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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)

2022 FIRST 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 three months ended March 31, 2022. This announcement, containing the full text of the 2022 first 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 2022 first 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, May 13, 2022

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 Mr. ZHANG Xiangdong, Ms. WU Yueqin and Mr. KONG Yi.

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.

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



FIRST QUARTERLY RESULTS (UNAUDITED)

The Board announces the unaudited consolidated quarterly results of Group for the three months ended March 31, 2022 and the unaudited condensed consolidated financial statements, together with the unaudited comparative figures for the corresponding period in 2021, as follows:



Interim Condensed Consolidated Statement of Comprehensive Loss

For the three months ended March 31, 2022

		Three months ended March 31,	
	Note	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	15,160	20,977
Cost of revenue		(11,331)	(14,552)
Gross profit		3,829	6,425
Selling and marketing expenses		(2,758)	(3,213)
Administrative expenses		(8,292)	(7,009)
Research and development expenses		(5,999)	(4,868)
Net impairment gains/(losses) on receivables and contract assets		35	(73)
Other operating income/(loss) — net		1,767	(436)
Operating loss	4	(11,418)	(9,174)
Other losses — net		(1,854)	(18)
Finance costs — net		(194)	(1,088)
Share of loss of investments using equity accounting		(8)	(237)
Loss before income tax		(13,474)	(10,517)
Income tax (expense)/credit	5	(4)	74
Loss for the period		(13,478)	(10,443)
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss:			
— Share of other comprehensive (loss)/income of investments accounted for using the equity method, net of tax		(196)	292
Items that will not be reclassified to profit or loss:			
— Currency translation differences		(603)	1,824
Other comprehensive (loss)/income for the period, net of tax		(799)	2,116
Total comprehensive loss for the period		(14,277)	(8,327)

Interim Condensed Consolidated Statement of Comprehensive Loss (Continued)

For the three months ended March 31, 2022

		Three months ended March 31, 2022	2021
	Note	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Loss attributable to:			
Owners of the Company		(13,152)	(10,117)
Non-controlling interests		(326)	(326)
Loss for the period		(13,478)	(10,443)
Total comprehensive loss attributable to:			
Owners of the Company		(13,951)	(8,001)
Non-controlling interests		(326)	(326)
Total comprehensive loss for the period		(14,277)	(8,327)
Loss per share (expressed in RMB per share)			
— Basic	6(a)	(0.04)	(0.03)
— Diluted	6(b)	(0.04)	(0.03)

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



Interim Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2022

(Unaudited)	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, 2021	59	1,720,690	(10,454)	399,333	(1,725,253)	384,375	9,316	393,691
Comprehensive income/(loss)								
Loss for the period	—	—	—	—	(10,117)	(10,117)	(326)	(10,443)
Other comprehensive income								
— Share of other comprehensive income of investments accounted for using the equity method, net of tax	—	—	—	292	—	292	—	292
— Currency translation differences	—	—	—	1,824	—	1,824	—	1,824
Total comprehensive income/(loss) for the period	—	—	—	2,116	(10,117)	(8,001)	(326)	(8,327)
Total contributions by and distributions to owners of the Company recognised directly in equity								
Employee share option and RSU Scheme:								
— Shares repurchased for RSU Scheme	—	—	(101)	—	—	(101)	—	(101)
— Value of employee services	—	—	—	242	—	242	7	249
Total contributions by and distributions to owners of the Company for the period	—	—	(101)	242	—	141	7	148
Balance as of March 31, 2021	59	1,720,690	(10,555)	401,691	(1,735,370)	376,515	8,997	385,512



Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the three months ended March 31, 2022

