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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)

2020 THIRD QUARTERLY RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Linekong Interactive Group Co., Ltd. (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the nine months ended September 30, 2020. This announcement, containing the full text of the 2020 third quarterly 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 quarterly results. Printed version of the Company’s 2020 third quarterly report 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, the PRC, November 13, 2020

As at the date of this announcement, the executive directors of the Company are Mr. WANG Feng, Ms. LIAO Mingxiang, Mr. CHEN Hao and Mr. WANG Jin (also known as YAN Yusong); the non-executive director of the Company is Mr. JI Xuefeng; and the independent non-executive directors of the Company 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 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 GEM 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 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.*



HIGHLIGHTS

	For the nine months ended September 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	130,649	168,522
Loss for the period	(11,546)	(10,433)
Adjusted net profit/(loss) <i>(Note)</i>	3,774	(7,460)

Note:

Adjusted net profit/(loss) refers to the loss for the period which excludes share-based compensation expenses, fair value gains/(losses) from financial assets at fair value through profit or loss and one-off compensation for loss of office paid. This item is deemed as supplemental information of the consolidated statement of comprehensive loss which reflects the profitability and operating performance of the Company and its subsidiaries (collectively, the **"Group"**) for the financial period indicated.

- Our revenue for the nine months ended September 30, 2020 amounted to approximately RMB130.6 million, representing a decrease of approximately 22.5% as compared to approximately RMB168.5 million for the nine months ended September 30, 2019.
- Our loss for the nine months ended September 30, 2020 amounted to approximately RMB11.5 million, representing an increase of 10.6% as compared to a loss of approximately RMB10.4 million for the nine months ended September 30, 2019.
- Our adjusted net profit for the nine months ended September 30, 2020 amounted to approximately RMB3.8 million, as compared to an adjusted net loss of approximately RMB7.5 million for the nine months ended September 30, 2019.
- The board of Directors (the **"Board"**) did not recommend any payment of dividends for the nine months ended September 30, 2020.

THIRD QUARTERLY RESULTS (UNAUDITED)

The Board announces the unaudited consolidated results of Group for the nine months ended September 30, 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

Interim Condensed Consolidated Statement of Comprehensive (Loss)/Income

For the nine months ended September 30, 2020

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	23,344	62,528	130,649	168,522
Cost of revenue		(18,241)	(47,736)	(87,958)	(108,055)
Gross profit		5,103	14,792	42,691	60,467
Selling and marketing expenses		(1,162)	(6,778)	(8,910)	(24,406)
Administrative expenses		(9,679)	(11,120)	(28,623)	(33,936)
Research and development expenses		(3,108)	(4,027)	(10,684)	(21,892)
Net impairment losses on receivables		(1,071)	(82)	(1,370)	(172)
Other operating income— net		4,641	1,093	10,538	2,649
Operating (loss)/profit		(5,276)	(6,122)	3,642	(17,290)
Other (loss)/gains — net		(11,892)	111	(12,094)	5,812
Finance (costs)/income — net		(800)	141	(1,411)	918
Share of (loss)/profit of investments using equity accounting		(409)	553	(929)	443
Loss before income tax		(18,377)	(5,317)	(10,792)	(10,117)
Income tax expense	5	(150)	(279)	(754)	(316)
Loss for the period		(18,527)	(5,596)	(11,546)	(10,433)

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

For the nine months ended September 30, 2020

	Three months ended September 30, 2020		Nine months ended September 30, 2020	
Note	RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other comprehensive (loss)/ 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	(1,669)	1,749	(1,031)	1,850
Items that will not be reclassified to profit or loss:				
— Currency translation differences	(12,472)	13,385	(6,456)	14,288
Other comprehensive (loss)/ income for the period, net of tax	(14,141)	15,134	(7,487)	16,138
Total comprehensive (loss)/ income for the period	(32,668)	9,538	(19,033)	5,705
(Loss)/profit attributable to:				
Owners of the Company	(18,407)	(6,948)	(13,510)	(11,946)
Non-controlling interests	(120)	1,352	1,964	1,513
Loss for the period	(18,527)	(5,596)	(11,546)	(10,433)

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

For the nine months ended September 30, 2020

		Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Note		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Total comprehensive (loss)/ income attributable to:					
Owners of the Company		(32,548)	8,186	(20,997)	4,192
Non-controlling interests		(120)	1,352	1,964	1,513
Total comprehensive (loss)/ income for the period					
		(32,668)	9,538	(19,033)	5,705
Loss per share (expressed in RMB per share)					
— Basic	6	(0.05)	(0.02)	(0.04)	(0.03)
— Diluted	6	(0.05)	(0.02)	(0.04)	(0.03)

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



Interim Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2020

(Unaudited)	Attributable to owners of the Company							Non-controlling interests	Total equity
	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	Total equity RMB'000		
Balance as of January 1, 2020	59	1,720,690	(10,019)	416,225	(1,690,739)	436,216	14,351	450,567	
Comprehensive (loss)/income									
(Loss)/profit for the period	—	—	—	—	(13,510)	(13,510)	1,964	(11,546)	
Other comprehensive income									
— Share of other comprehensive income of investments accounted for using the equity method, net of tax	—	—	—	(1,031)	—	(1,031)	—	(1,031)	
— Currency translation differences	—	—	—	(6,456)	—	(6,456)	—	(6,456)	
Total comprehensive (loss)/income for the period									
	—	—	—	(7,487)	(13,510)	(20,997)	1,964	(19,033)	
Total contributions by and distributions to owners of the Company recognised directly in equity									
Transaction with non-controlling interests	—	—	—	—	—	—	10	10	
Increase in ownership interest in subsidiaries without change of control	—	—	—	(890)	—	(890)	890	—	
Employee share option and RSU Scheme:									
— Shares repurchased for RSU Scheme	—	—	(404)	—	—	(404)	—	(404)	
— Value of employee services	—	—	—	1,409	—	1,409	38	1,447	
Total contributions by and distributions to owners of the Company for the period									
	—	—	(404)	519	—	115	938	1,053	
Balance as of September 30, 2020	59	1,720,690	(10,423)	409,257	(1,704,249)	415,334	17,253	432,587	

