



LINEKONG

● ANNUAL 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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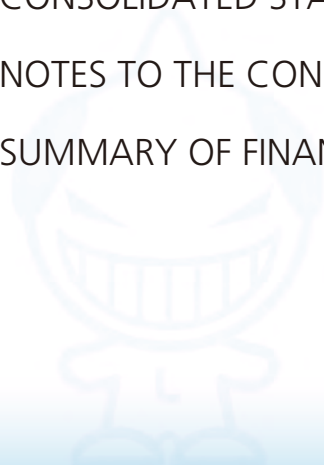
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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Zhang Xiangdong
 Ms. Wu Yueqin
 Mr. Fu Frank Kan

BOARD COMMITTEES

Audit Committee

Ms. Wu Yueqin (*Chairman*)
 Mr. Zhang Xiangdong
 Mr. Fu Frank Kan

Remuneration Committee

Mr. Zhang Xiangdong (*Chairman*)
 Mr. Wang Feng
 Ms. Wu Yueqin
 Mr. Fu Frank Kan

Nomination Committee

Mr. Wang Feng (*Chairman*)
 Mr. Zhang Xiangdong
 Ms. Wu Yueqin
 Mr. Fu Frank Kan

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Wang Feng
 Ms. Chan Yin Wah

COMPLIANCE OFFICER

Mr. Wang Feng

REGISTERED OFFICE

Floor 4, Willow House
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 P.O. Box 2804
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 Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC" OR "CHINA")

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 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



Corporate Information

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Certified Public Accountants
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Hong Kong

GEM STOCK CODE

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Offshore Incorporations (Cayman) Limited
Floor 4, Willow House
Cricket Square
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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

Woori Bank (China) Limited, Business Department
China Citic Bank, Wangjing, Beijing Sub-branch
Ping An Bank, Offshore Business Department (Tianjin)
Xiamen International Bank, Beijing Branch Xicheng Sub-Branch
CTBC Bank, Hong Kong Branch

Chairman's Statement

On behalf of the board of directors (the "**Board**") of Linekong Interactive Group Co., Ltd., I am pleased to present to our valued shareholders and investors the review and outlook of the Company and its subsidiaries (collectively, the "**Group**") for the financial year from January 1, 2023 to December 31, 2023 (the "**Reporting Period**").

2023 is a critical year of change for the Group, our game business focuses on optimization, creating Linekong's own IP products. Many rounds of tests have been performed on both "Uproar in Heaven I (鬧鬧天宮1)" and "Uproar in Heaven II (鬧鬧天宮2)" for over a year, achieving a large scale public test level. Tencent was authorized to distribute "Uproar in Heaven I (鬧鬧天宮1)" in 2019, with nearly 20 million registered users.

The premium drama "對你不止喜歡" under our film business is produced based on the novel written by the famous author Mo Yan Chuan (陌言川) and broadcasted on Mango TV. We have also added high quality IP to our reserve and focus on the development of premium long and short drama, so as to launch more quality film products in 2024.

The Group has deployed enormous resources to the Web3 business. As of today, the Bitcoin we purchased at a relatively low price has now doubled its value, a satisfying supplement to the growth of assets of the Company.

Looking forward in 2024, the Group will be undergoing a critical transition from the traditional business to the Web3 business. We achieved significant breakthrough in the application of Web3, cryptocurrency investment, provision of encrypted asset network and AI computing. We plan to set up the headquarter of Web3 business in Hong Kong, as a hub to connect to the mainstream cryptocurrency industry in Asia and the world. Meanwhile, we are actively recruiting top talents in the technology, finance and management field, with an aim to make Linekong Interactive a Web3 brand with global competitiveness.

From 2024 onward, we will place the Web3 business as the highlight of our future development strategy and actively promote the below strategies:

1. In February 2024, I transferred all of my shares in Element to the Group at nil consideration. In terms of competitiveness among the non-fungible token ("**NFT**") market, we have confident in Element for it is becoming the most popular NFT trading market in the global block chain network. We will provide updates on the Element related business to the public in due course.
2. We have always been closely monitoring the global cryptocurrency market. The price of Bitcoin has increased approximately 4.5 times from approximately USD16,000 last year to the highest of approximately USD73,000 lately. We have been making purchases by batch at approximately USD25,000. As the United States Securities and Exchange Commission has approved the Bitcoin exchange-traded product, we are optimistic about the investment opportunities in cryptocurrency this year. We will continue to purchase more cryptocurrency to the extent permitted by the Board and Shareholders.
3. We will actively participate and promote the establishment of a cryptocurrency asset management company and apply for the cryptocurrency asset management license in Hong Kong.
4. In January 2024, we invested in EcoPowX Technology Limited ("**EcoPowX**"), a company specialized in establishing more environmentally friendly flare combustion power facilities and premises to provide computing solution for artificial intelligence ("**AI**") computation and Bitcoin network. EcoPowX intends to co-operate with large oil fields and natural gas processing equipment suppliers in West Africa, to promote the eco-friendly treatment of flare in the oil field. As part of the cryptocurrency network operation and GPU computation, the overall activities of EcoPowX focus on the power supply for AI computation and the cryptocurrency network, to provide a sustainable green solution and technical support.
5. In terms of the game and film business, we have a stable and professional management team, we are confident that the quality of our self-developed games and film products can be safeguarded within the the annual budget of the Company.

Lastly, we would like to thank all shareholders and investors for their trust and support. We believe that, through our commitment and pursuit, the Group shall accomplish breakthrough in the Web3 and materialize long term development and value appreciation of the Group.

Wang Feng

Chairman and Chief Executive Officer



Biographical Details of the Directors and Senior Management

Biographical details of the Directors of the Company and the senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Mr. Wang Feng, aged 55, is the chairman of the Board and an executive Director and, was also appointed as the chief executive officer and compliance officer of the Company on February 26, 2023. He is the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**"). Mr. Wang is the founder of the Group and was appointed as a Director on May 24, 2007. Prior to joining the Group, Mr. Wang worked at Beijing Kingsoft Software Co., Ltd. ("**Beijing Kingsoft**"), a subsidiary of Kingsoft Corporation Limited (listed on the Stock Exchange, stock code: 3888), in various senior positions successively as product manager, vice president of the anti-virus software department, and vice president in charge of digital entertainment business from 1997 to 2007, and served as the senior vice president in charge of digital entertainment and sales and marketing from January 2006 to March 2007. Mr. Wang has over 25 years of experience in the Internet industry and was awarded several honours, including "Individual Award for Outstanding Contributions to 20 Years of Development in Zhongguancun" granted by Beijing municipal government in 2009, "New Elite in China Game Industry" in 2007 and "the Top-Ten Most Influential People in China Game Industry" granted by China Game Industry Annual Conference in 2008, 2009 and 2011. Mr. Wang was also awarded "Outstanding Entrepreneur" in both 2011 and 2013 by China Game Industry Annual Conference. Mr. Wang graduated from Peking University with a master of business administration degree in June 2005. Mr. Wang is also the director of Wangfeng Management Limited, a company which has an interest in the shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Chen Hao, aged 37, has been an executive Director since May 11, 2018. He is also the vice president of the Group and the chief executive officer of game business of the Group ("**Linekong Games**"). Having joined the Group in 2010, Mr. Chen served as a product manager, and became a product director in 2013 and served as the vice president and general manager of the third game department of the Group in 2016. He has been the chief executive officer of Linekong Games since April 2018 and is primarily responsible for the day-to-day management of the business of Linekong Games. Mr. Chen has extensive experience in game release, operation and management. He has made an outstanding contribution to the development of Linekong Games during his term of office, which can be demonstrated by the successful release of key mobile games including "Sword of God (神之刃)", "One Hundred Thousand Bad Jokes (十萬個冷笑話)" and "Daybreak (黎明之光)". He has also been active in leading the overseas business development of Linekong Games. Mr. Chen obtained his Master of Engineering from Huazhong University of Science and Technology in June 2010.

Mr. Wang Jin (also known as Yan Yusong), aged 50, has been an executive Director since May 11, 2018. He is also the vice president of the Group, as well as the chief executive officer of the film business of the Group ("**Linekong Pictures**"). Mr. Wang has 25 years of experience in the film and television entertainment industry. He worked at Hong Kong Azio TV as a director from 2000 to 2003, at Shanghai Dragon TV as a producer from 2003 to 2007, at Starlight International Media Co., Ltd. as the vice president from 2007 to 2012, and at TVB China Company as the general manager of Beijing branch office from 2012 to 2015. He joined the Group in January 2016 as the vice president of the Group and the president of Linekong Pictures, and has been the chief executive officer of Linekong Pictures since April 2018 and is primarily responsible for the day-to-day management of the business of Linekong Pictures. Mr. Wang graduated from Chengdu University, majoring in business arts, after which he did further studies at the Shanghai Theatre Academy with directing as his major.



Biographical Details of the Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Xiangdong, aged 46, has been an independent non-executive Director, chairman of the Remuneration Committee and a member of the audit committee of the Company (the "Audit Committee") and the Nomination Committee since April 24, 2014. Mr. Zhang has over 20 years of experience in the internet industry. In July 2003, Mr. Zhang founded Sungy Mobile Limited, a company formerly listed on Nasdaq Stock Market (Nasdaq: GOMO), and served as a director and its president from 2003 to October 2014. In October 2014, Mr. Zhang resigned his positions as director and president. In November 2014, he officially started to pursue his entrepreneurial endeavours in cycling business. Mr. Zhang joined 700Bike as a co-founder and the chief executive officer, devoting himself to promote the development of city bike and cycling culture in China. Mr. Zhang obtained a bachelor's degree in information management from Peking University in July 1999.

Ms. Wu Yueqin, aged 47, has been an independent non-executive Director, chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee since May 29, 2018. Ms. Wu has approximately 20 years of financial management experience. From June 2002 to December 2004, Ms. Wu was the accounting supervisor at Zhongchu Logistics Online Co., Ltd. From December 2004 to June 2006, she was a financial manager at Kingsoft Corporation Ltd. From July 2006 to January 2011, she was the financial head of Kingsoft Corporation Ltd. From January 2011 to January 2012, she was Kingsoft Corporation Ltd.'s assistant president. From January 2012 to June 2015, she was the vice president of finance at Kingsoft Corporation Ltd. From July 2015 to August 2020, she was the vice president of finance at Cheetah Mobile Inc.. She was the co-founder of Beijing Xiaoyaozhi Technology Company Limited (北京逍遥志科技有限公司) from March 2021 to December 2022. She has been the chief financial officer of Think Beyond Pte. Ltd. since December 2022. Ms. Wu graduated from Xi'an Jiaotong University with a bachelor's degree in accounting in July 1999 and she graduated from Xi'an Jiaotong University with a master's degree in management science and engineering in July 2002. Ms. Wu is qualified as a Chinese Certified Public Accountant and has passed the Hong Kong Institute of Certified Public Accountants qualification exams.

Mr. Fu Frank Kan, aged 54, has been an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee since February 26, 2023. Mr. Fu has approximately 31 years of experience in business development in the technology industry. From 1997 to 1998, Mr. Fu was a product marketing and global channel development manager of Fujitsu Electronics America, Inc.. From 1998 to 2000, Mr. Fu was a director of business development and product marketing of Samsung Telecommunications America, LLC. From 2000 to 2002, Mr. Fu was a director of business development of AboveNet Inc., (formerly listed on the New York Stock Exchange, stock code: ABVT). From October 2002 to October 2004, Mr. Fu was a vice president of sales and marketing at Innopath Software, Inc.. From October 2004 to March 2007, Mr. Fu was a vice president and general manager of Asia Pacific of Bitfone Corporation. From April 2007 to June 2013, Mr. Fu was a managing director of Citirich International, Ltd. From July 2013 to January 2016, Mr. Fu was global executive vice president of Beijing Kingsoft Office Software, Inc. (北京金山辦公軟件股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 688111). From January 2016 to March 2018, Mr. Fu was successively a managing director of global operation and international investment, respectively, of Meitu Inc. (listed on the Stock Exchange, stock code: 1357). From June 2018 to August 2019, Mr. Fu was the chief executive officer of HBUS Holdco Inc. From August 2019 to October 2020, Mr. Fu was a managing director of Fenbushi Investment Management Co., Ltd. and has been a venture partner of the same company since October 2020. Mr. Fu is also currently the co-founder and chief marketing officer of Math Global Foundation, Ltd.. Mr. Fu graduated from Midland University in July 1992 with a bachelor degree in business administration. He also graduated from San Jose State University in May 1999 with a master degree in business administration.

SENIOR MANAGEMENT

Mr. Lai Weifeng, aged 32, has been our vice president of the Group's Web3 overseas business since February 8, 2023. He is in charge of the Group's business expansion into the Web3 gaming platform, as well as the distribution of GameFi and other related affairs. Mr. Lai has been successively responsible for the game product website department of the Group and has served as the person in charge of the products of Huoxing Finance, a blockchain media company. He was also an early team member of 178.com under Perfect World (Beijing) Network Technology Co., Ltd. (完美世界(北京)網絡技術有限公司).



Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

As a renowned 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 products to our users. In 2023, the Group continued to deepen the strategy deployment in the game and film business. The game business focused on the self-developed premium products and our own IPs, while the film business focused on the premium IP drama. We have commenced the exploration of the Web3 business, with an aim to strengthen and add on to the Group's long term development reserve.

The Group continues to focus on the research and development of new mobile games, application of cutting edge technologies and extension of game IP values. We have gradually commenced the inhouse and external testing for various mobile game projects, including the "Uproar in Heaven I (鬧鬧天宮1)" (remake version) and "Uproar in Heaven II (鬧鬧天宮2)", which are expected to be launched in the second quarter of 2024. Meanwhile, the mini program of "Uproar in Heaven II (鬧鬧天宮2)" is being developed, which is expected to be launched in the third quarter of 2024. We also planned to launch some other online mini programs in the third quarter of 2024.

The Film Business has been steadily building our product matrix, enriching our potential IP reserve and promoting the production of its premium IP drama. The premium drama "對你不止喜歡" based on the novel written by the famous author Mo Yan Chuan (陌言川) was broadcasted on Mango TV and Tencent Video on November 25, 2023. "念念人間玉" (originally named as "Mejaz Regulus in the World (摩耶人間玉)") is pending parallel broadcast. We have entered into the drama production co-operation with Tencent Video regarding the class S IP "陷入我們的熱戀". For "Ancient Music Records (古樂風華錄)", we have entered into joint production with a PRC well-known film company Shanghai Hengxing Film Media Company Limited (上海恆行影視傳媒有限公司) and entered into the drama production co-operation with Tencent Video. We have entered into joint production with a PRC renowned film company Linghe Culture Media (Shanghai) Company Limited (靈河文化傳媒(上海)有限公司) for "少年藏寶行" (originally named as "雲海傳").

In 2023, the Group invested in the Web3 business and purchased a total of 99.5143 unit of Bitcoin, with a total cash consideration of approximately USD2.8 million. As of the date of this report, the value of the Bitcoin we purchased almost doubled, providing the Company with a very satisfying supplement to its assets and materialized the objective of asset preservation and value appreciation.

Game Business: progressing research and development of new products and exploration of the prospect of mini programs in the PRC

In 2021, the Group officially commented the self-development of "Uproar in Heaven II (鬧鬧天宮2)". As a real time battle tower defense mobile game based on the renowned novel "Journey to the West", "Uproar in Heaven II (鬧鬧天宮2)" inherited the Chinese art and ancient Chinese mythical characters from its previous version. Players can organize their own hero pools to build different battle teams to achieve ultimate win. Through heroes upgrade and consolidation, players can enjoy an exciting tower defense game while appreciating the randomness of the game. Meanwhile, "Uproar in Heaven II (鬧鬧天宮2)" as an independent carrier, aims to encourage new and experienced players to appreciate and inherit the Chinese traditional culture. Various Peking Opera skins and cross talk skins design have been simultaneously added into the game. As of the date of this report, the product has obtained publication number in April 2023, completed many rounds of product fine tune and optimization, it is expected to be launched in the second quarter of 2024.

At the same time, the previous version of "Uproar in Heaven II (鬧鬧天宮2)", namely the light battle MOBA "Uproar in Heaven I (鬧鬧天宮1)" has completed the research and development of its remake version. An external testing on the balance of the limited-edition hero was carried out in July 2023, satisfying feedbacks were received. The retained data performed well. Registered users for "Uproar in Heaven I (鬧鬧天宮1)" amounted to over 20 million, filling in the gap in the light battle MOBA market segment. Based on the original version, the remake version optimized the matching mechanism and background, emphasized on the fairness of the game and further enhanced the characteristics of light battle MOBA products. We are currently focusing on the optimization of the art display and commercialization. We have also opened for reservation among several channels such as TAPTAP, external testing is expected to commence in the second quarter of 2024.

In addition, ridding on the continuous popularity of mini programs in the PRC, together with the combination of mini programs with the unique gaming style of "Uproar in Heaven II (鬧鬧天宮2)", it is expected to launch the app version of the mini program in the second quarter of 2024 to further extend user base. The Group will also commence the mini program development of reserved mobile games and IP reserve.

Management Discussion and Analysis

Film Business: develop red hot IPs and consolidate leading industry resources to promote product upgrade

In 2023, film business optimized its content with possession of class S IPs, we were ready to co-operate with the best film industry players to perform product upgrade. After accumulating seven years of hard work and brand awareness, we had launched seven premium online dramas and reserved various high quality products with outstanding contents.

We achieved satisfactory results in terms of the production and publication of sweet youth romance dramas which are well received by young female audiences. A number of our premium online dramas, including “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)”, “花好月又圓” and “對你不止喜歡” broadcasted on Mango TV and Tencent Video in November 2023, have appeared in the hot searches of various channels many times and have been unanimously recognized by the market and audiences.

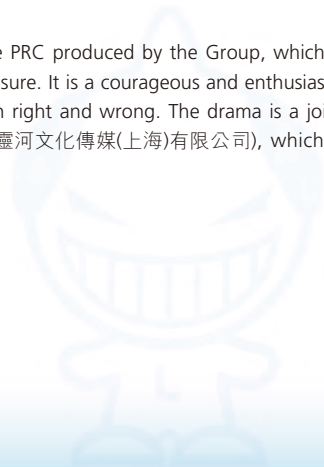
The fictional love drama “念念人間玉” jointly produced by us and other production companies made the most popular theme among fictional love dramas. The drama is about the sadistic cross-species relationship between a human and a monster. Post-production has been completed with the first pre-view gaining great attention. It is expected to be broadcasted on iQIYI (愛奇藝) in the second quarter of 2024.

In terms of IPs, we have masterpieces such as “陷入我們的熱戀”, “Ancient Music Records (古樂風華錄)” and “少年藏寶行” (originally named as “雲海傳”) in reserve.

Our “陷入我們的熱戀” IP is a Top 4 JinJiang romance novel written by the famous writer Er Dong Tu Zi (耳東兔子) and ranked high in the third quarter Tencent V Video playlist. The drama is about the love story between the badass student and the innocent straight-A student. The drama creates a relaxed and hilarious atmosphere, the unforgettable and funny dialogues bring to the audience a young, remarkable and one of a lifetime relationship. This IP is a hot item on the search engine, ranking high on the search list once the registration announcement has been made. The pre-sale of the novel once again ranks high on the search list. Once the public were informed that such novel will be made into a drama, overwhelming responses and discussion were received on Weibo. The casting and progression of the drama gained great attention. We have entered into joint production with Tencent Video, a famous class S script writer Fang Qiang Qiang (方羌羌) will be the script writer of this drama. His masterpiece includes “無心法師”, “從前有座靈劍山”, etc. The drama is under preparation and is expected to start filming in the second quarter of 2024.

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 (國家廣電總局). In 2022, Linekong Pictures entered into joint production with a PRC renowned production company Shanghai Hengxing Film Media Company Limited (上海恆行影視傳媒有限公司) to produce “Ancient Music Records (古樂風華錄)”, has entered into joint production with Tencent Video and made its first appeal in Tencent Mini World Conference in the third quarter of 2023, the drama is expected to start filming in the third quarter of 2024.

“少年藏寶行” (originally named as “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. The drama is a joint production with the renowned film company Linghe Culture Media (Shanghai) Company Limited (靈河文化傳媒(上海)有限公司), which is expected to start filming in the third quarter of 2024.



Management Discussion and Analysis

Web3 business: highlight of our future development strategy, materialization of breakthrough in terms of application, investment and computing services

Since 2024, the Group made the Web3 business as the highlight of our future development. We will, according to the plan of Mr. Wang Feng, chairman of the Board and chief executive officer of the Company, actively promote the implementation and development of the Web3 business.

In February 2024, Mr. Wang Feng transferred all of his shares in Element to the Group at nil consideration. Element has become the most popular non-fungible token (“**NFT**”) trading market of the global block chain network. It offers NFT block chain trading services, in particular: 1) NFT digital collection trading platform (Element Market), which is the most commonly used GameFi NFT trading platform and the largest second-tier block chain NFT trading platform. It provides secured and reliable trading services to game players, NFT collectors and investors around the world; 2) NFT-as-a-Service technology solution (Element Stack), which is a multi-chain NFT infrastructure, providing customized NFT solutions to corporations, creators and traders. It also serves as a huge tool and portal, for customers to seamlessly consolidate their NFT into their business. Through this share transfer, the Group obtained 35% equity interest in Element, which facilitate the Group’s development in the Web3 business and form a critical part in the Group’s Web3 business layout.

As the United States Securities and Exchange Commission approved the listing and trading of certain traded products (Spot Bitcoin ETF) on the spot Bitcoin exchange in January 2024, we are optimistic about the investment opportunities in cryptocurrency this year. We will continue to purchase more cryptocurrency to the extent permitted by the Board and Shareholders, with an aim to further materialize the goal of asset preservation and value appreciation and prepare ourself for tapping into the Web3 business.

In January 2024, we invested in EcoPowX Technology Limited (“**EcoPowX**”), a newly incorporate company which will be engaged in the provision of computing solutions for artificial intelligence (“**AI**”) computing and cryptocurrencies network through establishing more environmentally friendly flare gas power generation facilities and premises. EcoPowX intends to co-operate with large oilfields and natural gas processing equipment suppliers in West Africa, to promote the eco-friendly processing of flare gas in oilfields. As part of its cryptocurrency mining and graphics processing units computing provision business, the overall operation of EcoPowX centers on power sources for AI computing and cryptocurrencies mining, providing sustainable green solutions and technical support.



Management Discussion and Analysis

FINANCIAL REVIEW

The following table sets out our consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2022 and 2023, together with changes (expressed in approximate percentages) from 2022 to 2023:

	For the year ended December 31,		2022		Change approximate %
	2023	approximate	RMB'000	approximate	
	RMB'000	%	RMB'000	%	
Revenue	135,506	100.0	71,057	100.0	90.6
Cost of revenue	(101,189)	(74.7)	(50,132)	(70.6)	102.0
Gross profit	34,317	25.3	20,925	29.4	64.1
Selling and marketing expenses	(6,321)	(4.7)	(13,916)	(19.6)	(54.7)
Administrative expenses	(27,760)	(20.5)	(34,538)	(48.6)	(19.4)
Research and development expenses	(22,088)	(16.3)	(23,066)	(32.5)	(4.3)
Net impairment (losses)/reversals on receivables and contract assets	(416)	(0.3)	2,068	2.9	(120.1)
Other operating income — net	843	0.6	4,219	5.9	(80.0)
Operating loss	(21,425)	(15.8)	(44,308)	(62.4)	(51.6)
Other losses — net	(935)	(0.7)	(14,283)	(20.1)	(93.5)
Finance income/(costs) — net	2,071	1.5	(206)	(0.3)	(1,105.3)
Share of profit of investments using equity accounting	3,292	2.4	346	0.5	851.4
Loss before income tax	(16,997)	(12.5)	(58,451)	(82.3)	(70.9)
Income tax credit/(expense)	1	0.0	(10)	(0.0)	(110.0)
Loss from continuing operations	(16,996)	(12.5)	(58,461)	(82.3)	(70.9)
Loss from discontinued operation	—	—	(2,683)	(3.8)	(100.0)
Loss for the year	(16,996)	(12.5)	(61,144)	(86.0)	(72.2)
Non-IFRSs Measure:					
Adjusted net loss (unaudited)	(13,761)	(10.2)	(42,745)	(60.2)	(67.8)

Revenue

The Group's revenue amounted to approximately RMB135.5 million for the year ended December 31, 2023, representing an increase of approximately 90.6% as compared to that of approximately RMB71.1 million for the year ended December 31, 2022.

The following table sets forth the breakdown of the Group's revenue by segment results:

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Segment revenue:		
Continuing operations:		
— Game Business	70,134	66,498
— Film Business	65,372	4,559
Total	135,506	71,057
Discontinued operation:		
— Food Business	—	58,392

Management Discussion and Analysis

For the year ended December 31, 2023, the revenue contributed by game business was approximately RMB70.1 million, representing an increase of approximately 5.4% or RMB3.6 million as compared with 2022, which was attributable to the recognised revenue from authorising Bilibili the exclusive license to publish “伊蘇 — 夢境交織的長夜” globally.

The Group recognised revenue of approximately RMB65.4 million from licensing and production of online dramas and others for the year ended December 31, 2023, representing an increase of approximately 1,321.7% or RMB60.8 million as compared to approximately RMB4.6 million for the year ended December 31, 2022, which was mainly due to the recognised revenue related to “對你不止是喜歡”.

The following tables set forth the breakdown of the Group’s game business revenue by game sources:

	For the year ended December 31,			
	2023		2022	
	RMB'000	Approximate %	RMB'000	Approximate %
Self-developed games	15,561	22.2	21,970	33.0
Licensed games	54,573	77.8	44,528	67.0
Total	70,134	100.0	66,498	100.0

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

	For the year ended December 31,			
	2023		2022	
	RMB'000	Approximate %	RMB'000	Approximate %
China (including Hong Kong, Macau and Taiwan)	107,222	79.1	43,350	61.0
Overseas countries and regions	28,284	20.9	27,707	39.0
Total	135,506	100.0	71,057	100.0

Cost of revenue

The Group’s cost of revenue for the year ended December 31, 2023 was approximately RMB101.2 million, representing an increase of approximately 102.0% from approximately RMB50.1 million for the year ended December 31, 2022.

For the year ended December 31, 2023, the cost incurred by the game business was approximately RMB40.3 million, representing a decrease of approximately 15.3% or RMB7.3 million as compared with 2022, which was in line with the changes in revenue and due to further effective control of costs.

For the year ended December 31, 2023, cost incurred by licensing and production of online dramas recognised was approximately RMB60.9 million, representing an increase of approximately 2,336.0% or RMB58.4 million as compared with 2022, which was due to the associated costs arising from the production of the online drama “對你不止是喜歡”.

Gross profit and gross profit margin

The Group’s gross profit for the year ended December 31, 2023 was approximately RMB34.3 million, representing an increase of approximately 64.1% from approximately RMB20.9 million for the year ended December 31, 2022, which was mainly due to the recognition of revenue in relation to the online drama “對你不止是喜歡” and revenue from authorising Bilibili to publish “伊蘇 — 夢境交織的長夜”, as well as the further effective control of the overall cost.

The Group’s gross profit margin for the year ended December 31, 2023 was approximately 25.3%, and was approximately 29.4% for the year ended December 31, 2022. The overall gross profit margin remained stable during the year.

Management Discussion and Analysis

Selling and marketing expenses

The Group's selling and marketing expenses for the year ended December 31, 2023 were approximately RMB6.3 million, representing a decrease of approximately 54.7% from approximately RMB13.9 million for the year ended December 31, 2022, which was mainly due to the Group is reducing promotional expenses of existing business.

Administrative expenses

The Group's administrative expenses for the year ended December 31, 2023 were approximately RMB27.8 million, representing a decrease of approximately 19.4% from approximately RMB34.5 million for the year ended December 31, 2022. Excluding share-based compensation expenses and one-off compensation for loss of office paid, the Group's administrative expenses for the year ended December 31, 2023 were approximately RMB23.1 million, representing a decrease of approximately 26.0% from approximately RMB31.2 million for the year ended December 31, 2022, which was mainly due to the fact that the Company has been gradually optimising its general administrative expenses.

Research and development expenses

The Group's research and development expenses for the year ended December 31, 2023 were approximately RMB22.1 million, representing a decrease of approximately 4.3% from approximately RMB23.1 million for the year ended December 31, 2022, which was mainly due to the Company's efforts made to adjust and optimise the R&D staff structure.

Segments results — operating (loss)/profit

The following table sets out the breakdown by segment results of the Group:

	For the year ended December 31, 2023	2022
	RMB'000	RMB'000
Segment results — operating (loss)/profit:		
Continuing operations:		
— Game Business	(23,690)	(39,583)
— Film Business	2,265	(4,725)
Total	(21,425)	(44,308)
Discontinued operation:		
— Food Business	—	(2,568)

Other losses — net

The Group's other losses — net for the year ended December 31, 2023 were approximately RMB0.9 million, representing a decrease in loss of approximately 93.5% from other losses — net of approximately RMB14.3 million for the year ended December 31, 2022, which was mainly due to the fair value changes of financial instruments held by the Group.

Income tax credit/(expense)

The Group's income tax credit for the year ended December 31, 2023 was approximately RMB1,000, while the Group's income tax expense for the year ended December 31, 2022 was RMB10,000. The income tax credit for 2023 was mainly due to the entitlement of its subsidiaries to the tax exemption policy.

Management Discussion and Analysis

Loss for the year

As a result of the foregoing, loss attributable to owners of the Company for the year ended December 31, 2023 was approximately RMB17.4 million, representing a decrease of approximately 71.3% from approximately RMB60.6 million for the year ended December 31, 2022.

Non-IFRSs measure — adjusted net loss

To supplement our consolidated financial statements presented in accordance with the International Financial Reporting Standards (“IFRSs”), we also adopted adjusted net loss as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted net loss was derived from our net loss for the respective year deducted charged to share-based compensation expenses, one-off compensation for loss of office paid, and fair value (gains)/losses from financial assets at fair value through profit or loss. The adjusted net loss is an unaudited figure.

The following table reconciles our adjusted net loss for the years presented to the audited loss measured under IFRSs for the years presented:

	For the year ended December 31,		Change approximate %
	2023 RMB'000	2022 RMB'000	
Loss for the year from continuing operations	(16,996)	(58,461)	(70.9)
Add:			
Share-based compensation expenses	64	259	(75.3)
One-off compensation for loss of office paid	4,607	3,223	42.9
Fair value (gains)/losses from financial assets at fair value through profit or loss	(1,436)	12,234	(111.7)
Adjusted net loss	(13,761)	(42,745)	(67.8)

The Group's adjusted net loss for the year ended December 31, 2023 was approximately RMB13.8 million, representing a decrease of approximately 67.8% as compared to the adjusted net loss of approximately RMB42.7 million for the year ended December 31, 2022. The decrease in adjusted net loss as compared to 2022 was due to a combined effect of the following factors: the recognition of revenue associated with “對你不止是喜歡” and “伊蘇 — 夢境交織的長夜” as well as a further reduction of various costs and expenses during the Reporting Period.

We have presented adjusted net loss in this report as we believe that the adjusted net loss is a meaningful supplement to the income statement data because it enables us to measure our profitability without taking into consideration charged to share-based compensation expenses, one-off compensation for loss of office paid, fair value (gains)/losses from financial assets at fair value through profit or loss. However, adjusted net loss for the year should not be considered in isolation or construed as an alternative to net loss or operating loss, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted net loss presented in this report may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.



Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

In 2023, we financed our businesses primarily through cash generated from our operating activities. The Group has been maintaining a solid cash position since the initial public offering (the "IPO") which was completed in December 2014. We intend to finance our expansion and business operations with internal resources and through organic and sustainable growth.

Treasury Policies

For the year ended December 31, 2023, the Group has adopted a prudent financial management approach in its treasury policies to maintain a healthy liquidity position. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Cash and cash equivalents, short-term bank deposits

As at December 31, 2023, we had cash and cash equivalents of approximately RMB77.7 million (as at December 31, 2022: approximately RMB116.4 million), which primarily consisted of cash at bank and other financial institutions and cash in hand and which were mainly denominated in U.S. dollars ("USD") (as to approximately 50.8%), Renminbi (as to approximately 36.8%), Hong Kong dollars ("HKD") (as to approximately 11.9%) and other currencies (as to approximately 0.5%).

As at December 31, 2023, we had short-term bank deposits of RMB28.4 million which are all carrying fixed interests (as at December 31, 2022: approximately RMB32.1 million).

Net proceeds from the Listing, after deducting the underwriting commission and other expenses in connection with the IPO, received by the Company amounted to approximately HKD686.2 million. As at the date of this report, all of the net proceeds from the Listing had been utilised.

Capital expenditures

Our capital expenditures comprised expenditures on film/online drama rights and films/online drama in progress, the purchase of furniture and office equipment, server and other equipment, leasehold improvements, trademarks and licenses and computer software and acquisition of cryptocurrencies. For the year ended December 31, 2023, our total capital expenditure amounted to approximately RMB25.2 million (2022: approximately RMB49.0 million), including expenditures on film/online drama rights and films/online drama in progress of approximately RMB3.8 million (2022: approximately RMB46.5 million), the purchase of furniture and leasehold improvements of approximately RMB1.2 million (2022: approximately RMB1.1 million), the purchase of trademarks and licenses is nil (2022: approximately RMB1.3 million), the purchase of computer software of approximately RMB0.1 million (2022: approximately RMB0.1 million), the acquisition of cryptocurrencies of approximately RMB20.1 million (2022: nil). As of the end of the Reporting Period, we have no committed capital expenditures, and the capital expenditures for 2024 are expected to be mainly games and films IP.

