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Linekong Interactive Group Co., Ltd.

藍港互動集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8267)

**Interim Results Announcement
for the Six Months Ended 30 June 2019**

The board of directors of Linekong Interactive Group Co., Ltd. (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2019. This announcement, containing the full text of the 2019 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. Printed version of the 2019 interim report of the Company will be delivered to the shareholders of the Company in due course.

By order of the Board
Linekong Interactive Group Co., Ltd.
WANG Feng
Chairman

Beijing, PRC, 14 August 2019

As at the date of this announcement, the executive Directors are Mr. WANG Feng, Ms. LIAO Mingxiang, Mr. CHEN Hao and Mr. WANG Jin (also known as Yan Yusong); the non-executive Director is Mr. PAN Donghui; and the independent non-executive Directors are Ms. ZHAO Yifang, Mr. ZHANG Xiangdong and Ms. WU Yueqin.

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

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.linekong.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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



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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Pan Donghui

Independent Non-executive Directors

Ms. Zhao Yifang
Mr. Zhang Xiangdong
Ms. Wu Yueqin

Board Committees

Audit Committee

Ms. Wu Yueqin (*Chairman*)
Mr. Pan Donghui
Ms. Zhao Yifang
Mr. Zhang Xiangdong

Remuneration Committee

Mr. Zhang Xiangdong (*Chairman*)
Mr. Wang Feng
Ms. Liao Mingxiang
Ms. Zhao Yifang
Ms. Wu Yueqin

Nomination Committee

Mr. Wang Feng (*Chairman*)
Mr. Pan Donghui
Ms. Zhao Yifang
Mr. Zhang Xiangdong
Ms. Wu Yueqin

Company Secretary

Ms. Leung Wing Han Sharon (*FCS, FCIS*)

Authorised Representatives

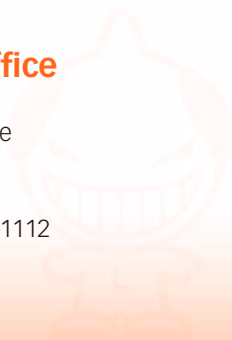
Mr. Wang Feng
Ms. Liao Mingxiang

Compliance Officer

Ms. Liao Mingxiang

Registered Office

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Auditors

PricewaterhouseCoopers
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Central
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Legal Advisors as to Hong Kong Laws

King & Wood Mallesons
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Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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Wanchai
Hong Kong

Principal Banks

Pingan Bank Co., Ltd., Offshore Banking Department
CITIC Bank, Beijing, Wangjing Sub-branch
China Merchants Bank, Beijing Datun Road Sub-branch
Industrial and Commercial Bank of China, Tianjin Xiyuan Sub-branch
Bank of Communications, Wangjing Sub-branch

GEM Stock Code

8267

Company Website

www.linekong.com

HIGHLIGHTS

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	53,086	173,586	105,994	291,112
Profit/(loss) for the period	10,289	(14,207)	(4,837)	(68,782)
Adjusted net profit/(loss) <i>(Note)</i>	13,542	(4,207)	1,139	(54,089)

Note:

Adjusted net profit/(loss) refers to the profit/(loss) for the period which excludes share-based compensation and one-off compensation for loss of office paid. This item is deemed as supplemental information as stated in the consolidated statement of comprehensive income/(loss) which reflects the profitability and operating performance of the Company and its subsidiaries (collectively, the “**Group**”) for the financial period indicated.

- Revenue of the Group for the six months ended June 30, 2019 amounted to approximately RMB106.0 million, representing a decrease of approximately 63.6% as compared to approximately RMB291.1 million for the corresponding period of 2018.
- Profit for the three months ended June 30, 2019 amounted to approximately RMB10.3 million, as compared to a loss of approximately RMB14.2 million for the corresponding period of 2018. Loss for the six months ended June 30, 2019 amounted to approximately RMB4.8 million, as compared to a loss of approximately RMB68.8 million for the corresponding period of 2018.
- Adjusted net profit for the three months ended June 30, 2019 amounted to approximately RMB13.5 million, as compared to an adjusted net loss of approximately RMB4.2 million for the corresponding period of 2018. Adjusted net profit for the six months ended June 30, 2019 amounted to approximately RMB1.1 million, as compared to an adjusted net loss of approximately RMB54.1 million for the corresponding period of 2018.
- The board of Directors (the “**Board**”) of the Company does not recommend any payment of dividends for the six months ended June 30, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Benefiting from various measures by the management team on the Company's refined operation and management as well as motivated staff of all departments of the Group, the Group has achieved a turnaround, and the net profit of Linekong Interactive was RMB10.3 million in the second quarter of 2019 as compared to net loss of RMB14.2 million for the corresponding period of the previous year and net loss of RMB15.1 million as compared with the first quarter of 2019.

Promoting self-development of new products and accelerate expansion of overseas markets by Linekong Entertainment

The open-beta testing of "Uproar in Heaven (鬧鬧天宮)" was launched on March 28, 2019, which was distributed under the Tencent A.C.E Program. As a MOBA game, "Uproar in Heaven (鬧鬧天宮)" has been well received by nearly ten millions of registered players since its release and has entered a stable long-term operation stage. The Group will continue to work together with the Tencent A.C.E Program to offer exciting gaming experience to players through continuous updates.

2019 marked the fifth anniversary of the South Korea subsidiary of the Group. During the five years of in-depth development in the South Korean game market, our South Korea subsidiary launched superior mobile game products, including "蜀山戰紀", "雷霆艦隊", "Daybreak Legends (黎明之光)" and "Nueva Salida (大航海之路)". With our outstanding localisation and distribution capabilities, our South Korea subsidiary has established a good reputation and brand in the local market. During the year, our South Korea subsidiary will continue to distribute "一夢江湖" (formerly known as "楚留香") ("검은달" in Korean), bringing a martial arts world with "infinite freedom" to the South Korean game market. In July 2019, with its outstanding performance in the South Korea market, the Game Business of the Group won the 2019 Golden Digital Entertainment Award — Excellent Overseas Game Company Award (2019年度金數娛獎 — 卓越出海遊戲公司獎) in a game forum of the CCG EXPO.

Based on our global distribution strategy and our in-depth research and understanding of the overseas markets, the Group has focused on the expansion of Japan market in the year, following our overseas expansion in South Korea. Our Japan market distribution team was established in the first quarter of 2019, the members of which are experienced in publishing Top 30 best-selling games in Japan. We are going to launch two mobile games in Japan, including “Fantasy & Puzzle”, a nijigen (二次元) match three RPG card game, the testing of which will be conducted in the fourth quarter of 2019, and the mobile game version of “Ys VIII: Lacrimosa of DANA”, a classic ARPG game in Japan. The Group has been licensed to exclusively adapt and globally distribute the mobile game version of “Ys VIII: Lacrimosa of DANA” and has engaged well-known Japanese writers to refine and upgrade the plot of the game and a number of famous Japanese painters to create modern artworks. The Group will cooperate with Nihon Falcom Corporation, a well-known and well-established game company in Japan, and participate in the coming Tokyo Game Show (TGS) to be held in September. The long-awaited mobile game version of “Ys VIII: Lacrimosa of DANA” developed by Linekong Entertainment will be introduced at the show. The adaption of mobile game version of “Ys VIII: Lacrimosa of DANA” is supervised by Falcom and the game is expected to be officially launched in 2020.

In addition, as of the end of the Reporting Period, “Daybreak Legends (黎明之光)” has been launched in 153 countries or regions and generated turnover exceeding RMB700 million in aggregate, being the best-selling game in six countries or regions and one of the top 5 best-selling games in 17 countries or regions. The Group will continue to promote “Daybreak Legends (黎明之光)” and other new products globally.

Linekong Pictures has a rich reserve of IPs, rapid development pace and recorded a stable growth for the agency business

Linekong Pictures adheres to its planned annual output of two to three high-quality videos, which are targeted for Generation Z viewers covering different TV or Internet drama categories.



Since its establishment in 2016, Linekong Pictures has completed the production and distribution of “selected internet drama trilogy (精品網劇三部曲)”. In February 2017, our first internet drama, “Long For You (我與你的光年距離)”, recorded an outstanding view record of 1.1 billion times and ranked among the top 3 viewed internet dramas in the first quarter of 2017. In June 2018, “Unexpected (來到你的世界)” was broadcast by Tencent Video, and won a rating as high as 7.2 on Douban.com. It has also been awarded The Best Internet Drama of the Year (年度最佳網絡劇獎) in the Annual China Pan-Entertainment Awards Ceremony (中國泛娛樂年度盛典年度最佳網絡劇獎). In January 2019, the broadcasting of “Long For You 2 (我與你的光年距離 2)”, exclusively on Mango TV and Youku, has completed, receiving favourable comments from the internet drama market and audiences.