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the nine months ended September 30, 2020

(Unaudited)	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Shares held for RSU Scheme	Reserves	Accumulated losses	Total			
	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 income/(loss)									
(Loss)/income for the period	—	—	—	—	(11,946)	(11,946)	1,513		(10,433)
Other comprehensive income									
— Share of other comprehensive income of investments accounted for using the equity method, net of tax	—	—	—	1,850	—	1,850	—		1,850
— Currency translation differences	—	—	—	14,288	—	14,288	—		14,288
Total comprehensive income/(loss) for the period	—	—	—	16,138	(11,946)	4,192	1,513		5,705
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)		—
Acquisition of subsidiary	—	—	—	—	—	—	14,535		14,535
Employee share option and RSU Scheme:									
— Shares repurchased for RSU Scheme	—	—	(3,371)	—	—	(3,371)	—		(3,371)
— Value of employee services	—	—	—	3,064	—	3,064	195		3,259
Total contributions by and distributions to owners of the Company for the period	—	—	(3,371)	3,787	—	416	14,007		14,423
Balance as of September 30, 2019	59	1,720,690	(9,193)	425,819	(1,593,727)	543,648	24,807		568,455

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

Notes to Interim Condensed Consolidated Financial Information

1. General information

Linekong Interactive Group Co., Ltd. (the “**Company**”), was incorporated in the Cayman Islands on May 24, 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, 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 statements of comprehensive (loss)/income for the nine-month period and the three-month period ended September 30, 2020, changes in equity for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Financial Information**”) have been approved by the Board of Directors on November 13, 2020.

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

The Interim Financial Information has not been audited.



2. Basis of preparation

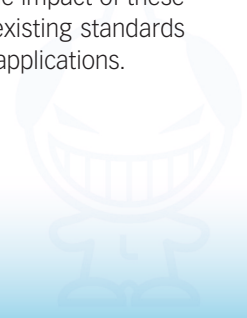
The Interim Financial Information has been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”).

The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2019 as set out in the 2019 annual report of the Company (the “**2019 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

The accounting policies applied are consistent with those used in the 2019 Financial Statements, as described in the 2019 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 standards, amendments and interpretations effective for the first time for the interim period. 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 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, 2020. 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.



4. Revenue and segment information

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

The Company separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. For the nine months ended September 30, 2020, the Group is organised into two reportable operating segments.

The Group identifies 2 segments as follows:

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



4. Revenue and segment information (Continued)

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

	Three months ended September 30, 2020 RMB'000 (Unaudited)		Nine months ended September 30, 2020 RMB'000 (Unaudited)	
		2019 RMB'000 (Unaudited)		2019 RMB'000 (Unaudited)
Segment revenue:				
Game Business				
— Sales of in-game virtual items	21,117	33,643	79,625	104,587
— License fee and technical support fee	623	6,442	16,539	26,639
	21,740	40,085	96,164	131,226
Film Business				
— Production and licensing of film rights and others	1,604	22,443	34,485	37,296
Total	23,344	62,528	130,649	168,522
Segments results — operating profit/(loss):				
— Game Business	(3,110)	(7,564)	(1,019)	(18,641)
— Film Business	(2,166)	1,442	4,661	1,351
Total	(5,276)	(6,122)	3,642	(17,290)

4. Revenue and segment information (Continued)

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

	Three months ended September 30, 2020		Nine months ended September 30, 2020	
	RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from external customers:				
— PRC	9,571	42,497	75,978	100,045
— South Korea	12,066	15,161	47,151	53,977
— Other overseas countries and regions	1,707	4,870	7,520	14,500
	23,344	62,528	130,649	168,522



5. Income tax expense

The income tax expense of the Group for each of the three months and nine months ended September 30, 2020 and 2019 is analysed as follows:

	Three months ended September 30, 2020		Nine months ended September 30, 2020	
	RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax	76	236	1,010	404
Deferred income tax	74	43	(256)	(88)
Income tax expense	150	279	754	316

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 nine months ended September 30, 2020 and 2019.

The income tax provision of the Group in respect of operations in the PRC has been calculated based on the statutory tax rate of 25% on the estimated assessable profits for the nine months ended September 30, 2020 and 2019 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; (ii) one subsidiary of the Company, incorporated in Horgos, is exempted from income taxes under the relevant PRC tax rules and regulations; and (iii) one subsidiary of the Company, qualified as "High and New Technology Enterprise" for a 3-year period and is entitled to a preferential income tax rate of 15%.

6. Loss per share

(a) Basic

Basic loss per share for the three months and the nine months ended September 30, 2020 and 2019 is calculated by dividing the loss of the Group attributable to the owners of the Company of the period by the weighted average number of ordinary shares in issue during the period.

	Three months ended September 30, 2020 (Unaudited)		Nine months ended September 30, 2020 (Unaudited)	
	2019 (Unaudited)		2019 (Unaudited)	
Loss attributable to owners of the Company (RMB '000)	(18,407)	(6,948)	(13,510)	(11,946)
Weighted average number of ordinary shares in issue (thousand shares)	348,198	347,868	347,007	349,900
Basic loss per share (expressed in RMB per share)	(0.05)	(0.02)	(0.04)	(0.03)



6. Loss per share (Continued)

(b) *Diluted*

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

For the three months and nine months ended September 30, 2020 and 2019, the Company had two categories of potential ordinary shares, RSUs and share options granted to eligible people. As the Group incurred loss for the three months and the nine months ended September 30, 2020 and 2019, the potential ordinary shares were not included in the calculation of dilutive loss per share since their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the three months and nine months ended September 30, 2020 and 2019 are the same as basic loss per share of the period.