CAPITAL STRUCTURE

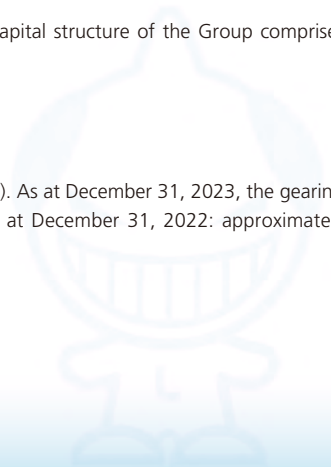
The shares of the Company were listed on GEM of the Stock Exchange on December 30, 2014. The capital structure of the Group comprises ordinary shares.

BORROWING AND GEARING RATIO

As at December 31, 2023, there was no bank loans borrowed by the Group (as at December 31, 2022: nil). As at December 31, 2023, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 22.7% (as at December 31, 2022: approximately 28.1%).

CHARGE ON GROUP ASSETS

There is no pledged asset as at December 31, 2023 (as at December 31, 2022: nil).



Management Discussion and Analysis

INFORMATION ON EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2023, the Group had 88 employees (as at December 31, 2022: 103), mainly worked and are located in the PRC.

The total remuneration of the employees of the Group was approximately RMB47.6 million for the year ended December 31, 2023 (2022: approximately RMB53.4 million). The Company has established the Remuneration Committee on April 21, 2014 with written terms of reference in compliance with Appendix C1 to the GEM Listing Rules. The Remuneration Committee will regularly review and recommend to the Board from time to time in respect of the remuneration and compensation of the Directors and senior management of the Group.

The Group offers competitive remuneration package commensurate with industry practice and provides benefits to the Directors and employees of the Group, including social insurance coverage, defined contribution retirement scheme and bonus. In determining staff remuneration, the Group has taken into account salaries paid by comparable companies, time commitment and responsibilities and terms of employment of other position in the Group. The remunerations of the Directors and employees are reviewed regularly.

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

In addition, the Company has adopted a restricted share unit scheme (the “**RSU Scheme**”) on March 21, 2014 with the objective to incentivise Directors, senior management, employees and any person who provides or has provided consultancy or other advisory services to the Group for their contribution to the Group, and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. Share-based compensation expenses in connection with the RSU Scheme and the Share Option Scheme for the year ended December 31, 2023 were approximately RMB0.1 million (2022: approximately RMB0.3 million).

The Directors believe that maintaining a stable and motivated employee force is critical to the success of the Group’s business. As a fast growing company, the Company is able to provide its employees with ample career development choices and opportunities of advancement. The Company organises various training programs on a regular basis for its employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team building. The Company also provides various incentives to motivate its employees. For the diversity of the Group’s employees, please refer to the section headed “Corporate Governance Report-Board Diversity Policy” in this report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE

During the Reporting Period, the Group has acquired 99.5143 units of Bitcoin at a total cost of approximately USD2.8 million in open market transaction. For further details of the purchased cryptocurrencies, please refer to note 19 to the consolidated financial statements and the Company’s announcements dated June 15, 2023, July 7, 2023, August 8, 2023, August 17, 2023, September 13, 2023 and January 22, 2024 and circulars dated October 31, 2023 and February 29, 2024.

Save as disclosed above, as at the date of this report, there was no other significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as the potential acquisition of cryptocurrencies as at the date of this report, the Group does not have any plan for material investments and capital assets.



Management Discussion and Analysis

SIGNIFICANT INVESTMENT HELD DURING THE REPORTING PERIOD

As of December 31, 2023, the significant investment held by the Group includes the following:

- For Fuze Entertainment Co., Ltd (“**Fuze**”), the Group’s initial investment was RMB26,250,000 with a shareholding of 36.82% and a carrying amount of RMB37.0 million. Fuze is engaged in development and sales of smart device, is undergoing business transformation and has not yet generated any revenue (note 15 to the consolidated financial statements);
- For 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 25.77%, the fair value at the end of the period was RMB20.5 million. 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 (note 16 to the consolidated financial statements);

	As at/for the year ended December 31, 2023 RMB'000	As at/for the year ended December 31, 2022 RMB'000
Fuze		
Fair value	36,972	33,240
% of total assets of the Group	11.53	9.11
Share of profit of investments using equity accounting	3,292	346
Share of other comprehensive income of investments using equity accounting	440	2,200
Jikebang Fund		
Fair value	20,486	35,303
% of total assets of the Group	6.39	9.68
Fair value loss from an associate measured at fair value through profit or loss	(2,591)	(3,201)
Capital reduction	2,191	6,221

In the future, the Group will pay close attention to the transformation and business updates of Fuze, evaluate the investment to Fuze on regular basis, and pursue synergies across the business; for the investment to Jikebang Fund, the Group intends to continue its current interest in the fund.

- Certain security investments in unlisted companies (note 22 to the consolidated financial statements). No individual project exceeds 5% of the Group’s total assets as of December 31, 2023, therefore no separate disclosure is made.



Management Discussion and Analysis

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. Therefore, foreign exchange risk primarily arose from recognised assets and liabilities in the Group's PRC subsidiaries when receiving or to receive foreign currencies from overseas cooperated counterparties. The Group does not hedge against any fluctuation in foreign currency. The Group will closely monitor exchange rate movement and will take appropriate measures to reduce the exchange risk.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2023 (for the year ended December 31, 2022: nil).



Corporate Governance Report

INTRODUCTION

We are committed to achieving and maintaining high standards of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance practices are based on the principles and code provisions in the Corporate Governance Code (the "Code") as set out in Part 2 of Appendix C1 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the code provisions as set out in Part 2 of the Code for the year ended December 31, 2023, except for the deviation from code provision C.2.1 of the Code as disclosed in the section headed "Chairman and Chief Executive Officer" in this section.

BOARD OF DIRECTORS

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders of the Company as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, preparing accounts, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management update report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for performing the corporate governance duties, with delegation of responsibilities to committees. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.



Corporate Governance Report

BOARD OF DIRECTORS (continued)

Composition

The composition of the Board as of December 31, 2023 is set out as follows:

Executive Directors

Mr. Wang Feng (*Chairman and Chief Executive Officer*)

Mr. Chen Hao (*Vice President*)

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

Independent non-executive Directors

Mr. Zhang Xiangdong

Ms. Wu Yueqin

Mr. Fu Frank Kan

Resignation of Directors, Chief Executive Officer, Authorised Representative and Compliance Officer

On January 12, 2023, Ms. Liao Mingxiang resigned as an executive Director, chief executive officer of the Company, a member of the Remuneration Committees, the compliance officer of the Company pursuant to Rule 5.19 of the GEM Listing Rules and an authorised representative of the Company pursuant to Rule 5.24 of the GEM Listing Rules with effect from February 26, 2023 due to her different views on the future direction and development of the Group. On the same date, Mr. Kong Yi resigned as an independent non-executive Director, and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from February 26, 2023 due to his other business commitments and increasing workloads.

On January 17, 2023, Mr. Ji Xuefeng resigned as a non-executive Director and member of each of the Audit Committee and Nomination Committee with effect from January 17, 2023 due to his personal work arrangement.

Appointment of Chief Executive Officer, Compliance Officer, Authorized Representative and Independent Non-executive Director

On January 12, 2023, Mr. Wang Feng was appointed as the chief executive officer of the Company and the compliance officer of the Company as required under Rule 5.19 of the GEM Listing Rules with effect from the resignation of Ms. Liao Mingxiang having taken effect (being February 26, 2023).

On January 12, 2023, Mr. Chan Yin Wah was appointed as the authorised representative of the Company as required under Rule 5.24 of the GEM Listing Rules with effect from the resignation of Ms. Liao having taken effect (being February 26, 2023).

Mr. Fu Frank Kan was appointed as an independent non-executive Director with effect from February 26, 2023.

Biographical details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report. There is no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board and senior management of the Company.

During the year ended December 31, 2023, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, the number of independent non-executive Directors represent not less than one-third of the Board and one of the independent non-executive Directors possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers all the independent non-executive Directors independent in accordance with each of the guidelines set out in Rule 5.09 of the GEM Listing Rules. Except for Mr. Zhang Xiangdong, none of other independent non-executive Directors has served the Company for more than nine years. Please refer to the section headed "Assessment of Directors' Independence" in this section for details.

Corporate Governance Report

Chairman and Chief Executive Officer

Since February 26, 2023, Mr. Wang Feng has been appointed as the chairman of the Board and the chief executive officer of the Company. Pursuant to code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Despite deviating from code provision C.2.1 of the Code, the Board believes that Mr. Wang, being the chairman of the Board, is familiar with the Company's business operation and has superior knowledge and experience of the Company's business, and vesting the roles of both the chairman and the chief executive officer in the same person has the benefit of ensuring consistent leadership with the Company and improving the efficiency of overall strategic planning for the Company. Although the responsibilities of the chairman and the chief executive officer are vested in one person, all major decisions are made in consultation with the Board members and the senior management of the Company. In addition, the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information. Under the current relatively independent board structure (independent non-executive Directors accounting for 50%), the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

The Board will periodically review the effectiveness of this arrangement and consider separating the roles of chairman of the Board and chief executive officer of the Company when it thinks appropriate, for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

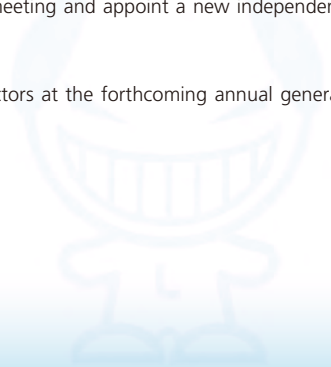
TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service contract with our Company and we have issued letters of appointment to our non-executive Director (including independent non-executive Directors). The service contract with Mr. Wang Feng, being our executive Director is for an initial term of three years commencing from August 22, 2014 and have been renewed for another term of three years on August 22, 2017 and subsequently on August 22, 2020 and August 22, 2023. The service contracts with Mr. Chen Hao and Mr. Wang Jin, also being our executive Directors, are for an initial term of three years commencing from May 11, 2018 and renewed for another three years on May 11, 2021. The letter of appointment with Mr. Zhang Xiangdong, being our independent non-executive Director, is for an initial term of three years commencing from April 24, 2014 and have been renewed for another term of three years on April 23, 2017 and subsequently on April 23, 2020 and April 23, 2023. The letter of appointment with Ms. Wu Yueqin, being our independent non-executive Director, is for an initial term of three years commencing from May 29, 2018 and renewed for another three years on May 29, 2021. The letter of appointment with Mr. Fu Frank Kan, being our independent non-executive Director, is for an initial term of three years commencing from February 26, 2023. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

According to our articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation at least once every three years, and Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment. Subject to other requirements of our articles of association, retiring Directors may offer themselves for re-election.

If an independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reason why the Board (or the Nomination Committee) believes such director is still independent and should be re-elected, the factors considered, and the process and the discussion of the Board (or the Nomination Committee) in arriving at such decision. If all independent non-executive Directors in the Board serves more than nine years, the Company should disclose the length of tenure of each existing independent non-executive Director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting and appoint a new independent non-executive Director at the forthcoming annual general meeting.

The Board will make separate announcement(s) with regard to the arrangement of re-election of Directors at the forthcoming annual general meeting of the Company which is expected to be held on Friday, June 21, 2024.



Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard against which Directors must measure their conduct regarding transactions in securities of their issuers (the "**Required Standard of Dealings**") as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Among other things, the Company periodically issues notices to its Directors reminding them the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group.

Having made specific enquiries with all Directors of the Company, all Directors confirmed that they have complied with the Required Standard of Dealings during the year ended December 31, 2023.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each of the current Directors attended one training in 2023, which included training on amendment of the GEM Listing Rules, Directors' responsibilities and continuous obligations and enforcement of the GEM Listing Rules, details of which are as follows:

Name of Directors	Number of training(s) attended	Topic(s) covered
Executive Directors		
Mr. Wang Feng (<i>Chairman, and Chief Executive Officer with effect from February 26, 2023</i>)	1	C&R
Mr. Chen Hao (<i>Vice President</i>)	1	C&R
Mr. Wang Jin (<i>also known as Yan Yusong</i>) (<i>Vice President</i>)	1	C&R
Independent Non-executive Directors		
Mr. Zhang Xiangdong	1	C&R
Ms. Wu Yueqin	1	C&R
Mr. Fu Frank Kan (<i>appointed with effect from February 26, 2023</i>)	1	C&R

Key:

C: Corporate governance

R: Regulatory updates

The Company will arrange suitable training for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.



Corporate Governance Report

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the HKEXnews website at www.hkexnews.hk and the Company's website at www.linekong.com. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees are in line with, so far as practicable, those of the Board meetings set out above. All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policy and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors, and reviewing the Company's compliance with the Code and disclosures in this annual report.

REMUNERATION COMMITTEE

The chairman of the Remuneration Committee is Mr. Zhang Xiangdong, our independent non-executive Director, and other members include Mr. Wang Feng and Ms. Liao Mingxiang (resigned with effect from February 26, 2023), our executive Directors, Ms. Wu Yueqin, Mr. Kong Yi (resigned with effect from February 26, 2023) and Mr. Fu Frank Kan (appointed with effect from February 26, 2023), our independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the HKEXnews website at www.hkexnews.hk and the Company's website at www.linekong.com.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration, including making recommendations to the Board on the remuneration packages of executive Directors and senior management. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended December 31, 2023 and have also approved the terms of service contract of Mr. Fu Frank Kan, an independent non-executive Director. Moreover, the Remuneration Committee has reviewed the provisions of the RSU Scheme and Share Option Scheme of the Company, and noted that no share option or RSU was granted in 2023. Considering that the Share Option Scheme is expected to expire in December 2024 and the RSU Scheme has expired in March 2024, the Remuneration Committee will actively consider and review the arrangement and effectiveness of the share schemes of the Company.

NOMINATION COMMITTEE

The Nomination Committee was established on April 24, 2014. The chairman of the Nomination Committee is Mr. Wang Feng, our chairman of the Board and executive Director, and other members include Mr. Ji Xuefeng (resigned with effect from January 17, 2023), our non-executive Directors, Mr. Zhang Xiangdong, Ms. Wu Yueqin, Mr. Kong Yi (resigned with effect from February 26, 2023) and Mr. Fu Frank Kan (appointed with effect from February 26, 2023), our independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the HKEXnews website at www.hkexnews.hk and the Company's website at www.linekong.com.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. During the Reporting Period, the Nomination Committee has reviewed and assessed the composition of the Board and considered the appointments of Mr. Wang Feng as the chief executive officer and Mr. Fu Frank Kan as an independent non-executive Director and the appointments of those Directors who offered themselves for re-election at the 2022 annual general meeting. The Nomination Committee also assessed the independence of all independent non-executive Directors.

Corporate Governance Report

BOARD COMMITTEES (continued)

Nomination Policy

The objective of the Company's nomination policy (the "**Nomination Policy**") is to ensure the members of the Board possess the skills, experiences, and multiple perspectives required for the business of the Company. The principal nominating criteria and principles of the Company's Nomination Policy are as follows:

- (a) to review at least once a year the number, composition and organizational structure of the Board (including the skills, knowledge reserve, work experience and diversity of the Board members), and to advise on personnel changes of the Board so as to strengthen the Company's development strategy;
- (b) to consider the criteria and procedures for selecting Directors and chief executive officer and make recommendations thereon to the Board; to develop or revise the Company's board diversity policy (the "**Board Diversity Policy**") and focus on developing board diversity in the member selection process. Factors to consider include but are not limited to gender, age, culture, perspectives, educational background, and work experience;
- (c) to identify qualified candidates as Directors and provide advice to the Board on the nomination of candidates after due consideration on the Board Diversity Policy, requirements for serving as a Director under the Company's articles of association, GEM Listing Rules and applicable laws and regulations, and the potential contributions that the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; and
- (d) to assess the independence of independent non-executive Directors with reference to the factors set out in Rule 5.09 of the GEM Listing Rules and any other factors deemed appropriate by the Nomination Committee or the Board. If a proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, assess his/her ability to devote sufficient time to Board matters.

Selection Procedures of Directors

The Company's selection procedures of Directors are mainly as follows:

- (a) the Board office and the Nomination Committee shall actively communicate with the relevant departments of the Company to assess the demand for new Directors and their re-election and prepare written materials;
- (b) the Nomination Committee may extensively seek candidates for Directors within the Company, its subsidiaries (or non-controlling companies), as well as in the recruitment market;
- (c) the Nomination Committee, with due consideration of the relevant requirements including but not limited to the Nomination Policy and the Board Diversity Policy, may identify persons who are eligible to become members of the Board and, where appropriate, assess the independence of the proposed independent non-executive Directors. The Nomination Committee shall gather and understand the information of the preliminary candidates' occupation, educational background, job title, detailed work experience and all the part-time positions, and prepare written materials;
- (d) to seek the written consent from the nominated candidates on the proposed nomination; otherwise, such nominated candidates will not be considered as candidates for Directors and chief executive officer;
- (e) to convene Nomination Committee meetings to review the qualifications of the preliminary candidates against the requirements for being the Directors and chief executive officer;
- (f) to submit proposals and relevant materials to the Board in respect of candidates for Directors and Directors re-election within a reasonable time prior to the election of new Directors and re-election of Directors; and
- (g) to carry out other follow-up work according to the decision(s) and feedback of the Board.

Corporate Governance Report

BOARD COMMITTEES (continued)

Board Diversity Policy

The Board Diversity Policy was adopted by the Board, took effect on December 29, 2014, and was revised on December 27, 2018. In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, race, age, language, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee selects Board candidates based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, age, language, cultural background, educational background, industry experience, technical and professional experience. Due to the update of the Board Diversity Policy and that the Company has met the gender diversity requirements under the Code, the Nomination Committee is considering and discussing the quantitative targets necessary for further optimizing our board diversity, but no quantitative targets have been formulated as of the date of this report.

As at the date of this report, the Board consisted of six Directors with a male-to-female ratio of 5:1, three of whom are independent non-executive Directors, who assist in critical review and monitoring of the management processes. The Board is considered to be rather diverse in terms of the professional background and skills of the Directors, where, one of them has professional financial knowledge; two of them have years of experiences in the gaming industry; one of them have years of experiences in the film and television industry; one of them has professional knowledge in the technology industry; and one of them has professional knowledge in the internet industry. The Company also reviews the Board Diversity Policy on an annual basis. Considering the actual diversity of the members of the Board, the Board considers that the Board Diversity Policy is implemented and effective.

Furthermore, the overall male-to-female ratio of the Group's employees is 55:33. The Company values diversity among employees, treats employees of different gender, party, religion, nationality and race equally, and fully ensures that employees enjoy equal rights in recruitment, post adjustment, training and promotion. We appreciate and encourage diversity in the workplace and create a professional, inclusive and diversified working environment. The Company has a balanced structure of male and female employees. The Company will continue to maintain gender balance to achieve gender diversity among employees.

Assessment of Directors' Independence

The Board has arrangements in place for assessing the independence of the Board to ensure that independent views and opinions are available to the Board. Through the independent assessment of the Board, the processes and procedures of the Board and its committees are continuously improved and developed, providing a strong and useful feedback method for improving the effectiveness of the Board, maximizing its strengths and identifying areas for improvement or further development. The purpose of these arrangements is to ensure that the Board has a strong independence to enable the Board to exercise its judgement effectively in order to better protect the interests of shareholders.

The Board and the Nomination Committee have reviewed the composition of the Board, under which shall have no less than three independent non-executive Directors who have all confirmed that they meet the independence requirements of Rule 5.09 of the GEM Listing Rules. In addition, the number of independent non-executive Directors as at the date of this report represents half of the Board members, and they are able to provide diverse and independent advice to the Board.

Mr. Zhang Xiangdong has served as an independent non-executive Director for more than nine years and the Nomination Committee and the Board have reviewed and assessed their independence pursuant to code provision B.2.3 of the Code. Given that (a) Mr. Zhang Xiangdong does not have any management role in the Company and its subsidiaries; (b) he has clearly demonstrated diligence, willingness to exercise independent judgment and have been giving objective views to the Company; and (c) there is no evidence that length of tenure is having an adverse impact on his independence, the Board is of the opinion that, as well proven by the valuable independent judgement and advice given by Mr. Zhang Xiangdong over the years, he has the required character, integrity, independence and experience to fulfill the role of an independent non-executive Director. The Board is not aware of any circumstances that might influence Mr. Zhang Xiangdong in exercising his independent judgement.

Given the above, the Company considers that all independent non-executive Directors are independent.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee was established on April 24, 2014. The chairman of the Audit Committee is Ms. Wu Yueqin, our independent non-executive Director, and other members include Mr. Ji Xuefeng (resigned with effect from January 17, 2023), our non-executive Director, Mr. Zhang Xiangdong, Mr. Kong Yi (resigned with effect from February 26, 2023) and Mr. Fu Frank Kan (appointed with effect from February 26, 2023), our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the HKEXnews website at www.hkexnews.hk and on the Company's website at www.linekong.com.

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 has complied with Rule 5.28 of the GEM Listing Rules in that the Audit Committee must comprise a minimum of three members with a majority of independent non-executive Director and must be chaired by an independent non-executive Director, and that at least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

The Group's consolidated financial statements for the year ended December 31, 2023 as well as the consolidated financial statements for the three months ended March 31, 2023, six months ended June 30, 2023 and nine months ended September 30, 2023 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended December 31, 2023 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made. The Audit Committee also provided recommendations to the Board on the appointment of the external auditors of the Company and review of the Company's internal control procedures and risk management matters.



Corporate Governance Report

ATTENDANCE RECORDS OF MEETINGS

The Board is scheduled to meet regularly at least four times a year, and Directors will receive at least 14 days prior written notice of such meetings in compliance with code provisions C.5.1 and C.5.3 of the Code. Agenda and accompanying papers are sent not less than 3 days before the date of Board meetings to ensure that the Directors are given sufficient time to review the same.

Board Meeting and General Meeting

For the year ended December 31, 2023, six Board meetings were held and attendance of each Director is set out as follows:

Name of Directors	Number of attendance	Number of meetings held during term of office ^(Note)
Executive Directors		
Mr. Wang Feng (<i>Chairman and Chief Executive Officer with effect from February 26, 2023</i>)	6	6
Ms. Liao Mingxiang (<i>Chief Executive Officer</i>) (<i>resigned with effect from February 26, 2023</i>)	0	0
Mr. Chen Hao (<i>Vice President</i>)	6	6
Mr. Wang Jin (also known as Yan Yusong) (<i>Vice President</i>)	6	6
Non-executive Director		
Mr. Ji Xuefeng (<i>resigned with effect from January 17, 2023</i>)	0	0
Independent Non-executive Directors		
Mr. Zhang Xiangdong	6	6
Ms. Wu Yueqin	6	6
Mr. Kong Yi (<i>resigned with effect from February 26, 2023</i>)	0	0
Mr. Fu Frank Kan (<i>appointed with effect from February 26, 2023</i>)	6	6

Note: Among the meetings held during the Reporting Period, none of the meeting was conducted through resolutions in writing signed by each Director.

For the year ended December 31, 2023, the Company convened and held two general meetings, namely the 2022 annual general meeting and the 2023 first extraordinary general meeting held on June 30, 2023 and November 22, 2023, respectively, which were both attended by all Directors of the Company.

Audit Committee Meeting

For the year ended December 31, 2023, four Audit Committee meetings were held for the purpose of reviewing the Company's financial statements and annual report and accounts, half-year report and quarterly reports, ensuring the completeness, transparency and consistency of the financial reporting disclosure, providing advice and recommendations to the Board, reviewing the risk management and internal control system, the effectiveness of the Group's internal audit function and fulfilling other duties under the Code. The attendance of each member is set out as follows:

Name of Directors	Number of attendance	Number of meetings held during term of office
Non-executive Director		
Mr. Ji Xuefeng (<i>resigned with effect from January 17, 2023</i>)	0	0
Independent Non-executive Directors		
Ms. Wu Yueqin (<i>Chairman of Audit Committee</i>)	4	4
Mr. Zhang Xiangdong	4	4
Mr. Kong Yi (<i>resigned with effect from February 26, 2023</i>)	0	0
Mr. Fu Frank Kan (<i>appointed with effect from February 26, 2023</i>)	4	4

Corporate Governance Report

ATTENDANCE RECORDS OF MEETINGS (continued)

Nomination Committee Meeting

For the year ended December 31, 2023, two Nomination Committee meetings, were held for the purpose of reviewing the nomination policy of Directors (concerning the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship) and handling re-election of Directors. The attendance of each member is set out as follows:

Name of Directors	Number of attendance	Number of meetings held during term of office
Executive Director		
Mr. Wang Feng (<i>Chairman of Nomination Committee</i>)	2	2
Non-executive Director		
Mr. Ji Xuefeng (<i>resigned with effect from January 17, 2023</i>)	0	0
Independent Non-executive Directors		
Mr. Zhang Xiangdong	2	2
Ms. Wu Yueqin	2	2
Mr. Kong Yi (<i>resigned with effect from February 26, 2023</i>)	0	0
Mr. Fu Frank Kan (<i>appointed with effect from February 26, 2023</i>)	1	1

Remuneration Committee Meeting

For the year ended December 31, 2023, one Remuneration Committee meeting was held for the purpose of reviewing and considering the specific remuneration packages for the Company's Directors and senior management, assessing performance of executive Directors, approving the terms of the newly appointed Director's service contract and other matters. The attendance of each member is set out as follows:

Name of Directors	Number of attendance	Number of meetings held during term of office
Executive Directors		
Mr. Wang Feng	1	1
Ms. Liao Mingxiang (<i>resigned with effect from February 26, 2023</i>)	0	0
Independent Non-executive Directors		
Mr. Zhang Xiangdong (<i>Chairman of Remuneration Committee</i>)	1	1
Ms. Wu Yueqin	1	1
Mr. Kong Yi (<i>resigned with effect from February 26, 2023</i>)	0	0
Mr. Fu Frank Kan (<i>appointed with effect from February 26, 2023</i>)	0	0

Minutes of Board meetings and meetings of Board committees are kept by the company secretary or other duly authorised person. All minutes are open for inspection by any Director on reasonable notice. Such minutes are recorded in sufficient detail of the matters considered and decisions reached. Draft and final versions of minutes of Board meetings are sent to all Directors for their comments and records.

Corporate Governance Report

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the members of the senior management (excluding executive Directors) by band for the year ended December 31, 2023 is as follows:

Remuneration band	Number of persons
HKD0 to HKD200,000	1

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Chapter 18 of the GEM Listing Rules are set out in note 33 and note 9 to the consolidated financial statements in this annual report. In 2023, the Company did not pay any emoluments to any of the Directors as an inducement to join or upon joining the Company, nor is there any compensation paid or receivable by directors or past directors for the loss of office as a director of the members of the Group or other management member. No Directors waived or agreed to waive any remuneration.

COMPANY SECRETARY

The company secretary of the Company during the Reporting Period was Ms. Chan Yin Wah ("Ms. Chan").

Ms. Chan is a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, respectively. Ms. Chan is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

During the Reporting Period, the primary contact person of Ms. Chan in the Company is Mr. Wang Feng, the chairman and the chief executive officer of the Company. During the year ended December 31, 2023, Ms. Chan undertook over 15 hours of relevant professional training to update her skill and knowledge in compliance with Rule 5.15 of the GEM Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the GEM Listing Rules. The Directors have selected appropriate accounting policies and applied them consistently; made judgment and estimate that are prudent and reasonable, and have prepared the consolidated financial statements on a going concern basis. The Directors' responsibilities in the preparation of the consolidated financial statements and the auditors' responsibilities are set out in the Auditors' Report in this annual report.

INDEPENDENT AUDITORS' REMUNERATION

Baker Tilly Hong Kong Limited was appointed as the auditor of the Company from June 30, 2023 following the retirement of PricewaterhouseCoopers.

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2023 amounted to RMB1.4 million and RMB0.7 million, respectively. An analysis of the remuneration paid and payable to the former external auditors of the Company, PricewaterhouseCoopers, and the current external auditors of the Company, Baker Tilly Hong Kong Limited, in respect of audit services and non-audit services for the year ended December 31, 2023 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services (PricewaterhouseCoopers)	0
Audit Services (Baker Tilly Hong Kong Limited)	1,440
Non-audit Services ^(note) (PricewaterhouseCoopers)	252
Non-audit Services ^(note) (Baker Tilly Hong Kong Limited)	522
Total	2,214

Note: Non-audit services mainly consist of advisory and other professional services.

Corporate Governance Report

INTERNAL CONTROL

The Board has the overall responsibility for the Group's internal control system, risks assessment and risks management. To fulfil its responsibility, the Board has set up policies and procedures which provide a framework for the identification and management of risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. The Board is aware that consolidating risks management into the Company's annual strategic plan and implementing it at all levels is not a single stand-alone procedure. Each department shall examine and review various risks and report to the senior management on a regular basis. The risk management team will review those risks and formulate effective systems and mechanisms to lower the risks.

Based on the framework of the COSO (Committee of Sponsoring Organizations of the Treadway Commission), the Group has preliminarily established and improved the internal control system. It also clarified that the management is mainly responsible for the design, implementation and supervision of the internal control system, while the Board and the Audit Committee are responsible for supervising the measures adopted by the management and the effectiveness of the implementation of monitoring measures on an on-going basis. The principles for effective internal control of the system are as follows:

1. Clear definition of responsibilities: The Board is independent of the management and continuously supervises the development and effectiveness of the internal control system. Under the supervision of the Board, the management is responsible for establishing the organizational structure, reporting relationships, designing, implementing and monitoring the risk management and the internal control system.
2. Risk management: Identify clear objectives, identify and analyse the risks that may arise in meeting the objectives, assess the affordability of the enterprise, consider potential fraudulent practices, and establish and maintain an effective risk management system.
3. Control measures: Select and formulate effective control measures to reduce the risks that may arise in meeting the objectives to an acceptable level.
4. Internal audit: Analyse and assess the effectiveness of risk management and internal control system to guarantee the achievement of the Group's objectives.
5. Communication: The internal control department promotes the purpose and responsibility of risk management and internal control among the management and employees of the Group.

The Group fully implemented and improved the above principles in 2023. From the perspective of risk management, our internal control department consistently formulated and optimised internal control measures and procedures for the Company, supervised the implementation of such internal control procedures, tested and evaluated such internal control measures on one hand. On the other hand, through performing internal audit which forms a major part of the supervision function, our internal control department could identify and resolve problems proactively and effectively. It was able to oversee the implementation of improved plans continuously, so as to enhance the efficiency and effectiveness of internal control.

The Company will perform annual inspection and review on the internal control and risk management system. During the Reporting Period, the internal control department continued to rationalise the key processes of the Group, identified and evaluated the risks arisen in the process, optimised and designed the key control measures in respect of procurement management, reimbursement system, contract review procedures, related transactions identification management, attendance management system, procedure supervision, etc., to complement and complete the related system on a timely basis and supervised the implementation of such system at the same time. During the Reporting Period, the internal control department performed internal audit according to the scope of risk warning, supervision and evaluation, and value-added management, and was able to identify the source and trend of risks timely. It worked with related departments for internal audit of releasing game token, management of vehicles and the related fees, which enhanced the coverage of our audit. The internal control department also proposed to implement enhanced plans to keep raising the quality, efficiency and effectiveness of our auditing work.

Corporate Governance Report

INTERNAL CONTROL (continued)

Administrative measures on inside information are also in place to provide guidelines on reporting and disseminating inside information, maintaining confidentiality and complying with dealing restrictions.

For the year ended December 31, 2023, on behalf of the Board, the Audit Committee reviewed the risk management and internal control systems of the Group on an annual basis, and assessed on the resources for accounting, financial reporting and internal audit of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The review was made by discussions with the management of the Company, its external and internal auditors and the assessment conducted by the Audit Committee. For the year ended December 31, 2023, the Audit Committee reviewed the risk management and internal control systems of the Group and believed that such systems are adequate and effective, especially in the areas of financial reporting and GEM Listing Rules compliance. Save as the incident disclosed in the section headed "Connected and Continuing Connected Transactions" of the Directors' Report, during the Reporting Period, no significant events that might have an impact on the shareholders were identified, and resources for accounts, financial reports and internal audit of the Group, as well as qualifications, experience and training programs of our employees and the adequacy of relevant budgets were also evaluated. The Audit Committee has reported their findings to the Board. The Audit Committee will continue to identify, evaluate and manage the significant risks faced by the Group, and to enhance the internal control system of the Group with the assistance of the internal control department on an ongoing basis.

MAJOR RISKS

The Group is exposed to various risks and uncertainties in the course of its operation. The Group may be affected if those risks and uncertainties are not being managed properly. According to the evaluation of the Group, the major risks currently faced by the Group and their mitigating measures are as follows:

- In 2023, industry competition was still intense. In addition to licensing our games to external parties, the Group maintained its core strategy of increasing investments in self-operated development. The government placed stronger control over the cultural industry and the competition within the industry was fierce, both bringing enormous challenges to the Group. In 2024, the Group will adhere to the core strategy of self-operated development, enhance its IP reserve for its film business, integrate resources from industry leaders and promote product updates to reduce risks. At the same time, the Group starts to establish presence for its Web3 business.
- Our technology infrastructure may experience unexpected system failures, disruptions, deficiencies, and have security breaches. The Group will examine the stability of the system regularly to mitigate the occurrence of the aforesaid incidents.
- Game players may sell or purchase in-game virtual credits or virtual items in a manner that violates game policies. We have formulated a game policy against unauthorised and inappropriate behaviour of players. According to our game policy, players are not allowed to sell or transfer virtual credits or virtual items in exchange for real money or other physical property.
- Both gaming and filming businesses of the Group are affected by domestic policies. Any unfavourable domestic policy on gaming and filming businesses would have an adverse impact on the Group's operations. The Group will keep abreast of domestic policies from time to time and adjust its development strategy according to such policies in a timely manner.