After three years of development and accumulation of brands, Linekong Pictures has a series of outstanding drama reserves, including prime drama (頭部劇), secondary drama (腰部劇) and micro drama (微劇). “Ancient Music Records (古樂風華錄)” and “Tales of Sea of Clouds (雲海藏山傳)”, formerly known as “the Tomb Guardian (鎮墓獸)” are the Group’s prime IPs (頭部 IP). A nostalgic animated IP, “Ancient Music Records (古樂風華錄)”, was included and ranked first in the 2017 List of National Items for Reforms and Development (改革發展項目庫2017年入庫名額) by promoting Chinese traditional music with nostalgic painting style. The comic on which the drama was based was included in the 2016 Mobility Supporting Plan for Chinese Original Comic and Animation (2016年原動力中國原創動漫出版扶持計劃) by the State Administration of Press, Publication, Radio, Film and Television (國家廣電總局). “Tales of Sea of Clouds (雲海藏山傳)” is an imaginary drama based on the Five Dynasties and Ten Kingdoms period, focusing on the interactions between civilians and the chivalry stories during the ancient times, without fantasy element. Actions, adventure, romantic and legendary elements were included in the drama, leading to a new era of internet drama.



After the completion of three selected dramas including “Long For You (我與你的光年距離)”, “Unexpected (來到你的世界)” and “Long For You 2 (我與你的光年距離2)”, in the first half of 2019, the Group cooperated with Mango TV and produced a romantic drama, “LOVE THE WAY YOU ARE (身為一個胖子)”, bringing correct value of pursuing inner beauty to teenagers. Broadcasting of “LOVE THE WAY YOU ARE (身為一個胖子)” has started in Qingdao on June 16, 2019. In addition, for our light-hearted romantic internet dramas, “原來你是這樣的顧先生” is a love story between the main actor and main actress experiencing an accidental marriage and the process of mutual supporting. The ancient romantic drama, “花好月半圓”, is the original IP of the Group, which is about a sorrowful rich girl became a busker after an accident, while an illiterate musician is going to be married with a general and pretending to be a well-educated rich girl. Two girl switched their identity and started an adventure respectively.

In addition to prime dramas and light-hearted romantic internet dramas, the Group followed the hottest trend of short videos and developed micro dramas focusing on various popular social topics such as parental education and children’s school life. Linekong Pictures plans to produce a real-life micro drama adapting “和女兒的日常”, an animation with a high score of 8.7 on Douban.com. The animation is about a caring cartoonist father who is always troubled by his daughter’s behaviour in daily life but still cares about his daughter. With the fast pace of modern life, the drama would explore the warmest topic of love and growth. Besides, “喂兒”, one of the key projects of the Group, is a new-type drama which the traditional culture meets inspirational youth stories. “喂兒” is a story about two love-hate friends pursuing their dream as crosstalk partners, filled with traditional cultures such as Peking Opera, Ping Opera and other operas, to promote Chinese cultural treasures.

The Group has also developed its film sector. In the future, the Group will adapt “與君相戀100次”, a top Japanese romance film released in 2016, to “The 100th Love with You (與你的100次戀愛)”, a youth and campus musical film.



Artist agency business of the Group also has relatively sound development. The overseas license of an internet drama, "I Hear You (最動聽的事)", led by Riley Wang, Linekong Pictures contracted artist, has been purchased by Netflix, an American video tycoon, and broadcast in 190 countries and regions. In 2019, dramas led by Riley Wang including "九千米的愛情", "誰都渴望遇見你", "清歌逐酒少年行" and "初戀了那麼多年" are screened. Riley Wang has participated in the filming of various dramas and played diversified roles. He presented himself in different characters that gives him infinite possibilities. Another contracted artist of Linekong Pictures, Zhang Ge, a potential actress born after the 00s, has received acting, script lines and talent training under the Linekong artist training programme. Due to the role of Xiao Ai in "Go Go Squid (親愛的·熱愛的)", she entered Weibo Hot Searches twice and is well recognised and received by audiences.

Outlook of the Group for the Second Half of 2019

The Group will continue its development in the internet entertainment sector and launch sophisticated products suitable to our users in order to improve their experience. Product reserve of the two core businesses, namely game business and film business, are adequate. Our game business will continue to develop the overseas market based on our domestic market foundation. Capitalising on our extensive research and development capability and years of overseas distribution experience, high quality games will be able to enter the overseas markets. The diversified IP film catalogue of our film business facilitated its stable and prudent development in the past three years. The Group will invest in film channels of various genres to precisely target the internet generation, endeavouring to upgrade from contented based video provider to an IP operation and development platform. The Group will gain support from users by high quality contents that are simplified and sophisticated.

In the second half of 2019, the Group will focus on major works including the distribution of "一夢江湖" in South Korea, expansion in the Japan market and the commencement of shooting of internet dramas including "LOVE THE WAY YOU ARE (身為一個胖子)", "原來你是這樣的顧先生" and "花好月半圓". The Group will adhere to its practical and customer oriented principle to create high quality products and create value for its shareholders.

Financial Review

Revenue

The Group's revenue decreased by approximately 63.6% from approximately RMB291.1 million for the six months ended June 30, 2018 to approximately RMB106.0 million for the six months ended June 30, 2019.

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

	For the six months ended	
	June 30,	
	2019	2018
	RMB'000	RMB'000
Segment revenue:		
Game Business		
— Sales of in-game virtual items	70,944	194,575
— License fee and technical support fee	20,197	11,729
	91,141	206,304
Film Business		
— Production and licensing of film rights and others	14,853	84,808
Total	105,994	291,112



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

	For the six months ended June 30, 2019		2018	
	RMB'000	approximate %	RMB'000	approximate %
China (including Hong Kong, Macau and Taiwan regions)	57,548	54.3	176,747	60.7
South Korea	38,816	36.6	73,146	25.1
Other overseas countries and regions	9,630	9.1	41,219	14.2
Total	105,994	100.0	291,112	100.0

For the six months ended June 30, 2019, the revenue contributed by game business decreased by approximately 55.8% or RMB115.2 million as compared with the corresponding period of 2018, which was attributable to fewer new games released as compared with the corresponding period of 2018 and a decrease in revenue as a result of attenuation of existing games. The Group has implemented the strategy to reserve more time to strengthen the quality of game development and roll out competitive games.

In respect of the Group's film business, the Group recognised revenue of approximately RMB14.9 million from production and licensing of film rights and others for the six months ended June 30, 2019, mainly due to the revenue recognised for "LOVE THE WAY YOU ARE" (身為一個胖子).

Cost

The Group's cost for the six months ended June 30, 2019 was approximately RMB60.3 million, representing a decrease of approximately 66.3% as compared to approximately RMB178.7 million for the six months ended June 30, 2018.

The decrease in cost of the Group was mainly due to reduction of cost in line with decrease in revenue from games as well as effective cost control.

Gross profit and gross profit margin

The Group's gross profit for the six months ended June 30, 2019 was approximately RMB45.7 million, representing a decrease of approximately 59.3% from approximately RMB112.4 million for the six months ended June 30, 2018. The decrease in the Group's gross profit was primarily due to the decrease in our game business for the six months ended June 30, 2019 as compared with the corresponding period of 2018.

The Group's gross profit margin for the six months ended June 30, 2019 was approximately 43.1%, representing an increase of approximately 4.5 percentage points as compared to approximately 38.6% for the six months ended June 30, 2018. The increase in gross profit margin of the Group was mainly due to sound control of cost during the period.

Selling and marketing expenses

The Group's selling and marketing expenses for the six months ended June 30, 2019 were approximately RMB17.6 million, representing a decrease of approximately 76.2% from approximately RMB74.1 million for the six months ended June 30, 2018. The decrease in selling and marketing expenses was primarily due to the reduction in advertising and promotion expenses incurred by publishing new games.

Administrative expenses

The Group's administrative expenses for the six months ended June 30, 2019 were approximately RMB22.8 million, representing a decrease of 47.2% from approximately RMB43.2 million for the six months ended June 30, 2018. The decrease in administrative expenses was primarily due to the streamlining of headcount to meet the needs of the business and development strategy of the Company.



Research and development expenses

The Group's research and development expenses for the six months ended June 30, 2019 were approximately RMB17.9 million, representing a decrease of approximately 64.0% from approximately RMB49.7 million for the six months ended June 30, 2018. The decrease in research and development expenses was primarily due to the reduction in salary expenses as a result of the reduction in headcount for meeting the needs of the business and development strategy of the Company.

Segments results — operating profit/(loss)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Segments results				
— operating profit/				
(loss):				
— Game business	1,581	(28,966)	(11,077)	(75,607)
— Film business	2,044	24,240	(91)	20,390
Total	3,625	(4,726)	(11,168)	(55,217)

The operating profit for the three months ended June 30, 2019 was approximately RMB3.6 million, and the operating loss for the corresponding period of 2018 was approximately RMB4.7 million. The operating loss for the six months ended June 30, 2019 was approximately RMB11.2 million, representing a decrease in loss of approximately 79.7% as compared to a loss of approximately RMB55.2 million for the corresponding period of 2018.