7. Dividends

No dividends have been paid or declared by the Company during each of the nine months ended September 30, 2020 and 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Management Discussion and Analysis

In 2020, the Group maintains its prudent business strategy. For the nine months ended September 30, 2020, we recorded an operating profit of approximately RMB3.642 million as compared to an operating loss of RMB17.290 million for the corresponding period last year. Adjusted net profit for the same period was RMB3.774 million as compared to an adjusted net loss of RMB7.460 million for the corresponding period last year.

Our Film Business has entered into a phase of matrix product development since early 2020 and we will further enrich our IP reserves and promote production of quality films. The Group expects to launch one to two high quality productions in the fourth quarter of 2020 and its preparation is in orderly process.

Many of our Game Business projects are in the pre-launch in-house development and testing phase. Apart from optimising our existing products, we also focused on the development of female-oriented mobile games, light to moderate casual games and the extension of IP values of our games. We further strategically explored and expanded our key overseas markets, such as South Korea, Japan and North America.

Looking forward, the Group will further develop in the cultural sector, such as gaming and filming, to maintain a stable production of good quality products, and to further the development of the industry with its ability to promote high quality cultural products in order to establish reputation of the Group and create branding effect.



Research and development of new products and accelerating expansion of overseas game markets of Linekong Games

In order to further enrich the Group's product lines and enhance its competitiveness in the casual games market, a casual games development team has been established for the research and development of products such as light to moderate casual, strategy and female-oriented games. The Group's self-developed game "精靈大亨", named as Coin Tycoon in overseas markets, is based on the civilization evolution and technology development of fairyland where players can casually interact and was launched in North America for a small scale paid non-deletion testing in July 2020. The retention and payment performances of the game are satisfactory and the game is in the fine-tuning stage. "蠻荒紀元" is the newest generation of the Group's MMORPG fairy tale mobile game and features aesthetic realism graphics to provide players with a glimpse of the splendor and prosperity of ancient era and a glamorous fairy tale experience. The exclusive distributorship of "蠻荒紀元" in Vietnam has been contracted to VNG GAMES, a well-known local distributor and the game is scheduled to be launched in Vietnam in the first quarter of 2021. Besides, "新後宮甄嬛傳", a jointly developed female-oriented AVG+RPG game, is a game that allows players to embark on an elegant and romantic journey in 2D style graphics from first-person perspective and players can experience various fun features of the game, including dress fitting, romantic relationship development and business operation; while revisiting the legendary IP classic, "Zhen Huan (甄嬛)", the players can appreciate the glamour of a dynasty in its golden age and embark on a new and surprising adventure.



In respect of our games business segment in South Korea, we officially distributed “一夢江湖” (formerly known as “楚留香”) (“검은달” in Korean), a game developed by NetEase Games, on March 18, 2020. In addition, based on our research and analysis of overseas markets, the Group has decided to choose Japan as its second overseas market expansion focus after South Korea. Our Japan distribution team was established in 2019, all of its members have experience in distributing top 30 best-selling games in Japan. Prior to that, the Group has been exclusively licensed to adapt and globally distribute the mobile version of the epic ARPG Japanese game “Ys VIII”. The entire adaptation of the “Ys VIII Mobile” is supervised by Falcom, exquisitely offering players with impressive gaming experiences. Apart from engaging well-known Japanese writers to refine and upgrade the plot of the game, a number of famous Japanese painters are gathered to create beautiful artworks. Having received overwhelming responses from its participation in the Tokyo Game Show (“TGS”) in 2019, “Ys VIII Mobile” also participated in the TGS•Online in 2020. Despite having to be carried out online due to the pandemic where the exhibitors presented their products via playback or live streaming, the presentation remained highly received with real-time broadcast on various major streaming platforms such as DouYu, Bilibili, Huya Live in China. “Ys VIII Mobile” displayed its latest game PV and various details of the games in development, such as characters, architectures and transitional animations. According to several renowned game media, the game remained popular in Japan and was well-received and recognized by new and experienced players. The current development of the game is smooth and the game has entered the final stage of completion and optimization and is scheduled to be tested and prepared for launching in 2021.

In addition, during the reporting period, games such as “Uproar in Heaven (開闢天宮)” (distributed under the Tencent A.C.E Program), “大航海之路 (Korean Server)” and “Daybreak Legends (黎明之光)” have continued to contribute profit to the Group. The Group will continue their promotion and operation.



Linekong Pictures has entered into the phase of matrix product development, ensuring that prime dramas and secondary dramas will continue to be well-received

In 2020, Linekong Pictures has entered into the phase of matrix product development to focus on target audiences and ensure that our prime dramas and secondary dramas will continue to be well-received. After four years of experiences and brands accumulation, Linekong Pictures has accumulated multiple potential pieces with excellent contents, including prime dramas (頭部劇), secondary dramas (腰部劇) and movies (電影).