Corporate Governance Report

ANTI-CORRUPTION AND WHISTLEBLOWING

Linekong Interactive is committed to creating an honest and fair working environment. In the daily operations and management, the Company strictly abides by “Company Law of the People’s Republic of China”, “Anti-Money Laundering Law of the People’s Republic of China”, “Oversight Law of the People’s Republic of China”, “Criminal Law of the People’s Republic of China” and other relevant laws and regulations, as well as moral codes. We also pay close attention to the amendment and updates on such laws and regulations, and timely inspect the operation and management of the Company. All kinds of corruption are strictly prohibited, including but not limited to bribery, blackmail, fraud and money laundry, etc., so as to ensure that the daily operations of the Company are in line with the laws and regulations on anti-corruption and anti-money laundering.

The Company has formulated a series of internal policies and systems, including the Reporting Management System, to ensure compliance with anti-corruption and anti-money laundering. We have established whistle-blower with reporting channels such as email and hotline available to internal and external public reporting. Our employees may report any misconduct or illegal behaviours existed within the Company via email or hotline, or directly notify the leaders of relevant departments or the chairman of the Company’s Audit Committee. In case of a confirmed incident, we would handle it in accordance with the internal protocol. All reporting is handled in a prudent and confidential manner to firmly prohibit retaliation against the whistle-blowers.

The Company organises anti-bribery and anti-corruption training for internal employees on a regular basis every year, and adopts different training methods for employees in different positions. The Company requires its business personnel to inform customers and suppliers of the Company’s anti-bribery and anti-corruption policies during negotiations and sign contracts that expressly prohibit such behaviours. Directors and employees of the Company attended anti-corruption training to enhance their awareness on anti-corruption and the ability to identify corruption incidents by ways of studying related materials, etc.

During the Year, the Company and its employees have not been involved in any material behaviours of corruption, money laundry and bribery.

CHANGES IN CONSTITUTIONAL DOCUMENTS

In 2023, the Company has amended its articles of association to satisfy the requirements under Appendix A1 of the GEM Listing Rules and to specify its financial year-end (there is no change to the financial year of the Company). For details, please refer to the circulars of the Company dated June 6, 2023 and October 31, 2023, respectively.



Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a shareholder communication policy with the objective of ensuring that the shareholders and potential investors of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

- (i) the Company adopts electronic means to publish corporate communications such as annual reports, interim reports, quarterly reports (if any) and circulars. The English and Chinese versions of corporate communications are available on the HKEXnews website at www.hkexnews.hk and the Company's website at www.linekong.com; and shareholders may request for printed copies of corporate communications;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the GEM and the Company;
- (iii) corporate information is made available on the Company's website;
- (iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management of the Company; and
- (v) shareholders may send their enquiries to the Company by ordinary post.

In 2023, the Company has reviewed the implementation and effectiveness of its shareholders' communication policy. With timely announcements, active follow-up for matters concerning shareholders and well-established communication, the Company believes that it has established effective communication channels with shareholders. The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, shareholders and the public. Enquiries to the Board or the Company may be sent by post to the company secretary at the Company's principal place of business in Hong Kong as follows:

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

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to our articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may also put forward proposals at general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.



Environmental, Social and Governance Report

1. INTRODUCTION OF THE REPORT

1.1 About the Report

Linekong Interactive Group Co., Ltd. (the “**Company**”), together with its subsidiaries (collectively “**Linekong Interactive**”, the “**Group**”, “**we**” or “**us**”), hereby presents the Environmental, Social and Governance (“**ESG**”) report (the “**ESG Report**” or the “**Report**”), with a view to demonstrating our progress and performance in respect of ESG, presenting the Group’s vision of sustainable development to our stakeholders and facilitating the efforts in sustainable development to improve our ESG performance.

1.2 Standards of the Report

The Report is prepared in accordance with Appendix C2 “Environmental, Social and Governance Reporting Guide” (the “**Reporting Guide**”) of the GEM Listing Rules issued by the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Report has applied the 4 reporting principles of materiality, quantitative, balance and consistency, which complies with the “comply or explain” provision and proposed disclosure requirements under the Reporting Guide.

“Materiality”: The Report has disclosed the ESG issues identified, the identification and engagement of stakeholders, as well as the criteria, process and results of the materiality assessment, as the basis for the preparation of the Report, and responses to which shall be made through the Report.

“Quantitative”: The standards, methods, assumptions and/or calculation tools for the emissions/energy consumption statistics, and the source of switching factors, among others, have been disclosed in the definition section of the Report.

“Balance”: The Report provides an unbiased picture of the Group’s performance during the reporting period. The Report avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

“Consistency”: After prudent consideration by the Group, the reporting scope of the Report has been expanded, and the data disclosed during the reporting period has also changed accordingly. The changes will be explained in detail in the section headed “Scope of the Report”. The Group’s statistical method for information is the same as that of last year. Any changes will be clearly explained in the Report to guarantee the comparability of the information.

Readers can use Appendix I — Index for the “Environmental, Social and Governance Reporting Guide” issued by the Hong Kong Stock Exchange for quick search. The Report shall be read in conjunction with “Corporate Governance Report” in the Annual Report to fully understand the ESG performance of our Group.

1.3 Scope of the Report

The Report sets out the Group’s ESG-related initiatives, plans and performance from January 1, 2023 to December 31, 2023 (the “**Year**” or “**2023**”). Based on the Group’s adjustment on business strategies and after prudent consideration, the ESG Report of the Year not only covers Linekong Interactive’s performance in the People’s Republic of China (“**China**” or “**PRC**”), but also expands its disclosure to the performance of its main operating locations in the Republic of Korea (“**South Korea**”). The scope is determined based on the materiality of the business segments under direct operational control and the importance to the ESG impact. As the Group’s data collection system becomes more mature and its sustainable development work deepens, we will continue to expand the scope of disclosure in the future.

1.4 Language of the Report

The Report is published in traditional Chinese and English. In case of any inconsistencies, the traditional Chinese version shall prevail.

1.5 Approval and Confirmation

The Board of Directors of the Group (the “**Board**”) accept full responsibility for the contents of the Report and have approved and confirmed the content of the Report.

1.6 Feedback

We highly treasure your comments and recommendations to the Report, please contact us via email (ir@linekong.com) regarding any feedbacks.

Environmental, Social and Governance Report

2. SUSTAINABLE DEVELOPMENT

2.1 Statement from the Board

We have established the ESG governance structure to enhance the management on sustainable development. The Board is responsible for overseeing the Group's materiality issues, performance and regularly evaluating ESG-related risks and opportunities, and assumes full responsibility for the ESG governance and sustainable development of the Group. In order to determine the Group's ESG management approach, strategies, priorities and targets, the Board authorised the ESG task force ("ESG Task Force") to review the results of previous materiality assessments and evaluate the concerns of various stakeholders to determine whether the material ESG issues identified and assessed in the past are still applicable to the Year.

The operations of the Group are mainly carried out in offices and mainly with rented cloud servers, which do not involve any production process, so the impact on the environment and natural resources is not significant. In order to comply with the carbon neutrality goal of the Hong Kong Government and fulfil its corporate social responsibility commitment, the Group has established ESG-related goals. We have also reviewed the progress of these goals during the Year to improve our efforts on sustainable development.

2.2 ESG Governance Structure

The Group understands the importance of incorporating ESG into its management, strategies, as well as business plans and policies for the sustainable operation of the Group. Therefore, the Group has established the ESG governance structure. The structure consists of three levels, including decision-making, organisational and execution levels, which implements ESG governance from top to bottom and stipulates the roles and responsibilities of each level within the ESG governance structure. The Board represents our decision-making level; the ESG Task Force represents the organisational level; and department representatives represent the executive level. Through close cooperation at all levels, the Group is confident that we can integrate the concept of sustainable development with the overall strategy, policies, daily operations and business of the Group. Below sets forth the Group's ESG governance structure and the roles and responsibilities at each level within the governance structure:

Roles	Scope of Responsibilities
The Board	<ul style="list-style-type: none"> approve the content of the annual ESG report establish and monitor ESG risk management and internal control system resolve and approve the policies, strategies, plans, targets and annual tasks of the Group's ESG management review and supervise the ESG performance and target achievement on a regular basis
ESG Task Force	<ul style="list-style-type: none"> identify, evaluate, review and manage material ESG issues coordinate and motivate various departments to perform ESG policies; monitor ESG-related work performed by each functional department responsible for reviewing and supervising the ESG policies and practices of the Group, to ensure we complies with relevant laws and regulatory requirements collect, understand and respond to stakeholders' opinions on material ESG issues through appropriate channels
Department representatives (including legal department, administrative procurement department, finance department, human resources department, administration and information department and market and government affair department)	<ul style="list-style-type: none"> comply with relevant ESG policies and system organise, promote and perform ESG-related tasks in accordance with the Group's ESG management policies, strategies, plans, annual tasks and targets collect and regularly report to the ESG task force regarding the ESG internal policy, mechanism and ESG-related performance indicator

Environmental, Social and Governance Report

2.3 Stakeholders' Engagement

The Group believes that stakeholders' engagement and consistent support are critical to the long-term development of our business. By maintaining close communication with various external and internal stakeholders, the Group allows stakeholders from different sectors to express their views and make suggestions, and responds to their expectations and concerns via different channels, thereby improving our ESG performance and future development strategies.

During the Year, the Group identified major stakeholders related to the Group's operation, and the relevant key communication channels and ESG issues of major concern to stakeholders are as follows:

Stakeholders	Communication Channels	Major Issues Concerned
Government and Regulators	<ul style="list-style-type: none"> Official documents, related meetings On-site supervision Information disclosure Compliance reports 	<ul style="list-style-type: none"> Privacy protection and information security Business growth Corporate governance Anti-corruption Product quality Public welfare activities
Shareholders and Investors	<ul style="list-style-type: none"> Shareholders' general meetings Announcements Results announcements Communication meetings 	<ul style="list-style-type: none"> Corporate governance Business growth Product development and innovation Investment returns
Employees	<ul style="list-style-type: none"> Communication meetings Internal announcements Seminars/workshops/lectures Employee feedback mechanism Internal activities 	<ul style="list-style-type: none"> Employee training and development Diversity and equal opportunities Attract and retain talents Employee rights Labour standard Employee health and safety
Customers	<ul style="list-style-type: none"> Satisfaction survey Customer relations manager visits Customer feedback activities Social media platforms Member services Exhibitions 	<ul style="list-style-type: none"> Product quality Customer complaint management User experience Fair competition
Suppliers	<ul style="list-style-type: none"> Supplier strategic cooperation negotiation On-site inspections Supplier assessments Cooperation agreements Communication meetings 	<ul style="list-style-type: none"> Diversity and equal opportunities Supplier management Green supply chain Fair competitions Waste management

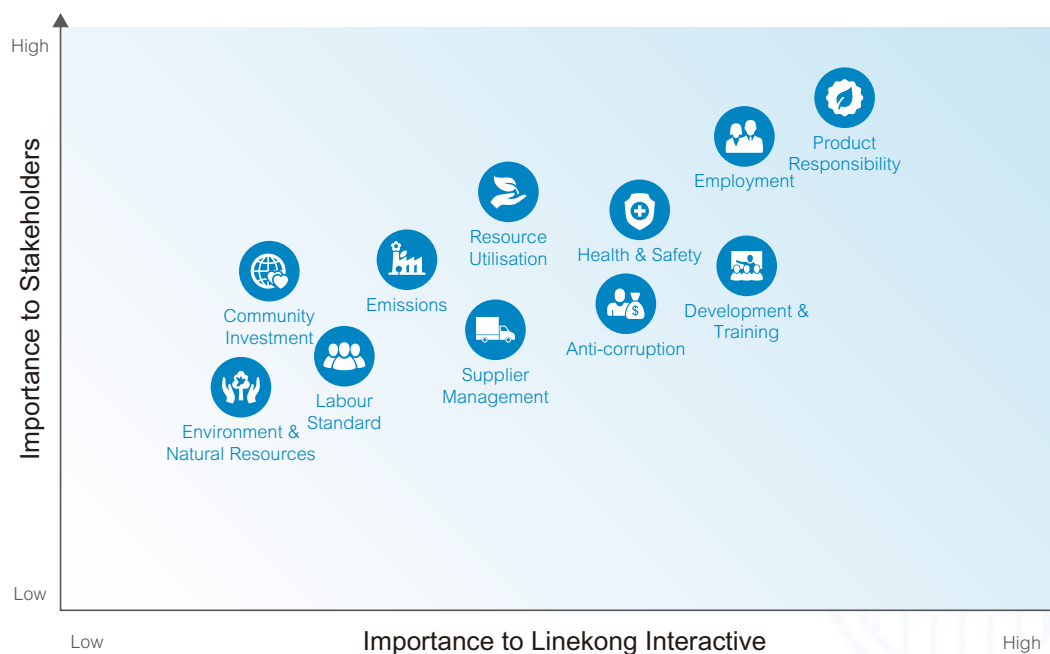


Environmental, Social and Governance Report

Stakeholders	Communication Channels	Major Issues Concerned
Industry Peers	<ul style="list-style-type: none"> Strategic cooperation projects Mutual inspectional visits Communication meetings 	<ul style="list-style-type: none"> Business growth Product development and innovation Fair competitions Privacy protection and information security Investment returns
Partners	<ul style="list-style-type: none"> Exchanges and discussions Negotiations and cooperations 	<ul style="list-style-type: none"> Diversity and equal opportunities Supplier management Green supply chain Fair competitions Investment returns Product quality
Media	<ul style="list-style-type: none"> Media conferences Media interviews Advertising activities 	<ul style="list-style-type: none"> Advertisement management Responsible marketing Business growth Product development and innovation
Communities	<ul style="list-style-type: none"> Promotion of employment Community activities 	<ul style="list-style-type: none"> Community investment Public welfare activities

2.4 Materiality Assessment

There were no significant changes in our stakeholder groups, business or operating environment during the Year. As such, the Board, the ESG Task Force and our management confirmed that the materiality matrix results in the previous year’s ESG report remain relevant to the current Year’s situation and continue to respond to stakeholder expectations.



Environmental, Social and Governance Report

3. GREEN PRACTICE

The Group strictly complies with relevant laws and regulations, including the “Environmental Protection Law of the PRC” and “Energy Conservation Law of the PRC”. Based on the identification results of the materiality matrix and due to the nature of the Group’s business, environment-related aspects are relatively insignificant. In daily operations, as the Group mainly uses rented cloud servers in offices, the impacts on the environment and natural resources are relatively minimal. Nevertheless, we have actively implemented various environmental protection measures, formulated and required our employees to comply with the Employee Handbook and the Rules for Energy Management in Offices, so as to enhance the awareness of green office among our employees. During the Year, the Group did not have any violations of local environmental laws and regulations regarding exhaust gas and greenhouse gas, discharge of pollutants to water and land, and discharge of hazardous and non-hazardous waste.

During the Year, the Board and the management of the Group have reviewed the targets set last year in relation to environmental aspect and their progress. Total greenhouse gas emissions and total electricity consumption have also decreased, reflecting good progress against the targets. Looking forward, we will use 2023 as the base year and continue to maintain or progressively reduce the greenhouse gas emissions levels and energy consumption levels within the reporting scope in the next year.

3.1 Reduction in Emission

3.1.1 Exhaust gas emissions

The Group’s business is mainly office operation-based, and therefore, we do not have any exhaust emissions related to gaseous fuel consumption. Our exhaust gas emissions mainly come from the gasoline consumed by a vehicle wholly owned by Linekong Interactive. To control the exhaust gas emissions generated from operating activities, we have developed the following emission reduction measures to reduce the impact on the environment, including but not limited to:

- Encourage our employees to use public transportation for commuting and use more environmentally friendly vehicles instead of those high pollutants-generating ones; and
- Regularly inspect and maintain vehicles to ensure compliance with relevant emission standards and avoid inefficient energy consumption.

During the Year, employees used more public transportation for commuting and reduced the use of vehicles. Therefore, the Group’s exhaust gas emissions in 2023 decreased compared with those in 2022. A summary of performance is set out in “Appendix I: Summary of Sustainability”.

3.1.2 Greenhouse gas emissions

The Group’s greenhouse gas emissions mainly generate from the gasoline consumed by vehicles (scope 1) and purchased electricity (scope 2) mentioned above. The Group actively adopts power and energy conservation measures to reduce greenhouse gas emissions, including but not limited to:

- Strictly control the use of office appliances and reduce electricity consumption; and
- Conduct regular inspections and vehicle maintenance to ensure compliance with relevant emission standards and reduce the risk of inefficient energy consumption.

During the Year, we have conducted a greenhouse gas inspection covering the environmental aspect of the Report, and adopted the “Greenhouse Gas Protocol” issued by World Resources Institute and the World Business Council for Sustainable Development and “ISO 14064-1” established by the International Organisation for Standardisation. During the Year, employees used more public transportation for commuting and reduced the use of vehicles, as well as the drop of electricity consumption. Therefore, the Group’s greenhouse gas emissions in 2023 decreased compared with those in 2022. A summary of performance is set out in “Appendix I: Summary of Sustainability”.

Environmental, Social and Governance Report

3.2 Reduction in Waste

The Group continues to improve our solid waste management and encourage the integrated use of waste materials to highlight the emphasis we place on the environmental impact of our operation. As the Group's business mainly operates in offices, the non-hazardous waste generated by our operations mainly originates from office paper and office garbage.

3.2.1 Hazardous waste

The Group does not generate any direct hazardous waste in the course of its operations. Therefore, the Group has not set any hazardous waste-related targets. The Group has engaged qualified recycler to dispose of obsolete electronic products such as old office computers in a compliant manner to extend the lifespan of the materials. In addition, as the Group uses rental printers, the waste toner cartridges are collected and disposed of by the printer suppliers. If any hazardous waste is generated, the Group will adopt waste disposal measures that comply with government environmental regulations and regulations.

3.2.2 Non-hazardous waste

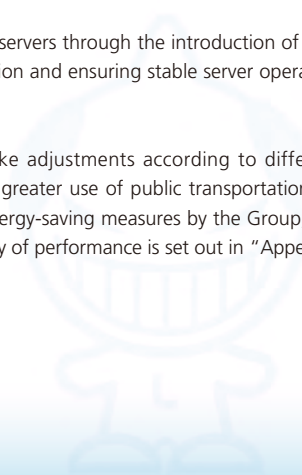
The non-hazardous waste generated by the Group in the course of its operations mainly originates from office paper and office garbage. In order to effectively reduce the production of non-hazardous waste, we promote paperless operation and encourage our employees to use papers on both sides. In terms of stationeries, we also strive to use environmentally friendly or recyclable items. During the year, the Group actively implemented the above emission reduction measures, so the total volume of non-hazardous waste of the Group in 2023 decreased as compared with the same in 2022. The volume of office paper used is set out in "Appendix I: Summary of Sustainability", while office waste is centrally collected by the property building, so we do not have the relevant data records. Looking forward, the Group will use 2023 as the base year and continue to maintain or gradually reduce paper consumption in the reporting scope next year.

3.3 Energy Saving

The Group's energy consumption mainly generates from the direct energy consumption of gasoline used by vehicles and the indirect energy consumption of purchased electricity. The Group emphasises energy saving and energy efficiency in daily operations. To this end, we have adopted various energy saving measures including but not limited to:

- Using high-efficiency appliances and lighting equipment;
- Regulating the energy consumption of employees based on needs;
- Inspecting energy consumption in office areas by designated personnel on a regular basis;
- Encouraging the use of public transportation; and
- Optimising the server room by gradually adopting virtual servers and highly efficient servers through the introduction of new model servers with high configuration capability, thereby reducing energy consumption and ensuring stable server operation and information security.

The Group will review the effectiveness of these measures from time to time and make adjustments according to different conditions to achieve the best use of resources. During the Year, as our employees made greater use of public transportation for commuting and reduced the use of vehicles, together with the active implementation of energy-saving measures by the Group, our total energy consumption in 2023 decreased as compared with the same in 2022. A summary of performance is set out in "Appendix I: Summary of Sustainability".



Environmental, Social and Governance Report

3.4 Water Conservation

During the Year, the Group has not encountered any issue regarding water supply. Fresh water used in our offices is supplied by local municipal governments, and fresh water is supplied to our offices through public means. As a result, we have difficulties in recording and monitoring water consumption information. We are unable to disclose the relevant information and established our environment targets. Nonetheless, we have adopted water conservation measures, including but not limited to:

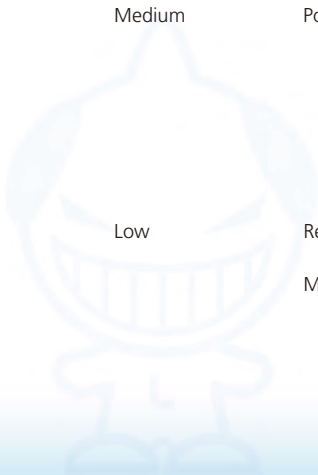
- Placing water conservation slogans in the office to enhance water conservation awareness among our employees;
- Reducing water pressure to the lowest practicable level;
- Performing regular checks on water meters to identify potential leakages; and
- Notifying the property management office immediately where any leakage is found.

The Group will review the effectiveness of these measures from time to time and make adjustments according to different conditions to achieve the best use of resources.

3.5 Responses to Climate Change

With the adoption of the Paris Agreement by the United Nations, climate change has become an important issue for governments and businesses across the globe. The PRC government is also striving to achieve the targets of "carbon emission peak" by 2030 and "carbon neutrality" by 2060. As such, although the Group's businesses do not involve production and are not affected by the climate directly, the Group continues to closely monitor the impact of climate change on our business and operation. In accordance with the international recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") established by the Financial Stability Board, the Group has assessed and identified climate-related risks and corresponding opportunities that have an impact on the Group's business, and has incorporated climate risks into the enterprise risk management process based on the assessment results to manage and review climate-related risks and seize related opportunities. With reference to the risk classification of TCFD, the climate-related risks identified by the Group and the corresponding response measures are as follows:

Risk Level	Description of Risks	Corresponding Measures
Physical Risks		
Low	Acute risks (flooding, super typhoon, storm surge and extreme rainfall)	<ul style="list-style-type: none"> • Formulate disaster measures • Provide disaster response training to employees • Provide escape drill to employees
	Chronic risks (heat wave and sea level rise)	<ul style="list-style-type: none"> • Explore the possibility of using renewable energy • Apply highly efficient equipment
Transition Risks		
Medium	Policy and regulation risks	<ul style="list-style-type: none"> • Monitor updates on environmental policies regarding climate change, avoid unnecessary increment in cost and expense due to violation of environmental policies in relation to climate change • Include climate change-related content, such as carbon emission peak and carbon neutrality in employee training schemes
Low	Reputation risk	<ul style="list-style-type: none"> • Communicate with stakeholders to explain the sustainability initiatives that the Group has implemented
	Market risks	<ul style="list-style-type: none"> • Ongoing focus on sustainable products in the marketplace and will consider climate-related risks and opportunities • Review sustainable development initiatives on a regular basis



Environmental, Social and Governance Report

4. PEOPLE-ORIENTED

The Group strictly complies with local laws and regulations on operation, including but not limited to the “Labour Contract Law of the PRC”, “Labour Law of the PRC”, “Implementing Regulations of the PRC Labour Contract Law”, “Law of the PRC on the Protection of Minors”, “Prohibition of Child Labour Provisions of the PRC” and “Provisions of Beijing Municipality on Labour Contracts of the PRC”. To create a fair, healthy and safe working environment, the Group has also formulated the Employee Handbook, prohibiting any form of discrimination in terms of gender, age, ethnicity, race or religion.

4.1 Compliant Employment

The Group believes that working together with our employees is the cornerstone of a healthy business. To this end, we are constantly optimising our hiring process. We comprehensively consider the qualifications and abilities of candidates, as well as job requirements, to recruit corresponding talents. We also assess and determine employees’ salaries, benefits and promotion opportunities based on their scope of work, work performance, our results and market conditions to build a diversified team. We will require candidates to provide identity proof to prevent the employment of minors. We enter into legally binding service contracts with successful candidates (hired on a fairground) to protect the legal rights of both parties. The employment contract stipulates detailed requirements on remuneration, working hours, rest days and vacation, social insurance and employee benefits, labour protection and labour condition, to eliminate force labour. In addition, in the event of violation of labour rules, we would, for the benefit of the labour, adopt corresponding actions. For instance, if minors are found in the work force, we would immediately report to relevant labour administrative department. During the Year, the Group was not aware of any violations regarding employment and labour rights.

In addition, where the Group needs to terminate the employment of an employee, the Group will abide by the relevant employment regulations and handle the situation in accordance with internal procedures, and provide reasonable compensation to such employee. The relevant provisions on termination of employment are set out in the Employee Handbook. At December 31, 2023, the Group had a total of 88 employees (2022: 103 employees). The details of total number of employees by category and the turnover rate of employees by category are summarised in “Appendix I: Summary of Sustainability”.

4.2 Safe Environment

Linekong Interactive pays attention to employees’ physical and mental health and the safety at working places. The Group strictly complies with the “Labour Law of the PRC”, “Fire Protection Law of the PRC”, “Regulation on Work-Related Injury Insurance of the PRC” and other relevant laws and regulations as well as the requirements of industry norms. We have formulated and implemented the Safety Management System to ensure the occupational health and safety of our employees, and we are committed to providing a safe, healthy and comfortable working environment for them. We safeguard the health and safety of employees in three aspects, including working environment, safety training and employee needs. During the past three reporting years (including the Year), there is no work-related fatal accident in the Group. During the Year, no lost day was compromised due to work injury.

We are committed to enhancing our employees’ awareness of health and safety protection. Therefore, we organise safety training for our staff, including fire safety training, to effectively enhance their self-protection capabilities, from time to time. Fire drills include emergency initiatives, rescue procedures, evacuation and assembly, etc., which test the emergency reaction capability of employees from different departments, as well as improve the response capability of employees in case of an emergency and the level of collaboration between the Group and external organisations such as the Fire Department. In addition, we have established occupational health records and provides free annual medical examinations for employees, with a view to enhancing our understanding and attention to the personal health of our employees.

A safe and comfortable working environment is also very important to employees. We manages authorised entry to our office areas to safeguard property safety of our employee and the Group. We perform routine inspection on higher risk locations and post safety tips in the office. We place nearly 100 pots of green plants in the office area to regulate the room temperature and purify the air through the ecological properties of the plants themselves, creating a good office environment. All of our computer screens are height-adjustable to ensure our employees can adopt proper sitting postures. We are equipped with efficient air purifiers and humidifiers to purify indoor air and improve air humidity. Protective masks are also available in the office for our employees to use during smoggy weather.

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In order to prevent the spread of pandemic and safeguard the lives and health of our employees, Linekong Interactive has implemented a series of protective measures during the pandemic. We have implemented various preventive measures to ensure the hygiene, health and safety of our employees, including regular cleaning and disinfection in all offices, elevators, staircases, washrooms and air conditioners, with a view to providing a healthy working environment. We distribute prevention materials, such as face masks, instant hand sanitisers and rubbing alcohol, to employees on a regular basis, and are determined to perform pandemic prevention and control work and strictly comply with various prevention and control measures issued by the government.

4.3 Employee Development

Being people oriented, Linekong Interactive is concerned with talent training and development, providing employees with a broad development platform, establishing the Company's Employees Training System that facilitates employee development and offering high-quality and diverse training courses to employees. In order to meet the developmental needs of employees in different positions, the Group provides our employees with management, expertise and general knowledge learning channels, and organises various sharing and exchange programmes. We aim to create a learning-oriented corporate culture, and thus encourage employees to excel and pursue their career path development. In addition, all internal and external sharing data are organised into video and text reviews, which are distributed via our self-developed online video learning mini program on WeChat, so that employees can understand the sharing contents more conveniently and comprehensively, achieving full participation and mutual improvement. Such platform helps employees improve their basic general skills and consistently enhance the endogenous capabilities within the organisation, with an aim to better support the growth and development of our employees. During the Year, the Group has ensured the overall professional development of the staff through on-the-job trainings. The details of percentage of employees trained and average training hours are summarised in "Appendix I: Summary of Sustainability".

4.4 Remuneration and Benefits

"Being competitive externally, fair internally and providing incentives for employees" are the principles of Linekong Interactive Group Remuneration Management System. Based on the values of their positions, the Group conducts a sufficiently reasonable assessment of employees' salaries, provides competitive remuneration to employees and establishes various forms of Reward and Punishment Systems to enhance employees' motivation and stimulate their sense of value and potentials, so as to achieve harmonious development among the enterprise and employees.

For employee benefits, the Group has established a diversified benefit system to enable employees to feel cared for by us at all times. In addition to statutory holidays, annual leave, marital leave, bereavement leave, maternity leave and sick leave, we also provide our employees with additional benefits such as five insurances, departmental team-building activities, birthday leave and festival gifts. The Group regularly holds annual meetings, organises team-building activities and various kinds of hobby clubs. The Group also organises a variety of festival activities during important holidays such as Dragon Boat Festival, Mid-Autumn Festival, and Christmas to promote employees to relax and enjoy whilst working hard and enrich their lifestyle and enhance their cohesiveness and excellence in teamwork. In doing so, we create a favourable working environment for employees, so as to achieve sustainable and healthy development of Linekong Interactive. Employees may learn about our internal activities and functions on our new media platform (i.e. "Orca-family official" WeChat account). At the same time, the physical and mental health of employees has been our ongoing concern. The Group provide annual medical examinations for all employees, supplemented by commercial insurance, including critical illness insurance, medical insurance and maternity insurance, to effectively address the issue of medical protection for our employees.

At Linekong Interactive, we welcome an open-ended working environment where employees' voices are valued. Employees may give feedback on issues by adopting a variety of communication channels via e-mails, DingTalk and face-to-face communication. The Group listen to the comments and suggestions of different employees, guide and encourage them to express their demands rationally, and provide timely feedbacks to protect their rights and interests. For daily communication, we communicate with new employees during their probationary periods of 3-days, 3-weeks and 3-months intervals after joining the Group. At each stage, we understand the new employees' adaptation to the Group after admission and their work status. For employees who have served the Group for a long time, we also communicate with each of them on a regular basis. The Human Resources Department will take initiative to approach the employees to understand their corresponding conditions based on business lines, entry status and employees' conditions. The Group use face-to-face communication to understand the requirements and pain points of our employees, and then discuss with their respective supervisors to formulate a feasible solution, provide follow-ups and feedbacks to them in a timely manner.

Environmental, Social and Governance Report

During the Year, the Group organised various activities, mainly including: “Tea Party”, “Lunar New Year Celebration”, “1024 Programmers’ Day” and “330 Company Anniversary”, etc. To celebrate the 15th anniversary of the Group, we have arranged various programs under the “330 Company Anniversary” such as tree planting, employee experience sharing, gift drawing, teambuilding activities, etc., so as to boost the adhesiveness of our employees and their sense of belonging to Linekong Interactive.

5. RESPONSIBLE OPERATION

The Group attaches great importance to operational compliance and strictly prohibits any non-compliance and violation of ethics. We have established corresponding internal protocols on supply chain management, product and service quality control, information security promotion management and anti-corruption. We strictly executes such protocols and committed to continuously provide users with access to quality products and a great service experience.

5.1 Sustainable Procurement

The Group has formulated the Assets Procurement Management Policy and Details (including supplier management) to strictly regulate the process of supplier collection, registration, evaluation, shortlisting and selection. We require all suppliers to uphold high standards of social responsibility. We are committed to long-term cooperation with all suppliers on the principles of fairness, impartiality, integrity and legal compliance, with our Internal Control Department strictly monitoring each process of supplier selection to procurement, and firmly eliminating any form of commercial bribery to establish long-term and mutually beneficial relationships with suppliers.

The Group assesses whether a supplier has a sound quality management system in place, for example whether its quality management system has obtained ISO9000 certification. Secondly, the Group checks a supplier’s qualification information, including place of registration, registered capital, equipment, personnel, major products, main customers, production capacity, performance on social responsibility, industry status and customer information protection, and evaluates its technique, capability, stability of supply, reliability of resources and comprehensive competitiveness. The Group sources and selects the best supplier with highest cost performance from at least two to three suppliers, so as to ensure quality while reducing its total cost. We continue to focus on the environmental and social compliance of our suppliers in respect of health and safety, business ethics, labour standards, employment compliance and environmental compliance to ensure that the products and services used meet or exceed the relevant national requirements and laws and regulations and to improve the overall quality of our services and products. At the same time, we prefer suppliers with “China Environmental Labelling”, so as to select more environmentally friendly products, enhance the recycling and reuse of materials, and practically reduce the adverse impact on the environment in our procurement process. For major procurement, the Procurement Department, together with the originating departments, will conduct onsite investigations and assessments at the suppliers’ factories, third-party freight centers and raw material production sites, which cover the production operation, technology level and working environment of production workers of the supplier in order to ensure relevant standards are met.

The Group will regularly review and evaluate the selected suppliers. If a supplier is found to have seriously violated the Group’s standards and any environmental and social (such as labour aspect) laws and regulations, it may be temporarily or officially removed from the approved suppliers’ list and the cooperative relationship with it will be permanently terminated. The Group will regularly review and update supplier-related policies and practices to ensure the effectiveness of such policies.

During the Year, the Group reorganised its list of qualified suppliers. There were 385 major suppliers (2022: 2,528 suppliers), among which, 321 were based in PRC, 5 in Hong Kong, Macau and Taiwan, and 59 were located overseas. Supplier engagement related practices have been implemented to all major suppliers within the reporting scope.

5.2 Quality Products

One of our highly important issues is “Product Responsibility”. Therefore, Linekong Interactive continues to strengthen the R&D and operational capabilities of its core game business, pay attention to the quality of its products and services and eliminate false advertising. Also, the Group respects and protects the intellectual property rights of all parties, listen to the voices of our customers, improve information security and rigorously protect the information security of our users and ourselves.