The operating profit from the game business for the three months ended June 30, 2019 was approximately RMB1.6 million, and the operating loss for the corresponding period of 2018 was approximately RMB29.0 million. For the six months ended June 30, 2019, the operating loss from the game business was approximately RMB11.1 million, representing a decrease in loss of approximately 85.3% as compared to a loss of approximately RMB75.6 million for the corresponding period of 2018.

The operating profit from the film business for the three months ended June 30, 2019 and 2018 was approximately RMB2.0 million and approximately RMB24.2 million respectively. For the six months ended June 30, 2019, the operating loss from the film business was approximately RMB0.1 million, and the operating profit from the film business for the corresponding period of 2018 was approximately RMB20.4 million.

Share of loss of an investment using equity accounting

The Group's share of loss of an investment using equity accounting for the six months ended June 30, 2019 was approximately RMB0.1 million, decreasing by 97.8% as compared to RMB4.5 million for the six months ended June 30, 2018, mainly due to the narrowing of operating loss incurred by Fuze Entertainment Co., Ltd, the investee.

Loss for the period

As a result of the foregoing, the loss for the six months ended June 30, 2019 was approximately RMB4.8 million, representing a decrease of approximately 93.0% as compared to a loss of approximately RMB68.8 million for the six months ended June 30, 2018.

To supplement our condensed consolidated financial statements presented in accordance with the International Financial Reporting Standards, we also adopted adjusted net profit/(loss) as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted net profit/(loss) was derived from our net loss for the period before share-based compensation expenses and one-off compensation for loss of office paid. The non-IFRSs measured adjusted net profit/(loss) is an unaudited figure.



The following table respectively sets out the reconciliation from loss for the period under IFRSs to the adjusted net profit/(loss) for the six months ended June 30, 2019 and 2018:

	For the six months ended		
	June 30,		
	2019	2018	Change
	RMB'000	RMB'000	approximate
	(Unaudited)	(Unaudited)	%
Loss for the period	(4,837)	(68,782)	93.0
Add:			
Share-based compensation expenses	1,705	2,133	(20.1)
One-off compensation for loss of office paid	4,271	12,560	66.0
Adjusted net profit/(loss)	1,139	(54,089)	102.1

The Group's adjusted net profit for the six months ended June 30, 2019 was approximately RMB1.1 million, as compared to the adjusted net loss of approximately RMB54.1 million for the six months ended June 30, 2018. The change from loss to profit for the current period upon adjustment was mainly due to the combined effect of: (1) the decrease in advertising and marketing expenses for games distribution; (2) the decrease in salary expenses as a result of the reduction in headcount for improving efficiency.



Liquidity and Financial Resources

The Group has been maintaining a solid cash position since we received the net proceeds from the listing of the Company's shares (the "**Shares**") on the Stock Exchange (the "**Listing**") which was completed in December 2014.

Treasury policy

During the six months ended June 30, 2019, the majority of the Group's idle capital was invested in short-term wealth management products issued by commercial banks in the PRC. For the purpose of generating better return for the Group's idle capital, the Group's treasury policy is to invest in these short-term wealth management products, and not to engage in any investments with high risks or transactions of speculative derivatives. In order to meet the domestic working capital requirements, we will seek for long-term stable financial supports from banks at market lending rate.

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

As of June 30, 2019, we had cash and cash equivalents of approximately RMB195.2 million (as of December 31, 2018: approximately RMB176.6 million), which primarily consisted of cash at bank, other financial institutions and cash in hand and were mainly denominated in U.S. dollars ("**USD**") (as to approximately 59.0%), HKD (as to approximately 28.2%), RMB (as to approximately 12.0%) and other currencies (as to approximately 0.8%).

As of June 30, 2019, we had short-term bank deposits of RMB55.0 million (as of December 31, 2018: approximately RMB102.9 million).

As of June 30, 2019, approximately RMB232.5 million (as of December 31, 2018: approximately RMB233.8 million) are restricted deposits held at a bank as its reserve for the provision of a loan facility of RMB199.1 million (as of December 31, 2018: RMB199.1 million) provided by the bank which will expire within 1 year.



Capital Structure

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

Borrowing and Gearing Ratio

As at June 30, 2019, bank loans borrowed by the Group amounted to approximately RMB199.1 million (as at December 31, 2018: RMB199.1 million). As at June 30, 2019, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 35.9% (as at December 31, 2018: approximately 38.8%).

Pledge of Group Assets

As at June 30, 2019, restricted deposits of approximately RMB232.5 million of the Group were pledged to secure bank borrowings (as at December 31, 2018: approximately RMB233.8 million).

Information on Employees and Remuneration Policy

The Group has established the remuneration committee on April 21, 2014 with written terms of reference in compliance with Appendix 15 to the GEM Listing Rules. The remuneration committee will regularly review and recommend to the Board from time to time regarding the remuneration and compensation of the Directors and the senior management of the Group. The Group offers a competitive remuneration package commensurate with industry practice and provides benefits to employees of the Group, including social insurance coverage, defined contribution retirement scheme and bonus. As at June 30, 2019, the Group had 198 employees. For the six months ended June 30, 2019, total remuneration for employees of the Group was approximately RMB42.9 million (for the six months ended June 30, 2018: approximately RMB103.3 million).

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

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

The Directors believe that maintaining a stable and motivated employee force is critical to the success of the Group’s business. As a fast growing company, the Company is able to provide its employees with ample career development choices and opportunities of advancement. The Company organizes various training programs on a regular basis for its employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team building. The Company also provides various incentives to motivate its employees.

Contingent Liabilities

As at June 30, 2019, the Group did not have any significant contingent liabilities (December 31, 2018: Nil).

Foreign Exchange Risk

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

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. Therefore, foreign exchange risk primarily arose from recognised assets in the Group’s 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 activities to reduce the exchange risk.

USE OF IPO PROCEEDS

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

As of June 30, 2019, the IPO Proceeds have been utilised as follows:

	Net proceeds million HKD	Amounts utilised as of December 31, 2018 million HKD	Amounts utilised during the six months ended June 30, 2019 million HKD	Amounts unutilised million HKD
Overseas expansions (expanding our business in overseas markets)	137.2	119.7	9.9	7.6
Potential strategic acquisition or investment in companies in online game or related businesses	68.6	36.6	—	32.0
Creating pan-entertainment environment	157.8	122.2	10.6	25.0
Licensing more high quality games with different genres and themes from Chinese and overseas game developers and the operation of such games	68.6	65.4	—	3.2
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	135.5	—	1.7
Providing funding for our working capital and other general corporate purposes	34.3	6.4	1.5	26.4
Investing in our technology platform, including developing and improving our game development tools and purchase of commercialized game engines developed by third parties	34.3	0.9	19.6	13.8
Mastering user usage flow entry point via developing intellectual hardware and mobile phone software	48.2	9.4	—	38.8
Total	686.2	496.1	41.6	148.5

As of June 30, 2019, approximately HKD148.5 million of the IPO Proceeds remained unutilised. The unutilised IPO Proceeds have been deposited into short-term demand deposits in a bank account maintained by the Group.

Among the unutilised proceeds, those reserved for the expansion of overseas business are expected to be fully utilised in 2019; funding reserved for acquisition will be utilised in accordance with the progress of our potential acquisition projects; all the proceeds for pan-entertainment development will be utilised in 2019 and 2020 according to the progress of shooting of TV dramas. We will utilise the funding reserved for working capital in the Company's operations; funding for investing in our technology platform will be used in 2019 to purchase and develop new game engines; and funding for development of intellectual hardware and mobile phone software for mastering user usage flow entry point will be utilised in accordance with the development progress in 2019.

The Company will continue to utilise the IPO Proceeds for the purposes which are consistent with those set out in the announcement of "Change in Use of Proceeds" of the Company dated March 29, 2016.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2019.

REVIEW OF THE INTERIM RESULTS

The interim financial results of the Group for the six months ended June 30, 2019 is unaudited and has not been reviewed by the auditors of the Company, but has been reviewed by the audit committee of the Company (the "**Audit Committee**").

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial results for the six months ended June 30, 2019 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters of the Group.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of June 30, 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in Shares and underlying Shares

Director/chief executive	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate percentage of interest (Note 2)
Mr. Wang Feng (Note 3)	Interest of controlled corporation	66,576,160 (L)	21.48%
	Beneficial owner	12,640,380 (L)	
Ms. Liao Mingxiang (Note 4)	Interest of controlled corporation	12,168,720 (L)	4.11%
	Beneficial owner	2,985,769 (L)	
Mr. Wang Jin (Note 5)	Beneficial owner	2,300,000 (L)	0.62%
Mr. Chen Hao (Note 6)	Beneficial owner	1,575,841 (L)	0.43%

Notes:

1. (L) denotes long position.
2. Based on the number of issued Shares as of June 30, 2019, being 368,730,964 Shares.
3. 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 (as defined below) entitling him to receive 8,433,308 Shares subject to vesting. As of June 30, 2019, all of the RSUs have been vested.