(Unaudited)	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, 2022	59	1,720,690	(10,555)	393,854	(1,800,558)	303,490	500	303,990
Comprehensive loss								
Loss for the period	—	—	—	—	(13,152)	(13,152)	(326)	(13,478)
Other comprehensive income								
— Share of other comprehensive loss of investments accounted for using the equity method, net of tax	—	—	—	(196)	—	(196)	—	(196)
— Currency translation differences	—	—	—	(603)	—	(603)	—	(603)
Total comprehensive loss for the period	—	—	—	(799)	(13,152)	(13,951)	(326)	(14,277)
Total contributions by and distributions to owners of the Company recognised directly in equity								
Transaction with non-controlling interests	—	—	—	776	—	776	(776)	—
Employee share option and RSU Scheme:								
— Value of employee services	—	—	—	107	—	107	2	109
Total contributions by and distributions to owners of the Company for the period	—	—	—	883	—	883	(774)	109
Balance as of March 31, 2022	59	1,720,690	(10,555)	393,938	(1,813,710)	290,422	(600)	289,822

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



Notes to Interim Condensed Consolidated Financial Information

1. General information

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

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

The interim condensed consolidated statements of comprehensive loss for the three-month period ended March 31, 2022, changes in equity for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Financial Information**”) have been approved by the Board of Directors on May 13, 2022.

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

The Interim Financial Information has not been audited.



2. Basis of preparation

The Interim Financial Information has been prepared 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, 2021 as set out in the 2021 annual report of the Company (the “**2021 Financial Statements**”) which have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), and any public announcements made by the Company during the interim reporting period.

3. Summary of significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2021, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below. The Interim Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and an associate measured at fair value through profit or loss which are carried at fair value.

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

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

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

Certain standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial period beginning January 1, 2022, and not expected to have a material impact on consolidated financial statement in the foreseeable future.

4. Revenue and segment information

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

The Company separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. For the three months ended March 31, 2022 and 2021, the Group is organised into two reportable operating segments.

The Group identifies 2 segments as follows:

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



4. Revenue and segment information (Continued)

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

	Three months ended March 31,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment revenue:		
Game Business		
— Sales of in-game virtual items	14,279	18,792
— License fee and technical support fees	458	733
	14,737	19,525
Film Business		
— Licensing and production of online dramas and others	423	1,452
Total	15,160	20,977
Segments results — operating loss:		
— Game Business	(9,103)	(7,304)
— Film Business	(2,315)	(1,870)
Total	(11,418)	(9,174)



4. Revenue and segment information (Continued)

A breakdown of revenue derived from different countries and regions for the three months ended March 31, 2022 and 2021 is as follows:

	Three months ended March 31,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from external customers:		
— PRC	7,874	9,660
— South Korea	6,798	9,895
— Other overseas countries and regions	488	1,422
	15,160	20,977

5. Income tax expense/(credit)

The income tax expense/(credit) of the Group for the three months ended March 31, 2022 and 2021 is analysed as follows:

	Three months ended March 31,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	4	(74)
Income tax expense/(credit)	4	(74)

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.



5. Income tax expense/(credit) (Continued)

No income tax provision for Hong Kong profit tax has been made by the Group as the Company's subsidiaries incorporated in Hong Kong did not have any taxable profit generated from operations in Hong Kong for the three months ended March 31, 2022 and 2021.

The income tax provision of the Group in respect of operations in the PRC has been calculated based on the statutory tax rate of 25% on the estimated assessable profits for the three months ended March 31, 2022 and 2021 of each of the group companies, except that: (i) one subsidiary of the Company, incorporated in Horgos, was entitled to a preferential income tax rate of 12.5% for the three months ended March 31, 2022 and 2021 under the relevant PRC tax rules and regulations; (ii) two subsidiaries of the Company were qualified as "High and New Technology Enterprises" and entitled to a preferential income tax rate of 15% for the three months ended March 31, 2022 and 2021; and (iii) three subsidiaries of the Company, incorporated in Horgos, were exempted from income taxes under the relevant PRC tax rules and regulations for the three months ended March 31, 2022 and 2021.

6. Loss per share

(a) Basic

Basic loss per share for the three months ended March 31, 2022 and 2021 is calculated by dividing the loss of the Group attributable to the owners of the Company of the period by the weighted average number of ordinary shares in issue during the period.