In terms of prime IPs (頭部 IP), “琴瑟緣” and “雲海傳”, formerly known as “the Tomb Guardian (鎮墓獸)”, are the masterpieces of Linekong Pictures. Historical-style IP, “琴瑟緣” was created by S-class creator team, assembling star crew members of the industry including film director, He Shupei (何澍培), who was the director of “Immortality (皓衣行)” and “The Mystic Nine (老九門)”; concept creator, POLARIS (北斗北); music director, Tan Xuan (譚旋); director of photography, Huang Zhuangqiu (黃壯秋); and art director, Chen Xin (陳鑫). It is the first ancient costume fairy and devil drama in China based on ancient music and its filming is planned to commence in 2021. Through a love story of beauty and ups-and-downs, the drama reveals the legend of forgotten ancient musical instrument and the beauty of stunning ancient music, showing the unique charm and inner nature of the nation and fostering new dynamics in traditional culture. The original IP was selected and ranked 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) of the State Administration of Press, Publication, Radio, Film and Television. The comic which the drama bases on was selected for 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 National Radio and Television Administration (國家廣播電視總局). “雲海傳”, is the first co-production by Cai Jun (蔡駿) and Tian Xia Ba Chang (天下霸唱). With a renowned professional production team comprising of director, Huikang Xu (徐惠康), whose masterpieces include the “Wu Xin The Monster Killer 3 (無心法師 3)” and “櫃中美人”; director of photography, Pan Rencheng (潘人誠); and art director, Wang Yifan (王一凡), the team created the first ancient-setting youth adventure drama in China — a treasure hunt journey without a map, revealing the truth of a ten-thousand-year treasure. It is a courageous and enthusiastic story of three young men growing up together hand-in-hand in adversity and making choices between right and wrong. Its filming is planned to start in February 2021.

After the three dramas, namely “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)”, the Group once again cooperated with Mango TV and produced a romance light comedy, “Love The Way You Are (身為一個胖子)”, which was broadcasted between December 2019 and January 2020. The drama was trending during the broadcast and received overwhelming responses from audiences. The drama was spontaneously circulated among audiences on platforms such as TikTok, Weibo and Kuaishou. In addition, the filming of “原來你是這樣的顧先生”, a new online drama jointly produced by the Group, Tencent Video and Tencent Penguin Pictures, was completed in Chengdu in April 2020 and is expected to be launched on Tencent Video within 2020. With its light comedy and fashion elements, the story has been much-anticipated by audiences. The potential upcoming pop stars such as Chen Jingke (陳靖可), Yan Zhichao (嚴智超), Ding Jiawen (丁嘉文) starred in this drama which talks about a special kind of love in the city. The drama will bring to the audiences a heartwarming sweet love story of a CEO and “Cinderella” from resenting each other to falling in love. The ancient romantic drama “花好月又圓”, an excellent original IP jointly developed by the Group and Youku, was completed in Hengdian in June 2020 and is expected to be launched in the fourth quarter of 2020. It is about a quick-witted and smart travelling showgirl named “小丸子” (played by Li Gengxi) accidentally exchanges her identity with that of a soft and adorable princess of “九王府” named “Lu Yingyao (陸英瑤)” (played by Sun Anke) and gets married to “Mei Sanshao (梅三少)” (played by Huang Junjie), a young general who is arrogant, snarky and yet righteous-minded. Meanwhile, Lu Yingyao and a kind-hearted gang member named “Xiao Bao Ye (小寶爺)” (played by Ding Jiawen) who is the third person-in-charge of his gang make a beautiful fairy couple. Fate is destined. Falling in love with the one they mistakenly married, the couples beat against all odds and write their love stories hand-in-hand.



In 2020, the Group will continue to enrich its IP reserves. “喂兒”, a new style drama, is a key project of the Group adapted from a popular IP written by Nan Bei Zhu Feng (南北逐風) of Changpei Wenxue (長佩文學). The drama is an inspirational youth story about the inheritance of crosstalk, integrating traditional culture with youth and enthusiasm. Through the growing up story of a pair of bound crosstalk partners with a love-hate relationship who strive to revive traditional culture despite hurdles, the drama unravels the impact of traditional culture on youngsters nowadays and the inheritance of traditional culture in order to promote the treasure of the Chinese culture and boost positive energy among the Chinese youngsters. In addition, a female emotional and inspirational idol drama “初戀循環”, adapted from a novel titled “少女甜”, a well-known IP from JinJiang Wenxuecheng (晉江文學城), will start filming soon. Targeting modern striving females who struggle between marriage and love, the drama tells a sweet real-life story about an imaginary utopia created by a married couple. An original futuristic urban love comedy of the Group, “小未來·將將好”, is expected to start filming in the beginning of next year. The drama is a strong co-production of master director, Zou Jicheng (鄒集城), and writer, Lian Qiao (連翹), along with the original cast of a blockbuster, the ancient comedy drama “萌妃駕到” (with view count of over 2.2 billion). As the familiar ensemble creates new sparks, the team tells a story of a hilarious battle of wits and courage among five teenagers under the same roof set against a backdrop of an old mansion in Shanghai in 2028. They comfort and support each other and grow up together in laughter and tears as the story revolves around love, friendship, dream and hope.

Official announcement of the establishment of Linekong Sunrise Media and the joining of four new potential artists

During the reporting period, the artist agency business of the Group has started to develop rapidly after a period of prudent preliminary preparation. On September 21, 2020, the novel artist agency company of the Group, Linekong Sunrise Media, was officially announced and established. Ding Jiawen, Wang Guangyuan, Li Ao (李澳) and Yao Xiaotang (姚曉棠) were also introduced as the first four excellent potential artists contracted by Linekong Sunrise Media.