4. Ms. Liao Mingxiang held the entire issued share capital of Liao Mingxiang 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 Liao Mingxiang Holdings Limited under the SFO.

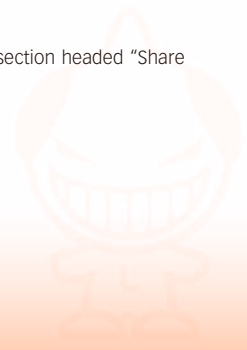
In addition, Ms. Liao Mingxiang held 174,000 Shares and was interested in 2,811,769 RSUs granted to her under the RSU Scheme entitling her to receive 2,811,769 Shares subject to vesting. As of June 30, 2019, all of the RSUs have been vested.

5. The 2,300,000 Shares that Mr. Wang Jin was interested in consisted of (a) 300,000 share options granted to him on June 15, 2016 under the share option scheme of the Company entitling him to receive 300,000 Shares upon exercise of the share options; (b) 1,000,000 share options granted to him on April 1, 2019 under the share option scheme of the Company entitling him to receive 1,000,000 Shares upon exercise of the share options; and (c) 1,000,000 RSUs granted to him under the RSU Scheme entitling him to receive 1,000,000 Shares subject to vesting, among which, 500,000 RSUs have been vested.

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

6. The 1,575,841 Shares that Mr. Chen Hao was interested in consisted of (a) 475,841 RSUs granted to him under the RSU Scheme entitling him to receive 475,841 Shares subject to vesting, among which approximately 57.97% of the RSUs have been vested; and (b) 1,100,000 share options granted to him under the share option scheme of the Company entitling him to receive 1,100,000 Shares upon exercise of the share options.

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



Save as disclosed above, as of June 30, 2019, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Interest in other members of the Group

As of June 30, 2019, the following Directors or the chief executive of the Company are directly or indirectly (other than by virtue of their interest in the Company) interested in the shares or underlying shares of the other member of the Group as follows:

Director/ chief executive	Company concerned	Capacity/ Nature of Interest	Register share capital	Approximate percentage of interest
Mr. Wang Feng	Linekong Online (Beijing) Technology Co., Ltd.) ("Linekong Online")	Beneficial owner	RMB7,545,000	75.45%
Ms. Liao Mingxiang	Linekong Online	Beneficial owner	RMB1,364,000	13.64%
Mr. Wang Jin	Horgos Linekong Pictures Corporation	Beneficial owner	RMB4,155,000	8.31%



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

So far as is known to the Directors, as of June 30, 2019, the following persons (other than Directors and chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

(i) Substantial Shareholders

Shareholder	Nature of Interest	Number of Shares (Note 1)	Approximate percentage of interest (Note 2)
Zhu Li (Note 3)	Interest of spouse	79,216,540 (L)	21.48%
Wangfeng Management Limited (Note 4)	Beneficial owner	66,576,160 (L)	18.06%
Starwish Global Limited (Note 5)	Beneficial owner	52,318,760 (L)	14.19%
China Momentum Fund, L.P. (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.19%
Fosun China Momentum Fund GP, Ltd. (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.19%
Fosun Momentum Holdings Limited (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.19%
Fosun Financial Holdings Limited (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.19%
Fosun International Limited (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.19%

Shareholder	Nature of Interest	Number of Shares (Note 1)	Approximate percentage of interest (Note 2)
Fosun Holdings Limited (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.19%
Fosun International Holdings Limited (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.19%
Guo Guangchang (Note 5)	Interest of controlled corporation	52,318,760 (L)	14.19%
The Core Trust Company Limited (Note 6)	Trustee of a trust	37,803,086 (L)	10.25%
TCT (BVI) Limited (Note 6)	Trustee of a trust	37,803,086 (L)	10.25%
Premier Selection Limited (Note 6)	Nominee for another person	37,803,086 (L)	10.25%

Notes:

- (L) denotes long position.
- Based on the number of issued Shares as of June 30, 2019, being 368,730,964 Shares.
- 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, Chairman of the Company and Director, holds the entire issued share capital of Wangfeng Management Limited.
- Starwish Global Limited is wholly-owned by China Momentum Fund, L.P. ("**China Momentum**"), an exempted limited partnership in Cayman Islands. Fosun China Momentum Fund GP, Ltd. ("**Fosun China Momentum**") is the general partner of China Momentum and is in turn wholly-owned by Fosun Momentum Holdings Limited ("**Fosun Momentum Holdings**"). Fosun Momentum Holdings is wholly-owned by Fosun Financial Holdings Limited ("**Fosun Financial Holdings**") which is in turn wholly-owned by Fosun International Limited ("**Fosun International**"), a company listed on the Main Board of the Stock Exchange (Stock Code: 00656).

As of June 30, 2019, based on information available on the Stock Exchange, Fosun International is 70.76% owned by Fosun Holdings Limited (“**Fosun Holdings**”) which is in turn wholly-owned by Fosun International Holdings Ltd. (“**Fosun International Holdings**”), a company controlled as to approximately 85.29% by Mr. Guo Guangchang.

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

6. 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).

(ii) Other Shareholders

Shareholder	Nature of Interest	Number of Shares <small>(Note 1)</small>	Approximate percentage of interest <small>(Note 2)</small>
Ho Chi Sing <small>(Note 3 & 4)</small>	Interest of controlled corporation	29,922,996 (L)	8.12%
IDG-Accel China Growth Fund GP Associates Ltd. <small>(Note 3)</small>	Interest of controlled corporation	27,774,323 (L)	7.53%
IDG-Accel China Growth Fund Associates, L.P. <small>(Note 3)</small>	Interest of controlled corporation	27,774,323 (L)	7.53%
IDG-Accel China Growth Fund L.P. <small>(Note 3)</small>	Beneficial owner	23,061,443 (L)	6.25%
Zhou Quan <small>(Note 3)</small>	Interest of controlled corporation	27,774,323 (L)	7.53%
Fubon Financial Holding Co., Ltd. <small>(Note 5)</small>	Interest of controlled corporation	23,739,000 (L)	6.44%
Fubon Life Insurance Co., Ltd. <small>(Note 5)</small>	Beneficial owner	23,739,000 (L)	6.44%

Notes:

1. (L) denotes long position.
2. Based on the number of issued Shares as of June 30, 2019, being 368,730,964 Shares.
3. 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 Zhou Quan and Ho Chi Sing.

Accordingly, each of Zhou Quan, 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.

4. 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.

5. Fubon Life Insurance Co., Ltd. is 100% owned by Fubon Financial Holding Co., Ltd..

Share Option Scheme

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

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

Details of the granted and outstanding share options of the Company as of June 30, 2019 and movement during the six months ended June 30, 2019 are as follows:

Category	Date of grant	Option period (year /)	Share Options granted	Exercise price HKD	Closing Price of the Shares immediately before the date of grant HKD	Outstanding balance as at January 1, 2019	During the reporting period				Outstanding balance as at June 30, 2019	Number of new shares issued during the reporting period	Number of new shares which may be issued during the reporting period
							Granted	Exercised	Cancelled	Lapsed			
Employees	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 <small>(year-3)</small>	8.10	8.10	462,298	—	—	—	—	462,298	—	—
Employees	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 <small>(year-3)</small>	7.18	7.18	2,856,250	—	—	—	26,250	2,830,000	—	128,750
Mr. Chen Hao	October 9, 2015	October 9, 2015 to October 8, 2025	100,000 <small>(year-3)</small>	7.18	7.18	100,000	—	—	—	—	100,000	—	12,500
	January 18, 2017	January 18, 2017 to January 17, 2027	1,000,000 <small>(year-3)</small>	3.10	3.10	1,000,000	—	—	—	—	1,000,000	—	125,000
Employees	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 <small>(year-3)</small>	4.366	4.18	675,000	—	—	—	—	675,000	—	—
Mr. Wang Jin	June 15, 2016	June 15, 2016 to June 14, 2026	300,000 <small>(year-3)</small>	4.366	4.18	300,000	—	—	—	—	300,000	—	37,500
	April 1, 2019	April 1, 2019 to March 31, 2029	1,000,000 <small>(year-4)</small>	0.88	0.88	—	1,000,000 <small>(year-5)</small>	—	—	—	1,000,000	—	500,000
Employees	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 <small>(year-3)</small>	3.10	3.10	2,487,500	—	—	—	90,000	2,397,500	—	111,875
Employees	April 1, 2019	April 1, 2019 to March 31, 2029	300,000 <small>(year-4)</small>	0.88	0.88	—	300,000 <small>(year-5)</small>	—	—	—	300,000	—	150,000

Notes:

- The vesting period of the share options is starting from the date of acceptance of the grant to the commencement of the exercise period.
- The 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

3. The options granted on October 9, 2015, June 15, 2016 and January 18, 2017 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 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

5. For details of the value of the share options granted during the six months ended June 30, 2019, please refer to note14(b) to the financial statements.