	Three months ended March 31,	
	2022	2021
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	(13,152)	(10,117)
Weighted average number of ordinary shares in issue (thousand shares)	348,731	347,195
Basic loss per share (expressed in RMB per share)	(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 ended March 31, 2022 and 2021, the Company had two categories of potential ordinary shares, restricted share units and share options granted to eligible person. As the Group incurred a loss for the three months ended March 31, 2022 and 2021, the potential ordinary shares were not included in the calculation of the diluted loss per share where their inclusion would be anti—dilutive. Accordingly, dilutive loss per share for the three months ended March 31, 2022 and 2021 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 three months ended March 31, 2022 and 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

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

In terms of the game business of Linekong, “Dream Mansion” launched open test, whereas several products such as “甄嬛傳之浮生一夢” and “蠻荒紀元” launched internal technical test to date. In respect of publishing strategy, the Group will continue to explore overseas markets (i.e. Korea, Japan and North America, etc.), and at the same time enhance the development of female-oriented games, casual games and IP values of games.

The film business of Linekong has entered the phase of matrix product development. We will continue to enrich our potential IP reserves and promote quality drama productions. The Group is expecting 1–2 high-quality productions to be broadcast in 2022. The internet drama “對你不止是喜歡” started filming in an orderly manner. The filming of internet drama “Mejaz Regulus in the World (摩耶人間玉)” has successfully wrapped up and is at an intense post-production stage to be scheduled for launch. In addition, we continue to produce and refine the production scripts of different IPs, including “Ancient Music Records (古樂風華錄)”, “雲海傳”, “錦堂春宴” and “陷入我們的熱戀”.

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



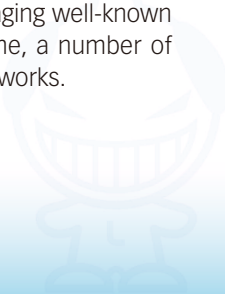
Favorable research and development of new products of Linekong Games and accelerating expansion in overseas game markets

“Dream Mansion”, a game product independently developed by the Group, is a female-oriented AVG mobile game based on a highly immersive suspense plot. Players act as the landlord of a mansion and interact with six tenants of different personalities to create a heartstring-tugging adventure. Open beta testing was officially launched for the product on 10 May.

“甄嬛傳之浮生一夢”, a female-oriented AVG+RPG mobile game jointly developed by the Group and its partners, completed its tests both in the PRC and overseas and is expected to launch in 2022. The game allows players to embark on an elegant and romantic journey in 2D style graphics from a first-person perspective and players can experience various interesting features of the game, including dress fitting, romantic relationship development and business operation. While revisiting the legendary classic IP, “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.

“蠻荒紀元” is the Group’s latest generation of MMORPG fairy tale mobile game which featured aesthetic realism graphics to provide players with a glimpse of the splendor and prosperity of ancient era and a glamorous fairy tale experience. The game is at the technical testing stage.

Based on our research and analysis of overseas markets, the Group further cultivates the market in South Korea and continues its stable operation of the game “大航海時代”. The Group has identified Japan as its second overseas market expansion focus after South Korea. Our Japan distribution team was established in 2019, with all its members has 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 (伊蘇VIII)”. The entire adaptation of the “Ys VIII Mobile (伊蘇VIII Mobile)” is supervised by Falcom to provide players impressive gaming experiences with its craftsman spirit. Apart from engaging well-known Japanese writers to refine and upgrade the plot of the game, a number of famous Japanese painters are gathered to create beautiful artworks.



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

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

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

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

“對你不止是喜歡”, an urban-setting romance drama jointly produced by Linekong Pictures and Mango TV, has started filming in Xiamen in February. The drama is currently filming in an orderly manner and wrapped on 9 May and broadcast in the fourth quarter of 2022. The drama tells the crush story between Tangyu, the cold-hands and warm-heart producer, and Tangxin, the mischievous and playful junior scriptwriter.

