share options granted to employees on May 17, 2021 may be exercised in accordance with the following vesting timetable:

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

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

<b>Vesting dates</b>	<b>Cumulative percentage of share options vested</b>
Upon the acceptance of the offer	50% (rounded down to the nearest integral number of shares) of the share options granted
6 months upon the acceptance of the offer for grant of share options	58.5% (rounded down to the nearest integral number of shares) of the share options granted
12 months upon the acceptance of the offer for grant of share options	67% (rounded down to the nearest integral number of shares) of the share options granted
18 months upon the acceptance of the offer for grant of share options	75.5% (rounded down to the nearest integral number of shares) of the share options granted
24 months upon the acceptance of the offer for grant of share options	84% (rounded down to the nearest integral number of shares) of the share options granted
30 months upon the acceptance of the offer for grant of share options	92.5% (rounded down to the nearest integral number of shares) of the share options granted
36 months upon the acceptance of the offer for grant of share options	100% (rounded down to the nearest integral number of shares) of the share options granted

5. The share options granted on May 17, 2021 (other than those 845,000 share options granted to employees as indicated in note 3) may be exercised in accordance with the following vesting timetable:

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

6. Ms. Liao Mingxiang served as the executive director and chief executive officer of the Company, member of the Remuneration Committee, compliance officer of the Company under Rule 5.19 of the GEM Listing Rules and authorized representative of the Company under Rule 5.24 of the GEM Listing Rules. Ms. Liao Mingxiang resigned from the above positions since February 26, 2023.

## Share Incentive Scheme

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

As of March 31, 2023, there were 16,922,420 RSUs granted and outstanding, among which 16,741,795 RSUs have been vested.

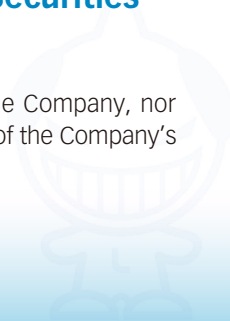
During the three months ended March 31, 2023, no RSU was granted; no RSU has been cancelled and 10,000 RSUs have been lapsed. In addition, The Core Trust Company Limited, the RSU trustee assisting with the administration and vesting of RSUs granted, did not purchase any Share on the Stock Exchange during the three months ended March 31, 2023 for satisfying the RSUs upon exercise.

## Interests in Competing Business

None of the Directors or controlling shareholders of the Company or any of their respective close associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during the three months ended March 31, 2023.

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

During the three months ended March 31, 2023, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.



## Corporate Governance

The Company has applied the principles and code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, save as Mr. Wang Feng taking the role of the chairman and chief executive officer of the Company concurrently which deviate from the code provision C.2.1 of Part 2 of the CG Code (details of which has been set out in the announcement dated January 12, 2023), the Company has complied with the CG Code throughout the three months ended March 31, 2023.

## Audit Committee

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

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