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5.2.1 Product Quality Guarantee

The Group develops multiple means to improve product quality from product positioning, product development and product testing, and carries out strict control over the quality of products.

In terms of product positioning, the Group tends to launch projects that are compatible to the development team's capabilities and familiar to the team in terms of directions and categories. With the target product category identified, we analyse various market indicators, competitive product playing rules and game index data. Based on experience and goals of our producers, we innovate and upgrade product game solutions.

In terms of product development, our project team determines the gameplay through in-depth discussions. The team will then focuses on the general art direction and gameplay systems. During the art production phase, various art forms are produced. The art direction is determined after collection of all kinds of data. Our product team works together to complete the game production procedures. During the development process, regular checking of the progress and quality is required, and functional tests are conducted with prompt follow-up to ensure development quality.

In terms of product testing, the Group conducts internal tests and invited tests involving limited players during the product testing phase. The Group collects feedbacks and recommendations on each testing part of the game products from internal communication groups, developer forums and players' information exchange groups, to review the future direction of our products based on game indicators and data.

During the Year, the Group continued to deepen its strategies on its two major business segments, namely gaming and filming, increased investment in self-operated in key strategic areas, and made the Web3 business as the strategic focus of Linekong Interactive's future development, in order to reserve strength and inject new blood for the vigorous development of the Group in the long run. These include the game products "Uproar in Heaven II (鬧鬧天宮2)" and "Ys VIII (伊蘇VIII)", as well as dramas "對你不止是喜歡" and "陷入我們的熱戀", etc..

Product portfolio:



"Uproar in Heaven II (鬧鬧天宮2)"

"Uproar in Heaven II (鬧鬧天宮2)" is a Chinese mythical tower defense mobile game developed and published by Linekong Online (Beijing) Technology Co., Ltd.. There are many immortal characters in "Uproar in Heaven II (鬧鬧天宮2)". The core theme of the story is based on Journey to the West, restoring the huge world background of traditional Chinese mythology, and putting brand new images of well-known characters from Journey to the West and Investiture of the Gods, such as Yang Jian (楊戩), Daji (妲己), Jiang Ziya (姜子牙), into the series. On the basis of maintaining the classic characters from the previous intellectual property ("IP") series of "Uproar in Heaven", a new chapter of Journey to the West is produced with traditional Chinese style, embellishing the background images of rivers and mountains with gilt elements, changing the usual traditional paper-cut style character settings to create a different kind of new experience in the "Heaven".

Environmental, Social and Governance Report



“Ys III (伊蘇VIII)”

Linekong Interactive announced that it has officially reached a global strategic cooperation with Bilibili in the field of mobile games and will remake the famous Japanese mobile game “伊蘇 — 夢境交織的長夜”. The Ys series is a game series with a profound history of development. Since the launch of the first game in the series, it has been well-received by players around the world. This revamped version of the “Ys VIII (伊蘇VIII)” mobile game has been comprehensively upgraded while retaining the charm of the original IP. The game scenes and characters in the revamped version shall have a completely new look. Players will be able to feel the new vitality of the Ys series and experience a more extensive storyline.



“對你不止是喜歡”

“對你不止是喜歡”, an urban-setting romantic drama jointly produced by Linekong Pictures, a new generation interactive entertainment film and television company under Linekong Interactive, and Mango TV, was released on November 25 of the Year. Adapted from the well-known IP of Jinjiang Wenxuecheng (晉江文學城), the drama tells the sweet and loving story about secret love and marriage between a mischievous and playful junior scriptwriter and a producer with cold hands and warm heart. The drama also brings together elements of the workplace and the pursuit of dreams of practitioners in the entertainment industry with a heartwarming and happy ending.

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“陷入我們的熱戀”

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

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5.2.2 Review of Promotional Materials

Regarding the advertising strategy, Linekong Interactive conducts detailed analysis of user customer profiling, and on the basis of profiling, launches its advertisements at target users efficiently and effectively to attract the most appropriate and relevant users. Pursuant to the “Advertising Law of the PRC”, the “Trademark Law of the PRC” and other laws and regulations, Linekong Interactive has developed the Linekong Interactive Advertising Process to regulate its advertising management. It also maintains regular communication with the advertising platform to keep abreast of changes in rules of the platform. The Group’s advertisements are closely dependent on its products, and their materials mostly originate from the original games, films and TV series, in order to ensure the authenticity and accuracy of advertisements. The Group reviews each advertisement before it is posted to further ensure quality and consistency, and make sure it is compliant and not misleading or deceptive.

5.2.3 Protection of Intellectual Property Rights

Pursuant to the “Patent Law of the PRC”, the “Trademark Law of the PRC” and other laws and regulations, Linekong Interactive attaches importance to the intellectual property risk management, proactively identifies and manages key risks of intellectual property management, as well as carry out intellectual property management based on identified risks, so as to protect its own intellectual property while respecting the intellectual property of other parties.

For management on business employees, through its Legal Department, externally employed law firms and other professional institutions, the Group pays close attention to and regularly updates judicial developments, such as intellectual property laws and regulation issued by the state and relevant adjudication cases. We maintain communication with relevant business employees to keep them abreast of product and project development, provide them with communication and training on intellectual property laws and regulations to enhance their awareness of intellectual property rights, and improve the Group’s relevant business operations in the light of the newly revised laws and regulations.

Before the launch of products and projects, the Group’s relevant business department submits the declaration requirements of trademarks, copyrights and other intellectual properties to the Legal Department and other relevant functional departments, which employ professional institutions to make preliminary assessment to prevent its products and projects from infringing existing intellectual properties and legal rights in an unintentional way. During the operation process, the Legal Department and other relevant functional departments entrust professional institutions to conduct continuous intellectual property investigations and intellectual property searching in the PRC and related overseas markets to avoid potential infringement on existing trademarks, copyrights and intellectual properties of other entities. The Group also monitors third-party infringement on the Company’s intellectual properties.

When cooperating with partners to develop or operate products and projects, we requires its Legal Department and other relevant functional departments to pay attention to the incorporation and review of confidentiality clauses, and intellectual property ownership and use clauses at the stage of signing of the cooperation agreement, so as to clarify the ownership of rights between us and the partners.

During the Year, the Group owned 1,238 intellectual property rights, including 1,054 trademarks and 184 copyrights.

5.2.4 Safeguard Customers’ Rights

Linekong Interactive carries out measures to prevent minors from addiction to online games, all online products are equipped with an anti-addiction system for minors. In addition, pursuant to the “Notice of the National Press and Publication Administration on Further Strict Management to Effectively Prevent Minors from Indulging in Online Games” of the PRC, all game users are required to use valid ID for game account registration, and the length of time that minors spend on online games is strictly controlled. Under rigorous control, minors are only allowed to play games at certain times, and the provision of paid services to minors is restricted. With an aim to lead by example and build a healthy online game industry, the Group, the Game Publications Committee of the China audio-video and Digital Publishing Association, along with over 200 gaming business units, collectively initiated the “Anti-addiction to Online Games Self-disciplined Convention” under the instruction of the competent department of the PRC.

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Linekong Interactive has formulated the Complaint Handling Process of Linekong Interactive Customer Service Centre and has established customer communication channels including customer service hotline, WeChat customer service, and QQ customer service to build a comprehensive and smooth communication channel with our customers. We have also engaged professional external customer service teams. In order to ensure quality of the external service providers, the admission, guidance, supervision and training for which are performed by our staff at the supervisor level or above from Linekong Interactive Customer Service Department to enhance the efficiency, quality and professionalism of services.

The Group manages customer complaints through adopting the policies and principles of “clear accountabilities, clear escalation reporting process, prompt response, business integrity and compliance, timely recording, and replace thinking”, and requires the relevant personnel in charge to handle complaints and provide feedbacks to customers in a timely manner. To deal with common complaints, we have formulated relevant processing procedures to handle daily problems efficiently. We also have established complaint handling procedures for those emergencies or difficult cases which require involvement of customer service officer with extensive experience, to directly communicate with the relevant department staff to understand and analyse the problems, devise reasonable solutions from the perspectives of users and products, and subsequently communicate with users, striving to ensure customer satisfaction.

During the Year, our customer service tool calculated that the overall satisfaction rate based on users’ ratings of the Group was 95.48%. The Group received a total of 5 complaints (2022: 11 complaints), with a resolved rate of 100% and a call-back rate of 100%.

5.2.5 Maintain Information Security

Pursuant to the “Network Security Law of the PRC”, the “Information Security Technology — Personal Information Security Specification of the PRC” and other laws and regulations, Linekong Interactive, with an important mission of protecting information security, provides customers with an excellent product experience while closely securing customer privacy. We have established a dedicated Information Security Management Team to be responsible for managing and supervising our information security, project security and equipment security. The Group has prepared the Service Quality Management System and the Confidential Work Management System, and has signed a Non-Disclosure and Non-Competing Agreement with employees to properly manage information confidentiality. During the Year, we have not received any complaints regarding leakage of customer information or violation of customer privacy policies.

In terms of protecting customers’ information security, for positions that regularly access to customer information, we adopt an authority access control to ensure the normal operation of the business and prevent excessive access to customer information. User privacy information is encrypted and stored on the hardware server with protection measures. Accessing to customer data requires multiple layers of approvals, and approval is required for physical access to a computer room that hosts our hardware server, so as to effectively protect information security.

In terms of safeguarding the confidential information, the Group’s R&D data can only be transmitted and copied using a special purpose computer upon the approval of members of the safety management team. We regularly back up the data of each department and perform physical archiving of intranet R&D data on mobile hard disks regularly to ensure the safety of important data; equip the computer room with multiple storage servers, create automatic backup scripts for important R&D computer mainframes, and perform data backups on time every day to ensure the security of server data. Data leakage prevention system is installed on all machines connected to internal network, and R&D computers are equipped with external iron box to prohibit the use of USB and sensitive information transmission monitoring system. Our R&D network is an independent office network with strict access management, and the equipment connected to the R&D network must be strictly controlled.

Although the Group has a strict data security system in place, we have also formulated the Safety and Emergency Response Plan for Information Leakage based on the principles of “put prevention first and strengthen monitoring, put people first and focus on cooperation, standardise operation and be well-prepared”. We strengthen awareness of information security among our employees, enhance technical measures and reserves for data confidentiality and data leakage, improve monitoring, detection and response measures, standardise emergency disposal measures and operational procedures for information leakage. We strengthen inter-departmental cooperation to ensure effective contingency planning, rapid control of the affected areas and minimisation of losses.

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5.3 Business Ethics

Linekong Interactive is committed to creating an honest and fair working environment. In the daily operations and management, the Group strictly abides by “Company Law of the PRC”, “Anti-Money Laundering Law of the PRC”, “Oversight Law of the PRC”, “Criminal Law of the PRC” and other relevant laws and regulations, as well as moral codes. We also pay close attention to the amendment and updates on such laws and regulations, and timely inspect the operation and management of the Group. All kinds of corruption are strictly prohibited, including but not limited to bribery, blackmail, fraud and money laundry, etc., so as to ensure that the daily operations of the Group are in line with the laws and regulations on anti-corruption and anti-money laundering.

The Group has formulated a series of internal policies and systems, including the Reporting Management System, to ensure compliance with anti-corruption and anti-money laundering. We have established whistle-blower with reporting channels such as email and hotline available to internal and external public reporting. Our employees may report any misconduct or illegal behaviours existed within the Group via email or hotline, or directly notify the leaders of relevant departments or the chairman of the Group’s Audit Committee. In case of a confirmed incident, we would handle it in accordance with the internal protocol and in compliance with regulations. All reporting is handled in a prudent and confidential manner to firmly prohibit retaliation against the whistle-blowers.

The Group organises anti-bribery and anti-corruption training for internal employees on a regular basis every year, and adopts different training methods for employees in different positions. The Group requires its business personnel to inform customers and suppliers of the Group’s Anti-corruption and Anti-bribery Policies during negotiations and sign contracts that expressly prohibit such behaviours. During the Year, a total of 6 directors of the Group attended 6 hours of anti-corruption training to enhance their awareness on anti-corruption and the ability to identify corruption incidents by ways of studying related materials, etc.

During the Year, the Group has not been involved in any material behaviours of corruption, money laundry and bribery, and there were no concluded corruption litigation cases (2022: 0 case).



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6. COMMUNITY WELFARE

Linekong Interactive is committed to becoming a responsible corporate citizen and providing appropriate resources to those in need in the community. We believe that through social welfare activities, the Group can establish positive values for our employees and ultimately become a socially responsible citizen. We encourage and support employees to participate in voluntary services during spare time, and have formulated the Public Welfare Activities Policy to arrange for the Group's employees to participate in environmental protection, public welfare and social service activities. We hope that by participating in community activities, employees can personally contribute to the community, thereby enhancing their awareness of caring and cultivating their sense of social responsibility.

Linekong Interactive has also established a good communication mechanism in the communities where it operates, to understand community needs, capture community dynamics, listen to community expectations, and carry out diversified public welfare activities based on their needs, while considering the impact on the community that may arise from our business. Affected by the pandemic, the Group is committed to restoring our business to normal and adjusting business strategies during the Year. Therefore, it has not held charitable activities in the community. The Group will actively seek cooperation with different public welfare and charity organisations in the next year, always paying attention to the difficulties and needs of society and disadvantaged groups, such as labour needs and health, and proactively return to society with the goal of promoting social harmony.



Environmental, Social and Governance Report

Appendix I: Summary of Sustainability

Below sets forth the summary of sustainability information in the environmental aspect during the Year:

Environmental Aspect	Unit	2023	2022
Exhaust Gas Emissions¹			
Nitrogen oxides (NO _x)	kg	0.45	2.16
Sulphur oxides (SO _x)	kg	0.01	0.09
Particulates (PM)	kg	0.03	0.16
Greenhouse Gas Emissions²			
Direct greenhouse gas emissions (Scope 1) — gasoline	tonnes of CO ₂ e	2.40	15.89
Energy indirect greenhouse gas emissions (Scope 2)-purchased electricity	tonnes of CO ₂ e	118.49	198.05
Total greenhouse gas emissions	tonnes of CO₂e	120.89	213.94
Total green house gas emissions intensity	tonnes of CO₂e/m²³	0.06	0.14
Non-hazardous Waste			
Paper	kg	328.50	600.00
Total non-hazardous waste	kg	328.50	600.00
Total non-hazardous waste intensity	kg/m²	0.16⁴	N/A
Energy Consumption⁵			
Direct energy consumption — gasoline	MWh	8.72	N/A
Indirect energy consumption — purchased electricity	MWh	221.50	340.89
Total energy consumption	MWh	230.22	N/A
Total energy consumption intensity	MWh/m²	0.11	N/A

¹ The calculation of exhaust gas emissions data is based on the “How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange.

² Greenhouse gas emissions information is presented in terms of carbon dioxide equivalent, with reference to, but not limited to, the “Greenhouse Gas Protocol: Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, the “How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange, the global warming potential value under the “Sixth Assessment Report” issued by the Intergovernmental Panel on Climate Change, and the “Notice on the Reporting and Verification of Enterprises in Certain Key Industries from 2023 to 2025” issued by Ministry of Ecology and Environment of the PRC.

³ On December 31, 2023, the Group’s total office area was approximately 2,036.19 m². This information will also be used to calculate other intensity data; in order to comply with the consistent reporting principle of the Stock Exchange’s reporting guidelines, the Group will unify its intensity calculations in terms of office area starting from 2023.

⁴ Starting from 2023, the Group will uniformly disclose the total intensity of non-hazardous waste to perform a more meaningful comparison.

⁵ The unit conversion method for energy consumption data is based on the “Energy Statistics Manual” issued by the International Energy Agency; starting from 2023, the Group will unify the units and intensity of energy consumption disclosure to perform a more meaningful comparison.

Environmental, Social and Governance Report

Below sets forth the summary of sustainability information in the social aspect during the Year:

Social Aspect	Unit	2023	2022
Number of Employees			
Total number of employees ⁶	number of persons	88	103
By gender			
Female	number of persons	33	40
Male	number of persons	55	63
By employment type			
Employees with labour contracts	number of persons	84	103
Others	number of persons	4	/
By age group			
Under 40	number of persons	72	85
40–49	number of persons	14	16
50 or above	number of persons	2	2
By geographical region			
Beijing, PRC	number of persons	81	91
Other regions in PRC	number of persons	1	3
Overseas	number of persons	6	9
Turnover Rate⁷			
Total turnover rate	%	39.75	65.05
By gender			
Female	%	41.60	67.50
Male	%	38.54	63.49
By age group			
Under 40	%	42.07	76.47
40–49	%	28.57	12.50
50 or above	%	/	/
By geographical region			
Beijing, PRC	%	38.13	49.26
Other regions in PRC	%	50.00	/
Overseas	%	51.61	33.33
Occupational Health and Safety			
Number of work-related fatalities ⁸	number of persons	/	/
Work-related fatalities rate	%	/	/
Number of lost days due to work injury	number of days	/	/

⁶ This represents the number of employees on December 31.

⁷ Turnover rate = number of turnover employee/(number of turnover employee + average number of employee for the year)×100%.

⁸ There have been no work-related fatalities in the past three years (including the Year).

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Social Aspect	Unit	2023	2022
Trained Employee Rate⁹			
Total trained employee rate ¹⁰	%	6.82	N/A
By gender¹¹			
Female	%	16.67	N/A
Male	%	83.33	N/A
By employment type			
General employees	%	/	N/A
Middle management	%	/	N/A
Senior management	%	100.00	N/A
Average Training Hours¹²			
The average training hours completed per employee ¹³	number of hours	0.14	N/A
By gender¹⁴			
Female	number of hours	0.06	N/A
Male	number of hours	0.18	N/A
By employment type			
General employees	number of hours	/	N/A
Middle management	number of hours	/	N/A
Senior management	number of hours	1.50	N/A
Sustainable Procurement			
Total number of suppliers	company	385	2,528
By geographical region			
The PRC	company	321	2,085
Hong Kong, Macau and Taiwan of the PRC	company	5	17
Overseas	company	59	426
Safeguard Customers' Right			
Number of product and service complaints	case	5	11
Product and service complaint settlement rate	%	100.00	100.00
Product and service complaint response rate	%	100.00	100.00
Business Ethics			
Concluded corruption litigation case	case	/	/

⁹ Starting from 2023, the Group will begin to disclose the rate of trained employees to perform a more meaningful comparison.

¹⁰ Rate of total trained employees = total number of trained employees/number of employees on December 31 x 100%.

¹¹ Rate of employees trained by type = number of employees trained by type/total number of employees trained x100%.

¹² Starting from 2023, the Group will begin to disclose the average number of training hours to perform a more meaningful comparison.

¹³ Average number of training hours completed by each employee = total training hours/number of employees as at December 31.

¹⁴ Average number of training hours for employees trained by category = number of training hours for employees by category/number of employees on December 31.

Environmental, Social and Governance Report

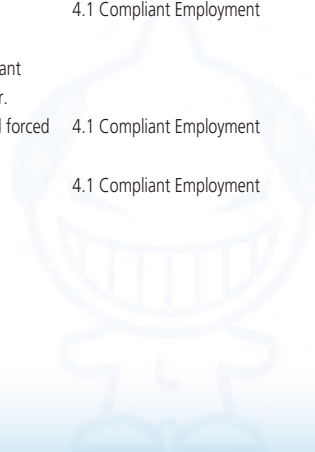
Appendix II: Index Table for the Stock Exchange Reporting Guide

Content		Relevant Chapter	
A. Environmental Aspect			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3. Green Practice
	A1.1	Types of emissions and respective emissions information.	Appendix I: Summary of Sustainability
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Summary of Sustainability
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group does not generate any direct hazardous waste in the course of its operations, therefore no disclosure is made.
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Summary of Sustainability
	A1.5	Description of emission target(s) set and steps taken to achieve them.	3. Green Practice
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	3.2 Reduction in Waste
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3. Green Practice
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix I: Summary of Sustainability
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	As the Group's office is obtained through common use of other companies, water consumption and monitoring is not accessible, therefore no disclosure is made.
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3. Green Practice
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water consumption is managed by property management company, hence the Group does not encounter any issue regarding water supply, and has no relevant information and therefore no targets are set.
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group's business does not involve packaging materials, therefore it is not applicable.



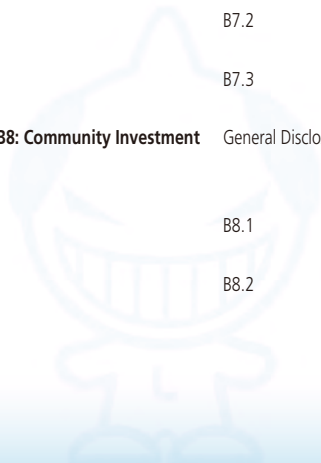
Environmental, Social and Governance Report

Content			Relevant Chapter
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	3. Green Practice
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3. Green Practice
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3. Green Practice
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.5 Responses to Climate Change
B. Social Aspect			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4. People-oriented
	B1.1	Total workforce by gender, employment type (for example, full or part-time), age group and geographical region.	4.1 Compliant Employment; Appendix I: Summary of Sustainability
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Summary of Sustainability
	B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.2 Safe Environment Appendix I: Summary of Sustainability
	B2.2	Lost days due to work injury.	4.2 Safe Environment Appendix I: Summary of Sustainability
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.2 Safe Environment
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Employee Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Summary of Sustainability
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Summary of Sustainability
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 Compliant Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Compliant Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Compliant Employment



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Content			Relevant Chapter
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1 Sustainable Procurement
	B5.1	Number of suppliers by geographical region.	5.1 Sustainable Procurement Appendix I: Summary of Sustainability
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.1 Sustainable Procurement
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.1 Sustainable Procurement
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1 Sustainable Procurement
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.2 Quality Products
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group's business does not involve the sales and shipment of products that are subject to recall, therefore it is not applicable.
	B6.2	Number of products and service related complaints received and how they are dealt with.	5.2.4 Safeguard Customers' Right
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.2.3 Protection of Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	5.2.1 Product Quality Guarantee
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5.2.5 Maintain Information Security
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.3 Business Ethics
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.3 Business Ethics
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5.3 Business Ethics
	B7.3	Description of anti-corruption training provided to directors and employees.	5.3 Business Ethics
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Community Welfare
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Community Welfare
	B8.2	Resources contributed to the focus area (e.g. money or time).	6. Community Welfare



Directors' Report

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in developing and publishing online games in the PRC and other countries and regions, and film business in the PRC. The Group is a well-known platform operator of interactive entertainment contents, and it owns two core brands in the entertainment industry, namely Linekong Games and Linekong Pictures. The principal activities and other particulars of the Company's subsidiaries are set out in note 14 to the consolidated financial statement. There were no significant changes in the nature of the Group's principal activities during the year ended December 31, 2023.

Further discussion and analysis of the business review required by Schedule 5 of the Hong Kong Companies Ordinance is set out in the "Corporate Governance Report" on pages 19 to 33, the "Management Discussion and Analysis" on pages 8 to 18 and the "Environmental, Social and Governance Report" on pages 34 to 56 of this annual report, including an overview of the Group's main risks and uncertainties, possible future development plans for the Group's business, and the Group's environmental policies, compliance details and key relationships with major stakeholders (including employees, customers and suppliers). Such discussion forms part of this "Directors' Report".

RESULTS AND DIVIDENDS

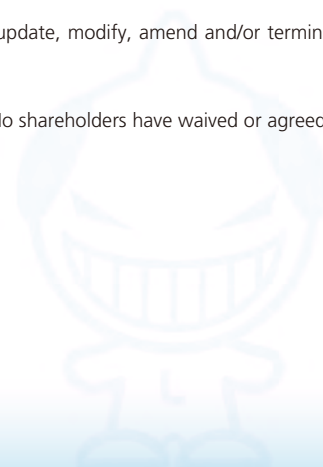
The Group's results for the year ended December 31, 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 92 of this annual report.

The Company has adopted a dividend policy (the "**Dividend Policy**") in December 2018. Pursuant to the Dividend Policy, the Company's payment of dividends and the related amount shall be determined at discretion of the Board based on the following factors:

- (a) the general financial position and operating results of the Group;
- (b) the actual and future operations and liquidity position of the Group;
- (c) the expected working capital requirements and future plans on expansion of the Group;
- (d) the debt to equity ratio and debt level of the Group;
- (e) any restrictions on contracts of the Group;
- (f) the retained earnings and distributable reserves of the Company and each of the members of the Group;
- (g) the Shareholders' and investors' expectation and industry practices;
- (h) the general market condition and prospect; and
- (i) any other factors that the Board considers appropriate.

The Dividend Policy is subject to continuous review by the Board, and the Board reserves the rights to update, modify, amend and/or terminate the Dividend Policy at its absolute discretion from time to time.

The Board did not recommend the payment of a final dividend for the year ended December 31, 2023. No shareholders have waived or agreed to waive any dividends in 2023.



Directors' Report

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company is scheduled to be held on Friday, June 21, 2024. A notice convening the annual general meeting will be despatched to the shareholders of the Company in due course.

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, June 18, 2024 to Friday, June 21, 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates must be lodged with the Company's 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, for registration not later than 4:30 p.m. on Monday, June 17, 2024. Holders of the shares of the Company where names appear on the register of members of the Company on Friday, June 21, 2024 are entitled to attend and vote in respect of all resolutions to be proposed at the annual general meeting.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS, CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Details of the Group's share capital and share options are set out in note 27 and note 29 to the consolidated financial statements. The Group did not issue or grant any share options, convertible securities, options, warrants or similar rights during the year ended December 31, 2023.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 170 in this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group are set out in the consolidated statement of changes in equity, note 27, note 28 and note 37 to the consolidated financial statements, respectively. As at December 31, 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Act of the Cayman Islands, amounted to approximately HKD252.0 million. This includes the Company's share premium in the amount of approximately HKD1,898.8 million as at December 31, 2023, which may be distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS AND THEIR RELATIONSHIP(S) WITH THE COMPANY

Sales of the Group's five largest customers accounted for approximately 66.9% of the Group's total sales for the year, mainly due to the recognition of revenue related to the film and television project “對你不止是喜歡” and the licensing revenue of “伊蘇 — 夢境交織的長夜”, of which the sales of the largest customer accounted for 43.0% of our total revenue for the year. In 2023, no single paying player contributed more than 1% of the Group's revenue.

The Group's five largest suppliers accounted for less than 30% of the Group's total purchases during the year, mainly representing our game operation channels and licensing game developers, of which the largest supplier's purchases accounted for 3.7% of our total purchases.

None of the Directors, or any of his close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest suppliers or customers.

Directors' Report

COMPLIANCE WITH LAWS AND REGULATIONS

In 2023, the Company complied with laws and regulations which are significant to the Company. The Directors of the Company are collectively and individually responsible for ensuring the Company fully complies with the GEM Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Group is committed to the long-term sustainability of the environment and communities in which it operates. The Group operates its businesses in an environmentally responsible manner, strives to comply with laws and regulations relating to the environmental protection, and implements effective measures to effectively use resources, save energy and reduce wastes. In particular, these measures include waste paper recycling, energy conservation measures and water conservation actions. During the year, there was no material breach of or non-compliance with the laws and regulations relating to environmental protection. Please refer to the section headed "Environmental, Social and Governance Report" in this report for details.

DIRECTORS

The Directors for the year ended December 31, 2023 and as at the date of this report were as follows:

Executive Directors

Mr. Wang Feng (*Chairman and Chief Executive Officer*)
Ms. Liao Mingxiang

(appointed as the chief executive officer on February 26, 2023)
(resigned as executive Director and the chief executive Officer with effect from February 26, 2023)

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

Non-executive Director

Mr. Ji Xuefeng

(resigned with effect from January 17, 2023)

Independent non-executive Directors

Mr. Zhang Xiangdong
Ms. Wu Yueqin
Mr. Kong Yi
Mr. Fu Frank Kan

(resigned with effect from February 26, 2023)
(appointed on February 26, 2023)



Directors' Report

Resignation of Directors, Chief Executive Officer, Authorised Representative and Compliance Officer

On January 12, 2023, Ms. Liao Mingxiang resigned as an executive Director, chief executive officer of the Company, a member of the Remuneration Committee, the compliance officer of the Company pursuant to Rule 5.19 of the GEM Listing Rules and an authorised representative of the Company pursuant to Rule 5.24 of the GEM Listing Rules with effect from February 26, 2023 due to her different views on the future direction and development of the Group. On the same date, Mr. Kong Yi resigned as an independent non-executive Director, and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from February 26, 2023 due to his other business commitments and increasing workloads.

On January 17, 2023, Mr. Ji Xuefeng resigned as a non-executive Director and member of each of the Audit Committee and Nomination Committee with effect from January 17, 2023 due to his personal work arrangement.

Appointment of Chief Executive Officer, Compliance Officer and Authorised Representative and Independent Non-Executive Director

On January 12, 2023, Mr. Wang Feng was appointed as the chief executive officer of the Company and the compliance officer of the Company as required under Rule 5.19 of the GEM Listing Rules with effect from the resignation of Ms. Liao Mingxiang having taken effect (being February 26, 2023).

On January 12, 2023, Mr. Chan Yin Wah was appointed as the authorised representative of the Company as required under Rule 5.24 of the GEM Listing Rules with effect from the resignation of Ms. Liao having taken effect (being February 26, 2023).

Mr. Fu Frank Kan was appointed as an independent non-executive Director with effect from February 26, 2023.

In accordance with the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

If an independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reason why the Board (or the Nomination Committee) believes such director is still independent and should be re-elected, the factors considered, and the process and the discussion of the Board (or the Nomination Committee) in arriving at such decision. If all independent non-executive Directors in the Board serves more than nine years, the Company should disclose the length of tenure of each existing independent non-executive Director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting and appoint a new independent non-executive Director at the forthcoming annual general meeting.



Directors' Report

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Subject to the Companies Act of the Cayman Islands, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

Pursuant to code provision C.1.8 of the Code, the Company should arrange appropriate insurance to cover potential legal actions against its Directors. In compliance with such code provision, the Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising from corporate activities for the year ended December 31, 2023.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not terminable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 6 to 7 of this annual report.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals of the Group are set out in note 33 and note 9 to the consolidated financial statements.

DIRECTORS' INTEREST IN SIGNIFICANT TRANSACTION, ARRANGEMENT OR CONTRACTS

Save as disclosed in the paragraphs headed "Connected and Continuing Connected Transactions" and "Related Party Transactions" below, none of the Directors (or entity connected with the Directors) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

As of December 31, 2023, saved as disclosed, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY

Apart from as disclosed under the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Incentive Scheme and Share Option Scheme" below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate nor any such right subsisted as at the end of the Reporting Period.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 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 otherwise required, pursuant to the required standard of dealings by directors of listed issuers as reflected to in Rules 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 ^(Note 4)
Mr. Wang Feng ^(Note 1)	Interest of controlled corporation	66,576,160 (L)	21.53%
	Beneficial owner	12,640,380 (L)	
Mr. Wang Jin ^(Note 2)	Beneficial owner	2,540,000 (L)	0.69%
Mr. Chen Hao ^(Note 3)	Beneficial owner	1,815,841 (L)	0.49%

(L) Long position

Notes:

- (1) Mr. Wang Feng held the entire issued share capital of Wangfeng Management Limited, which in turn directly held 66,576,160 Shares. Accordingly, Mr. Wang Feng is deemed to be interested in all the 66,576,160 Shares held by Wangfeng Management Limited under the SFO.

In addition, Mr. Wang Feng held 4,207,072 Shares and was interested in 8,433,308 RSUs granted to him under the RSU Scheme entitling him to receive 8,433,308 Shares. As of December 31, 2023, all the RSUs have been vested.

For further details on the RSUs, please refer to the section headed "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, 2022, 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. All RSUs have been vested as of December 31, 2023.

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



Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

Notes: (continued)

- (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. All RSUs have been vested as of December 31, 2023.

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

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

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

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

Notes:

- Linekong Online is a subsidiary of the Company controlled through contractual arrangements. Mr. Wang Feng is one of 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 December 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 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executives of the Company, as of December 31, 2023, the following persons (other than Directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(i) Substantial Shareholders

Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company ^(Note 3)
Zhu Li ^(Note 1)	Interest of spouse	79,216,540 (L)	21.53%
Wangfeng Management Limited ^(Note 2)	Beneficial owner	66,576,160 (L)	18.09%
Jin Jiawei	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, a Director and the chief executive officer of the Company, holds the entire issued share capital of Wangfeng Management Limited.
- As of December 31, 2023, the Company issued 367,974,964 Shares.



Directors' Report

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

(ii) Other Shareholders

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

(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.

- Ms. Liao Mingxiang held the entire issued share capital of Liaomingxiang Holdings Limited, which in turn directly held 12,168,720 Shares. Accordingly, Ms. Liao Mingxiang is deemed to be interested in all the 12,168,720 Shares held by Liaomingxiang Holdings Limited under the SFO. In addition, Ms. Liao Mingxiang held 7,351,769 Shares and was interested in 275,000 share options granted to her on May 17, 2021 under the share option scheme of the Company entitling her to receive 275,000 Shares upon exercise.

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

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

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the twelve months ended December 31, 2023, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME

Share Incentive Scheme

The Company approved and adopted the RSU Scheme on March 21, 2014 and as amended on August 22, 2014.

The key terms of the RSU Scheme are as follow.

(a) Purposes of the RSU Scheme

The purpose of the RSU Scheme is to incentivise Directors, senior management, employees and any person who provides or has provided consultancy or other advisory services to the Group for their contribution to the Group, 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.