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

In terms of IPs, Linekong Pictures has masterpieces such as “Ancient Music Records (古樂風華錄)” and “雲海傳” in reserve. Historical-style IP, “Ancient Music Records (古樂風華錄)” is the first ancient costume fairy and devil drama with ancient music as its theme in the PRC. Through a beautiful love story with ups-and-downs, the drama reveals the legend of a forgotten ancient musical instrument and the beauty of stunning ancient music, showing the unique charm and inner nature of the nation and fostering new dynamics in traditional culture. The original IP was selected and ranked the first in the 2017 List of National Items for Reforms and Development (改革發展項目庫二零一七年入庫名額) of the State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣電總局). The comic on which the drama is based was selected for the 2016 Mobility Supporting Plan for Chinese Original Comic and Animation (二零一六年原動力中國原創動漫出版扶持計劃) by the National Radio and Television Administration (國家廣電總局).

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

The Group also has quality dramas such as “陷入我們的熱戀” written by the famous JinJiang writer Er Dong Tu Zi (耳東兔子) in reserve, as well as “錦堂春宴”, an ancient-setting gourmet drama which is also a potential production that can reach new group of audiences.

BUSINESS OUTLOOK

In 2022, the Group will continue to focus on the development of IP games, female-oriented games and casual games. The Group will also place great emphasis on the expansion of overseas market and matrix product development of filming projects. The Group will continue to adhere to its principles of practicality and customer-centricity in order to create high quality products and offer fascinating entertainment. As a participant of the PRC culture and entertainment industry, the Group will fulfill its social responsibilities by promoting healthy culture visions and attaching great importance to traditional Chinese culture in the entire process of product production and distribution, so as to make contributions to the culture and entertainment industry of the PRC.

Financial Review

Revenue

The Group's revenue decreased by approximately 27.6% from approximately RMB21.0 million for the three months ended March 31, 2021 to approximately RMB15.2 million for the three months ended March 31, 2022.

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

	For the three months ended March 31,		Change
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	(approximate %)
Segment revenue:			
Game Business			
— Sales of in-game virtual items	14,279	18,792	(24.0)
— License fee and technical support fee	458	733	(37.5)
	14,737	19,525	(24.5)
Film Business			
— Licensing of rights and production of online dramas and others	423	1,452	(70.9)
Total	15,160	20,977	(27.7)



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

	For the three months ended March 31, 2022		2021	
	RMB'000 (Unaudited)	approximate %	RMB'000 (Unaudited)	approximate %
China (including Hong Kong, Macau and Taiwan regions)	7,874	52.0	9,660	46.0
South Korea	6,798	44.8	9,895	47.2
Other overseas countries and regions	488	3.2	1,422	6.8
Total	15,160	100.0	20,977	100.0

For the three months ended March 31, 2022, the revenue contributed by game business amounted to approximately RMB14.7 million, representing a decrease of approximately 24.5% or RMB4.8 million as compared with the corresponding period of 2021, which was attributable to a decrease in sales volume in game. The Group has in place strategies to reserve more time to strengthen the quality of game development and roll out competitive games.

The Group recognised revenue of approximately RMB0.4 million from licensing of rights and production of online dramas and others for the three months ended March 31, 2022, representing a decrease of approximately 70.9% from approximately RMB1.5 million as compared with the three months ended March 31, 2021, due to the recognition of revenue from the online drama "Hello Mr. Gu (原來你是這樣的顧先生)" during the corresponding period of 2021.



Cost

The Group's cost for the three months ended March 31, 2022 was approximately RMB11.3 million, representing a decrease of approximately 22.6% as compared to approximately RMB14.6 million for the three months ended March 31, 2021.

The decrease in cost of the Group was mainly due to the year-on-year decrease in revenue as well as implementation of effective cost control.

Gross profit and gross profit margin

The Group's gross profit for the three months ended March 31, 2022 was approximately RMB3.8 million, representing a decrease of approximately 40.6% from approximately RMB6.4 million for the three months ended March 31, 2021. The decrease in gross profit was mainly due to a decrease in revenue from existing games as a result of aging.

The Group's gross profit margin for the three months ended March 31, 2022 was approximately 25.3%, representing a decrease of approximately 5.3 percentage point as compared to approximately 30.6% for the three months ended March 31, 2021. The decrease in the Group's gross profit margin was mainly due to a decrease in revenue compared to the corresponding period last year.