Share Incentive Scheme

As incentive to Directors and eligible persons, the Company approved and adopted the restricted share unit scheme (“**RSU Scheme**”) on March 21, 2014 and as amended on August 22, 2014 where each restricted share unit (“**RSU**”) granted thereunder represents one underlying Share. The RSU Scheme is not subject to the provisions of Chapter 23 of the GEM Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

As of June 30, 2019, there were 36,771,879 RSUs granted and outstanding, among which 30,341,294 RSUs have been vested.

During the six months ended June 30, 2019, 1,300,000 RSUs were granted to 2 grantees (including 1,000,000 RSUs to Wang Jin (also known as Yan Yusong), our Director); no RSUs were exercised; and no RSUs were cancelled or lapsed. In addition, The Core Trust Company Limited, the RSU trustee assisting with the administration and vesting of RSUs granted, purchased 1,564,500 Shares on the Stock Exchange during the six months ended June 30, 2019, which will be used to satisfy the RSUs upon exercise.

For further details of the movement of RSUs and expenses in connection with the RSU Scheme, please refer to note 14(a) of the condensed consolidated financial information of the Group for the six months ended June 30, 2019 in this report.

Events during the Reporting Period and Subsequent Events

On July 26, 2019, the Group entered into an agreement for the acquisition of 67% voting rights and subscription of up to 30% equity interest of Guangzhou Hongyu Network Technology Limited (“**Guangzhou Hongyu**”) pursuant to which the Group shall subscribe for 22.22% equity interest (based on the shareholding structure upon completion of such subscription) of Guangzhou Hongyu at the consideration of RMB6.0 million and, depending on the financial performance of Guangzhou Hongyu, the Group shall subscribe and/or acquire further equity interest in Guangzhou Hongyu resulting a total equity interest of up to 31.9% at the additional consideration of up to RMB3.0 million.

Interests in Competing Business

None of the Directors or controlling shareholders of the Company or any of their respective associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group for the six months ended June 30, 2019.

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

There was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended June 30, 2019.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended June 30, 2019, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the CG Code throughout the six months ended June 30, 2019.



Audit Committee

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

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

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

Directors' Securities Transactions

The Company has adopted the required standard of dealings regarding directors' securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. After specific enquiries were made with all Directors, all Directors confirmed that they have complied with the required standards of dealings throughout the six months ended June 30, 2019.



Interim Condensed Consolidated Balance Sheet

		As of June 30, 2019	As of December 31, 2018
	Note	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,510	3,001
Right-of-use assets	6	2,598	—
Intangible assets	6	22,160	29,586
Films rights and films in progress	7	17,000	14,564
Investments using equity accounting		42,747	42,756
An associate measured at fair value through profit or loss		42,957	44,000
Financial assets at fair value through profit or loss	8	95,666	89,395
Deferred income tax assets — net	9	1,895	1,764
Other receivables	11	2,718	3,506
Other non-current assets	12	2,266	232
		232,517	228,804
Current assets			
Trade receivables	10	27,105	31,499
Other receivables	11	31,567	32,901
Other current assets	12	76,739	72,165
Financial assets at fair value through profit or loss	8	—	17,000
Short-term bank deposits		54,998	102,948
Restricted deposits		232,504	233,831
Cash and cash equivalents		195,206	176,555
		618,119	666,899
Total assets		850,636	895,703

Interim Condensed Consolidated Balance Sheet (Continued)

		As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
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		(6,908)	(5,822)
Reserves	13	409,162	405,894
Accumulated losses		(1,586,779)	(1,581,781)
		536,224	539,040
Non-controlling interests		8,889	9,287
Total equity		545,113	548,327
Liabilities			
Non-current liabilities			
Contract liabilities		1,617	2,987
		1,617	2,987
Current liabilities			
Bank borrowings	15	199,100	199,100
Trade and other payables	16	48,455	87,219
Current income tax liabilities		7,188	6,714
Contract liabilities		46,957	51,356
Lease Liabilities		2,206	—
		303,906	344,389
Total liabilities		305,523	347,376
Total equity and liabilities		850,636	895,703

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

Interim Condensed Consolidated Statement of Comprehensive Income/(Loss)

	Note	Three months ended June 30,		Six months ended June 30,	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	5	53,086	173,586	105,994	291,112
Cost of revenue	17	(30,154)	(102,948)	(60,319)	(178,670)
Gross profit		22,932	70,638	45,675	112,442
Selling and marketing expenses	17	(1,998)	(32,476)	(17,628)	(74,109)
Administrative expenses	17	(12,368)	(22,663)	(22,816)	(43,156)
Research and development expenses	17	(6,444)	(19,001)	(17,865)	(49,676)
Net impairment losses on financial assets	17	(43)	—	(90)	(511)
Other operating income/(losses) — net		1,546	(1,224)	1,556	(207)
Operating profit/(loss)		3,625	(4,726)	(11,168)	(55,217)
Other gains/(losses) — net	18	5,519	(3,113)	5,701	(3,776)
Finance income/(costs) — net		753	84	777	(1,076)
Share of profit/(loss) of investments using equity accounting		427	(2,353)	(110)	(4,488)
Profit/(loss) before income tax		10,324	(10,108)	(4,800)	(64,557)
Income tax expense	19	(35)	(4,099)	(37)	(4,225)
Profit/(loss) for the period		10,289	(14,207)	(4,837)	(68,782)
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		1,343	3,116	101	744
Items that will not be reclassified to profit or loss:					
— Currency translation differences		9,933	23,110	903	4,588
Other comprehensive income for the period, net of tax		11,276	26,226	1,004	5,332

Interim Condensed Consolidated Statement of Comprehensive Income/(Loss) (Continued)

Note	Three months ended June 30, 2019		Six months ended June 30, 2019	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Total comprehensive income/(loss) for the period	21,565	12,019	(3,833)	(63,450)
Profit/(loss) attributable to:				
Owners of the Company	9,820	(18,957)	(4,998)	(72,907)
Non-controlling interests	469	4,750	161	4,125
Profit/(loss) for the period	10,289	(14,207)	(4,837)	(68,782)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	21,096	7,269	(3,994)	(67,529)
Non-controlling interests	469	4,750	161	4,079
Total comprehensive income/(loss) for the period	21,565	12,019	(3,833)	(63,450)
Earnings/(loss) per share (expressed in RMB per share)				
— Basic	20	0.03	(0.05)	(0.01)
— Diluted	20	0.03	(0.05)	(0.01)

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



Interim Condensed Consolidated Statement of Changes In Equity

(Unaudited)	Note	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Shares held		Accumulated losses	Total	Total		
				for RSU	Reserves					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance as of January 1, 2019		59	1,720,690	(5,822)	405,894	(1,581,781)	539,040	9,287	548,327	
Comprehensive (loss)/income										
Loss for the period		—	—	—	—	(4,998)	(4,998)	161	(4,837)	
Other comprehensive income										
— Share of other comprehensive income of investments accounted for using the equity method, net of tax		—	—	—	101	—	101	—	101	
— Currency translation differences		—	—	—	903	—	903	—	903	
Total comprehensive income/(loss) for the period		—	—	—	1,004	(4,998)	(3,994)	161	(3,833)	
Total contributions by and distributions to owners of the Company recognised directly in equity										
Increase in ownership interest in subsidiaries without change of control		—	—	—	723	—	723	(723)	—	
Employee share option and RSU Scheme:										
— Shares repurchased for RSU Scheme		—	—	(1,086)	—	—	(1,086)	—	(1,086)	
— Value of employee services	14	—	—	—	1,541	—	1,541	164	1,705	
Total contributions by and distributions to owners of the Company for the period		—	—	(1,086)	2,264	—	1,178	(559)	619	
Balance as of June 30, 2019		59	1,720,690	(6,908)	409,162	(1,586,779)	536,224	8,889	545,113	

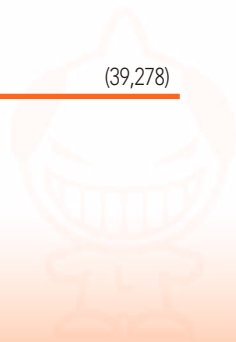
Interim Condensed Consolidated Statement of Changes In Equity (Continued)

(Unaudited)	Note	Attributable to owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
Balance as of January 1, 2018		59	1,720,690	(3,578)	368,203	(1,412,977)	672,397	3,760	676,157
Comprehensive (loss)/income									
Loss for the period		—	—	—	—	(72,907)	(72,907)	4,125	(68,782)
Other comprehensive income/(loss)									
— Share of other comprehensive income of investments accounted for using the equity method, net of tax		—	—	—	744	—	744	—	744
— Currency translation differences		—	—	—	4,634	—	4,634	(46)	4,588
Total comprehensive income/(loss) for the period		—	—	—	5,378	(72,907)	(67,529)	4,079	(63,450)
Total contributions by and distributions to owners of the Company recognised directly in equity									
Increase in ownership interest in subsidiaries without change of control		—	—	—	(1,528)	—	(1,528)	1,528	—
Employee share option and RSU Scheme:									
— Shares repurchased for RSU Scheme		—	—	(738)	—	—	(738)	—	(738)
— Value of employee services	14	—	—	—	2,133	—	2,133	—	2,133
Total contributions by and distributions to owners of the Company for the period		—	—	(738)	605	—	(133)	1,528	1,395
Balance as of June 30, 2018		59	1,720,690	(4,316)	374,186	(1,485,884)	604,735	9,367	614,102