(b) Participants in the RSU Scheme

Persons eligible to receive RSUs under the RSU Scheme are existing employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) or chief officers of the Company or any of the subsidiaries (including Linekong Online) or any person who provides or has provided consultancy or other advisory services to the Group (the "**RSU Eligible Persons**"). Subject to the compliance with the requirements for participants of the RSU Scheme under Rule 23.03A of the GEM Listing Rules, the Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

(c) Term and Remaining Life of the RSU Scheme

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being March 21, 2014 until March 20, 2024 (unless it is terminated earlier in accordance with its terms) (the "**RSU Scheme Period**"). The RSU Scheme has expired on March 20, 2024.

(d) Maximum number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of shares held by the RSU Trustee (as defined in paragraph (e) below) for the purpose of the RSU Scheme from time to time. As of the date of this annual report, the RSU Trustee held a total of 18,013,147 Shares, representing 4.9% of the Company's total issued Shares. The maximum RSU entitlement of each participant of the RSU Scheme under the Share Incentive Scheme shall not exceed the limits as required under the GEM Listing Rules.

(e) Appointment of the RSU Trustee

Our Company has appointed a trustee (the "**RSU Trustee**") to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. Our Company may (i) allot and issue shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing shares from any of the shareholder of the Company or purchase existing shares (either on-market or off-market) to satisfy the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme. All the shares underlying the RSUs granted and to be granted under the RSU Scheme were allotted and issued to Premier Selection Limited.

Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Incentive Scheme (continued)

(f) Vesting of RSUs

The Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter. Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board will send a vesting notice to each of the relevant RSU Participants. The vesting notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

(g) Exercise of RSUs

RSUs held by a Participant in the RSU Scheme (the "RSU Participant") that are vested as evidenced by the vesting notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to the Company. Any exercise of RSUs must be in respect of a board lot of 500 shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot). Upon receipt of an exercise notice, the Board may decide at its absolute discretion to:

- (i) direct and procure the RSU Trustee to, within a reasonable time, transfer the shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those shares) to the RSU Participant which our Company has allotted and issued to the RSU Trustee as fully paid up shares or which the RSU Trustee has either acquired by purchasing existing shares or by receiving existing shares from any of the shareholder of the Company, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs; or
- (ii) pay, or direct and procure the RSU Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the shares underlying the RSUs exercised on or about the date of exercise (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those shares) less any exercise price (where applicable) and after deduction or withholding of any tax, levies, stamp duty and other charges applicable to the entitlement of the RSU Participant and the sale of any shares to fund such payment and in relation thereto.

The RSU Participant may exercise the vested portion of their RSUs during the RSU Scheme Period and during the validity period of the RSUs after the termination of the RSU Scheme. No amount is payable on application or acceptance of RSUs and the period within which payments or calls must or may be made or loans for such purposes must be repaid.

As of December 31, 2023, there were 16,866,170 RSUs granted and outstanding, among which 16,800,545 RSUs have been vested. During the year ended December 31, 2023, no RSUs were granted, no RSU was cancelled and 36,250 RSUs had lapsed. From December 31, 2023 to the date of this report, 7,500 RSUs had lapsed. The Core Trust Company Limited, the RSU trustee assisting with the administration and vesting of RSUs granted, did not purchase any Shares on the Stock Exchange during the year ended December 31, 2023 for satisfying the RSUs upon exercise.



Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Incentive Scheme (continued)

Movement of RSUs

Category	Date of grant	Validity period ^(note 7)	RSUs granted	Exercise price HKD	Closing price of the Shares immediately before the date of grant HKD	Granted but not exercised (including unvested) balance as at January 1, 2023	During the Reporting Period					Granted but not exercised (including unvested) balance as at December 31, 2023
							Granted	Vested	Exercised	Cancelled	Lapsed	
Wang Feng (Director) ^(note 2)	2014/3/21	2014/3/21–2034/3/20	8,432,308 ^(note 2)	N/A	N/A	8,432,308 (–)	–	–	–	–	–	8,432,308 (–)
	2015/1/21	2015/1/21–2035/1/20	1,000 ^(note 4)	N/A	9.80	1,000 (–)	–	–	–	–	–	1,000 (–)
Liao Mingxiang (former Director) ^(note 11)	2014/3/21	2014/3/21–2034/3/20	2,810,769 ^(note 2)	N/A	N/A	– (–)	–	–	–	–	–	– (–)
	2015/1/21	2015/1/21–2035/1/20	1,000 ^(note 4)	N/A	9.80	– (–)	–	–	–	–	–	– (–)
	2019/9/12	2019/9/12–2039/9/11	3,680,000 ^(note 8)	N/A	0.72	901,600 (–)	–	–	901,600	–	–	– (–)
	2021/5/17	2021/5/17–2041/5/16	2,580,000 ^(note 9)	N/A	0.73	645,000 (–)	–	–	645,000	–	–	– (–)
Chen Hao (Director) ^(note 2)	2014/3/21	2014/3/21–2034/3/20	54,841 ^(note 2)	N/A	N/A	54,841 (–)	–	–	–	–	–	54,841 (–)
	2015/1/21	2015/1/21–2035/1/20	21,000 ^(note 4)	N/A	9.80	21,000 (–)	–	–	–	–	–	21,000 (–)
	2017/1/18	2017/1/18–2037/1/17	400,000 ^(note 6)	N/A	3.10	400,000 (–)	–	–	–	–	–	400,000 (–)
	2021/5/17	2021/5/17–2041/5/16	460,000 ^(note 9)	N/A	0.73	115,000 (–)	–	–	–	–	–	115,000 (–)
Wang Jin (Director) ^(note 2)	2019/4/1	2019/4/1–2039/3/31	1,000,000 ^(note 7)	N/A	0.88	1,000,000 (–)	–	–	–	–	–	1,000,000 (–)
	2021/5/17	2021/5/17–2041/5/16	460,000 ^(note 9)	N/A	0.73	115,000 (–)	–	–	–	–	–	115,000 (–)
Qi Yunxiao ^(note 11)	2014/3/21	2014/3/21–2034/3/20	1,316,173 ^(note 2)	N/A	N/A	911,173 (–)	–	–	–	–	–	911,173 (–)
	2015/1/21	2015/1/21–2035/1/20	101,000 ^(note 4)	N/A	9.80	101,000 (–)	–	–	–	–	–	101,000 (–)
	2019/4/1	2019/4/1–2039/3/31	300,000 ^(note 7)	N/A	0.88	300,000 (–)	–	–	–	–	–	300,000 (–)
	2021/5/17	2021/5/17–2041/5/16	200,000 ^(note 9)	N/A	0.73	50,000 (–)	–	–	–	–	–	50,000 (–)

Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Incentive Scheme (continued)

Movement of RSUs (continued)

Category	Date of grant	Validity period ^(note 1)	RSUs granted	Exercise price HKD	Closing price of the Shares immediately before the date of grant HKD	Granted but not exercised (including unvested) balance as at January 1, 2023	During the Reporting Period					Granted but not exercised (including unvested) balance as at December 31, 2023
							Granted	Vested	Exercised	Cancelled	Lapsed	
Vested portion of employees' (other grantees') grants ^(note 10)	2014/3/21	2014/3/21–2034/3/20	18,757,403 ^(note 3)	N/A	N/A							
	2015/1/21	2015/1/21–2035/1/20	2,151,000 ^(note 4)	N/A	9.80	4,644,098 ^(note 10)	—	—	23,500	—	—	4,620,598 ^(note 10)
	2015/10/9	2015/10/9–2035/10/8	20,000 ^(note 5)	N/A	7.18	(—)	—	—	—	—	—	(—)
	2017/1/18	2017/1/18–2037/1/17	1,405,385 ^(note 6)	N/A	3.10							
Not fully vested portion of employees' (other grantees') grants	2019/8/16	2019/8/16–2039/8/15	760,000 ^(note 6)	N/A	0.64	518,750 (100,000)	—	90,000	30,000	—	10,000	478,750 (—)
	2021/5/17	2021/5/17–2041/5/16	615,000 ^(note 9)	N/A	0.73	295,250 (140,625)	—	48,750	3,500	—	26,250	265,500 (65,625)

Notes:

- The RSUs are valid for a period of ten years from the date of grant. On March 20, 2024, the Board agreed to extend the validity period of all the RSUs granted to another ten years.
- Such individuals are among the five persons with the highest total emoluments of the Group in 2023.
- The RSUs granted on March 21, 2014 may be vested in accordance with the following vesting timetable:

3.1 In respect of Wang Feng (8,432,308), Liao Mingxiang (2,810,769), Qi Yunxiao (1,316,173) and other grantees (10,317,355)

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



Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Incentive Scheme (continued)

Movement of RSUs (continued)

Notes: (continued)

3. (continued)

3.2 A total of 2,810,769 RSUs of which may be vested in accordance with the following timetable

one-third of the RSUs shall be vested on January 10, 2015; and the remaining two-thirds of the RSUs shall be divided into 8 equal portions of shares and vested quarterly from the first month starting from January 10, 2015.

3.3 A total of 987,129 RSUs of which may be vested in accordance with the following timetable

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

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

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

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

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

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

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

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

Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Incentive Scheme (continued)

Movement of RSUs (continued)

Notes: (continued)

4. (continued)

4.2 A total of 250,000 RSUs of which may be vested in accordance with the following timetable

25% of the RSUs shall be vested on the date that expires 6 months after the date of grant of the RSUs;
25% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;
25% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs; and
25% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs.

4.3 A total of 455,000 RSUs of which may be 100% vested on the date that expires 6 months after the date of grant of the RSUs.

5. The RSUs granted on October 9, 2015 may be vested in accordance with the following vesting timetable:

25% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;
12.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;
12.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;
12.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs;
12.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs;
12.5% of the RSUs shall be vested on the date that expires 42 months after the date of grant of the RSUs; and
12.5% of the RSUs shall be vested on the date that expires 48 months after the date of grant of the RSUs.

6. The RSUs granted on January 18, 2017 and August 16, 2019 may be vested in accordance with the following vesting timetable:

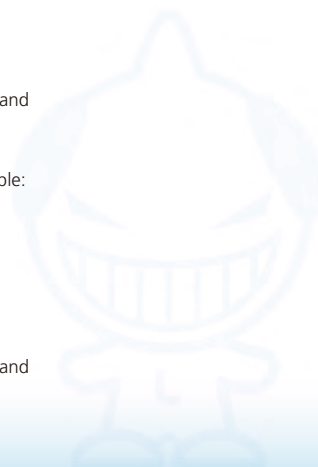
25% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;
12.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;
12.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;
12.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs;
12.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs;
12.5% of the RSUs shall be vested on the date that expires 42 months after the date of grant of the RSUs; and
12.5% of the RSUs shall be vested on the date that expires 48 months after the date of grant of the RSUs.

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

50% of the RSUs shall be vested on the date of grant of the RSUs;
8.5% of the RSUs shall be vested on the date that expires 6 months after the date of grant of the RSUs;
8.5% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;
8.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;
8.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;
8.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs; and
7.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs.

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

50% of the RSUs shall be vested on January 1, 2020;
8.5% of the RSUs shall be vested on the date that expires 6 months after the date of grant of the RSUs;
8.5% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;
8.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;
8.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;
8.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs; and
7.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs.



Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Incentive Scheme (continued)

Movement of RSUs (continued)

Notes: (continued)

9. The RSUs granted on May 17, 2021 may be vested in accordance with the following vesting timetable:
 - 9.1 A total of 3,900,000 RSUs of which may be vested in accordance with the following timetable

25% of the RSUs shall be vested on the date of grant of the RSUs;
 25% of the RSUs shall be vested on January 1, 2022 if the established performance is achieved;
 12.5% of the RSUs shall be vested on July 1, 2022 if the established performance is achieved;
 12.5% of the RSUs shall be vested on January 1, 2023 if the established performance is achieved;
 12.5% of the RSUs shall be vested on July 1, 2023 if the established performance is achieved; and
 12.5% of the RSUs shall be vested on January 1, 2024 if the established performance is achieved.
 - 9.2 A total of 415,000 RSUs of which may be vested in accordance with the following timetable

25% of the RSUs shall be vested on the date that expires 12 months after the date of grant of the RSUs;
 12.5% of the RSUs shall be vested on the date that expires 18 months after the date of grant of the RSUs;
 12.5% of the RSUs shall be vested on the date that expires 24 months after the date of grant of the RSUs;
 12.5% of the RSUs shall be vested on the date that expires 30 months after the date of grant of the RSUs;
 12.5% of the RSUs shall be vested on the date that expires 36 months after the date of grant of the RSUs;
 12.5% of the RSUs shall be vested on the date that expires 42 months after the date of grant of the RSUs; and
 12.5% of the RSUs shall be vested on the date that expires 48 months after the date of grant of the RSUs.
10. These RSUs have been fully vested before 2022 after their respective dates of grant, involving more than 600 non-current Directors or employees who were not the five individuals with the highest emoluments during the year. In order to facilitate the understanding of the overall development of the Group and the overall condition of our employees, information regarding their exercise of rights are presented in aggregate.
11. Ms. Liao Mingxiang served as the executive Director and chief executive officer of the Company, member of the Remuneration Committee, compliance officer of the Company under Rule 5.19 of the GEM Listing Rules and authorized representative of the Company under Rule 5.24 of the GEM Listing Rules. Ms. Liao Mingxiang resigned from the above positions since February 26, 2023. Ms. Qi Yunxiao served as a vice president of the Company, and resigned from the above position since March 25, 2023.
12. Please refer to note 29(a)(iii) to the consolidated financial statements regarding the basis for and representations on fair valuation measurement of the RSUs granted.
13. Based on the total number of shares of the Company held by the RSU Trustee at the respective dates, the total number of RSUs that may be granted under the RSU Scheme were 17,976,897 as at January 1, 2023 and 18,013,147 as at December 31, 2023.



Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Option Scheme

The Company conditionally approved the Share Option Scheme on November 20, 2014 which became effective on December 30, 2014, being the date of Listing. On August 12, 2015, October 9, 2015, June 15, 2016, January 18, 2017, April 1, 2019, August 16, 2019, September 12, 2019 and May 17, 2021, 1,849,192, 6,010,000, 1,750,000, 9,225,000, 1,300,000, 860,000, 6,900,000 and 3,645,000 share options were granted with exercise price of HKD8.10, HKD7.18, HKD4.366, HKD3.10, HKD0.88, HKD0.65, HKD0.72 and HKD0.784, respectively. The Company has used Binomial Option-Pricing Model to determine the fair value of the share option as of the grant date. For details of the accounting policy adopted for the share options and value of share options granted, please refer to note 2.20(a) and note 29(b) to the consolidated financial statements.

The key terms and details of the Share Option Scheme are as follow:

(a) Purpose

The purpose of the Share Option Scheme is to incentivise and reward the Eligible Persons (as defined below) 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.

(b) Who may participate

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 or 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 (the "Eligible Persons").

(c) Maximum number of shares in respect of which options may be granted

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (the "Other Schemes") of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the date of Listing, which is 36,983,846 shares (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and any Other Schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

As at the date of this report, the number of shares available for issue under the Share Option Scheme (excluding those under share options granted but not yet exercised) amounted to 26,247,798 shares, representing approximately 7.13% of the issued Shares.

(d) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the shares in issue at such date.

(e) Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HKD1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Option Scheme (continued)

(f) Exercise price

Subject to any adjustment pursuant to the Share Option Scheme, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

(g) Duration and remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of Listing (i.e. from December 30, 2014 to December 29, 2024), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme. The remaining life of the Share Option Scheme is approximately nine months from the date of this report.

(h) Time of vesting and exercise of option

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders. If an option-holder is transferred to work in the PRC or another country and still continues to hold a salaried office or employment under a contract with a member of our Group or associated companies of our Company, and as a result of that transfer, he either (i) suffers a tax disadvantage in relation to his options (this being shown to the satisfaction of the Board); or (ii) becomes subject to restrictions on his ability to exercise his Options or to hold or deal in the Shares or the proceeds of the sale of the Shares acquired on exercise because of the security laws or exchange control laws of the PRC or the country to which he is transferred, then the Board may allow him to exercise his options, vested or unvested, during the period starting three months before and ending three months after the transfer takes place.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Option Scheme (continued)

Movement of Share Options

For the year ended December 31, 2023, details of the movement of outstanding share options of the Company are as follows:

Category	Date of grant	Option period ^(note 1)	Share options granted	Exercise price	Closing Price of the Shares immediately before the date of grant	Outstanding balance as at January 1, 2023	During the Reporting Period				Outstanding balance as at December 31, 2023
							HKD	HKD	Granted	Exercised	
Ms. Liao Mingxiang (former Director) ^(note 7)	May 17, 2021	May 17, 2021 to May 16, 2031	1,100,000 ^(note 5)	0.784	0.75	275,000	-	-	-	-	275,000
Mr. Chen Hao (Director) ^(note 6)	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 5)	0.784	0.75	125,000	-	-	-	-	125,000
Mr. Wang Jin (Director) ^(note 6)	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 5)	0.784	0.75	125,000	-	-	-	-	125,000
Mr. Qi Yunxiao ^(note 7)	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



Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Option Scheme (continued)

Movement of Share Options (continued)

Category	Date of grant	Option period ^(note 1)	Share options granted	Exercise price HKD	Closing Price of the Shares immediately before the date of grant HKD	Outstanding balance as at January 1, 2023	During the Reporting Period				Outstanding balance as at December 31, 2023
							Granted	Exercised	Cancelled	Lapsed	
Employees (other grantees)	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 ^(note 2)	8.10	8.10	462,298	-	-	-	-	462,298
	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 ^(note 2)	7.18	7.18	2,778,750	-	-	-	-	2,778,250
	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 ^(note 2)	4.366	4.18	675,000	-	-	-	-	675,000
	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 ^(note 2)	3.10	3.10	2,291,250	-	-	-	-	2,291,250
	August 16, 2019	August 16, 2019 to August 15, 2029	860,000 ^(note 2)	0.65	0.64	631,250	-	-	-	10,000	621,250
	May 17, 2021	May 17, 2021 to May 16, 2031	845,000 ^(note 2)	0.784	0.75	555,000	-	-	-	47,500	507,500
	May 17, 2021	May 17, 2021 to May 16, 2031	400,000 ^(note 2)	0.784	0.75	100,000	-	-	-	-	100,000

Notes:

- The vesting period of the share options starts from the date of acceptance of the grant to the commencement of the exercise period.
- The share options granted on August 12, 2015 may be exercised in accordance with the following vesting timetable:

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

Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Option Scheme (continued)

Movement of Share Options (continued)

Notes: (continued)

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:

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

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

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

Directors' Report

SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME (continued)

Share Option Scheme (continued)

Movement of Share Options (continued)

Notes: (continued)

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

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

6. Such individuals are among the five persons with the highest total emoluments of the Group in 2023.
7. Ms. Liao Mingxiang served as the executive Director and chief executive officer of the Company, member of the Remuneration Committee, compliance officer of the Company under Rule 5.19 of the GEM Listing Rules and authorized representative of the Company under Rule 5.24 of the GEM Listing Rules. Ms. Liao Mingxiang resigned from the above positions since February 26, 2023. Ms. Qi Yunxiao served as a vice president of the Company, and resigned from the above position since March 25, 2023.
8. Please refer to the announcements of the Company dated August 12, 2015, October 9, 2015, June 15, 2016, January 18, 2017, April 1, 2019, August 16, 2019, September 12, 2019, January 21, 2020, February 7, 2020, May 17, 2021 and May 18, 2021 for details.
9. The total number of share options that may be granted under the Share Option Scheme were increased from 26,190,298 as at January 1, 2023 to 26,247,798 as at December 31, 2023.

Other Information

The weighted average closing price of the shares of the Company immediately before the date on which RSUs during the Reporting Period were exercised and/or vested was HK\$0.21 per Share. The weighted average closing price of the shares of the Company immediately before the date on which share options during the Reporting Period were vested was HK\$0.22 per Share.

During 2023, the number of shares that may be issued in respect of RSUs and share options granted under the RSU Scheme and Share Option Scheme divided by the weighted average number of ordinary Shares issued during the year is nil. As at December 31, 2023, the number of shares that may be issued in respect of RSUs and share options granted under the RSU Scheme and Share Option Scheme divided by the weighted average number of ordinary shares issued is 0.075.

Directors' Report

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 during the year ended December 31, 2023.

NON-COMPETITION UNDERTAKINGS IN DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has undertaken, among other things, not to accept any positions/job titles or conduct any business transactions with any individual or company that in any way competes with the Group or our associated companies, whether directly or indirectly. The executive Directors have also undertaken that they would not hold more than 5% of the economic interests and/or participate in any business activities of the aforesaid companies. Each of the executive Directors confirms that he/she had complied with the non-competition undertakings as set out in their respective service contracts from the date of the service contract up to the date of this report.

CONTRACTUAL ARRANGEMENTS

Pursuant to applicable PRC Laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online games business (the "**Principal Business**") and are restricted to conduct value-added telecommunications services. Accordingly, the Group cannot acquire equity interest in Linekong Online, which conducts the Principal Business and holds the assets and certain licenses, approvals and permits required for the operation of our Principal Business.

As a result of the foregoing, the Group, through a wholly-owned subsidiary of the Company, Linekong Online (Beijing) Internet Technology Co., Ltd. ("**Beijing Linekong Online**"), entered into a series of contracts (the "**Contractual Arrangements**") with Linekong Online and Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu (Mr. Wang, Ms. Liao and Mr. Zhang, collectively referred to as the "**Registered Shareholders**") on January 16, 2014 (and subsequently amended on November 24, 2014) to assert management control over the operations of the Principal Business conducted through Linekong Online, and to enjoy all economic benefits of Linekong Online, and in consideration of which, Beijing Linekong Online shall provide, among other things, technology consulting and service to Linekong Online. Linekong Online is an operating company of the Group established under the laws of the PRC and currently holds several domestic operating companies in the PRC to conduct the Principal Business. The Contractual Arrangements are designed to provide our Group with effective control over the financial and operation policies of Linekong Online and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Linekong Online through Beijing Linekong Online. As of December 31, 2023, Linekong Online was owned as to 75.45%, 13.64% and 10.91% by Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu, respectively, where the Group does not hold any direct equity interest in Linekong Online, and the Group assert management control over the operations and enjoy all economic benefits of Linekong Online through the Contractual Arrangements. The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations.



Directors' Report

CONTRACTUAL ARRANGEMENTS (continued)

Major terms of the contracts under the Contractual Arrangements

The Contractual Arrangements currently in effect comprise four agreements, namely (i) the Amended and Restated Exclusive Technology Consulting and Service Agreement, (ii) the Amended and Restated Exclusive Call Option Agreement, (iii) the Amended and Restated Equity Pledge Agreement and (iv) the Loan Agreement, which were entered into between or amongst Beijing Linekong Online, Linekong Online and the Registered Shareholders (as the case may be), and the irrevocable power of attorney executed by each Registered Shareholder.

A summary of the major terms of the four agreements and the power of attorney of the Contractual Arrangements is as follows:

(a) Amended and Restated Exclusive Technology Consulting and Service Agreement

Beijing Linekong Online and Linekong Online entered into an Amended and Restated Exclusive Technology Consulting and Service Agreement on January 16, 2014, and as further amended on November 24, 2014, pursuant to which, among others:

- i. Linekong Online agreed to engage Beijing Linekong Online as its exclusive technology consultant and service provider. The technology advices and services which Beijing Linekong Online shall provide to Linekong Online include, but are not limited to, (i) research and development of technologies necessary for the operations of Linekong Online, (ii) application and implementation of technologies relevant to the operations of Linekong Online, (iii) technical services related to advertisement design, software design, and webpage production with respect to Linekong Online's advertising business, and provide management advices and recommendations, and (iv) daily maintenance, supervision, commissioning and troubleshooting of Linekong Online's computer network equipment and other technical services;
- ii. Linekong Online shall pay to Beijing Linekong Online a service fee that equals to the profit before taxation of Linekong Online, including all profits attributable to Linekong Online of, and any other distributions received by Linekong Online from, any of its subsidiaries in any given year but without taking into account the service fee payable under the agreement and after offsetting the prior-year loss (if any) and deducting such amounts as required for working capital expenses and tax of each of Linekong Online and its subsidiaries (as the case may be) in any given year; and
- iii. Beijing Linekong Online shall enjoy all economic benefits of, and bear all risks arising from, the conduct of Principal Business by Linekong Online. In the event that Linekong Online incurs significant operating loss or experienced serious difficulties in its operations, Beijing Linekong Online shall provide financial support to Linekong Online and shall have the right to request Linekong Online to cease in operation.

The Amended and Restated Exclusive Technology Consulting and Service Agreement has an initial term of ten (10) years and may be automatically extended for another ten years at the discretion of Beijing Linekong Online. The Amended and Restated Exclusive Technology Consulting and Service Agreement may be terminated by Beijing Linekong Online by giving Linekong Online 30 days' prior written notice of termination or shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Linekong Online to Beijing Linekong Online or its designated person(s) pursuant to the Amended and Restated Exclusive Call Option Agreement. Linekong Online is not contractually entitled to terminate the Amended and Restated Exclusive Technology Consulting and Service Agreement with Beijing Linekong Online.



Directors' Report

CONTRACTUAL ARRANGEMENTS (continued)

Major terms of the contracts under the Contractual Arrangements (continued)

(b) Amended and Restated Exclusive Call Option Agreement

Beijing Linekong Online, the Registered Shareholders and Linekong Online entered into an Amended and Restated Exclusive Call Option Agreement on January 16, 2014, and as further amended on November 24, 2014, pursuant to which, among others:

- i. the Registered Shareholders jointly and severally granted to Beijing Linekong Online (exercisable by itself or any direct or indirect shareholder of Beijing Linekong Online and a direct or indirect subsidiary of such shareholder (i.e. being any member of our Group) or an authorised director (being a PRC citizen) of any such member of our Group as designated by Beijing Linekong Online) irrevocable options to (i) purchase, to the extent permitted by PRC laws and regulations, their equity interests in Linekong Online, entirely or partially, at the minimum purchase price permitted under PRC laws and regulations or (ii) acquire to the extent permitted by PRC laws and regulations, all or part of the assets (including all intellectual properties) of Linekong Online at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations;
- ii. Beijing Linekong Online (by itself or any of its designees) may exercise such options at any time until it has acquired all equity interests and/or assets (including all intellectual properties) of Linekong Online, subject to applicable PRC laws and regulations; and
- iii. Beijing Linekong Online shall have the right to forthwith exercise the option granted under the Amended and Restated Exclusive Call Option Agreement when relevant PRC laws and regulations permit the equity interests of Linekong Online to be directly held by Beijing Linekong Online while Linekong Online continues to operation the Principal Business.

The Amended and Restated Exclusive Call Option Agreement shall expire when all the equity interests in and assets of Linekong Online have been transferred to Beijing Linekong Online or its designee, unless and until Beijing Linekong Online, at its sole discretion, gives Linekong Online and the Registered Shareholders a 30 days' prior written notice of termination. Linekong Online and the Registered Shareholders are not contractually entitled to terminate the Amended and Restated Exclusive Call Option Agreement with Beijing Linekong Online.

(c) Amended and Restated Equity Pledge Agreement

Beijing Linekong Online and the Registered Shareholders entered into the Amended and Restated Equity Pledge Agreement on January 16, 2014, pursuant to which, among others:

- i. each of the Registered Shareholders agreed to pledge all of their respective equity interests in Linekong Online to Beijing Linekong Online to secure performance of all their obligations and the obligations of Linekong Online under the Contractual Arrangements. If any Registered Shareholder breaches or fails to fulfil the obligations, Beijing Linekong Online, as the pledgee, will be entitled to foreclose the pledged equity interests, entirely or partially;
- ii. each Registered Shareholder has undertaken to Beijing Linekong Online, among other things, not to transfer or otherwise dispose his/her equity interests in Linekong Online and not to create or allow any pledge thereon that may affect the rights and interest of Beijing Linekong Online without its prior written consent;
- iii. appropriate arrangements have been made to protect Beijing Linekong Online's interests in the event of death, incapacity, bankruptcy or divorce of the Registered Shareholders or any other circumstances that may affect their exercise of the shareholders' rights to avoid any practical difficulties in enforcing the Amended and Restated Equity Pledge Agreement; and
- iv. if Linekong Online declares any dividend or distribute any income during the term of the pledge, Beijing Linekong Online is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests.

The Amended and Restated Equity Pledge Agreement shall terminate when Linekong Online has fulfilled and performed all obligations under the agreements underlying the Contractual Arrangements or upon the termination of the agreements underlying the Contractual Arrangements.

Directors' Report

CONTRACTUAL ARRANGEMENTS (continued)

Major terms of the contracts under the Contractual Arrangements (continued)

(d) Loan Agreement

In order to satisfy the funding needs in Linekong Online, the Registered Shareholders borrowed a sum of RMB9,970,000 from the Company without interest on or around the date of establishment of Linekong Online. Beijing Linekong Online and the Registered Shareholders subsequently entered into the Loan Agreement, pursuant to which Beijing Linekong Online agreed to lend a total of RMB9,970,000 to the Registered Shareholders without interest, in order to assume the loan originally granted by the Company, for the purpose of acquiring the equity interest in Linekong Online. The relevant portion of the loan will become due and payable upon Beijing Linekong Online's demand under certain circumstances, including but not limited to: (i) the relevant Registered Shareholder resigning or is being removed from the various positions held by him/her in the Group; (ii) the relevant Registered Shareholder becoming insolvent or incurring any other significant personal debt which may affect his/her ability to repay the loan under the Loan Agreement; or (iii) Beijing Linekong Online exercising its option to purchase all equity interests in Linekong Online to the extent permitted by PRC laws and regulations as soon as the PRC foreign ownership restrictions applicable to our Group's mobile and online games business have been lifted.

The Loan Agreement is for a term of ten (10) years commencing from April 14, 2008, and may be automatically extended for another ten (10) years upon each expiry. Linekong Online is not contractually entitled to terminate the Loan Agreement with Beijing Linekong Online.

(e) Power of Attorney

On January 16, 2014, each Registered Shareholder executed an irrevocable Power of Attorney to appoint a director of any direct or indirect shareholder of Beijing Linekong Online or his/her successor who is a PRC citizen as proxy of the relevant Registered Shareholder to exercise all of their respective shareholders' rights in Linekong Online. Pursuant to the Power of Attorney, the shareholders' rights exercisable by the proxy include, but not limited to, the rights to (i) attend shareholders' meetings and pass any shareholders' resolution of Linekong Online; (ii) exercise all shareholders' rights in accordance with applicable laws and the articles and constitutional documents of Linekong Online; (iii) submit and/or file any documents or information to relevant companies registry; and (iv) elect and appoint the legal representative, chairman, directors, supervisors, general manager and other senior management of Linekong Online.

Under each Power of Attorney, each Registered Shareholder irrevocably confirmed that the power of attorney shall remain in full force and effect during the term which the relevant Registered Shareholder remains as a shareholder of Linekong Online.

For further details of the terms of the four agreements and power of attorney of the Contractual Arrangements, please refer the section headed "Contractual Arrangements — Details of the Existing Agreements" of the prospectus of the Company dated December 9, 2014 (the "Prospectus").

Risks associated with the Contractual Arrangements

There are certain risks associated with the Contractual Arrangements, which include, but not limited to: (i) if the PRC government finds that the agreement that establish the structure for operating the online game businesses of the Group in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Group's interest in Linekong Online; (ii) Registered Shareholders may have conflicts of interest with the Group, which may materially and adversely affect the business of the Group; (iii) the Group may lose the ability to use and enjoy assets held by Linekong Online that are important to the operation of the business of the Group if Linekong Online declares bankruptcy or become subject to a dissolution or liquidation proceeding; and (iv) the Group principally rely on dividends and other distributions on equity paid by Beijing Linekong Online to fund any cash and financing requirements the Group may have. Any limitation on Beijing Linekong Online's ability to make payments to the Group could have a material adverse effect on the Group's ability to conduct the Group's business or financial condition. For further details of the risks associated with the Contractual Arrangements, please refer the section headed "Risk Factors — Risks Relating to Our Corporate Structure" of the Prospectus.

Directors' Report

CONTRACTUAL ARRANGEMENTS (continued)

Major terms of the contracts under the Contractual Arrangements (continued)

(e) Power of Attorney (continued)

Measures adopted by our Group

The Group has adopted various measures to ensure legal and regulatory compliance and to ensure the sound and effective operation of the Group (including Linekong Online and its subsidiaries) and the implementation of the Contractual Arrangements, which include, but not limited to: (i) as part of the internal control measure, major risks and issues arising from implementation of the Contractual Arrangements has been regularly reviewed, at least on a quarterly basis, by the Board; (ii) the relevant business units and operation divisions of the Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions the Contractual Arrangements and other related matters; (iii) the company seals, financial seals, contract seals and crucial corporate certificates of Linekong Online and its subsidiaries are kept by the Group's finance department; (iv) the independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in the annual report; (v) if necessary, legal advisors and, or other professionals will be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations; (vi) the Group will unwind the Contractual Arrangements as soon as relevant PRC laws and regulations allow the Principal Business to be conducted and operated by owned subsidiaries of the Company without such arrangements in place; (vii) each of Mr. Wang Feng and Ms. Liao Mingxiang, being the executive Directors and/or the Registered Shareholders (as the case may be), shall abstain from voting on any resolutions at any Board meeting or shareholders' meeting of the Company or Linekong Online (as the case may be) in which he/she may have conflict of interest. For further details of the actions taken by the Company to mitigate the risks associated with the Contractual Arrangements, please refer the section headed "Contractual Arrangements — Operations in Compliance with the Contractual Arrangements" of the Prospectus.

Revenue and assets subject to the Contractual Arrangements

For the year ended December 31, 2023, the revenue and net loss subject to the Contractual Arrangements are RMB117.7 million and RMB14.0 million (amounted to approximately 86.9% and 82.1% of the total revenue and net loss of the Group), respectively.