Ding Jiawen's performance as a "fairy" named Cao Ping (曹評) in "Serenade of Peaceful Joy (清平樂)", a popular TV series, was highly appraised. He had been one of the trending searches on Weibo Hot Searches for several times. He also starred as the lead actor in "乘風少年" which was broadcasted on both Mango TV and MIGU VIDEO (咪咕視頻) in September 2020. The drama has been one of the trending searches and hot topics and has completed its broadcast on a high note. "花好月又圓" and "原來你是這樣的顧先生", both starring Ding Jiawen, are also expected to be broadcasted online subsequently. Due to his outstanding performance in the leading role Luo Xiaoyi in the film "老師•好", Wang Guangyuan has gained much popularity among audiences and received numerous attention and acknowledgement inside and outside of the industry. He also stars as Hao Duanduan (郝端端), the male protagonist of "開心合夥人", the first internet drama of Mahua FunAge (開心麻花), and the filming has started recently and is in smooth progress. The drama is expected to be launched in the first quarter of next year as a key television project of IQIYI. The internet drama, "本宮今天不加班", where Li Ao starred as the lead actress He Mingyue (何明月), was successfully broadcasted on Mango TV. Another internet drama, "謝謝讓我遇見你", where Li Ao starred as the supporting role Zhao Yishu (趙藝書), has also been launched on October 13, 2020. The drama has ranked top among internet dramas in major search engines shortly after its launch. Li Ao has fully demonstrated her acting skills and professionalism through acting two roles with opposite characteristics in these two internet dramas and her performance has been critically acclaimed. Yao Xiaotang (姚曉棠) starred as the lead actress Lu Fei (鹿菲) in "沒問題先生", which is the latest film produced by Mahua FunAge (開心麻花), and has been widely praised for her acting skills. "紅樓夢", a film where Yao Xiaotang (姚曉棠) starred as Jia Tanchun (賈探春), has completed filming, pending to be launched. The film was directed by Hu Mei (胡玫), a well-known director, and has been anticipated by the industry.

Heading for the final sprint of 2020, the Group will focus on major works such as the self-developed games business, arrangement of causal games, expansion in overseas markets, matrix product development of various filming projects and the artist agency business. The Group will continue to adhere to its principles of practicality and customer-centricity in order to create high quality products and offer fascinating entertainment.



Financial Review

Revenue

The Group's revenue decreased by approximately 22.5% from approximately RMB168.5 million for the nine months ended September 30, 2019 to approximately RMB130.6 million for the nine months ended September 30, 2020.

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

	For the nine months ended September 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment revenue:		
Game Business		
— Sales of in-game virtual items	79,625	104,587
— License fee and technical support fee	16,539	26,639
	96,164	131,226
Film Business		
— Production and licensing of film rights and others	34,485	37,296
Total	130,649	168,522



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

	For the nine months ended September 30, 2020		2019	
	approximate		approximate	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
China (including Hong Kong, Macau and Taiwan regions)	75,978	58.1	100,045	59.4
South Korea	47,151	36.1	53,977	32.0
Other overseas countries and regions	7,520	5.8	14,500	8.6
Total	130,649	100.0	168,522	100.0

For the nine months ended September 30, 2020, the revenue contributed by the Game Business was approximately RMB96.2 million, representing a decrease of approximately 26.7% or RMB35.0 million as compared with the corresponding period of 2019, which was attributable to the decrease in revenue generated from existing games and delay in launch timetable of the games that the Company planned to launch due to the approval process of game publication number. The Group has implemented strategy in a timely manner to strengthen the quality of game research and development and distribution during the period to roll out competitive games.

In respect of the Group's Film Business, the Group recognised revenue of approximately RMB34.5 million from production and licensing of film rights and others for the nine months ended September 30, 2020, representing a decrease of approximately 7.5% or RMB2.8 million as compared with the corresponding period of 2019, which was mainly due to the cyclical impact of Film Business and the difference between the income recognised from customised drama and the sales of license.



Cost

The Group's cost for the nine months ended September 30, 2020 was approximately RMB88.0 million, representing a decrease of approximately 18.6% as compared to approximately RMB108.1 million for the nine months ended September 30, 2019.

The decrease in cost of the Group was mainly due to the 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 nine months ended September 30, 2020 was approximately RMB42.7 million, representing a decrease of approximately 29.3% from approximately RMB60.4 million for the nine months ended September 30, 2019.

The Group's gross profit margin for the nine months ended September 30, 2020 was approximately 32.7%, representing a decrease of approximately 3.1 percentage points as compared to approximately 35.8% for the nine months ended September 30, 2019. The decrease in the Group's gross profit margin was mainly due to lower gross profit margin of customised dramas in the Film Business.

Selling and marketing expenses

The Group's selling and marketing expenses for the nine months ended September 30, 2020 were approximately RMB8.9 million, representing a decrease of approximately 63.5% from approximately RMB24.4 million for the nine months ended September 30, 2019. The decrease in selling and marketing expenses was primarily due to the reduction of advertising and promotion expenses incurred when publishing new games.

Administrative expenses

The Group's administrative expenses for the nine months ended September 30, 2020 were approximately RMB28.6 million, representing a decrease of 15.7% from approximately RMB33.9 million for the nine months ended September 30, 2019. The decrease in administrative expenses was primarily due to the reduction in expenses so as 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 nine months ended September 30, 2020 were approximately RMB10.7 million, representing a decrease of approximately 51.1% from approximately RMB21.9 million for the nine months ended September 30, 2019. The decrease in research and development expenses was primarily due to the reduction in salary expenses as a result of reduction in headcounts and improvement in efficiency so as to meet the needs of the business and development strategy of the Company.

Operating profit/(loss)

The Group's operating profit for the nine months ended September 30, 2020 was approximately RMB3.6 million as compared to an operating loss of approximately RMB17.3 million for the nine months ended September 30, 2019.

Other (gains)/losses — net

The Group's other losses for the nine months ended September 30, 2020 were approximately RMB12.1 million as compared to other gains of RMB5.8 million for the nine months ended September 30, 2019, which was mainly due to the change of fair value of financial assets at fair value through profit or loss during the period.

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

The Group's share of loss of investments using equity accounting for the nine months ended September 30, 2020 was approximately RMB0.9 million, while share of profit for the nine months ended September 30, 2019 was approximately RMB0.4 million.