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

Interim Condensed Consolidated Statements of Cash Flows

	Note	Six months ended June 30,	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(27,609)	(53,241)
Income tax paid-net		(168)	(3,653)
Net cash used in operating activities		(27,777)	(56,894)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(788)	(578)
Purchase of intangible assets		—	(2,962)
Net cash received from disposal of property, plant and equipment		481	—
Purchase of financial assets at fair value through profit or loss	8	—	(80,000)
Proceeds from disposal of financial assets at fair value through profit or loss	8	17,477	81,116
Payments for films in progress	7	(3,176)	(4,715)
Advances for film productions		—	(10,000)
Loan repayments received from third parties		2,000	2,076
Increase in restricted deposits		—	(24,215)
Decrease in short term bank deposits		102,948	—
Increase in short term bank deposits		(54,998)	—
Prepayment for investments	12	(2,000)	—
Net cash generated/(used in) from investing activities		61,944	(39,278)



Interim Condensed Consolidated Statements of Cash Flows (Continued)

	Note	Six months ended June 30,	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cash flows from financing activities			
Proceeds from bank borrowings		—	62,681
Repayment of bank borrowings		—	(300)
Interests paid		(4,917)	(2,920)
Repurchase of shares for RSU Scheme		(1,086)	(738)
Principal elements of lease payments		(3,355)	—
Net cash (used in)/generated from financing activities		(9,358)	58,723
Net increase/(decrease) in cash and cash equivalents			
		24,809	(37,449)
Cash and cash equivalents at beginning of period		176,555	349,563
Exchange (loss)/gain on cash and cash equivalents		(6,158)	692
Cash and cash equivalents at end of the period		195,206	312,806

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



Notes to Interim Condensed Consolidated Financial Information

1. General information

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

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

The interim condensed consolidated balance sheet of the Group as of June 30, 2019 and the related interim condensed consolidated statements of comprehensive income/(loss) for the six-month period and the three-month period then ended, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “Interim Financial Information”) have been approved by the Board of Directors on August 14, 2019.

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

The Interim Financial Information has not been audited.



2. Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2018 as set out in the 2018 annual report of the Company (the “2018 Financial Statements”) and any public announcements made by the Company during the interim reporting period, which have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”).

3. Summary of significant accounting policies and critical accounting estimates and judgments

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2018, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below. The Interim Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and an associate measured at fair value through profit or loss which are carried at fair value.

The following new and amended standards, and annual improvement are mandatory for the first time for the Group’s financial year beginning on January 1, 2019 and are applicable for the Group:

- IFRS 16 “Leases”
- Annual improvements 2015–2017 Cycle
- IFRIC 23 “Uncertainty over Income Tax Treatments”
- “Prepayment Features with Negative Compensation” — Amendments to IFRS 9

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

- “Long-term Interests in Associates and Joint Ventures” — Amendments to IAS 28, and
- “Plan Amendment, Curtailment or Settlement” — Amendments to IAS 19

Amendments to IFRS effective for the financial year beginning on January 1, 2019 do not have a material impact on the Group’s Interim Financial Information other than IFRS 16 details of which are set out below.

3.1 Summary of significant accounting policies

The Group has adopted IFRS 16 “Leases” retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.79%.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous.

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

3.1 Summary of significant accounting policies (Continued)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

	2019 RMB'000
Operating lease commitments disclosed as of December 31, 2018	10,120
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	9,395
Lease liability recognised as of January 1, 2019	9,395
Of which are:	
Current lease liabilities	6,976
Non-current lease liabilities	2,419

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as of December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

All of the recognised right-of-use assets relate to properties.

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

3.1 Summary of significant accounting policies (Continued)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets — increase by RMB9,747,000,
- prepayments — decrease by RMB393,000,
- lease liabilities — increase by RMB9,395,000.

There was no net impact on accumulated losses on January 1, 2019.

(b) The Group's leasing activities and how these are accounted for

The Group's leases are mainly rentals of offices. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.



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

3.1 Summary of significant accounting policies (Continued)

(b) *The Group's leasing activities and how these are accounted for (Continued)*

From January 1, 2019, 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. Each lease payment is allocated between the liability 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

3.1 Summary of significant accounting policies (Continued)

(b) *The Group's leasing activities and how these are accounted for (Continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.



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

3.1 Summary of significant accounting policies (Continued)

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

The Group has not early adopted any new standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial period beginning January 1, 2019. The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards on the financial statements of the Group in their initial applications.

3.2 Critical accounting estimates and judgments

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

When preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2018 Financial Statements.



4. Financial risk management

4.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2018 Financial Statements.

There have been no changes in the risk management policies during the six months ended June 30, 2019.

4.2 Fair value estimation

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 financial assets of the Group are all categorised within level 3 as of June 30, 2019 and December 31, 2018.

The Group did not have any financial liabilities that were measured at fair value as of June 30, 2019 and December 31, 2018.

4. Financial risk management (Continued)

4.2 Fair value estimation (Continued)

There were no transfers among level 1, 2 and 3 during the six months ended June 30, 2019.

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 maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- a combination of observable inputs and unobservable inputs, including discount rate, risk-free interest rate, expected volatility and market multiples.

4. Financial risk management (Continued)

4.2 Fair value estimation (Continued)

For the fair value measurements categorised within level 3 of the fair value hierarchy, the significant assumptions and inputs utilised in the valuation using discounted cash flow method by the Company for during the six months ended June 30, 2019 were as follows:

Discount rate:	21% ~ 33%
Terminal growth rate:	3%
Discount for lack of marketability:	7% ~ 27%
Volatility:	34% ~ 61%

The following table presents the changes in level 3 financial assets for the six months ended June 30, 2019 and 2018, 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, 2019	44,000	106,395	150,395
Disposals	—	(17,477)	(17,477)
(Losses)/gains recognised in other gains/(losses)— net	(1,043)	6,744	5,701
Exchange adjustment	—	4	4
Closing balance as of June 30, 2019	42,957	95,666	138,623

4. Financial risk management (Continued)

4.2 Fair value estimation (Continued)

	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, 2018	44,330	124,021	168,351
Additions	—	80,000	80,000
Disposals	—	(80,613)	(80,613)
Gains recognised in other gains/(losses) — net	1,200	1,123	2,323
Exchange adjustment	—	34	34
Closing balance as of June 30, 2018	45,530	124,565	170,095

5. Revenue and segment information

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

The Company separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. For the six months ended June 30, 2019, the Group is organised into two reportable operating segments. The comparative figures have been restated to conform with the current period’s presentation.

5. Revenue and segment information (Continued)

The Group identifies 2 segments as follows:

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

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

	Three months ended June 30,		Six months ended June 30,	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Segment revenue:				
Game Business				
— Sales of in-game virtual items	32,743	82,458	70,944	194,575
— License fee and technical support fee	7,732	7,834	20,197	11,729
	40,475	90,292	91,141	206,304
Film Business				
— Production and licensing of film rights and others	12,611	83,294	14,853	84,808
Total	53,086	173,586	105,994	291,112
Segments results — operating profit/(loss):				
— Game Business	1,581	(28,966)	(11,077)	(75,607)
— Film Business	2,044	24,240	(91)	20,390
Total	3,625	(4,726)	(11,168)	(55,217)

5. Revenue and segment information (Continued)

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers:				
— PRC	31,851	117,755	57,548	176,747
— South Korea	17,644	29,187	38,816	73,146
— Other overseas countries and regions	3,591	26,644	9,630	41,219
	53,086	173,586	105,994	291,112

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

	As of	As of
	June 30,	December 31,
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
— PRC	40,587	40,981
— South Korea	5,947	6,402
	46,534	47,383



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

	Property, plant and equipment RMB'000 (Unaudited)	Right-of-use assets RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)
As of January 1, 2019	3,001	9,747	29,586
Additions	788	—	—
Depreciation/amortisation	(1,046)	(3,112)	(5,527)
Disposals	(233)	(4,037)	(1,756)
Impairment	—	—	(143)
As of June 30, 2019	2,510	2,598	22,160
	Property, plant and equipment RMB'000 (Unaudited)	Right-of-use assets RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)
As of January 1, 2018	6,850	—	34,310
Additions	345	—	8,564
Depreciation/amortisation	(2,404)	—	(7,449)
Disposals	(101)	—	(2,987)
As of June 30, 2018	4,690	—	32,438



7. Films rights and films in progress

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Film rights and films in progress		
— Under production/production yet to commence	17,000	14,564
	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Beginning of the period	14,564	48,372
Additions	3,176	4,652
Recognised in cost of revenue	(740)	(31,561)
End of the period	17,000	21,463



8. Financial assets at fair value through profit or loss

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Included in current assets		
Wealth management products <i>(Note (b))</i>	—	17,000
Included in non-current assets		
Unlisted securities <i>(Note (a))</i>	95,666	89,395

Notes:

- (a) The unlisted securities represent shares held by the Group in certain entities, which are not held for trading, and had not been elected to present fair value gains and losses in other comprehensive income.