As at December 31, 2023, the total assets subject to the Contractual Arrangements is RMB21.2 million, amounted to approximately 6.6% of the total assets of the Group.

Change of circumstances

There had been no material change in the arrangements under the Contractual Arrangements and/or the circumstances under which they were adopted. As of the date of this annual report, the foreign investment restrictions which gave rise to the arrangements under the Contractual Arrangements are still in existence.



Directors' Report

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions

Contractual Arrangements

The Contractual Arrangements constitute non-exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules. As Mr. Wang Feng is a 19.24% shareholder of the Company (excluding the 8,433,308 RSUs granted to him), a 75.45% registered shareholder of Linekong Online (being a subsidiary of the Company controlled through the Contractual Arrangements), and an executive Director; Ms. Liao Mingxiang is a then executive Director and a 13.64% registered shareholder of Linekong Online; and Mr. Zhang Yuyu is a 10.91% registered shareholder of Linekong Online, each of Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu is a connected person of the Company pursuant to Rule 20.07(1) of the GEM Listing Rules. In addition, Linekong Online is owned as to 75.45%, 13.64% and 10.91% by Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu, respectively, and hence an associate of Mr. Wang Feng. Linekong Online is therefore a connected person of the Company under Rule 20.07(4) of the GEM Listing Rules. Accordingly, the transactions (if any) contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the GEM Listing Rules. For details of the Contractual Arrangements, please refer to the paragraphs headed "Contractual Arrangements" in this report.

The Stock Exchange has granted a waiver pursuant to Rule 20.103 of the GEM Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules in respect of the transactions contemplated under the Contractual Arrangements; (ii) the requirement of setting an annual caps for the fees payable to Beijing Linekong Online under the Contractual Arrangements; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the shares of the Company are listed on the GEM. For further details of the waiver granted by the Stock Exchange, please refer the section headed "Connected Transactions — Non-exempted Continuing Connected Transactions" of the Prospectus.

During the year ended December 31, 2023, there was no transaction conducted under the Contractual Arrangements.

Independent non-executive Directors' confirmation

Our independent non-executive Directors confirmed, after conducting annual review on the Contractual Arrangements and the transactions contemplated thereunder, that:

- (1) no transactions were carried out for the financial year ended December 31, 2023;
- (2) no dividends or other distributions have been made by Linekong Online to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and
- (3) there were no new contracts entered into, renewed or reproduced between the Group and Linekong Online for the financial year ended December 31, 2023.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in note 36 to the consolidated financial statements in this annual report. Save for the amount due to Fuze which do not constitute connected transaction of the Company, all the other related party transactions constitute connected transactions or continuing connected transactions of the Company, among which key management personnel compensation are fully exempted connected transactions or continuing connected transactions, as the case may be.

SUBSEQUENT EVENTS

The Board has obtained the approval of the shareholders of the Company at the extraordinary general meeting convened on March 19, 2024 to amend the acquisition mandate to acquire cryptocurrencies up to USD6 million in open market transactions. For details, please refer to the circular dated February 28, 2024 and the poll results announcement dated March 19, 2024 of the Company.

Except for the above and the acquisitions of EcoPowX and Element disclosed in the section headed "Business Review and Prospects", no significant events affecting the Group have occurred since the end of the Reporting Period.

Directors' Report

USE OF IPO PROCEEDS

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

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

As of December 31, 2023, the Group's IPO Proceeds have been utilised as follows:

	Allocation as published in the announcement dated June 29, 2021	Amounts utilised as of December 31, 2022	Amount utilised in 2023	Amount unutilised as of December 31, 2023
	<i>HKD million</i>	<i>HKD million</i>	<i>HKD million</i>	<i>HKD million</i>
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	–	–	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	–	–
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	–	–
Total	686.2	677.3	–	8.9

As of December 31, 2023, approximately HKD8.9 million of the IPO Proceeds remained unutilised. As disclosed in the announcement of the Company dated January 7, 2024, in order to further accelerate the expansion of the Web3 industry and diversify the risks arising from the acquisition of Bitcoin, the Board resolved to reallocate the above unutilised net IPO Proceeds to funding the settlement of the consideration for the subscription of approximately 30.3% of equity interest in EcoPowX Technology Limited. Please refer to the announcement of the Company date January 7, 2024 for details. As at the date of this report, all the IPO Proceeds have been utilised.

Directors' Report

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 33 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules throughout the Reporting Period and thereafter up to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under our articles of association or applicable laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, the annual confirmation of his or her independence pursuant to Rule 5.09 of the GEM Listing Rules in writing and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year ended December 31, 2023 were audited by Baker Tilly Hong Kong Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Baker Tilly Hong Kong Limited as auditor of the Company.

CHANGE OF AUDITOR

Baker Tilly Hong Kong Limited was appointed as the auditor of the Company from June 30, 2023 following the retirement of PricewaterhouseCoopers. Saved as disclosed above, the Company did not change its auditor in the past three years.

DONATIONS

No donation has been made by the Group during the year ended December 31, 2023.

EQUITY-LINKED AGREEMENTS

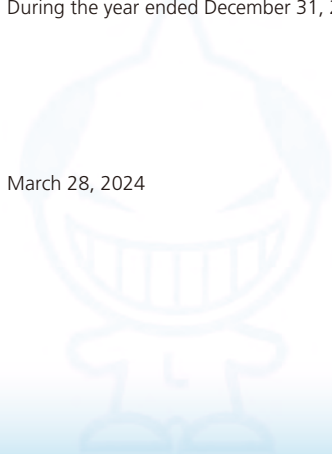
During the year ended December 31, 2023, neither the Company nor any of its subsidiaries have entered into equity-linked agreements.

ON BEHALF OF THE BOARD

Wang Feng

Chairman

March 28, 2024



Independent Auditor's Report



Independent auditor's report to the shareholders of Linekong Interactive Group Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Linekong Interactive Group Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 92 to 169, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2022 were audited by another independent auditor whose report dated March 31, 2023 expressed an unmodified opinion on those consolidated financial statements.

Independent Auditor's Report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Accounting estimation involved in revenue recognition for sales of in-game virtual items
- Valuation of level 3 financial assets at fair value through profit or loss

Key audit matter	How our audit addressed the key audit matter
<p>Accounting estimation involved in revenue recognition for sales of in-game virtual items</p> <p>Refer to Note 2.21(i), Note 4.1(a) and Note 5 to the consolidated financial statements.</p> <p>For the year ended December 31, 2023, the Group has generated revenue from sales of in-game virtual items of RMB43.2 million. The recognition of the revenue generated from sales of in-game virtual items involved the estimation of the lives of in-game permanent ownership items (“Player Relationship Period”).</p> <p>Management has estimated the Player Relationship Period on a game-by-game basis for the purpose of revenue recognition.</p> <p>We focused on this area because of the inherent uncertainties and subjectivities involved in the estimation of the Player Relationship Period, which could impact the amount of the revenue recognised in the current period in relation to the sales of in-game virtual items.</p>	<p>Our procedures in relation to the estimation of the Player Relationship Period used when recognising revenue from the sales of in-game virtual items included:</p> <ul style="list-style-type: none"> • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. • We assessed the appropriateness of the methodologies and assumptions used in the estimation of the Player Relationship Period by checking the mathematical formula as well as comparing them with historical data and industry practice. • On a sample basis, we compared the key inputs used in the estimation, including the quantity of paying players of games and their log-in records, with the original data directly extracted from the game servers. • On a sample basis, we recalculated the related Player Relationship Periods, and compared the results with the Player Relationship Period of these games estimated by management. <p>We found that the assumptions adopted and estimations made by management were supported by the evidence we gathered and consistent with our understanding.</p>

Independent Auditor's Report

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of level 3 financial assets at fair value through profit or loss	
Refer to Note 2.11, Note 3.3 and Note 4.1(b) to the consolidated financial statements.	Our procedures in relation to the valuation of level 3 financial assets at fair value through profit or loss included:
As of December 31, 2023, the Group has level 3 financial assets at fair value through profit or loss of RMB31.5 million.	<ul style="list-style-type: none"> Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.
One or more significant inputs to the valuation for level 3 financial assets at fair value through profit or loss are not based on active market prices or observable market data.	<ul style="list-style-type: none"> We evaluated the Group's internal valuation process as well as the external valuer's competence, capability and objectivity in those cases where an external valuer was involved.
Management assessed and measured the level 3 financial assets at fair value through profit or loss using a discounted cash flow method. An external valuer was engaged by management to assist in preparing the valuation. The determination of the model to be used, inputs and assumptions to be adopted requires significant judgement and estimation, which could have a material impact on the fair value to be measured. We therefore focused on this area.	<ul style="list-style-type: none"> We obtained the calculation sheets of the fair value estimations of level 3 financial assets at fair value through profit or loss, and tested the accuracy of the mathematical calculation applied in the fair value estimations. We assessed the appropriateness of valuation models adopted, and evaluate the reasonableness of underlying assumptions adopted by management in determining the fair value, including the discount rate. We evaluated management's future cash flow forecasts by comparing the input data used in the cash flow forecasts against the historical figures, the approved budgets and the business plans. We assessed the reasonableness of the key assumptions including revenue growth rates in the cash flow forecasts by comparing them to historical results and industry performances.
	We found that the key assumptions adopted and estimations made by management were supported by the evidence we gathered and consistent with our understanding.

Other information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of directors and those charge with governance for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charge with governance is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We also provide those charge with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the those charge with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Chan Sai Ho.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong,
Chan Sai Ho
Practising certificate number P07705

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

	Note	2023 RMB'000	2022 RMB'000
Continuing operations			
Revenue	5	135,506	71,057
Cost of revenue	8	(101,189)	(50,132)
Gross profit			
Selling and marketing expenses	8	(6,321)	(13,916)
Administrative expenses	8	(27,760)	(34,538)
Research and development expenses	8	(22,088)	(23,066)
Net impairment (losses)/reversals on receivables and contract assets	8	(416)	2,068
Other operating income—net	6	843	4,219
Operating loss			
Other losses—net	7	(21,425)	(44,308)
Finance income/(costs)—net	10	(935)	(14,283)
Share of profit of investments using equity accounting	15	2,071	(206)
		3,292	346
Loss before income tax			
Income tax credit/(expense)	11	(16,997)	(58,451)
		1	(10)
Loss from continuing operations			
Loss from discontinued operation			
	13	—	(2,683)
Loss for the year			
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
— Share of other comprehensive income of investments accounted for using the equity method, net of tax	15	440	2,200
Items that will not be reclassified to profit or loss:			
— Currency translation differences		1,746	17,101
Other comprehensive income for the year, net of tax			
Total comprehensive loss for the year			
Loss attributable to:			
Owners of the Company		(17,426)	(60,644)
Non-controlling interests		430	(500)
Loss for the year			
Total comprehensive loss attributable to:			
Owners of the Company		(15,240)	(41,343)
Non-controlling interests		430	(500)
Total comprehensive loss for the year			
Total comprehensive loss attributable to owners of the Company arises from:			
— Continuing operations		(15,240)	(38,660)
— Discontinued operation		—	(2,683)
Loss per share (expressed in RMB per share)			
— Basic	12(a)	(0.05)	(0.17)
— Diluted	12(b)	(0.05)	(0.17)

The accompanying notes are integral parts of these consolidated financial statements.

Consolidated Statement of Financial Position

As of December 31, 2023

	Note	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	566	1,326
Right-of-use assets	18	613	3,992
Intangible assets	19	20,342	9,613
Deferred income tax assets	32	8	—
Film rights and films in progress	20	8,785	59,665
Investments using equity accounting	15	36,972	33,240
An associate measured at fair value through profit or loss	16	20,486	35,303
Financial assets at fair value through profit or loss	22	31,473	31,037
Other receivables	24	1,030	1,949
Other non-current assets	25	6,651	7,006
		126,926	183,131
Current assets			
Trade receivables and notes receivables	23	46,704	5,184
Contract assets	31(a)	6,926	—
Other receivables	24	12,449	1,915
Other current assets	25	21,502	26,093
Short-term bank deposits		28,391	32,128
Cash and cash equivalents	26	77,668	116,371
		193,640	181,691
Total assets		320,566	364,822

Consolidated Statement of Financial Position (Continued)

As of December 31, 2023

	Note	2023 RMB'000	2022 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	27	59	59
Share premium	27	1,720,690	1,720,690
Shares held for restricted share unit scheme ("RSU Scheme")	27	(10,555)	(10,555)
Reserves	28	415,664	413,414
Accumulated losses		(1,878,628)	(1,861,202)
		247,230	262,406
Non-controlling interests		430	—
Total equity		247,660	262,406
Liabilities			
Non-current liabilities			
Contract liabilities	31(b)	1,968	2,987
Lease liabilities	18	192	2,111
		2,160	5,098
Current liabilities			
Trade and other payables	30	32,065	27,002
Current income tax liabilities		3,591	3,669
Contract liabilities	31(b)	34,637	65,309
Lease liabilities	18	453	1,338
		70,746	97,318
Total liabilities		72,906	102,416
Total equity and liabilities		320,566	364,822

The consolidated financial statements on pages 92 to 169 were approved by the Board of Directors on March 28, 2024 and are signed on its behalf by:

Wang Feng
 Director

Chen Hao
 Director

The accompanying notes are integral parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Shares held for RSU Scheme	Reserves	Accumulated losses	Total		
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022	59	1,720,690	(10,555)	393,854	(1,800,558)	303,490	500	303,990
Comprehensive income/(loss)								
Loss for the year	—	—	—	—	(60,644)	(60,644)	(500)	(61,144)
Other comprehensive income								
— Share of other comprehensive income of investments accounted for using the equity method, net of tax	—	—	—	2,200	—	2,200	—	2,200
— Currency translation differences	—	—	—	17,101	—	17,101	—	17,101
Total comprehensive income/(loss) for the year	—	—	—	19,301	(60,644)	(41,343)	(500)	(41,843)
Total contributions by and distributions to owners of the Company recognised directly in equity								
Employee share option and RSU Scheme:								
— Value of employee services	29	—	—	259	—	259	—	259
Total contributions by and distributions to owners of the Company for the year	—	—	—	259	—	259	—	259
Balance at December 31, 2022	59	1,720,690	(10,555)	413,414	(1,861,202)	262,406	—	262,406

Consolidated Statement of Changes in Equity (Continued)

For the year ended December 31, 2023

	Note	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Shares held		Accumulated losses			
				for RSU Scheme	Reserves				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2023		59	1,720,690	(10,555)	413,414	(1,861,202)	262,406	—	262,406
Comprehensive income/(loss)									
Loss for the year		—	—	—	—	(17,426)	(17,426)	430	(16,996)
Other comprehensive income									
— Share of other comprehensive income of investments accounted for using the equity method, net of tax		—	—	—	440	—	440	—	440
— Currency translation differences		—	—	—	1,746	—	1,746	—	1,746
Total comprehensive income/(loss) for the year		—	—	—	2,186	(17,426)	(15,240)	430	(14,810)
Total contributions by and distributions to owners of the Company recognised directly in equity									
Employee share option and RSU Scheme:									
— Value of employee services	29	—	—	—	64	—	64	—	64
Total contributions by and distributions to owners of the Company for the year		—	—	—	64	—	64	—	64
Balance at December 31, 2023		59	1,720,690	(10,555)	415,664	(1,878,628)	247,230	430	247,660

The accompanying notes are integral parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	Note	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash used in continuing operations	35(a)	(22,209)	(14,948)
Income tax paid, net		(80)	(80)
Net cash used in operating activities of continuing operations		(22,289)	(15,028)
Net cash used in operating activities of discontinued operation	13	—	(1,542)
Net cash outflow from operating activities		(22,289)	(16,570)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,191)	(1,126)
Purchase of intangible assets		(20,138)	(1,341)
Proceeds from disposal of property, plant and equipment		497	6
Capital reduction from an associate measured at fair value through profit or loss		2,191	6,221
Purchase of financial assets at fair value through profit or loss		—	(14,520)
Dividend income from financial assets at fair value through profit or loss		220	1,152
Proceeds from disposal of financial assets at fair value through profit or loss		1,000	18,069
Payments for film rights		(3,847)	(46,473)
Decrease in restricted deposits		—	55,469
Decrease in short term bank deposits		32,068	61,571
Increase in short term bank deposits		(28,331)	(36,259)
Net cash (outflow)/inflow from investing activities of continuing operations		(17,531)	42,769
Net cash outflow from investing activities of discontinued operation	13	—	(2,333)
Net cash (outflow)/inflow from investing activities		(17,531)	40,436
Cash flows from financing activities			
Repayment of bank borrowings		—	(50,000)
Interest paid		—	(1,149)
Principal elements of lease payments		(1,008)	(3,847)
Interest elements of lease payments		(88)	(163)
Net cash outflow from financing activities of continuing operations		(1,096)	(55,159)
Net cash outflow from financing activities		(1,096)	(55,159)
Net decrease in cash and cash equivalents of continuing operations		(40,916)	(27,418)
Net decrease in cash and cash equivalents of discontinued operation	13	—	(3,875)
Net decrease in cash and cash equivalents		(40,916)	(31,293)
Cash and cash equivalents at beginning of year		116,371	132,248
Effects of exchange rate changes on cash and cash equivalents		2,213	15,416
Cash and cash equivalents at end of the year		77,668	116,371

The accompanying notes are integral parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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 and online drama business (the “**Film Business**”) in the PRC. During the year ended December 31, 2022, the Group also terminated operation of sales of food products on an e-commerce platform (the “**Food Business**”) in the PRC (see Note 13).

The Group’s major subsidiaries are based in the PRC and the majority of their transactions are denominated in Renminbi (“**RMB**”). The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As of December 31, 2023 and 2022, other than the restrictions from exchange control regulations, there is no significant restriction on the Group’s ability to access or use the assets and settle the liabilities of the Group.

The consolidated financial statements are presented in RMB, unless otherwise stated, and have been approved by the Company’s Board of Directors on March 28, 2024.

All companies comprising the Group have adopted December 31, as their financial year-end date.

2 Material accounting policy information

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) and disclosure requirements of Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have 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.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.1 Basis of preparation (*continued*)

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended IFRSs issued by the International Accounting Standards Board (“IASB”) to these consolidated financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in Note 32, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

Certain amendments to standards have been issued but are not effective for the annual period beginning on January 1, 2023, and have not been early adopted in preparing these consolidated financial statements:

Amendments	Effective for annual years beginning on or after
Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i>	January 1, 2024
Amendments to IAS 1, <i>Non-current Liabilities with Covenants</i>	January 1, 2024
Amendments to IAS 7 and IFRS 7, <i>Supplier Finance Arrangement</i>	January 1, 2024
Amendments to IAS 21, <i>Lack of Exchangeability</i>	January 1, 2025
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined
Amendments to IFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	January 1, 2024

These amendments are not expected to have a material impact on the Group in the current or the future periods and on the foreseeable future transactions.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over the entity and is exposed to or has rights to receive variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Subsidiaries arising from Reorganisation

On March 30, 2007, Linekong Online (Beijing) Technology Co., Ltd. ("**Linekong Online**") was established to carry out the Group's Game Business in the PRC. Several domestic operating companies have been established by Linekong Online as its subsidiaries since 2007 and these operating companies together with Linekong Online are collectively defined as the "PRC Operational Entities". The Group's wholly-owned subsidiary, Linekong Online (Beijing) Internet Technology Co., Ltd. ("**Beijing Linekong Online**"), has entered into a series of contractual agreements (the "**Contractual Agreements**") with Linekong Online and its equity holders on April 22, 2008, which enable Beijing Linekong Online and the Group to:

- exercise effective financial and operational control over Linekong Online;
- exercise equity holders' voting rights of Linekong Online;
- receive substantially all of the economic interest returns generated by Linekong Online in consideration for the business support, technical and consulting services provided by Beijing Linekong Online;

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.2 Consolidation (*continued*)

(a) Subsidiaries (*continued*)

(i) Subsidiaries arising from Reorganisation (*continued*)

- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Linekong Online from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Linekong Online at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Beijing Linekong Online may exercise such options at any time until it has acquired all equity interests and/or all assets of Linekong Online;
- obtain a pledge over the entire equity interest of Linekong Online from its respective equity holders as collateral security for all of Linekong Online's payments due to Beijing Linekong Online and to secure performance of Linekong Online's obligation under the Contractual Arrangements.

The Group does not have any equity interest in Linekong Online. However, as a result of the Contractual Arrangements, the Group has rights to receive variable returns from its involvement with Linekong Online and has the ability to affect those returns through its power over Linekong Online and is considered to control Linekong Online. Consequently, the Company regards Linekong Online as an indirect subsidiary under IFRSs. The Group has consolidated the financial position and results of operations of Linekong Online in the consolidated financial statements of the Group during the years ended December 31, 2023 and 2022.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Linekong Online and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Linekong Online. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beijing Linekong Online, Linekong Online and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(ii) Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.2 Consolidation (*continued*)

(a) Subsidiaries (*continued*)

(ii) Business combinations (*continued*)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group will report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group will also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period does not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the consolidated statement of profit or loss and other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The consolidated financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements have the same reporting date.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.4 Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

(a) Equity method of accounting

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition net of any accumulated impairment losses. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of investments using equity accounting" in the consolidated statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated statement of profit or loss and other comprehensive income.

(b) Fair value through profit or loss

The Group has invested as a limited partner in a private equity fund and exerted significant influence. The Group has applied the measurement exemption within IAS 28 "*Investment in Associates and Joint Ventures*" for mutual funds, unit trusts and similar entities and such an investment is measured at fair value through profit or loss and presented as "an associate measured at fair value through profit or loss" in the consolidated statement of financial position.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States dollars ("USD"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. The consolidated financial statements are presented in RMB (unless otherwise stated), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in profit or loss within "finance income/(costs)—net". All other foreign exchange gains and losses are presented in profit or loss within "other operating income—net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income as currency translation differences.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (continued)

2.7 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other operating income—net" in the consolidated statement of profit or loss and other comprehensive income.

2.8 Intangible assets

(a) Computer software

Computer software is initially recognised and measured at cost less amortisation. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives of five years.

(b) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled. These criteria includes: (1) it is technically feasible to complete the game product so that it will be available for use or sale; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. During the years ended December 31, 2023 and 2022, there were no development costs meeting these criteria and capitalised as intangible assets.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

(c) Trademarks and licences

Separately acquired trademarks and licences are reported at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 3 to 7 years, respectively.

Licences subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the licenses related to game in operation, the impairment losses are recognised as cost of revenue. For the licenses related to game in development, the impairment losses are recognised as administrative expenses.

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and joint ventures.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.8 Intangible assets (*continued*)

(d) Goodwill (*continued*)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(e) Cryptocurrency

Cryptocurrencies, that are purchased and held by the Group through third-party custodian service provider, are accounted for as intangible assets under the cost model. The Group has ownership of and control over the cryptocurrencies held and employs third-party custodian service provider to securely store them. The cryptocurrencies held by the Group are considered to have an indefinite life. Accordingly, they are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

2.9 Film rights and films in progress

(a) Film rights

Film rights represent films (including online dramas) produced by the Group. Film rights are stated at cost less any provision for impairment losses. Costs of film rights are expensed in the consolidated statement of profit or loss and other comprehensive income over their respective useful economic life, or upon the delivery of related master tapes.

(b) Films in progress

Films in progress developed for self-developed film rights (including online dramas) are stated at cost less any provision for impairment losses. Costs include all direct costs associated with the production of films. Costs of films are transferred to film rights upon completion.

(c) Impairment

At the end of each reporting period, both internal and external market information are considered in order to assess whether there is any indication that film rights and films in progress are impaired. If any such indication exists, the carrying amount of such assets is assessed and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.11 Investment and financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses—net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

2 Material accounting policy information *(continued)*

2.11 Investment and financial assets *(continued)*

(iii) Measurement *(continued)*

(a) Debt instruments *(continued)*

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other losses—net. Interest income from these financial assets is included in finance income/(costs)—net using the effective interest rate method. Foreign exchange gains and losses are presented in other losses—net and impairment expenses as separate line item in the consolidated statement of profit or loss and other comprehensive income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other losses—net in the period in which it arises.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management elect to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other losses—net in the consolidated statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value.

(iv) Impairments

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and notes receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not designate any derivatives as hedging instruments.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.13 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected to be in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Notes 2.11(i) and 2.11(iii) for further information about the Group's accounting for trade receivables and Note 2.11 (iv) for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Term deposits

Term deposits represent time deposits placed with banks. Deposits with original maturities of one year or less are reported as current assets. Interest earned is recorded as interest income in the consolidated statement of profit or loss and other comprehensive income during the periods presented.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the owners of the Company.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.18 Current and deferred income tax

The income tax expense for the period comprises expenses relating to current and deferred income tax. Income tax expenses are recognised in profit or loss, except to the extent that the expenses relate to items recognised in other comprehensive income or directly in equity, in which case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdictions where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable amounts will be available against which the temporary differences and losses can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

The Group contributes based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under such plan and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to the plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

The Group receives services from employees as consideration for equity instruments of the Company or the Company's subsidiaries. The fair value of the services received in exchange for the grant of the shares, restricted shares units ("RSUs") and options is recognised as expenses.

In respect of shares, RSUs and options awarded to employees, the total amount to be expensed is determined by reference to the fair value of the shares, RSUs and options granted:

- including the impact of any market performance vesting conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service vesting conditions are included in assumptions about the number of shares, RSUs and options that are expected to vest. The total expenses are recognised over the vesting period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares, RSUs and options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expenses during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) Share-based payment transactions among group entities

The grant by the Company of its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the separate financial statements of the Company.

2.21 Revenue recognition

Revenue is measured at the transaction price which is the amount of consideration to which the Group is entitled in exchange for transferring promised services or goods to the customer. The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling prices. Revenue for each performance obligation is then recognised when the Group satisfies the performance obligation by transferring the promised goods or services to the customer.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.21 Revenue recognition (*continued*)

(i) Revenue generated from sales of in-game virtual items

The Group engages in the development and operation of online games and receives proceeds from sales of in-game virtual credits (“**Game Credits**”) to the game players. The Group publishes its self-developed games as well as games licensed from third-party developers through game distribution channels.

The Group’s games are free to play. Players can purchase Game Credits and then convert such Game Credits into various in-game virtual items for a better in-game experience. The Group’s paying players (“**Paying Players**”) purchase the Game Credits either directly through the game distribution channels’ own charging systems or third-party payment collection channels, or through purchasing prepaid game cards from third-party pre-paid game card distributors. Pursuant to agreements with the Group, game distribution channels, third party payment collection channels and third-party pre-paid game card distributors collect the payment from the Paying Players and remit the cash to the Group, net of channel service charges or distribution discounts.

Principal agent consideration

The Group operates both its self-developed games and licensed games and takes primary responsibility for the delivery of game experiences to the Paying Players, including marketing and promotion, determining distribution and payment channels, hosting game servers and providing customer services. In addition, the Group also controls game and service specifications and pricing of the in-game virtual items. Therefore, the Group considers itself the principal in the delivery of the game experience to the Paying Players as the Group has the primary responsibility in the arrangement and latitude in establishing the selling prices and thus records revenues on a gross basis. Payments to third-party game developers and channel service charges by game distribution channels and third-party payment collection channels are recorded as cost of revenue. The discounts given to the Paying Players by the third-party game distribution channels and third-party prepaid game card distributors are estimated by the Group based on available information and recorded as a deduction of revenue.

Recognition of revenue generated from sales of in game virtual items

Upon the sales of Game Credits, the Group typically has an implied performance obligation to provide services which enable the in-game virtual items exchanged from the Game Credits to be displayed or used in the games. Game Credits are consumed by Paying Players to exchange for in-game virtual items, i.e. consumable items or permanent ownership items. Revenue is immediately recognised when the consumable items are consumed or expired, or ratably recognised during their life periods for the permanent ownership items. The Group considers player behaviour patterns in estimating the lives of permanent ownership items (“**Player Relationship Period**”), which is the average period between the first date the Paying Players charge their accounts and the last date these Paying Payers would play the game, and it represents the Group’s best estimate for the lives of the in-game permanent ownership items purchased by the Paying Players.

The Group estimates the Player Relationship Period on a game-by-game basis and re-assesses such periods quarterly or semi-annually. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other games with similar characteristics developed by the Group or by third-party developers until the new game establishes its own patterns and history. The Group considers the games profile and target audience when estimating the Player Relationship Period.

If the Group does not have the ability to differentiate between revenue attributable to permanent ownership virtual items and consumable virtual items for a specific game, the Group recognises revenue from both permanent ownership and consumable virtual items for that game ratably over the game’s Player Relationship Period.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.21 Revenue recognition (*continued*)

(ii) Revenue generated from licensing and technical support fees

The Group derives revenue from licensing of games to third-party publishers. Depending on the nature of the license, the revenue is recognised over the licensing period or at a point of time. The Group also provides continuing technical support to the third-party publishers for the games licensed. Revenue is recognised when service is transferred to customers and such performance obligation is satisfied.

(iii) Revenue generated from the licensing of film rights

The Group licenses self-developed film rights (including online dramas) to third-party publishers. Since the licensee can direct the use of and get substantially all of the remaining benefits from the licence granted, revenue from the licensing of film rights is recognised upon the delivery of the master tapes to the licensee.

(iv) Revenue generated from the production of films

The Group is also engaged to produce films right (including online dramas) for specific customers and retains no right to the film rights during the production process and after completion. The Group concludes that it does not create an asset with an alternative use to the Group and it has a right to payment for performance completed to date that includes compensation for a reasonable profit margin. Therefore, revenue is recognised over time by measuring the progress towards complete satisfaction of the performance obligation.

(v) Revenue generated from the sales of food products

During the second quarter to the fourth quarter of 2022, the Group was engaged in the sale of food products on e-commerce platforms in the PRC, details of which are provided in Note 13. The Group recognised the product revenues from the sales of food products on a gross basis as the Group acted as a principal in these transactions and was responsible for fulfilling the promise to provide the specified goods. The Group recognised revenues net of discounts and return allowances when the products were delivered and title was passed to customers.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. On the contrary, the excess of any cumulative consideration received from the contracted customer over the cumulative revenue recognised is recognised as a contract liability recorded in deferred revenue. The contract asset and the contract liability are classified as current and non-current portions based on their respective recovery or settlement periods.

2.22 Interest income

Interest income mainly represents interest income from bank deposits and loans and is recognised using the effective interest method.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Notes to the Consolidated Financial Statements

2 Material accounting policy information (*continued*)

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases is recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements

3 Financial risk management

3.1 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, concentration risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects on the financial performance of the Group. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

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 PRC subsidiaries when receiving or to receive foreign currencies from overseas cooperated counterparties. For the Group's PRC subsidiaries whose functional currency is RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax loss would have been approximately RMB54,000 lower/higher for the year ended December 31, 2023 (2022: RMB246,000), as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD. The Group does not hedge against any fluctuation in foreign currency.

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 and other receivables denominated in RMB. If RMB had strengthened/weakened by 5% against USD with all other variables held constant, the post-tax loss would have been approximately RMB1,218,000 lower/higher for the year ended December 31, 2023 (2022: RMB1,281,000), as a result of net foreign exchange gains/losses on translation of cash and cash equivalents denominated in RMB.

(ii) Interest rate risk

Other than interest-bearing cash and cash equivalents and short-term bank deposits, the Group has no other significant interest-bearing assets or liabilities. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets and liabilities resulted from the changes in interest rates, because the interest rates of balances is not expected to change significantly.

(iii) Price risk

The Group is exposed to price risk because of investments held by the Group were classified on the consolidated statement of financial position as at fair value through profit or loss. The Group is not exposed to commodity price risk.

To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case-by-case basis.

The Group's financial assets at fair value through profit or loss and an associate measured at fair value through profit or loss are not held for trading and had not been elected to present fair value gains and losses in OCI. The sensitivity analysis is determined based on the exposure to price risk of financial assets at fair value through profit or loss and an associate measured at fair value through profit or loss at the end of the reporting period. If the fair values of the respective instruments held by the Group had been 5% higher/lower, the post-tax loss for the year ended December 31, 2023 would have been approximately RMB2,317,000 (2022: RMB2,916,000) lower/higher.

Notes to the Consolidated Financial Statements

3 Financial risk management (*continued*)

3.1 Financial risk factors (*continued*)

(b) Credit risk

The carrying amounts of cash and cash equivalents and deposits placed with banks and financial institutions, trade receivables and notes receivables, contract assets and other receivables (including loans) included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

(i) Risk management

To manage risk of cash and cash equivalents, bank deposits, and bank acceptance notes receivables, these assets are mainly placed with reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

For trade receivables, a significant portion of trade receivables at the end of each reporting period was due from those game distribution channels and film publishers in cooperation with the Group. If the strategic relationship with game distribution channels and film publishers is terminated or scaled-back; or if the co-operative arrangements with the game distribution channels and film publishers are altered; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the game distribution channels and film publishers to ensure the effective credit control.

For other receivables, the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward-looking information.

During the year ended December 31, 2023, the Group purchased and held cryptocurrencies through a licensed custodian agent (the "**Custodian Agent**"). Any regularly way purchase or sale of cryptocurrencies would be done through the Custodian Agent and the Group would be exposed to credit risk for deposits made for purchase or receivables from sale of cryptocurrencies. The Group has regularly reviewed and monitored the credit risk of the Custodian Agent. In this regard, the management considered that the Group's credit risk on the Custodian Agent is significantly reduced.

(ii) Impairment of financial assets

The Group has following major types of financial assets, which are subject to IFRS 9's expected credit loss model:

- trade receivables;
- contract assets; and
- other receivables.