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

To supplement our condensed consolidated quarterly financial results presented in accordance with the GEM Listing Rules, 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 deducting share-based compensation expenses, fair value gains/(losses) from financial assets at fair value through profit or loss and one-off compensation for loss of office paid. The adjusted net profit/(loss) measured at Non-IFRSs is an unaudited figure.

The following table respectively sets out the reconciliation from loss for the period under IFRSs to the adjusted net profit/(loss) for the nine months ended September 30, 2020 and 2019:

	For the nine months ended September 30,		
	2020	2019	Change
	RMB'000	RMB'000	approximate
	(Unaudited)	(Unaudited)	%
Loss for the period	(11,546)	(10,433)	10.6
Add:			
Share-based compensation expenses	1,447	3,259	(55.6)
Fair value gains/(losses) from financial assets at fair value through profit or loss	12,094	(5,812)	
One-off compensation for loss of office paid	1,779	5,526	(67.8)
Adjusted net profit/(loss)	3,774	(7,460)	

The Group's adjusted net profit for the nine months ended September 30, 2020 was approximately RMB3.8 million and the adjusted net loss was approximately RMB7.5 million for the nine months ended September 30, 2019. The decrease in our adjusted net loss for the current period was mainly due to the combined effect of: (i) the decrease in advertising and marketing expenses for games distribution; (ii) the decrease in salary expenses as a result of the reduction in headcount and efficiency improvement.

Liquidity and Financial Resources

During the nine months ended September 30, 2020, we financed our businesses primarily through cash generated from our major operating activities. The Group has been maintaining a solid cash position since obtaining the net proceeds from the listing of the Company's shares (the "**Shares**") on the Stock Exchange (the "**Listing**") in December 2014. We intend to finance our expansion and business operations with internal resources and operating income.

Treasury policy

During the nine months ended September 30, 2020, most 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 cash, 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.

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

As at September 30, 2020, we had cash and cash equivalents of approximately RMB152.9 million (as of December 31, 2019: approximately RMB96.5 million), which primarily consisted of cash at bank and other financial institutions and cash in hand and were mainly denominated in U.S. dollars ("**USD**") (as to approximately 69.2%), HKD (as to approximately 18.7%), RMB (as to approximately 11.7%) and other currencies (as to approximately 0.4%).

As at September 30, 2020, we had short-term bank deposits of approximately RMB40.9 million (as of December 31, 2019: approximately RMB128.0 million).

As at September 30, 2020, approximately RMB111.7 million (as of December 31, 2019: approximately RMB230.9 million) are restricted deposits held at a bank as its reserve for the provision of a loan facility of RMB100.0 million (as of December 31, 2019: RMB199.1 million) by the bank which will expire within 1 year.

Capital Structure

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

Borrowing and Gearing Ratio

As at September 30, 2020, bank loans borrowed by the Group amounted to approximately RMB100.0 million (as at December 31, 2019: approximately RMB199.1 million). As at September 30, 2020, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 35.9% (as at December 31, 2019: approximately 41.1%).

Charge on Group Assets

As at September 30, 2020, restricted deposits of approximately RMB111.7 million (as at December 31, 2019: approximately RMB230.9 million) of the Group were pledged to secure bank borrowings.

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 September 30, 2020, the Group had 144 employees. For the nine months ended September 30, 2020, total remuneration for employees of the Group was approximately RMB36.3 million (for the nine months ended September 30, 2019: approximately RMB57.0 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 report.

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

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

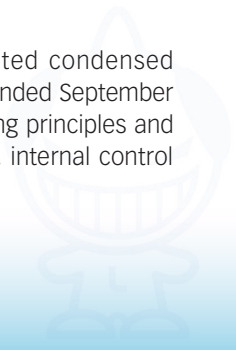
SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group during the nine months ended September 30, 2020.

REVIEW OF THE QUARTERLY RESULTS

The quarterly financial results of the Group for the nine months ended September 30, 2020 is unaudited and has not been reviewed nor audited by the auditors of the Company, but has been reviewed by the audit committee of the Board (the **"Audit Committee"**).

The Audit Committee has reviewed the Group's unaudited condensed consolidated quarterly financial results for the nine months ended September 30, 2020 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.



DIVIDEND

The Board did not recommend the payment of a dividend for the nine months ended September 30, 2020.

USE OF IPO PROCEEDS

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



As of September 30, 2020, the IPO Proceeds have been utilised as follows:

	Net proceeds million HKD	Amounts utilised as of December 31, 2019 million HKD	Amounts utilised during the nine months ended September 30, 2020 million HKD	Amounts unutilised million HKD
Overseas expansions (expanding our business in overseas markets)	137.2	137.2	0	0
Potential strategic acquisition or investment in companies in online game or related businesses	68.6	52.2	4.4	12.0
Creating pan-entertainment environment	157.8	157.8	0	0
Licensing more high quality games with different genres and themes from Chinese and overseas game developers and the operation of such games	68.6	68.6	0	0
Research and development of games, the operation of existing and brand new self-developed games, and the purchase of intellectual property rights of popular entertainment content	137.2	137.2	0	0
Providing funding for our working capital and other general corporate purposes	34.3	19.9	14.4	0
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	26.2	2.8	5.3
Mastering user usage flow entry point via developing intellectual hardware and mobile phone software	48.2	9.4	0.5	38.3
Total	686.2	608.5	22.1	55.6

As of September 30, 2020, approximately HKD55.6 million of the IPO Proceeds remained unutilised. The unutilised IPO Proceeds have been deposited into a short-term demand deposits bank account maintained by the Group.

Among the unutilised proceeds, funding reserved for acquisition will be utilised in accordance with the progress of our potential acquisition projects; funding for investing in our technology platform will be used in 2020 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 2020.