Each of these entities is a private company and there is no quoted market price available for its shares. The Group has determined the fair value of these financial assets based on estimated future cash flows method as disclosed in Note 4.2. The fair value are within level 3 of the fair value hierarchy.

- (b) Except for the equity investment as mentioned in above (a), the Group purchased certain wealth management products issued by commercial banks in the PRC. These wealth management products are with a variable return and redeemable on demand or with a term less than three months. The Group has classified its investments in such wealth management products as financial assets at fair value through profit or loss. Fair values of these investments were estimated based on the contracts of wealth management products.



9. Deferred income tax — net

The analysis of deferred income tax assets and liabilities is as follows:

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Deferred income tax assets:		
— To be recovered within 12 months	1,895	1,756
— To be recovered after 12 months	5,359	4,001
	7,254	5,757
Deferred income tax liabilities:		
— To be settled after 12 months	(5,359)	(3,993)
	(5,359)	(3,993)
	1,895	1,764



9. Deferred income tax — net (Continued)

The net movement of the Group's deferred income tax account is as follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the period	1,764	2,975
Recognised in profit or loss	131	(1,458)
End of the period	1,895	1,517

10. Trade receivables

	As of	As of
	June 30,	December 31,
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	28,072	32,376
Less: impairment provision	(967)	(877)
	27,105	31,499



10. Trade receivables (Continued)

The revenue of the Group from the game distribution channels, third-party payment vendors, international game publishers and film publishers are mainly made on credit term determined on individual basis with normal period up to 60 days. Ageing analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
0 – 60 days	23,172	29,474
61 – 90 days	208	470
91 – 180 days	2,895	903
181 – 365 days	779	752
Over 1 year	1,018	777
	28,072	32,376



11. Other receivables

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Current		
Amount due from a related party (Note 22)	195	195
Loans to employees (Note (a))	251	1,093
Rental and other deposits	2,003	919
Loans to third parties (Note (b))	20,000	22,690
Interests receivable	9,676	8,448
Others	2,795	2,909
	34,920	36,254
Less: provision for impairment of other receivables	(3,353)	(3,353)
	31,567	32,901
Non-current		
Loans to employees (Note (a))	26	150
Rental and other deposits	1,565	2,083
Others	1,127	1,273
	2,718	3,506

Notes:

- (a) Loans to employees represent the housing loans provided to certain employees. These housing loans are unsecured and with a term ranging from 2 to 5 years.
- (b) Loan to third parties are mainly due from film producers for the Group's investment in film projects. The loans are repayable within next 12 months and with a fixed return of 15% ~ 20% (2018: 15% ~ 20%).

12. Other assets

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Current		
Prepaid service charges to game distribution channels	13,023	13,834
Prepayment to game developers	31,452	22,094
Prepaid rental, advertising cost and others	8,715	8,820
Prepayment for films production	8,139	10,914
Deductible value-added tax input	15,410	16,503
	76,739	72,165
Non-current		
Prepaid service charges by game distribution channels	266	232
Prepayment for investments	2,000	—
	2,266	232



13. Reserves

	Capital reserve RMB'000	Currency translation differences RMB'000	Statutory surplus reserve fund RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000	Total RMB'000
Balance as of January 1, 2019	(4,126)	103,545	17,735	284,299	4,441	405,894
Share of other comprehensive income of investments using equity method, net of tax	—	—	—	—	101	101
Increase in ownership interest in subsidiaries without change of control	723	—	—	—	—	723
Employee share option and RSU scheme: — Value of employee services (Note 14)	—	—	—	1,541	—	1,541
Currency translation differences	—	903	—	—	—	903
Balance as of June 30, 2019	(3,403)	104,448	17,735	285,840	4,542	409,162
Balance as of January 1, 2018	(14,119)	78,176	15,807	286,797	1,542	368,203
Share of other comprehensive income of investments using equity method, net of tax	—	—	—	—	744	744
Increase in ownership interest in subsidiaries without change of control	(1,528)	—	—	—	—	(1,528)
Employee share option and RSU scheme: — Value of employee services (Note 14)	—	—	—	2,133	—	2,133
Currency translation differences	—	4,634	—	—	—	4,634
Balance as of June 30, 2018	(15,647)	82,810	15,807	288,930	2,286	374,186



14. Share-based payments

(a) *Restricted Share Units ("RSUs")*

Pursuant to a resolution passed by the Board of Directors of the Company on March 21, 2014, the Company set up a restricted share unit scheme ("RSU Scheme") with the objective to incentivize directors, senior management, employees and any person who provides or has provided consultancy or other advisory services to the Group for their contribution to the Group, 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.

(i) *Grant of the RSUs*

On March 21, 2014, January 21, 2015, October 9, 2015 and January 18, 2017, 31,371,494, 2,275,000, 20,000 and 1,805,385 RSUs under the RSU Scheme were granted to employees, directors and consultants, respectively. Details of those RSUs should be read in conjunction with the 2018 Financial Statements.

On April 1, 2019, 1,300,000 RSUs under the RSU Scheme were granted to employees and directors, which are vested as follows: (1) 50% on the date of grant; (2) 8.5% on the date ending six months after the date of grant; (3) 8.5% on the date ending 12 months after the date of grant; and (4) 8.5% on the date ending 18 months after the date of grant; (5) 8.5% on the date ending 24 months after the date of grant; (6) 8.5% on the date ending 30 months after the date of grant; and (7) the remaining 7.5% on the date ending 36 months after the date of grant.

The RSUs are vested only if 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.

14. Share-based payments (Continued)

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

(i) Grant of the RSUs (Continued)

Movements in the number of RSUs outstanding:

	Number of RSUs	
	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Beginning of the period	250,000	2,970,210
Granted	1,300,000	—
Lapsed	—	(1,231,520)
Vested	(700,000)	(1,409,540)
End of the period	850,000	335,000

As of June 30, 2019 and December 31, 2018, 30,341,294 and 29,641,294 RSUs have been vested unconditionally, respectively.

(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.

14. Share-based payments (Continued)

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

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

The above shares held for RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity; the costs of these shares totalling approximately RMB6,488 were credited to “other reserves” as deemed contribution from shareholders. As a result of the vesting of 700,000 RSUs during the six months ended June 30, 2019, approximately RMB109 was transferred out from treasury shares upon vesting of these RSUs.

(iii) *Fair value of RSUs*

The fair value of RSUs granted on April 1, 2019 was assessed to approximate to the market price of the grant date in the amount of HKD0.88 each (equivalent to approximately RMB979,264 in total).

(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.



14. Share-based payments (Continued)

(b) Share options (Continued)

(i) Grant of share options

On August 12, 2015, October 9, 2015, June 15, 2016 and January 18, 2017, 1,849,192, 6,010,000, 1,750,000, 9,225,000 share options were granted under the Pre-IPO Share Option, details of which should be read in conjunction with the 2018 Financial Statements.

On April 1, 2019, 1,300,000 share options with exercise price of HKD0.88 per share option were granted, which are vested as follows: (1) 50% on the date of grant; (2) 8.5% on the date ending six months after the date of grant; (3) 8.5% on the date ending 12 months after the date of grant; and (4) 8.5% on the date ending 18 months after the date of grant; (5) 8.5% on the date ending 24 months after the date of grant; (6) 8.5% on the date ending 30 months after the date of grant; and (7) the remaining 7.5% on the date ending 36 months after the date of grant.

The option period shall be ten years commencing from the grant date and the options are vested only if the grantees remain engaged by the Group.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Six months ended June 30,			
	2019		2018	
	Average Exercise Price	Number of share options	Average Exercise Price	Number of share options
Beginning of the period	HKD5.08	7,881,048	HKD4.58	13,440,423
Granted	HKD0.88	1,300,000		—
Lapsed	HKD4.02	(116,250)	HKD3.85	(4,133,125)
Exercised		—		—
End of the period	HKD4.49	9,064,798	HKD4.91	9,307,298

14. Share-based payments (Continued)

(b) Share options (Continued)

(i) Grant of share options (Continued)

Out of the 9,064,798 outstanding options (December 31, 2018: 7,881,048), 7,354,798 options (December 31, 2018: 6,289,173) were exercisable. Share options outstanding as of June 30, 2019 include 462,298 (December 31, 2018: 462,298) share options, 2,930,000 (December 31, 2018: 2,956,250) share options, 975,000 (December 31, 2018: 975,000) share options, 3,397,500 (December 31, 2018: 3,487,500) and 1,300,000 (December 31, 2018: Nil) share options with the exercise price of HKD8.10, HKD7.18, HKD4.366, HKD3.10 and HKD0.88 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 share of HKD0.88 on the respective grant date of the share options, the Company has used Binomial option-pricing model to determine the fair value of the share options as of the grant date. The fair value of the share options granted on April 1, 2019 was assessed to be HKD678,000 (equivalent to approximately RMB580,000).