While note receivables, cash and cash equivalents and short term deposit are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rate for trade receivables are a reasonable approximation of the loss rate for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before the reporting date, respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as of December 31, 2023 and 2022 was determined as follows for trade receivables and contract assets:

	Current RMB'000	0–30 days past due RMB'000	30–120 days past due RMB'000	More than 120 days past due RMB'000	Total RMB'000
As of December 31, 2023					
Expected loss rate	0.74%	2.17%	22.22%	98.54%	
Trade receivables	38,905	46	72	1,985	41,008
Contract assets	6,933	—	—	—	6,933
Less: allowance	338	1	16	1,956	2,311
	45,500	45	56	29	45,630
As of December 31, 2022					
Expected loss rate	0.61%	2.72%	28.32%	88.88%	
Trade receivables	4,724	184	113	2,060	7,081
Less: allowance	29	5	32	1,831	1,897
	4,695	179	81	229	5,184

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables and contract assets (continued)

The loss allowances for trade receivables and contract assets as of December 31, reconcile to the opening loss allowances as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Trade receivables and contract assets:		
At beginning of the year	(1,897)	(1,788)
Increase in loss allowance recognised in profit or loss during the year	(414)	(122)
Receivables written off during the year as uncollectible	—	13
At end of the year	(2,311)	(1,897)

Notes receivables

As of December 31, 2023, the Group holds notes receivables amounting to RMB8,000,000, which are accepted by the bank. According to the management's assessment, there is no significant credit risk. The notes receivables have been settled subsequent to the end of the reporting period.

Other receivables

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

The Group uses three categories for other receivables which reflect their credit risk and how the other receivables loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Group definition of category	Basis for recognition of ECL allowance
Stage 1	Credit risk is in line with original expectations;	12 month expected losses.
Stage 2	A significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if contractual repayments are 30 days past due;	Lifetime expected losses.
Stage 3 (Credit-impaired)	Contractual repayments are 60 days past due or Lifetime expected losses. it is becoming probable that a borrower will enter bankruptcy;	Lifetime expected losses.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables (continued)

The gross amount of other receivables as of December 31, 2023 and 2022 reconciles to the opening balance as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Opening balance as of January 1, 2022	4,015	—	23,169	27,184
Repayments	—	—	(2,206)	(2,206)
Additions	1,023	—	—	1,023
Closing balance as of December 31, 2022	5,038	—	20,963	26,001
Opening balance as of January 1, 2023	5,038	—	20,963	26,001
Repayments	(4,276)	—	—	(4,276)
Additions	13,893	—	—	13,893
Closing balance as of December 31, 2023	14,655	—	20,963	35,618

The loss allowance for other receivables as of December 31, 2023 and 2022 reconciles to the opening loss allowance as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Opening balance as of January 1, 2022	1,158	—	23,169	24,327
Provision for impairment	16	—	—	16
Repayments	—	—	(2,206)	(2,206)
Closing balance as of December 31, 2022	1,174	—	20,963	22,137
Opening balance as of January 1, 2023	1,174	—	20,963	22,137
Provision for impairment	2	—	—	2
Closing balance as of December 31, 2023	1,176	—	20,963	22,139

Trade receivables, contract assets and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Increase in loss allowance of receivables is presented as "net impairment (losses)/reversals on receivables and contract assets". Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

3 Financial risk management (*continued*)

3.1 Financial risk factors (*continued*)

(c) Concentration risk

For the Group's Game Business, there was a customer and no customer whose revenues individually represent greater than 10% of the total revenues of the Group among the license fee and technical support fee for the years ended December 31, 2023 and 2022, respectively. The Group has a large number of game players, no revenue from any individual game player exceeded 10% or more of the Group's revenue for the years ended December 31, 2023 and 2022. For the Group's Film Business, there was a customer and no customer whose revenues individually represent greater than 10% of the total revenues of the Group for the years ended December 31, 2023 and 2022, respectively.

Information about major customers

Revenue derived from customers that accounted for 10% or more of the Group's total revenue during the year are disclosed below:

	Year ended December 31,	
	2023	2022
Film publisher A	43.0%	N/A [#]
Game distribution channel A	N/A [#]	25.0%
Game distribution channel B	N/A [#]	14.6%
Game licensee A	18.0%	N/A [#]
	61.0%	39.6%

[#] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Details of trade receivable balances that represented over 10% of the respective total balances of the Group as of December 31, 2023 and 2022 are as follows:

	As of December 31,	
	2023	2022
Film publisher A	92.0%	N/A [#]
Game Distribution Channel A	N/A [#]	54.6%
Game Distribution Channel B	N/A [#]	5.6%
	92.0%	60.2%

[#] The corresponding trade receivables did not contribute over 10% of the total trade receivables of the Group.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the Group's businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Weighted average interest rate	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As of December 31, 2023					
Trade and other payables (excluding salary and staff welfare payables and other taxes payables)	—	16,870	—	—	16,870
Lease liabilities	4.30%	461	192	—	653
		17,331	192	—	17,523
	Weighted average interest rate	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As of December 31, 2022					
Trade and other payables (excluding salary and staff welfare payables and other taxes payables)	—	15,798	—	—	15,798
Lease liabilities	5.00%	1,720	1,219	1,098	4,037
		17,518	1,219	1,098	19,835

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to enhance shareholders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.2 Capital management (continued)

The Group monitors capital on the basis of the net cash/debt to equity ratio. This ratio is calculated as cash and liquid investments less gross debt, divided by total equity. The Group aims to maintain its net debt to equity ratio. The net cash/debt to equity ratios at December 31, 2023 and 2022 were as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cash and liquid investments	77,668	116,371
Gross debt	(645)	(3,449)
Net cash	77,023	112,922
Total equity	247,660	262,406
Net cash to equity ratio	31.10%	43.03%

Note 35(b) provides details about the calculation of net cash/debt.

3.3 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 December 31, 2023 and 2022.

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2023				
Assets				
An associate measured at fair value through profit or loss	—	—	20,486	20,486
Financial assets at fair value through profit or loss — Unlisted securities	—	—	31,473	31,473
	—	—	51,959	51,959

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(i) Fair value hierarchy (continued)

Recurring fair value measurements	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2022				
Assets				
An associate measured at fair value through profit or loss	—	—	35,303	35,303
Financial assets at fair value through profit or loss				
— Unlisted securities	—	—	31,037	31,037
	—	—	66,340	66,340

There were no transfers between levels 1, 2 and 3 during the years ended December 31, 2023 and 2022.

(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.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation of the investments on a case by case basis. At least once a year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- 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 FVPL is included in level 3.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.3 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 years ended December 31, 2023 and 2022, respectively.

	An associate at fair value through profit or loss RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Opening balance as of January 1, 2022	44,725	38,331	83,056
Additions	—	14,520	14,520
Transfer from film rights and films in progress	—	8,489	8,489
Capital reduction	(6,221)	—	(6,221)
Disposals	—	(18,069)	(18,069)
Losses recognised in other losses—net	(3,201)	(12,234)	(15,435)
Closing balance as of December 31, 2022	35,303	31,037	66,340
Opening balance as of January 1, 2023	35,303	31,037	66,340
Capital reduction	(12,226)	—	(12,226)
Disposals	—	(1,000)	(1,000)
(Losses)/gains recognised in other losses—net	(2,591)	1,436	(1,155)
Closing balance as of December 31, 2023	20,486	31,473	51,959

(iv) Valuation inputs and relationships to fair value

The components of the level 3 instruments include investments in unlisted 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.

As of December 31, 2023

	As of December 31, 2023	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Sensitivity of fair value to the input
Unlisted securities	21,973	Discounted cash flow model	Discount rate	20%–23%	Note (a)
			Compound annual growth rate of revenue	5%	
			Discount for lack of marketability	20%	
			Volatility	41%	
	9,500	Market approach	Recent transaction price	N/A	N/A
An associate measured at fair value through profit or loss	20,486	Note 3.3 (ii)	Note (b)	N/A	Note (b)

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(iv) Valuation inputs and relationships to fair value (continued)

As of December 31, 2022

	As of December 31, 2022	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Sensitivity of fair value to the input
Unlisted securities	21,468	Discounted cash flow model	Discount rate	20%-23%	Note (a)
			Compound annual growth rate of revenue	6%	
			Discount for lack of marketability	20%	
			Volatility	41%	
	9,569	Market approach	Recent transaction price	N/A	N/A
An associate measured at fair value through profit or loss	35,303	Note 3.3 (ii)	Note (b)	N/A	Note (b)

Notes:

- (a) The following table summarises the quantitative information about the significant unobservable inputs used level 3 fair value measurements.

As of December 31, 2023

Key unobservable inputs	Range of inputs	Change	Fair value increase/ (decrease) for the year ended December 31, 2023 RMB'000
Discount rate	20%-23%	-1% +1%	425 (469)
Compound annual growth rate of revenue	5%	-5% +5%	(610) 557
Discount for lack of marketability	20%	-5% +5%	254 (256)
Volatility	41%	-5% +5%	7 (10)

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(iv) Valuation inputs and relationships to fair value (continued)

As of December 31, 2022 (continued)

Notes: (continued)

- (a) The following table summarises the quantitative information about the significant unobservable inputs used level 3 fair value measurements. (continued)

As of December 31, 2022

Key unobservable inputs	Range of inputs	Change	Fair value increase/ (decrease) for the year ended December 31, 2022 RMB'000
Discount rate	20%-23%	-1% +1%	388 (382)
Compound annual growth rate of revenue	6%	-5% +5%	(583) 579
Discount for lack of marketability	20%	-5% +5%	249 (250)
Volatility	41%	-5% +5%	20 (20)

- (b) The unobservable inputs which significantly impacted the fair value are the NAV 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 December 31, 2023, the fair value as of December 31, 2023 would increase/decrease by RMB1,024,000 (2022: RMB1,765,000).

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimates of the Player Relationship Period

As described in Note 2.21(i), the Group recognises revenue from permanent ownership virtual items ratably over the Player Relationship Period. The determination of the Player Relationship Period in each game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual or quarterly basis. Any adjustments arising from changes in the Player Relationship Period as a result of updated information will be accounted for prospectively as a change in accounting estimate.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgements (*continued*)

4.1 Critical accounting estimates and assumptions (*continued*)

(b) Fair value of Level 3 financial assets

As mentioned in Note 3.3, the fair value of Level 3 financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow and NAV approach for various financial assets measured at FVPL that are not traded in active markets.

(c) Recoverable amount of film rights and films in progress

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period in accordance with the accounting policies stated in Note 2.9. In determining whether impairment indicator existed and the recoverable amount of film rights and films in progress, the Group makes assessment on a film-by-film basis and takes into consideration both internal and external market information, for example, the production schedule of the online drama, the sales forecasts, the production budget and the general economic condition of the relevant markets.

Based on management assessments on the recoverability of film rights and films in progress (Note 20), no impairment on film rights and films in progress was charged to administrative expenses for the year ended December 31, 2023 (2022: RMB3,271,000).

4.2 Critical judgements in applying the Group's accounting policies

(a) Revenue recognition of certain games

As mentioned in Note 2.21, revenue is immediately recognised when the consumable items are consumed or expired, or ratably recognised during their life periods for the permanent ownership items. In the case that the Group does not possess relevant data and information to differentiate between revenues attributable to permanent ownership and consumable virtual items of a specific game, revenues from both the permanent ownership and consumable virtual items are deferred and recognised ratably over the expected Player Relationship Period of the specific game.

(b) Accounting for cryptocurrencies

IFRSs do not specifically address accounting for cryptocurrencies. Accordingly, for the financial reporting purposes, management needs to apply judgement in determining appropriate accounting policies based on the facts and circumstances of the Group's acquisition and holding of cryptocurrencies.

Given the Group's purpose for holding cryptocurrencies, management considered that cryptocurrencies purchased and held by the Group should be accounted for as indefinite-lived intangible assets under the cost model.

As disclosed in Note 19, in determining fair values used for impairment tests, management needs to apply judgement to identify the relevant available markets for trading of cryptocurrencies, and to consider accessibility to and activity within those markets in order to identify the principal cryptocurrency markets to ascertain the respective fair market values.

Notes to the Consolidated Financial Statements

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 Group 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.

The Group identifies two continuing operations segments and one discontinued operation segment as follows:

— **Continuing operations**

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

— **Discontinued operation**

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

The CODM assesses the performance of the operating segments based on the operating (loss)/profit of each reporting segments. The reconciliation of operating loss to loss before income tax is shown in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

Segment revenue and result

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Continuing operations:		
Segment revenue:		
Game Business		
— Sales of in-game virtual items	43,238	65,975
— License fee and technical support fee	26,896	523
	70,134	66,498
Film Business		
— Licensing and production of online dramas and others	65,372	4,559
	135,506	71,057
Segments results — operating (loss)/profit:		
— Game Business	(23,690)	(39,583)
— Film Business	2,265	(4,725)
	(21,425)	(44,308)
Discontinued operation:		
Food Business		
Segment revenue	—	58,392
	—	(2,568)

Segment assets and liabilities

The CODM does not review the segment assets and liabilities for the purposes of allocating resources to segments and assessing their performance. Therefore, no segment assets and liabilities are presented.

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

Other segment information

Amounts included in the measure of segment loss:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Depreciation of property, plant and equipment		
— Game Business	338	626
— Film Business	—	—
	338	626
Depreciation of right-of-use assets		
— Game Business	1,397	3,284
— Film Business	188	838
	1,585	4,122
Amortisation of intangible assets		
— Game Business	2,629	3,813
— Film Business	—	—
	2,629	3,813
Impairment of intangible assets		
— Game Business	7,018	2,680
— Film Business	—	—
	7,018	2,680

Geographical information

A breakdown of revenue derived from the PRC, South Korea and other overseas countries and regions for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Revenue from external customers:		
— PRC	107,222	43,350
— South Korea	17,790	25,124
— Other overseas countries and regions	10,494	2,583
	135,506	71,057

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

Geographical information (continued)

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

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
— PRC	16,638	80,420
— Hong Kong	20,167	—
— South Korea	152	1,182
	36,957	81,602

A breakdown of revenue derived from the transfer of goods and services over time and at a point in time for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers:		
— Recognised over time	53,618	70,203
— Recognised at a point in time	81,888	854
	135,506	71,057

6 Other operating income—net

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Bad debt recovered	317	—
Foreign exchange (losses)/gains, net	(452)	627
Gains on clearance of long aging payables	—	2,034
Gains on disposals of property, plant and equipment	210	34
Gains on lease termination	137	—
Government subsidies (Note)	1,908	1,136
Write-off of property, plant and equipment	(1,338)	—
Others	61	388
	843	4,219

Note:

Government grants represented immediate financial support granted by the local governments. There were no specific conditions attached to the grants and the amounts were recognised in profits or loss upon the receipt of relevant grants.

Notes to the Consolidated Financial Statements

7 Other losses—net

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Fair value gains/(losses) from financial assets at fair value through profit or loss	1,436	(12,234)
Dividend income from financial assets at fair value through profit or loss	220	1,152
Fair value loss from an associate measured at fair value through profit or loss	(2,591)	(3,201)
	(935)	(14,283)

8 Expenses by nature

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Service charges by game distribution channels	10,640	18,538
Content fees to game developers	6,266	8,128
Bandwidth and server custody fees	4,981	6,318
Cost of film rights licensed and production of films (Note 20)	54,727	—
Film production costs and other film business cost	4,452	148
Employee benefit expenses (excluding share-based compensation expenses) (Note 9(a))	47,575	53,100
Share-based compensation expenses (Note 9(a))	64	259
Depreciation of property, plant and equipment (Note 17)	338	626
Depreciation of right-of-use assets (Note 18)	1,585	4,122
Amortisation and impairment of intangible assets (Note 19)	9,647	6,493
Net impairment losses/(reversals) on receivables and contract assets (Note 23, 24 and 31(a))	416	(2,068)
Impairment of film rights and films in progress (Note 20)	—	3,271
Write-off of prepayment	377	—
Promotion and advertising expenses	1,692	5,724
Travelling and entertainment expenses	1,186	1,029
Office rental expenses	1,562	837
Other professional service fees	7,093	7,403
Game development outsourcing costs	429	381
Utilities and office expenses	1,247	1,330
Auditors' remuneration		
— Audit related services	1,440	2,200
— Non-audit related services	774	900
Others	1,283	845
Total	157,774	119,584

Notes to the Consolidated Financial Statements

9 Employee benefit expenses

(a) Employee benefit expenses

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	39,130	43,064
Pension costs — defined contribution plans	3,672	2,988
Other social security costs, housing benefits and other employee benefits	4,773	7,048
Share-based compensation expenses	64	259
	47,639	53,359

Employees of the group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments. The Group contributes funds which are calculated on fixed percentage of 16% of the employees' salary (subject to a floor and cap) as set by local municipal governments to the scheme locally to fund the retirement benefits of the employees.

(b) Five highest paid individuals

For the year ended December 31, 2023, the 5 individuals whose emoluments were the highest in the Group include 3 (2022: 4) directors whose emoluments are reflected in the analysis presented in Note 33(a). The aggregate amounts of emoluments for the remaining 2 (2022: 1) individuals for each of the years ended December 31, 2023 and 2022 are set out below:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Salaries	1,104	721
Bonuses	—	80
Pension costs — defined contribution plans	82	37
Other social security costs, housing benefits and other employee benefits	128	65
Share-based compensation expenses	5	80
	1,319	983

The emoluments payable to the individual for the years ended December 31, 2023 and 2022 fell within the following bands:

	Year ended December 31,	
	2023	2022
Emoluments band		
HKD1,000,001 to HKD1,500,000	2	1

Notes to the Consolidated Financial Statements

10 Finance income/(costs)—net

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Finance income		
Interest income on bank deposits	1,572	1,135
Finance costs		
Interest cost on lease liabilities	(88)	(163)
Interest cost on bank borrowings	—	(1,115)
Foreign exchange gains/(losses)	587	(63)
Finance income/(costs)—net	2,071	(206)

11 Income tax (credit)/expense

The income tax (credit)/expense of the Group for each of the years ended December 31, 2023 and 2022 is analysed as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Current income tax		
— Current income tax of this year	7	10
Deferred tax (Note 32)	(8)	—
Income tax (credit)/expense	(1)	10

(a) Cayman Islands income tax

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.

(b) Hong Kong Profits Tax

The Group is not subject to Hong Kong Profits Tax on foreign-sourced income, dividends and capital gains. The subsidiaries incorporated in Hong Kong were subject to 16.5% income tax for the years ended December 31, 2023 and 2022 on its taxable profits generated from operations in Hong Kong. Payment of dividends is not subject to withholding tax in Hong Kong.

(c) PRC Enterprise Income Tax (“EIT”)

Based on the existing legislation, interpretations and practices in respect thereof, the income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended December 31, 2023 and 2022, except for certain subsidiaries. The applicable schedules of preferential income tax rate for these subsidiaries are as follows:

- Horgos Linekong Pictures Corporation (“**Horgos Pictures**”) was entitled to a preferential income tax rate of 12.5% in 2023 and 2022 under the relevant PRC tax rules and regulations
- Linekong Online was qualified as “High and New Technology Enterprises” and entitled to a preferential income tax rate of 15% in 2023 and 2022.

Notes to the Consolidated Financial Statements

11 Income tax (credit)/expense (continued)

(c) PRC Enterprise Income Tax (“EIT”) (continued)

- Tianjin Baba Liusi Network Technology Co., Ltd. (“**Tianjin Baba Liusi**”) was qualified as “High and New Technology Enterprises” and entitled to a preferential income tax rate of 15% in 2023 and 2022.
- Horgos Chenxi Entertainment and Media Co., Ltd. (“**Horgos Chenxi**”) was established in 2020 and exempted from income taxes under the relevant PRC tax rules and regulations 2023 and 2022.
- Horgos Linekong Pictures Culture Co., Ltd (“**Horgos Pictures Culture**”) was established in 2020 and exempted from income taxes under the relevant PRC tax rules and regulations 2023 and 2022.
- Horgos Juying Shiguang Pictures Culture Co. (“**Horgos Juying Shiguang**”) was established in 2020 and exempted from income taxes under the relevant PRC tax rules and regulations 2023 and 2022.

According to a policy promulgated by the State Tax Bureau of the PRC, enterprises engaged in research and development activities are entitled to claim 200% (2022: 200%) of the research and development expenses incurred as tax deductible expenses in determining tax assessable profits (“**Super Deduction**”) for the years ended December 31, 2023 and 2022. Several PRC subsidiaries of the Group have claimed such Super Deductions in ascertaining their tax assessable profits/(losses) for the years ended December 31, 2023 and 2022.

(d) PRC withholding Tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant WHT rate will be reduced from 10% to 5%.

As of December 31, 2023, no retained earnings of subsidiaries within the Group have ever been remitted to the Company. The Group does not have any plan to conduct this remittance in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period. As of December 31, 2023 and 2022, the PRC Operational Entities did not have available undistributed profits to be remitted to the Company.

Notes to the Consolidated Financial Statements

11 Income tax (credit)/expense (continued)

(d) PRC withholding Tax (“WHT”) (continued)

The tax on the Group’s loss before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss before income tax of consolidated entities in the respective jurisdictions as follows:

	Year ended December 31,	
	2023	2022
	RMB’000	RMB’000
Loss before income tax	(16,997)	(58,451)
Tax calculated at statutory income tax rates applicable to loss before income tax of the consolidated entities in their respective jurisdictions (Note (i))	(4,499)	(15,181)
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	2,539	5,066
Income not subject to tax	(2,524)	(3,777)
Super Deduction for research and development expenses	(4,813)	(2,533)
Expenses not deductible for tax purposes:		
— Share-based compensation	16	65
— Others	304	1,964
Unrecognised temporary differences and tax losses (Note (ii))	8,969	14,396
Income tax paid outside the territory which is not deducted from resident enterprise income tax payable	7	10
Income tax (credit)/expense	(1)	10

Notes:

- (i) The Company is exempted from Cayman Islands income tax. As such, the operating results reported by the Company on a standalone basis, are not subject to any income tax.
- (ii) The Group has assessed the realisation of deductible temporary differences and unused tax losses for each Group entity as of December 31, 2023 and 2022. The temporary differences including tax losses of several subsidiaries were not recognised due to insufficient future taxable profits being available at each of these entities.

Notes to the Consolidated Financial Statements

12 Loss per share

(a) Basic

Basic loss per share for the years ended December 31, 2023 and 2022 is calculated by dividing:

- (i) the loss of the Group attributable to the owners of the Company of the year; and
- (ii) the weighted average number of ordinary shares outstanding during the year, adjusted for excluding shares held for the RSU scheme.

	Year ended December 31,	
	2023	2022
Loss attributable to owners of the Company (RMB'000)		
— Continuing operations	(17,426)	(57,961)
— Discontinued operation	—	(2,683)
	(17,426)	(60,644)
Weighted average number of ordinary shares in issue (thousand shares)	349,623	349,170
Basic loss per share (expressed in RMB per share)		
— Continuing operations	(0.05)	(0.16)
— Discontinued operation	—	(0.01)
	(0.05)	(0.17)

(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 years ended December 31, 2023 and 2022, the Company had two categories of potential ordinary shares, RSUs and share options granted to eligible person. As the Group incurred a loss for the years ended December 31, 2023 and 2022, the potential ordinary shares were not included in the calculation of dilutive loss per share where their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2023 and 2022 are the same as basic loss per share of the years.

Notes to the Consolidated Financial Statements

13 Discontinued operation

From the second quarter of 2022, the Group entered into the Food Business as an initial exploration stage. Upon reviewing the Group's long-term development plan and overall business strategy, and to maximise its resources in the continuous development of its core businesses being the Game Business and Film Business, the Company decided to cease further exploration of the Food Business. A subsidiary of the Company, Beijing Xingmanchu Technology Co., Ltd. ("Xingmanchu") operating the Food Business was disposed of for cash consideration of RMB1,800,000 on December 12, 2022 (the "Transfer Date").

	As at Transfer Date RMB'000
Cash consideration on the disposal of Food Business	1,800
Waiver of receivables due from Xingmanchu:	(3,789)
Less: net liabilities of Xingmanchu (Note (i))	1,887
	<hr/>
Loss on disposal of Food Business before tax	(102)
Less: Income tax expense arising from the disposal of Food Business	—
	<hr/>
Loss on disposal of Food Business recognised in the consolidated statement of profit or loss and other comprehensive income	(102)
	<hr/>
<i>Note:</i>	
(i)	
	As at Transfer Date RMB'000
Net liabilities disposed of:	
Cash and cash equivalents	3,233
Trade receivables	4,270
Inventory	1,896
Other assets	4,753
Trade and other payables	(16,039)
	<hr/>
	(1,887)
	<hr/>
	For the period from January 1, 2022 to Transfer Date RMB'000
Revenue	58,392
Expenses [#]	(60,971)
	<hr/>
Loss before income tax from discontinued operation	(2,579)
Income tax expenses	(2)
	<hr/>
Loss for the period of discontinued operation	(2,581)
	<hr/>
Loss on disposal of Food Business	(102)
	<hr/>
Loss for the period from discontinued operation	(2,683)
	<hr/>

[#] Expenses included an amount of approximately RMB32,129,000 relating to cost of inventories sold.

Notes to the Consolidated Financial Statements

13 Discontinued operation (*continued*)

	For the period from January 1, 2022 to Transfer Date RMB'000
Net cash outflow from operating activities	(1,542)
Cash outflow from disposal of Food Business (Note)	(2,333)
Net cash outflow from investing activities	(2,333)
Net cash outflow from financing activities	—
Net cash outflow from discontinued operation for the year	(3,875)
<i>Note:</i>	
	As at Transfer Date RMB'000
Cash consideration on the disposal of Food Business	1,800
Less: Cash consideration receivable from disposal of Food Business	(900)
Cash and cash equivalents included in disposed business	(3,233)
Net cash outflow	(2,333)

Notes to the Consolidated Financial Statements

14 Subsidiaries

The following is a list of the principal subsidiaries (including structured entities) as of December 31, 2023:

Company Name	Kind of legal entity	Place and date of incorporation/ establishment	Issued and paid-in capital/registered capital	Equity Interest Held	Principal activities and place of operation
(a) Directly held by the Company:					
Linekong Online (Beijing) Internet Technology Co., Ltd.	Limited liability company	PRC/April 14, 2008	USD35,000,000	100%	Technology consulting and services/ PRC
Linekong Holdings Limited	Limited liability company	BVI/January 8, 2014	USD1	100%	Investment holdings/BVI
Creative Ace Limited	Limited liability company	Cayman Islands/ June 17, 2015	USD50,000	100%	Investment holdings/Cayman Islands
(b) Indirectly held by the Company:					
Linekong Asia Co., Limited	Limited liability company	Hong Kong/ March 27, 2014	HKD10,000	100%	Investment holdings/Hong Kong
Linekong Korea Co., Ltd.	Limited liability company	South Korea/ April 16, 2014	KRW100,000,000	100%	Game operation, research and development/South Korea
Ace Incorporation Limited	Limited liability company	Hong Kong/ September 4, 2015	HKD1	100%	Investment holdings/Hong Kong
(c) Controlled by the Company pursuant to the Contractual Agreements:					
Linekong Online (Beijing) Technology Co., Ltd.	Limited liability company	PRC/ March 30, 2007	RMB10,000,000	100%	Game operation, research and development/PRC
Shouyoutong (Beijing) Technology Co., Ltd.	Limited liability company	PRC/ August 26, 2011	RMB10,000,000	100%	Game operation/PRC
Beijing Zhixun Tiantong Technology Co., Ltd.	Limited liability company	PRC/ June 13, 2012	RMB1,000,000	100%	Game research and development/ PRC
Tianjin Baba Liusi Network Technology Co., Ltd.	Limited liability company	PRC/ December 26, 2012	RMB10,000,000	100%	Game operation/PRC
Beijing Zhixun Tiantong Information Technology Co., Limited	Limited liability company	PRC/ May 20, 2014	RMB2,000,000	100%	Game research and development/ PRC
Beijing Lanhuji Technology Co., Limited	Limited liability company	PRC/ May 29, 2014	RMB10,000,000	100%	Game research and development/ PRC
Beijing Quweizhijian Network Technology Co., Limited	Limited liability company	PRC/ July 25, 2014	RMB10,000,000	100%	Game research and development/ PRC
Beijing Feng and Long Interactive Culture Co., Limited	Limited liability company	PRC/ June 5, 2015	RMB12,500,000	100%	Game operation, research and development/PRC
Horgos Linekong Pictures Corporation	Limited liability company	PRC/ June 14, 2016	RMB50,000,000	82.19%	Film and television drama series production and distribution/PRC

Notes to the Consolidated Financial Statements

14 Subsidiaries (continued)

The following is a list of the principal subsidiaries (including structured entities) as of December 31, 2023: (continued)

Company Name	Kind of legal entity	Place and date of incorporation/ establishment	Issued and paid-in capital/registered capital	Equity Interest Held	Principal activities and place of operation
(c) Controlled by the Company pursuant to the Contractual Agreements: (continued)					
Linekong Interactive Entertainment Film (Beijing) Co., Limited	Limited liability company	PRC/ August 8, 2016	RMB3,000,000	82.19%	Film and television drama series production and distribution/PRC
Joinus Pictures Culture Media Co., Ltd. (Note (i))	Limited liability company	Hong Kong/ January 19, 2018	HKD5,000,000	—	Film and television drama series production and distribution/PRC
Duobianxing (Hainan) Internet Technology Co., Ltd.	Limited liability company	PRC/ December 9, 2019	RMB10,000,000	100%	Game operation, research and development/PRC
Horgos Chenxi Entertainment and Media Co., Ltd.	Limited liability company	PRC/ May 14, 2020	RMB1,000,000	60%	Artists management services/PRC
Juying Shiguang (Hainan) Pictures TV Co.	Limited liability company	PRC/ April 23, 2020	RMB2,000,000	84.5%	Film and television drama series production and distribution/PRC
Horgos Juying Shiguang Pictures Culture Co.	Limited liability company	PRC/ June 15, 2020	RMB3,000,000	84.5%	Literary and artistic creation/PRC
Horgos Linekong Pictures Culture Co., Ltd.	Limited liability company	PRC/ June 12, 2020	RMB3,000,000	82.19%	Film and television drama series production and distribution/PRC
Xingmantian (Hainan) Internet Technology Co., Ltd.	Limited liability company	PRC/ September 28, 2020	RMB10,000,000	100%	Game operation, research and development/PRC
Shanghai Quweizhijian Enterprise Management Co., Ltd. (Note (ii))	Limited liability company	PRC/ December 3, 2021	RMB20,000	100%	Enterprise management consulting/ PRC

Note:

- (i) Joinus Pictures Culture Media Co., Ltd. was dissolved on February 17, 2023.
- (ii) Shanghai Quweizhijian Enterprise Management Co., Ltd. was dissolved on August 16, 2023.

15 Investments using equity accounting

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Beginning of the year	33,240	30,694
Share of profit	3,292	346
Share of other comprehensive income	440	2,200
End of the year	36,972	33,240

Notes to the Consolidated Financial Statements

15 Investments using equity accounting (continued)

Name	Principal activities/country of incorporation	% Interest held as of	
		December 31, 2023	2022
Fuze	Smart device development and sale/Cayman Islands	36.82%	36.82%

Summarised financial information for associates

(i) Set out below is the summarised financial information of Fuze

Summarised statement of financial position

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Current assets	79,210	95,730
Non-current assets	27,326	668
Current liabilities	(6,122)	(6,122)
Net assets	100,414	90,276

Summarised statement of profit or loss and other comprehensive income

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue	—	340
Profit before income tax	8,943	941
Net profit	8,943	941
Other comprehensive income	1,195	5,973
Total comprehensive income	10,138	6,914
Total comprehensive income, the Group's share	3,732	2,546

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in Fuze.

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Net assets of the associate	100,414	90,276
Net assets of the associate, the Group's share	36,972	33,240
Goodwill	69,300	69,300
Impairment loss	(69,300)	(69,300)
Carrying value	36,972	33,240

Notes to the Consolidated Financial Statements

16 An associate measured at fair value through profit or loss

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Unlisted fund	20,486	35,303

Name	Principal activities/country of incorporation	% Interest held as of	
		December 31,	2022
		2023	
Suzhou Ji Ke Bang Undertaking Investment Partnership Enterprise (the "Jikebang Fund")	Investment holding as a private equity fund/PRC	25.77%	25.77%

Note:

Jikebang Fund is not traded on an active market, and its fair value is determined using valuation techniques as disclosed in Note 3.3. The fair value is within level 3 of the fair value hierarchy.

Changes in fair value of an associate measured at fair value through profit or loss are recorded in "other losses—net" in the consolidated statement of profit or loss and other comprehensive income (Note 7).

Notes to the Consolidated Financial Statements

17 Property, plant and equipment

	Furniture and office equipment RMB'000	Servers and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Total RMB'000
As of January 1, 2022						
Cost	3,993	14,696	2,607	5,881	—	27,177
Accumulated depreciation	(3,835)	(14,051)	(2,586)	(5,881)	—	(26,353)
Net book amount	158	645	21	—	—	824
Year ended December 31, 2022						
Opening net book amount	158	645	21	—	—	824
Additions	353	71	—	—	702	1,126
Depreciation	(376)	(239)	(11)	—	—	(626)
Disposal	(10)	—	—	—	—	(10)
Foreign exchange adjustments	—	12	—	—	—	12
Closing net book amount	125	489	10	—	702	1,326
As of December 31, 2022						
Cost	4,278	14,843	2,607	5,881	702	28,311
Accumulated depreciation	(4,153)	(14,354)	(2,597)	(5,881)	—	(26,985)
Net book amount	125	489	10	—	702	1,326
Year ended December 31, 2023						
Opening net book amount	125	489	10	—	702	1,326
Additions	639	—	—	99	453	1,191
Depreciation	(248)	(26)	—	(64)	—	(338)
Disposal	(134)	(18)	—	—	(135)	(287)
Write-off	(7)	(365)	—	(779)	(187)	(1,338)
Foreign exchange adjustments	—	12	—	—	—	12
Transfer	—	—	—	833	(833)	—
Closing net book amount	375	92	10	89	—	566
As of December 31, 2023						
Cost	4,671	10,120	2,607	99	—	17,497
Accumulated depreciation	(4,296)	(10,028)	(2,597)	(10)	—	(16,931)
Net book amount	375	92	10	89	—	566

Notes to the Consolidated Financial Statements

17 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Furniture and office equipment	3 years
Server and other equipment	3–5 years
Motor vehicles	5 years
Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter

Depreciation charges were expensed in the following categories in the consolidated statement of profit or loss and other comprehensive income:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of revenue	131	529
Administrative expenses	161	66
Selling and marketing expenses	9	6
Research and development expenses	37	25
	338	626

18 Leases

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Right-of-use assets		
Leased offices	613	3,992
Lease liabilities		
Current	453	1,338
Non-current	192	2,111
	645	3,449

Additions to the right-of-use assets during the year ended December 31, 2023 were RMB865,000 (2022: RMB3,522,000).