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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of September 30, 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) 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)	5.12%
	Beneficial owner	6,706,769 (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 September 30, 2020, 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 entitling him to receive 8,433,308 Shares subject to vesting. As of September 30, 2020, all the RSUs have been vested.

4. Ms. Liao Mingxiang held the entire issued share capital of Liaomingxiang Holdings Limited, which in turn directly held 12,168,720 Shares. Accordingly, Ms. Liao Mingxiang is deemed to be interested in all the 12,168,720 Shares held by Liaomingxiang Holdings Limited under the SFO.

In addition, Ms. Liao Mingxiang held 215,000 Shares and was interested in 6,491,769 RSUs granted to her under the RSU Scheme entitling her to receive 6,491,769 Shares subject to vesting. As of September 30, 2020, 5,277,369 RSUs have been vested.

5. The 2,300,000 Shares that Mr. Wang Jin was interested in consisted of (a) 300,000 share options and 1,000,000 share options granted to him on June 15, 2016 and April 1, 2019, respectively, under the Share Option Scheme of the Company entitling him to receive an aggregate of 1,300,000 Shares upon exercise; and (b) 1,000,000 RSUs granted to him under the RSU Scheme entitling him to receive 1,000,000 Shares subject to vesting, among which, 670,000 RSUs have been vested as of September 30, 2020.

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) 100,000 share options and 1,000,000 share options granted to him on October 9, 2015 and January 18, 2017, respectively, under the Share Option Scheme entitling him to receive an aggregate of 1,100,000 Shares upon exercise; and (b) 475,841 RSUs granted to him under the RSU Scheme entitling him to receive 475,841 Shares subject to vesting, among which 425,841 RSUs have been vested as of September 30, 2020.

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 September 30, 2020, 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 the standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As of September 30, 2020, the following Directors or the chief executive of the Company are directly or indirectly (other than indirectly by virtue of their interest in the Company) interested in the shares or underlying shares of other member(s) of the Group as follows:

Director/ Chief executive	Company concerned	Capacity/ Nature of interest	Register share capital	Approximate percentage of interest
Mr. Wang Feng	Linekong Online (Beijing) Technology Co., Ltd. ("Linekong Online")	Beneficial owner (note 1)	RMB7,545,000	75.45%
Ms. Liao Mingxiang	Linekong Online	Beneficial owner (note 1)	RMB1,364,000	13.64%
Mr. Wang Jin	Horgos Linekong Pictures Corporation	Beneficial owner	RMB4,155,000	8.31%

Note:

1. Linekong Online is a subsidiary of the Company controlled through contractual arrangements. Mr. Wang Feng and Ms. Liao Mingxiang are the registered shareholders of Linekong Online.

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

So far as is known to the Directors, as of September 30, 2020, the following persons (other than Directors and chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

(i) Substantial 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%
Fosun Holdings 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 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	42,073,086 (L)	11.41%
TCT (BVI) Limited (Note 6)	Trustee of a trust	42,073,086 (L)	11.41%
Premier Selection Limited (Note 6)	Nominee for another person	42,073,086 (L)	11.41%

Notes:

1. (L) denotes long position.
2. Based on the number of issued Shares as of September 30, 2020, being 368,730,964 Shares.
3. 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.
4. Mr. Wang Feng, chairman of the Company and Director, holds the entire issued share capital of Wangfeng Management Limited.
5. 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).

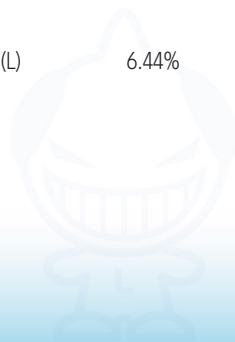
As of September 30, 2020, based on information available on the Stock Exchange, Fosun International is 71.14% owned by Fosun Holdings Limited ("**Fosun Holdings**") which is in turn wholly-owned by Fosun International Holdings Ltd. ("**Fosun International Holdings**"), a company controlled as to approximately 85.29% by Mr. Guo Guangchang.

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

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



Notes:

1. (L) denotes long position.
2. Based on the number of issued Shares as of September 30, 2020, 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 Mr. Zhou Quan and Mr. Ho Chi Sing.

Accordingly, each of Mr. Zhou Quan, Mr. Ho Chi Sing, IDG GP Associates and IDG Fund Associates is deemed to be interested in all the Shares held by IDG Fund and IDG Fund-A under the SFO.

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

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (whether full-time or part-time) or a director of a member of the Group or associated companies of the Company or any person who provides or has provided consultancy or other advisory services to the Group. 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 September 30, 2020 and movement during the nine months ended September 30, 2020 are as follows:

Category	Date of grant	Option period (note 1)	Share Options granted	Exercise price HKD	Closing Price of the Shares immediately before the date of grant HKD	Outstanding balance as at January 1, 2020	During the Reporting Period				Outstanding balance as at September 30, 2020	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			
Ms. Liao Mingxiang	September 12, 2019	September 12, 2019 to September 11, 2029	3,500,000 (note 3)	0.72	0.72	3,500,000	—	—	2,000,000	1,500,000	—	—	—
Mr. Chen Hao	October 9, 2015	October 9, 2015 to October 8, 2025	100,000 (note 3)	7.18	7.18	100,000	—	—	—	—	100,000	—	—
	January 18, 2017	January 18, 2017 to January 17, 2027	1,000,000 (note 3)	3.10	3.10	1,000,000	—	—	—	—	1,000,000	—	250,000
	September 12, 2019	September 12, 2019 to September 11, 2029	1,000,000 (note 3)	0.72	0.72	1,000,000	—	—	—	1,000,000	—	—	—
Mr. Wang Jin	June 15, 2016	June 15, 2016 to June 14, 2026	300,000 (note 3)	4.366	4.18	300,000	—	—	—	—	300,000	—	37,500
	April 1, 2019	April 1, 2019 to March 31, 2029	1,000,000 (note 4)	0.88	0.88	1,000,000	—	—	—	—	1,000,000	—	85,000
	September 12, 2019	September 12, 2019 to September 11, 2029	1,600,000 (note 3)	0.72	0.72	1,600,000	—	—	—	1,600,000	—	—	—
Employees	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 (note 2)	8.10	8.10	462,298	—	—	—	—	462,298	—	—
	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 (note 3)	7.18	7.18	2,778,750	—	—	—	—	2,778,750	—	—
	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 (note 3)	4.366	4.18	675,000	—	—	—	—	675,000	—	—
	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 (note 3)	3.10	3.10	2,315,000	—	—	—	23,750	2,291,250	—	115,625
	April 1, 2019	April 1, 2019 to March 31, 2029	300,000 (note 4)	0.88	0.88	300,000	—	—	—	—	300,000	—	25,500
	August 16, 2019	August 16, 2019 to August 15, 2029	860,000 (note 3)	0.65	0.64	860,000	—	—	—	115,000	745,000	—	190,000
	September 12, 2019	September 12, 2019 to September 11, 2029	800,000 (note 3)	0.72	0.72	800,000	—	—	—	800,000	—	—	—

Notes:

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

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

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 share options granted on October 9, 2015, June 15, 2016, January 18, 2017 and August 16, 2019 may be exercised in accordance with the following vesting timetable:

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

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

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

5. The share options granted on September 12, 2019 may be exercised in accordance with the following vesting timetable:

Vesting dates	Cumulative percentage of share options vested
1 January 2020	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

As at September 30, 2020, among the 6,900,000 share options granted on September 12, 2019, 4,900,000 share options had lapsed according to their vesting conditions and 2,000,000 share options had been cancelled. Please refer to the announcements of the Company dated January 21, 2020 and February 7, 2020 for details.

Share Incentive Scheme

As incentive to Directors and eligible persons, the Company approved and adopted the RSU Scheme on March 21, 2014 (amended on August 22, 2014) where each 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 September 30, 2020, there were 35,516,294 RSUs granted and outstanding, among which 33,342,894 RSUs have been vested.

During the nine months ended September 30, 2020, no RSUs was granted; 2,841,100 RSUs were vested; no RSUs had been cancelled and 8,335,000 RSUs lapsed. In addition, The Core Trust Company Limited, the RSU trustee assisting with the administration and vesting of RSUs granted, purchased 533,000 Shares on the Stock Exchange during the nine months ended September 30, 2020, which will be used to satisfy the RSUs upon exercise.

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 an interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during the nine months ended September 30, 2020.

Purchase, Sale or Redemption of Listed Securities of the Company

On July 2, 2020, the Company repurchased on-market 200,000 Shares, representing approximately 0.054% of the then total number of issued Shares, between the highest and lowest prices of HKD0.42 and HKD0.39 per Share (the **"First Share Repurchase"**). The aggregate purchase price paid (before brokerage and expenses) for the First Share Repurchase was approximately HKD78,955, which was funded by internal resources of the Company and not from any of the proceeds raised from its Listing and the Shares repurchased has not been cancelled as of September 30, 2020. Details of the First Share Repurchase are set out in the announcement of the Company dated July 2, 2020.

On August 17, 2020, the Company repurchased on-market 50,000 Shares, representing approximately 0.014% of the then total number of issued Shares, between the highest and lowest prices of HKD0.50 and HKD0.50 per Share, respectively (the “**Second Share Repurchase**”). The aggregate purchase price paid (before brokerage and expenses) for the Second Share Repurchase was approximately HKD25,000, which was funded by internal resources of the Company and not from any of the proceeds raised from its Listing and the Shares repurchased has not been cancelled as of September 30, 2020. Details of the Second Share Repurchase are set out in the announcement of the Company dated August 17, 2020.

On August 27, 2020, the Company repurchased on-market 130,000 Shares, representing approximately 0.035% of the then total number of issued Shares, between the highest and lowest prices of HKD0.64 and HKD0.56 per Share, respectively (the “**Third Share Repurchase**”). The aggregate purchase price paid (before brokerage and expenses) for the Third Share Repurchase was approximately HKD79,460, which was funded by internal resources of the Company and not from any of the proceeds raised from its Listing and the Shares repurchased has not been cancelled as of September 30, 2020. Details of the Third Share Repurchase are set out in the announcement of the Company dated August 27, 2020.

The Board considers that the value of the Shares is consistently undervalued and believes that the current financial resources of the Company would enable it to conduct the relevant Share repurchases while maintaining a solid financial position for the continuation of the Company’s business.

The Board also believes that the relevant Share repurchases can improve the return to shareholders of the Company. The relevant Share repurchases also reflect the confidence of the Board to the prospects of the Company.

Corporate Governance

The Company has applied the principles and code provisions in the Corporate Governance Code (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 nine months ended September 30, 2020.

Audit Committee

The Audit Committee was established on April 24, 2014. The chairman of the Audit Committee is Ms. Wu Yueqin, an independent non-executive Director. Other members included Mr. Ji Xuefeng (appointed on March 27, 2020) and Mr. Pan Donghui (resigned on March 27, 2020), both are non-executive Directors, and Ms. Zhao Yifang and Mr. Zhang Xiangdong, both are independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the GEM website and on the Company's website.

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

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

Directors' Securities Transactions

The Company has adopted the required standard of dealings regarding directors' securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. After specific enquiries being made with all Directors, all Directors confirmed that they have complied with the required standards of dealings throughout the nine months ended September 30, 2020.