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

	April 1, 2019
Risk-free interest rate	1.60%
Volatility	61.00%
Dividend yield	—

14. Share-based payments (Continued)

(b) Share options (Continued)

(ii) Fair value of share options (Continued)

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 average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

(c) Expected retention rate of grantees

The Group estimates the expected yearly percentage of RSU and option grantees that will stay within the Group at the end of vesting periods (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses to be recorded in the consolidated statements of comprehensive income/(loss). As of June 30, 2019, the Expected Retention Rate of employees was assessed to be 45% (December 31, 2018: 45%) and the Expected Retention Rate of existing directors and senior management was assessed to be 100% (December 31, 2018: 100%).

15. Bank borrowings

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Bank borrowings		
— Secured loans	199,100	199,100
Included in:		
Current liabilities	199,100	199,100

15. Bank borrowings (Continued)

- (a) Bank borrowings are secured by the restricted deposits of RMB232,504,000 (2018: RMB233,831,000).
- (b) The fair value of the borrowings approximately equals their carrying amount, as the impact of discounting is not significant.
- (c) Effective interest rates per annum on borrowings is 4.57% – 4.79% (2018: 4.79%).
- (d) Borrowings are repayable as follows:

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Within 1 year	199,100	199,100

- (e) As of June 30, 2019 and December 31, 2018, the Group's borrowings are denominated in RMB.

16. Trade and other payables

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Trade payables (Note (i))	19,852	43,499
Accrued expenses and liabilities	13,167	21,244
Salary and staff welfare payables	8,379	15,150
Amount due to a related party (Note 22)	5,438	5,438
Other taxes payables	1,496	1,643
Interests payable	123	245
	48,455	87,219

16. Trade and other payables (Continued)

Note:

- (i) Trade payables are mainly arising from the leasing of Internet Data Center (IDC) 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 June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
0-180 days	11,330	35,837
181-365 days	4,272	4,096
1-2 years	1,194	701
2-3 years	706	325
Over 3 years	2,350	2,540
	19,852	43,499



17. Expenses by nature

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Service charges by game distribution channels	9,931	29,227	22,869	71,168
Content fee to game developers	1,739	7,620	7,102	22,128
Bandwidth and server custody fees	3,086	4,273	5,872	8,914
Film rights recognised as cost of revenue	740	31,561	740	31,561
Film production cost	5,273	15,688	5,634	15,688
Payment handling costs	—	40	—	153
Employee benefit expenses (excluding share-based compensation expenses)	18,492	46,093	41,224	101,179
Share-based compensation expenses	1,282	305	1,705	2,133
Depreciation of property and equipment and right-of-use assets (Note 6)	1,862	1,093	4,158	2,404
Amortisation and impairment of intangible assets (Note 6)	2,556	3,846	5,670	7,449
Impairment charges on trade and other receivables	43	—	90	511
Promotion and advertising expenses	859	25,234	11,746	58,005
Traveling and entertainment expenses	736	1,342	2,252	3,007
Office rental expenses	202	3,782	1,448	7,887
Other professional service fees	1,574	2,890	3,139	5,705
Game development outsourcing costs	197	1,031	573	2,992
Utilities and office expenses	264	1,095	604	2,068
Prepayment write-off	407	—	504	—
Auditors' remuneration				
— Audit related services	—	1,280	—	1,280
— Non-audit related services	500	—	800	30
Others	1,264	688	2,588	1,860
Total	51,007	177,088	118,718	346,122

18. Other gains/(losses) — net

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Realised/unrealised fair value gains/(losses) on financial assets at fair value through profit or loss	6,562	(4,313)	6,744	(4,976)
Fair value (loss)/gain from an associate measured at fair value through profit or loss	(1,043)	1,200	(1,043)	1,200
Total	5,519	(3,113)	5,701	(3,776)

19. Income tax expense

The income tax expense of the Group for each of the three months and six months ended June 30, 2019 and 2018 is analysed as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	39	1,241	168	2,767
Deferred income tax	(4)	2,858	(131)	1,458
Income tax expense	35	4,099	37	4,225

19. Income tax expense (Continued)

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

No income tax provision for Hong Kong profit tax has been made by the Group as the Company's subsidiaries incorporated in Hong Kong did not have any taxable profit generated from operations in Hong Kong for the three months and six months ended June 30, 2019 and 2018.

The income tax provision of the Group in respect of operations in the PRC has been calculated based on the statutory tax rate of 25% on the estimated assessable profits of each of the group companies, except that: (i) one subsidiary of the Company, qualified as a Software Enterprise, was subject to a preferential income tax rate of 12.5% from 2018 to 2020; and (ii) one subsidiary of the Company, incorporated in Horgos, is exempted from income taxes under the relevant PRC tax rules and regulations for the six months ended June 30, 2019 and 2018.



20. Earnings/(loss) per share

Basic earnings/(loss) per share for the three months and the six months ended June 30, 2019 and 2018 is calculated by dividing the loss of the Group attributable to the owners of the Company of the period by the weighted average number of ordinary shares in issue during the period.

	Three months ended June 30,		Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Earnings/(loss) attributable to owners of the Company, used in the basic and diluted earnings/(loss) per share calculation (RMB '000)	9,820	(18,957)	(4,998)	(72,907)
Number of ordinary shares				
Weighted average number of ordinary shares in issue, used in the basic and diluted earnings/(loss) per share calculation ('000)	350,509	352,502	350,639	352,979
Dilutive equivalent shares arising from potential ordinary shares ('000) (Note (i))	412	—	—	—
Weighted average number of ordinary shares and potential ordinary shares in issue, used in the diluted earnings/(loss) per share calculation ('000)	350,921	352,502	350,639	352,979
Basic earnings/(loss) per share (expressed in RMB per share)	0.03	(0.05)	(0.01)	(0.21)
Diluted earnings/(loss) per share (expressed in RMB per share)	0.03	(0.05)	(0.01)	(0.21)

20. Earnings/(loss) per share (Continued)

- (i) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended June 30, 2019 and 2018, the Company had two categories of potential ordinary shares, RSUs and share options granted to eligible person. As the Group incurred loss for the six months ended June 30, 2019 and the three months and six months ended June 30, 2018, the potential ordinary shares were not included in the calculation of dilutive loss per share where their inclusion would be anti-dilutive.

21. Dividends

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2019 and 2018.

22. Significant related party transactions

In addition to those disclosed elsewhere in the interim financial information, the following significant transactions were carried out between the Group and its related parties during the six months ended June 30, 2019 and 2018. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.



22. Significant related party transactions (Continued)

(a) Related party transactions

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Services received from		
— Huaying Jiashi (Beijing) International Culture Media Co, Ltd	—	2,624
Rendering of services to		
— Hainan Tianchen Network Technology Co., Ltd. (“Hainan Tianchen”)	—	2,566
Sale of property, plant and equipment to		
— Hainan Tianchen	—	101
Loans granted to		
— Chen Hao	—	200
	—	5,491

(b) Balances with related parties

(i) Amount due from a related party

	As of	As of
	June 30,	December 31,
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Hainan Tianchen	195	195

The amount due from the related party as of June 30, 2019 and December 31, 2018 was unsecured.

22. Significant related party transactions (Continued)

(b) Balances with related parties (Continued)

(ii) Amount due to a related party

	As of	As of
	June 30,	December 31,
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Fuze Entertainment Co., Ltd.	5,438	5,438

(c) Key management personnel compensations

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Wages, salaries and bonuses	1,386	2,590	2,721	5,655
Pension costs — defined contribution plans	65	88	137	216
Other social security costs, housing benefits and other employee benefits	95	104	191	241
Share-based compensation expenses	134	(802)	1,198	157
	1,680	1,980	4,247	6,269

23. Commitments

Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Capital investment in investees	3,000	—

There were no other significant commitments authorized but not contracted at the end of each of the reporting dates.

24. Subsequent events

At July 26, 2019, the Group has signed the agreement to acquire 67% voting rights and approximately 30% shares of Guangzhou Hongyu Network Technology Limited (“Guangzhou Hongyu”). The Group will pay RMB6 million to acquire 22.22% of shares and will adjust the consideration and shares based on the 2019 operating result of Guangzhou Hongyu. As of the date of this report, the consideration is not paid and the valuation of the identifiable assets and liabilities of Guangzhou Hongyu is not finished, so the related information is not disclosed.