Rental contracts are typically made for fixed periods of 2 to 3 years. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

18 Leases (continued)

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Leased offices	1,585	4,122
Interest expense (included in finance income/ (costs)—net)	88	163
Expenses relating to short-term leases	1,562	868

The total cash outflow for leases in 2023 was RMB2,658,000 (2022: RMB4,878,000).

Notes to the Consolidated Financial Statements

19 Intangible assets

	Trademarks and licenses RMB'000	Computer software RMB'000	Cryptocurrencies RMB'000	Total RMB'000
As of January 1, 2022				
Cost	68,690	6,337	—	75,027
Accumulated impairment	(5,966)	—	—	(5,966)
Accumulated amortisation	(48,126)	(6,139)	—	(54,265)
Net book amount	14,598	198	—	14,796
Year ended December 31, 2022				
Opening net book amount	14,598	198	—	14,796
Additions	688	77	—	765
Amortisation	(3,553)	(260)	—	(3,813)
Impairment (Note)	(2,680)	—	—	(2,680)
Foreign exchange adjustments	545	—	—	545
Closing net book amount	9,598	15	—	9,613
As of December 31, 2022				
Cost	59,734	6,427	—	66,161
Accumulated impairment	(3,367)	—	—	(3,367)
Accumulated amortisation	(46,769)	(6,412)	—	(53,181)
Net book amount	9,598	15	—	9,613
Year ended December 31, 2023				
Opening net book amount	9,598	15	—	9,613
Additions	—	71	20,067	20,138
Amortisation	(2,548)	(81)	—	(2,629)
Impairment (Note)	(7,018)	—	—	(7,018)
Foreign exchange adjustments	138	—	100	238
Closing net book amount	170	5	20,167	20,342
As of December 31, 2023				
Cost	37,401	6,487	20,167	64,055
Accumulated impairment	(1,440)	—	—	(1,440)
Accumulated amortisation	(35,791)	(6,482)	—	(42,273)
Net book amount	170	5	20,167	20,342

Notes to the Consolidated Financial Statements

19 Intangible assets (continued)

Amortisation charges were expensed in the following categories in the consolidated statement of profit or loss and other comprehensive income:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of revenue	2,280	402
Administrative expenses	136	238
Research and development expenses	213	3,173
	2,629	3,813

Note:

Impairment

Trademarks and licenses

Assets subjected to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In 2023 and 2022, the performance of several games (the "Under-performed Games") in operation were much worse than expected which triggered a number of impairment tests. Based on the results of impairment tests, the expected income generated from the Under-performed Games were not expected to cover the future marketing expenses and operation costs, thus the Group made the decision to terminate the development and maintenance of the Under-performed Games, and made full impairment against the relevant intangible assets. Impairment charge of RMB663,000 and RMB2,680,000 were recognised in 2023 and 2022 based on the impairment test results, respectively.

In 2023, the Group considered one of the game is not able to generate future economic benefits. Thus, the Group made full impairment against the relevant intangible assets. Impairment charge of RMB6,355,000 were recognised in 2023.

Cryptocurrencies

Cryptocurrencies purchased and held by the Group have been assessed based on each type of cryptocurrencies for impairment testing. The Group carries out their impairment testing by comparing the recoverable amounts of cryptocurrencies to their carrying amounts. An impairment loss will be recognised when the recoverable amount is lower than the carrying amount, while a gain will not be recognised even when the recoverable amount is higher than the carrying amount. A gain will only be recognised if the cryptocurrency is disposed of, assuming the proceeds from disposal at that time is higher than its carrying amount.

The recoverable amount of each type of cryptocurrencies are determined based on fair value less costs of disposal. In determining the fair values, the relevant available markets are identified by the Group, and the Group consider accessibility to, and activity within those markets in order to identify the principal cryptocurrency markets for the Group. During the year ended December 31, 2023, the Group purchased approximately USD2,847,000 (equivalent to approximately RMB20,167,000) of Bitcoin. The fair value of Bitcoin traded in active markets (such as trading and exchange platforms) is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. Therefore, the fair value used for assessment of recoverable amount in impairment test is determined as quoted prices (unadjusted) in active markets for Bitcoin (Level 1).

As of December 31, 2023, the Group carried out impairment test for Bitcoin. Based on the results of the impairment test, the recoverable amount of Bitcoin is higher than its carrying amount of approximately RMB29,701,000, therefore no impairment loss was recognised.

Notes to the Consolidated Financial Statements

20 Film rights and films in progress

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Film rights and films in progress		
— Under production/production yet to commence	8,785	59,665
Beginning of the year	59,665	24,952
Additions	3,847	46,473
Transfer to financial assets at fair value through profit or loss	—	(8,489)
Recognised as cost of revenue	(54,727)	—
Impairment (Note)	—	(3,271)
End of the year	8,785	59,665

Note:

Impairment

In 2023 and 2022, production plans of certain online dramas were rescheduled or cancelled. For online dramas whose production plans were rescheduled, the expected income generated from certain film rights is not expected to cover the future marketing expense and production costs. The Group made impairment provisions against these film rights and films in progress based on the estimated recoverable amounts of the online dramas after taking account of the revised plans. The recoverable amount was determined by the estimated value in use. For those online dramas whose production plans were cancelled, the film rights were fully impaired. No impairment charge was recorded in 2023 (2022: impairment charge RMB3,271,000 was recorded) based on the results of the impairment test.

21 Financial instruments by category

	Financial assets at amortised cost RMB'000	Assets at fair value through profit or loss RMB'000	Total RMB'000
Assets			
As of December 31, 2023			
Trade receivables and notes receivables	46,704	—	46,704
Other receivables	13,479	—	13,479
Financial assets at fair value through profit or loss	—	31,473	31,473
An associate at fair value through profit or loss	—	20,486	20,486
Short-term bank deposits	28,391	—	28,391
Cash and cash equivalents	77,668	—	77,668
	166,242	51,959	218,201
As of December 31, 2022			
Trade receivables	5,184	—	5,184
Other receivables	3,864	—	3,864
Financial assets at fair value through profit or loss	—	31,037	31,037
An associate at fair value through profit or loss	—	35,303	35,303
Short-term bank deposits	32,128	—	32,128
Cash and cash equivalents	116,371	—	116,371
	157,547	66,340	223,887

Notes to the Consolidated Financial Statements

21 Financial instruments by category (continued)

	Liabilities at amortised cost RMB'000
Liabilities	
As of December 31, 2023	
Trade and other payables (excluding salary and staff welfare payables and other taxes payables)	16,870
Lease liabilities	645
	17,515
As of December 31, 2022	
Trade and other payables (excluding salary and staff welfare payables and other taxes payables)	15,798
Lease liabilities	3,449
	19,247

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

22 Financial assets at fair value through profit or loss

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Included in non-current assets		
Unlisted securities (Note)	31,473	31,037

Note:

There is no quoted market price available for the unlisted securities. The Group has determined the fair value of these investments based on estimated future cash flows method as disclosed in Note 3.3. The fair values are within level 3 of the fair value hierarchy.

23 Trade receivables and notes receivables

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Trade receivables	41,008	7,081
Loss allowance	(2,304)	(1,897)
	38,704	5,184
Notes receivables	8,000	—
	46,704	5,184
Total trade receivables and notes receivables	46,704	5,184

Notes to the Consolidated Financial Statements

23 Trade receivables and notes receivables (continued)

- (a) The revenue of the Group from the game distribution channels, third-party payment vendors, game publishers and film publishers are mainly made on credit terms determined on an individual basis with a normal period up to 60 days. Ageing analysis based on recognition date of the gross trade receivables at the end of the reporting period is as follows:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
0–60 days	38,905	4,724
61–90 days	46	184
91–180 days	72	113
181–365 days	55	423
over 1 year	1,930	1,637
	41,008	7,081

- (b) The carrying amount of the Group's trade receivables are denominated in the following currencies:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
RMB	38,483	3,279
USD	2,282	3,536
KRW	243	266
	41,008	7,081

- (c) Notes receivables represent notes acceptable by bank with maturity dates within six months. As of December 31, 2023, the Group's notes receivables were denominated in RMB.

The management of the Group considers that the notes receivables are issued by bank with high credit rating and the probability of default is low. Therefore, no impairment is considered necessary.

Notes to the Consolidated Financial Statements

24 Other receivables

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Current		
Loans to third parties and related interest (Note (a))	21,940	21,335
Receivable from capital reduction of an associate measured at fair value through profit or loss	10,035	—
Receivable from disposal of Food Business (Note 13)	900	900
Others	1,713	1,817
	34,588	24,052
Loss allowance (Note (b))	(22,139)	(22,137)
	12,449	1,915
Non-current		
Rental and other deposits	126	1,049
Others	904	900
	1,030	1,949

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% (2022: 15%-20%). The balance of these loans to third parties and related interest has been fully impaired as of December 31, 2023 and 2022.
- (b) Note 3.1(b) provides details about the calculation of the loss allowance.

25 Other assets

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Current		
Prepaid service charges to game distribution channels	8,384	8,098
Prepayments to game developers	5,247	8,916
Prepaid rental, advertising cost and others	2,393	2,964
Deductible value-added tax input	5,478	6,115
	21,502	26,093
Non-current		
Prepaid service charges by game distribution channels	325	433
Deductible value-added tax input (Note)	6,326	6,573
	6,651	7,006

Notes to the Consolidated Financial Statements

25 Other assets (continued)

Note:

The Group classified certain deductible value-added tax input to non-current assets based on the forecast utilisation of the deductible value-added tax input.

26 Cash and cash equivalents

	As of December 31, 2023	2022
	RMB'000	RMB'000
Cash and cash equivalents		
— Cash at bank and in hand	76,580	115,039
— Cash at other financial institutions	1,088	1,332
	77,668	116,371

Cash and cash equivalents are denominated in the following currencies:

	As of December 31, 2023	2022
	RMB'000	RMB'000
RMB	28,590	34,434
USD	39,446	70,948
HKD	9,253	10,218
Others	379	771
	77,668	116,371

27 Share capital and share premium

The authorised share capital of the Company has been designated as 2,000,000,000 ordinary shares with par value of USD0.000025 each since December 30, 2014.

	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000
Issued:					
As of January 1, 2022, December 31, 2022, January 1, 2023 and December 31, 2023	367,975	10	59	1,720,690	(10,555)

Notes to the Consolidated Financial Statements

28 Reserves

	Capital reserve RMB'000	Currency translation differences RMB'000	Statutory surplus reserve fund RMB'000 (Note)	Share-based compensation reserve RMB'000	Other reserves RMB'000	Total RMB'000
Balance as of January 1, 2022	(4,293)	88,690	18,039	289,625	1,793	393,854
Share of other comprehensive income of investments accounted for using equity method, net of tax (Note 15)	—	—	—	—	2,200	2,200
Employee share option and RSU scheme: — Value of employee services (Note 29)	—	—	—	259	—	259
Currency translation differences	—	17,101	—	—	—	17,101
Balance as of December 31, 2022	(4,293)	105,791	18,039	289,884	3,993	413,414
Balance as of January 1, 2023	(4,293)	105,791	18,039	289,884	3,993	413,414
Share of other comprehensive income of investments accounted for using equity method, net of tax (Note 15)	—	—	—	—	440	440
Employee share option and RSU scheme: — Value of employee services (Note 29)	—	—	—	64	—	64
Currency translation differences	—	1,746	—	—	—	1,746
Balance as of December 31, 2023	(4,293)	107,537	18,039	289,948	4,433	415,664

Note:

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, i.e., the PRC Operational Entities, it is required to appropriate 10% of the annual net profits of the PRC Operational Entities, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the entity, any further appropriation is at the discretion of the entity's shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory surplus reserve fund after such usage is no less than 25% of the entity's registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions in the Articles of Association of Beijing Linekong Online, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by Beijing Linekong Online to its reserve fund. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the annual net profit. When the balance of the reserve fund reaches 50% of the registered capital, such appropriation needs not to be made.

29 Share-based payments

(a) RSUs

Pursuant to a resolution passed by the Board of Directors of the Company on March 21, 2014, the Company set up a 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.

Notes to the Consolidated Financial Statements

29 Share-based payments (continued)

(a) RSUs (continued)

(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.

The 1,805,385 RSUs granted on January 18, 2017 are vested in 4 years: 25% on January 18, 2018 and 12.5% each on every six months from January 18, 2018. The RSUs are vested only if the grantees remain engaged by the Group.

The 1,300,000 RSUs granted on April 1, 2019, are vested as follows: 50% on the date of grant, 8.5% each on the date ending 6, 12, 18, 24 and 30 months from the grant date and 7.5% on the date ending 36 months from the grant date. The RSUs are vested only if the grantees remain engaged by the Group.

The 760,000 RSUs granted on August 16, 2019, are vested as follows: 25% on the date ending 12 months from the grant date, 12.5% on every six months from 12 months from the grant date. The RSUs are vested only if the grantees remain engaged by the Group.

The 3,680,000 RSUs granted on September 12, 2019, are vested as follows: 50% on January 1, 2020, 8.5% each on the date ending 6, 12, 18, 24 and 30 months from the grant date and 7.5% on the date ending 36 months from the grant date. The RSUs are vested only if the grantees remain engaged by the Group.

On May 17, 2021, 415,000 RSUs were granted to employees, which are vested as follows: 25% on May 17, 2022 and 12.5% each on every 6 months from May 17, 2022. The RSUs are vested only if the grantees remain engaged by the Group.

On May 17, 2021, 3,900,000 RSUs were granted to directors and senior management, which are vested as follows: 25% on the date of the grant date, 25% on January 1, 2022, 12.5% each on the date ending 6, 12, 18, 24 months from January 1, 2022. Except the 25% vested on the date of the grant date, the remaining RSUs are vested only if certain performance standards are met, and the grantees remain engaged by the Group.

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.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	Year ended December 31,	
	2023	2022
Beginning of the year	240,625	4,236,300
Lapsed	(36,250)	(3,081,250)
Vested	(138,750)	(914,425)
End of the year	<u>65,625</u>	<u>240,625</u>

As of December 31, 2023, 36,531,919 (2022: 36,393,169) RSUs have been vested unconditionally.

Notes to the Consolidated Financial Statements

29 Share-based payments (continued)

(a) RSUs (continued)

(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.

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 138,750 RSUs during the year ended December 31, 2023, costs of these RSUs totalling approximately RMB25 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.

The exercise price of the option shall be determined by the Board of Directors of the Company, and which shall not be less than the higher of:

- (1) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (2) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (3) the nominal value of the shares.

(i) Grant of share options

On January 18, 2017, 9,225,000 share options with an exercise price of HKD3.10 per share option were granted. The vesting period of the share options granted is 4 years. The vesting schedule starts with 25% on the date 12 months after the grant date and 12.5% every six months thereafter. The options are vested only if the grantees remain engaged by the Group.

On April 1, 2019, 1,300,000 share options with an exercise price of HKD0.88 per share option were granted. The vesting schedule starts with 50% on the date of grant, 8.5% each on the date 6, 12, 18, 24 and 30 months after the grant date and 7.5% on the date 36 months after the grant date. The options are vested only if the grantees remain engaged by the Group.

Notes to the Consolidated Financial Statements

29 Share-based payments (continued)

(b) Share options (continued)

(i) Grant of share options (continued)

On August 16, 2019, 860,000 share options with an exercise price of HKD0.65 per share option were granted. The vesting schedule starts with 25% on the date 12 months after the grant date and 12.5% every six months thereafter. The options are vested only if the grantees remain engaged by the Group.

On May 17, 2021, 845,000 share options with an exercise price of HKD0.784 per share option were granted to employees, which are vested as follows: 25% on May 17, 2022 and 12.5% each on every 6 months from May 17, 2022. The options are vested only if the grantees remain engaged by the Group.

On May 17, 2021, 2,800,000 share options with an exercise price of HKD0.784 per share option were granted to directors and senior management, which are vested as follows: 25% on the date of the grant date, 25% on January 1, 2022, 12.5% each on the date ending 6, 12, 18, 24 months from January 1, 2022. Except the 25% vested on the date of the grant date, the remaining options are vested only if certain performance standards are met, and the grantees remain engaged by the Group.

The option period for all share options shall be ten years commencing from the respective 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:

	Year ended December 31,			
	2023		2022	
	Average Exercise Price	Number of share options	Average Exercise Price	Number of share options
Beginning of the year	HKD3.84	10,793,548	HKD3.29	13,141,048
Lapsed	HKD0.76	(57,500)	HKD0.782	(2,347,500)
End of the year	HKD3.85	10,736,048	HKD3.84	10,793,548

Out of the 10,736,048 outstanding options (2022: 10,793,548), 10,576,673 options (2022: 10,351,673) were exercisable. Share options outstanding as of December 31, 2023 include 462,298 (2022: 462,298) share options, 2,878,750 (2022: 2,878,750) share options, 975,000 (2022: 975,000) share options, 3,291,250 (2022: 3,291,250), 1,300,000 (2022: 1,300,000), 621,250 (2022: 631,250) share options, 1,207,500 (2022: 1,255,000) share options, with the exercise price of HKD8.10, HKD7.18, HKD4.366, HKD3.10, HKD0.88, HKD0.65 and HKD0.784 per share option, respectively. All these options will expire in 10 years from the grant date.

(ii) Fair value of share options

Based on the market price of the underlying ordinary shares of HKD3.10, HKD0.88, HKD0.65 and HKD0.73 on the respective grant dates of the share options, the Company has used a Binomial option-pricing model to determine the fair value of the share options as of each grant date. The fair values of the share options granted on January 18, 2017, April 1, 2019, August 16, 2019 and May 17, 2021 were assessed to be HKD14,823,000 (approximately equivalent to RMB13,097,000), HKD678,000 (approximately equivalent to RMB580,000), HKD308,000 (approximately equivalent to RMB277,000) and HKD1,640,000 (approximately equivalent to RMB1,358,000) respectively.

Notes to the Consolidated Financial Statements

29 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 dates 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%	1.60%	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 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 the average of historical volatilities of comparable companies with a 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 the vesting periods (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses to be recorded in the consolidated statement of comprehensive loss. As of December 31, 2023, the Expected Retention Rate of employees was assessed to be 63% (2022: 70%) and the Expected Retention Rate of existing directors and senior management was assessed to be 100% (2022: 100%).

30 Trade and other payables

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Trade payables (Note)	4,179	2,826
Accrued expenses and liabilities	7,253	7,534
Salary and staff welfare payables	12,955	10,868
Amount due to a related party (Note 36(b))	5,438	5,438
Other taxes payables	2,240	336
	32,065	27,002

Note:

Trade payables are mainly arising from film production and licensing games from game developers. 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:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
0–180 days	3,942	2,542
181–365 days	75	109
1–2 years	83	101
2–3 years	5	17
over 3 years	74	57
	4,179	2,826

Notes to the Consolidated Financial Statements

31 Contract assets and contract liabilities

(a) Contract assets

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Current		
— Production of films	6,926	—

The contract assets have the same risk characteristics as the trade receivables, which are subject to the same ECL assessment as trade receivables.

During the year ended December 31, 2023, the loss allowance for contract assets of approximately RMB7,000 (2022: Nil) was recognised in the statement of profit or loss and other comprehensive income. As of December 31, 2023, the accumulated allowance for loss allowance for contract assets is approximately RMB7,000 (2022: Nil).

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's film production contracts include payment schedules which require stage payments over the project period once milestone are reached. These payment schedules prevent the build-up significant contract assets. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

(b) Contract liabilities

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Current		
— Sales of in-game virtual items (Note (i))	33,051	45,313
— Licensing of online dramas	—	18,340
— Others	1,586	1,656
	34,637	65,309
Non-current		
— Sales of in-game virtual items (Note (i))	1,968	2,987
	1,968	2,987

Note:

- (i) Contract liabilities from sales of in-game virtual items include primarily service fees prepaid by the game players for the Group's online games for which the related services had not been rendered as of the reporting date. As of December 31, 2023, the non-current portion is expected to be recognised to revenue in 2025 (2022: 2024).

Notes to the Consolidated Financial Statements

31 Contract assets and contract liabilities (continued)

(b) Contract liabilities (continued)

Note: (continued)

- (ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
— Sales of in-game virtual items	45,313	37,594
— Licensing of online dramas	18,340	—
— Others	1,656	2,948
	65,309	40,542

32 Deferred income tax assets

Movements	Lease liabilities	Right-of-use	Total
	RMB'000	assets	RMB'000
		RMB'000	
At January 1, 2022	1,259	(1,259)	—
(Credited)/charged to profit or loss (Note 11)	(261)	261	—
At December 31, 2022 and January 1, 2023	998	(998)	—
(Charged)/credited to profit or loss (Note 11)	(837)	845	8
At December 31, 2023	161	(153)	8

As of December 31, 2023, the Group has unused tax losses of approximately RMB400,158,000 (2022: RMB389,434,000) available for offset against future profits for the consecutive years and will expire between 2024 and 2028 (2022: 2023 and 2027). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements

33 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended December 31, 2022

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (Note ix) RMB'000	Contributions to a defined contribution retirement benefit plan RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000		
Chairman									
Mr. Wang Feng (i)	—	960	—	—	—	101	—	—	1,061
Executive directors									
Ms. Liao Mingxiang (ii)	—	1,724	42	—	54	105	—	—	1,925
Mr. Wang Jin (iii)	—	1,100	100	—	7	105	—	—	1,312
Mr. Chen Hao (iii)	—	1,000	—	—	—	141	—	—	1,141
Independent non-executive directors									
Mr. Zhang Xiangdong (iv)	286	—	—	—	—	—	—	—	286
Ms. Wu Yueqin (v)	286	—	—	—	—	—	—	—	286
Mr. Kong Yi (vii)	286	—	—	—	—	—	—	—	286
Non-executive director									
Mr. Ji Xuefeng (vi)	—	—	—	—	—	—	—	—	—
Total	858	4,784	142	—	61	452	—	—	6,297

Notes to the Consolidated Financial Statements

33 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of every director and the chief executive is set out below: (continued)

For the year ended December 31, 2023

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking			Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (Note ix) RMB'000	Contributions to a defined contribution retirement benefit plan RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	RMB'000	RMB'000	
Chairman										
Mr. Wang Feng (i)	—	1,200	—	—	—	71	—	—	—	1,271
Executive directors										
Ms. Liao Mingxiang (ii)	—	294	—	—	1	12	—	—	—	307
Mr. Wang Jin (iii)	—	1,200	—	—	5	71	—	—	—	1,276
Mr. Chen Hao (iii)	—	1,000	—	—	5	144	—	—	—	1,149
Independent non-executive directors										
Mr. Zhang Xiangdong (iv)	286	—	—	—	—	—	—	—	—	286
Ms. Wu Yueqin (v)	286	—	—	—	—	—	—	—	—	286
Mr. Kong Yi (vii)	48	—	—	—	—	—	—	—	—	48
Mr. FU Frank Kan (viii)	238	—	—	—	—	—	—	—	—	238
Non-executive director										
Mr. Ji Xuefeng (vi)	—	—	—	—	—	—	—	—	—	—
Total	858	3,694	—	—	11	298	—	—	—	4,861

Notes to the Consolidated Financial Statements

33 Benefits and interests of directors *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

- (i) Mr. Wang Feng was appointed on May 24, 2007.
- (ii) Ms. Liao Mingxiang was appointed on May 24, 2007, and resigned on February 26, 2023.
- (iii) Mr. Wang Jin and Mr. Chen Hao were appointed on May 11, 2018, as the executive directors of the Company.
- (iv) Mr. Zhang Xiangdong was appointed on April 24, 2014, as the independent non-executive director of the Company.
- (v) Ms. Wu Yueqin was appointed on May 29, 2018, as the independent non-executive director of the Company.
- (vi) Mr. Ji Xuefeng was appointed on March 27, 2020, as the non-executive director of the Company and resigned on January 17, 2023.
- (vii) Mr. Kong Yi was appointed on August 27, 2021, as the independent non-executive director of the Company and resigned on February 26, 2023.
- (viii) Mr. FU Frank Kan ("Mr. FU") was appointed on February 26, 2023, as an independent non-executive director of the Company.
- (ix) Other benefits mainly represent share-based compensation expenses and meal allowance.

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2022: Nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2022: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2022: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: Nil).

34 Dividends

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

Notes to the Consolidated Financial Statements

35 Cash flow information

(a) Cash used in continuing operations

	Note	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
Loss before income tax from continuing operations		(16,997)	(58,451)
Adjustments for:			
— Impairment losses/(reversals) on trade and other receivables and contract assets	8	416	(2,068)
— Impairment on film rights and films in progress	8	—	3,271
— Write-off of prepayment	8	377	—
— Depreciation of property, plant and equipment	8	338	626
— Depreciation of right-of-use assets	8	1,585	4,122
— Dividend income	7	(220)	—
— Gains on lease termination	6	(137)	—
— Amortisation of intangible assets	8	2,629	3,813
— Impairment charges on intangible assets	8	7,018	2,680
— Gains on disposals of property, plant and equipment	6	(210)	(34)
— Write-off of property, plant and equipment	6	1,338	—
— Share-based compensation expenses	8	64	259
— Share of profit of investments using equity accounting	15	(3,292)	(346)
— Fair value loss from an associate measured at fair value through profit or loss	7	2,591	3,201
— Film right licensed and films in progress transferred to cost of sales	8	54,727	—
— Interest cost on bank borrowings	10	—	1,115
— Interest cost on lease liabilities	10	88	163
— Fair value (gains)/losses from financial assets at fair value through profit or loss	7	(1,436)	12,234
— Foreign exchange (gains)/losses, net	10	(587)	63
		48,292	(29,352)
Changes in working capital:			
— Trade and notes receivables		(41,927)	2,185
— Other receivables and other assets		4,987	2,840
— Contract assets		(6,933)	—
— Trade and other payables		5,063	(3,842)
— Contract liabilities		(31,691)	13,221
Cash used in continuing operations		(22,209)	(14,948)

Notes to the Consolidated Financial Statements

35 Cash flow information (continued)

(a) Cash used in continuing operations (continued)

Non-cash transactions

There is no other significant non-cash transaction for the years ended December 31, 2023 and 2022 except the recognition of lease liabilities and transfer from one film right to investment in financial assets at fair value through profit or loss, see Note 35(b) and Note 20.

(b) Net cash reconciliation

This section sets out an analysis of net cash/(debt) and the movements in net cash/(debt) for each of the periods presented.

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Cash and cash equivalents	77,668	116,371
Lease liabilities	(645)	(3,449)
Net cash	77,023	112,922
Cash and liquid investments	77,668	116,371
Gross debt — fixed interest rates	(645)	(3,449)
Net cash	77,023	112,922

	Other assets		Liabilities from financing activities		Total
	Cash	Liquid investments	Borrowings	Lease liabilities	
	RMB'000	(Note (i)) RMB'000	RMB'000	RMB'000	
Net cash/(debt) as of January 1, 2022	132,248	6,000	(50,000)	(4,612)	83,636
Cash flows	(31,293)	(6,000)	50,000	4,010	16,717
Foreign exchange adjustments	15,416	—	—	—	15,416
Interest expenses	—	—	—	(163)	(163)
Other non-cash movements (Note (ii))	—	—	—	(2,684)	(2,684)
Net cash/(debt) as of December 31, 2022	116,371	—	—	(3,449)	112,922
Net cash/(debt) as of January 1, 2023	116,371	—	—	(3,449)	112,922
Cash flows	(40,916)	—	—	1,096	(39,820)
Foreign exchange adjustments	2,213	—	—	(118)	2,095
Interest expenses	—	—	—	(88)	(88)
Other non-cash movements (Note (ii))	—	—	—	1,914	1,914
Net cash/(debt) as of December 31, 2023	77,668	—	—	(645)	77,023

Notes to the Consolidated Financial Statements

35 Cash flow information (continued)

(b) Net cash reconciliation (continued)

Notes:

- (i) Liquid investments comprise wealth management products issued by commercial banks in the PRC included in the Group's financial assets held at fair value through profit or loss.
- (ii) For the year ended December 31, 2023 and 2022, other non-cash movements mainly included the recognition of lease liabilities and the corresponding amount of right-of-use assets for new leases and the derecognition of lease liabilities and right-of-use assets due to lease termination.

36 Significant related party transactions

In addition to those disclosed elsewhere in the consolidated financial statements, the following significant transactions were carried out between the Group and its related parties during the years ended December 31, 2023 and 2022. In the opinion of the directors of the Company, the related party transactions were carried out at terms negotiated between the Group and the respective related parties.

(a) Related party transactions

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Loans granted to		
— Chen Hao (Note)	—	1,200
	—	1,200

Note:

The loans were fully repaid in February 2022. There were no outstanding balances as of December 31, 2023 and 2022.

(b) Balances with a related party

Amount due to a related party

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Fuze	5,438	5,438

Notes to the Consolidated Financial Statements

36 Significant related party transactions (*continued*)

(c) Key management personnel compensation

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages and salaries	4,763	6,404
Bonuses	—	180
Pension costs — defined contribution plans	110	204
Other social security costs, housing benefits and other employee benefits	216	350
Share-based compensation expenses	—	63
	5,089	7,201

Notes to the Consolidated Financial Statements

37 Statement of financial position and reserve movement of the Company

(a) Statement of financial position

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments using equity accounting	36,972	33,240
Investments in subsidiaries	135,576	162,148
	172,548	195,388
Current assets		
Other receivables	39,640	46,780
Other current assets	31	148
Cash and cash equivalents	28,157	42,481
	67,828	89,409
Total assets	240,376	284,797
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	59	59
Share premium	1,720,690	1,720,690
Shares held for RSU Scheme	(10,555)	(10,555)
Reserves (Note 37(b))	402,591	403,299
Accumulated losses (Note 37(b))	(1,884,404)	(1,839,866)
Total equity	228,381	273,627
Liabilities		
Current liabilities		
Other payables	11,995	11,170
Total liabilities	11,995	11,170
Total equity and liabilities	240,376	284,797

The statement of financial position and reserve movement of the Company was approved by the Board of Directors on March 28, 2024 and was signed on its behalf.

Wang Feng
Director

Chen Hao
Director

Notes to the Consolidated Financial Statements

37 Statement of financial position and reserve movement of the Company (continued)

(b) Reserves movement of the Company

	Capital reserve RMB'000	Currency translation differences RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000	Total reserve RMB'000	Accumulated losses RMB'000
Balance as of January 1, 2022	—	123,361	278,696	1,793	403,850	(1,811,100)
Loss for the year	—	—	—	—	—	(28,766)
Share of other comprehensive income of investments accounted for using the equity method, net of tax (Note 15)	—	—	—	2,200	2,200	—
Employee share option and RSU scheme:						
— Value of employee services	—	—	259	—	259	—
Currency translation differences	—	(3,010)	—	—	(3,010)	—
Balance as of December 31, 2022	—	120,351	278,955	3,993	403,299	(1,839,866)
Balance as of January 1, 2023	—	120,351	278,955	3,993	403,299	(1,839,866)
Loss for the year	—	—	—	—	—	(44,538)
Share of other comprehensive income of investments accounted for using the equity method, net of tax (Note 15)	—	—	—	440	440	—
Employee share option and RSU scheme:						
— Value of employee services	—	—	64	—	64	—
Currency translation differences	—	(1,212)	—	—	(1,212)	—
Balance as of December 31, 2023	—	119,139	279,019	4,433	402,591	(1,884,404)

38 Events after the reporting period

On January 7, 2024, the Company's wholly-owned subsidiary, Linekong Holdings Limited entered into an agreement with EcoPowX Technology Limited ("EcoPowX") to subscribe for new shares, representing 30.3% equity interest, in EcoPowX for USD1,260,000 (equivalent to RMB8,946,000). Further details of the transaction are set out in the Company's announcement dated 7 January 2024.

On February 25, 2024, Magic Season International Limited ("Magic Season"), directly held by Mr. Wang Feng, has transferred 35% equity interest in COCO FINANCE to Linekong Holdings Limited, a wholly-owned subsidiary of the Group, at nil consideration. COCO FINANCE operates a global Web3 technology platform that mainly provides NFT on-chain transaction services.

Summary of Financial Information

	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	135,506	71,057	85,934	211,875	226,030
Loss before income tax	(16,997)	(58,451)	(80,984)	(42,051)	(109,568)
Loss for the year	(16,996)	(61,144)	(80,934)	(40,484)	(112,203)
Total comprehensive loss for the year	(14,810)	(41,843)	(87,814)	(58,012)	(105,298)
Total assets	320,566	364,822	448,886	572,434	765,372
Total liabilities	72,906	102,416	144,896	178,743	314,805
Total equity and liabilities	320,566	364,822	448,886	572,434	765,372
Net current assets	122,894	84,373	141,361	202,318	248,561
Total assets less current liabilities	249,820	267,504	306,353	395,773	453,660