Selling and marketing expenses

The Group's selling and marketing expenses for the three months ended March 31, 2022 were approximately RMB2.8 million, representing a decrease of approximately 12.5% from approximately RMB3.2 million for the three months ended March 31, 2021. The decrease in selling and marketing expenses was primarily due to fewer projects in promotional stage as compared to the corresponding period last year, resulting in a decrease in promotion and advertisement expense.

Administrative expenses

The Group's administrative expenses for the three months ended March 31, 2022 were approximately RMB8.3 million, representing an increase of approximately 18.6% from approximately RMB7.0 million for the three months ended March 31, 2021. The increase in the Group's administrative expenses was primarily due to the impairment provision made for certain film IP projects in reserve.

Research and development expenses

The Group's research and development expenses for the three months ended March 31, 2022 were approximately RMB6.0 million, representing an increase of approximately 22.4% from approximately RMB4.9 million for the three months ended March 31, 2021. The increase in the Group's research and development expenses was primarily due to the increase in investment in self-operated R&D.

Loss for the period

As a result of the foregoing, the loss for the three months ended March 31, 2022 was approximately RMB13.5 million as compared to loss of approximately RMB10.4 million for the three months ended March 31, 2021.

Non-IFRSs measure — adjusted net loss

To supplement our combined and consolidated financial statements presented in accordance with the IFRSs, we also adopted adjusted net loss as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted net loss was derived from our net loss for the period deducting share-based compensation expenses and one-off compensation for loss of office paid. The adjusted net 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 loss for the three months ended March 31, 2022 and 2021:

	For the three months ended		
	March 31,		
	2022	2021	Change
	RMB'000	RMB'000	(approximate
	(Unaudited)	(Unaudited)	%)
Loss for the period	(13,478)	(10,443)	29.1
Add:			
Share-based compensation expenses	109	249	(56.3)
One-off compensation for loss of office paid	190	70	171.4
Adjusted net loss	(13,179)	(10,124)	30.2

The Group's adjusted net loss for the three months ended March 31, 2022 was approximately RMB13.2 million, as compared to the adjusted net loss of approximately RMB10.1 million for the three months ended March 31, 2021.

Liquidity and Financial Resources

During the three months ended March 31, 2022, we financed our businesses primarily through cash generated from our existing operating activities. The Group has been maintaining a solid cash position since the listing of the Company's shares (the "**Shares**") on GEM of the Stock Exchange and obtaining the net proceeds in December 2014. We intend to finance our expansion and business operations with internal resources and through organic and sustainable growth.

Treasury policy

During the three months ended March 31, 2022, most of the Group's idle capital was invested in time deposits of commercial banks in the PRC. For the purpose of generating better return for the Group's idle cash, the Group's treasury policy is to deposit in these time deposits, and not to engage in any investments with high risks or transactions of speculative derivatives. In order to meet the domestic working capital requirement, we will seek for stable and long-term funding from banks at market lending rate for the corresponding period.

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

As of March 31, 2022 we had cash and cash equivalents of approximately RMB118.5 million (as of December 31, 2021: approximately RMB132.2 million), which primarily consisted of cash at bank, other financial institutions and cash in hand and were mainly denominated in U.S. dollars (as to approximately 54.2%), RMB (as to approximately 38.4%), HKD (as to approximately 6.7%), and other currencies (as to approximately 0.7%).

As of March 31, 2022, we had short-term bank deposits of approximately RMB57.2 million (as of December 31, 2021: approximately RMB57.4 million).

As of March 31, 2022, approximately RMB55.9 million (as of December 31, 2021: approximately RMB55.5 million) is restricted deposit held at a bank as its reserve for the provision of a loan facility of RMB50.0 million (as of December 31, 2021: RMB50.0 million) provided by the bank which will expire in one 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 March 31, 2022, bank loans borrowed by the Group amounted to approximately RMB50.0 million (as at December 31, 2021: approximately RMB50.0 million). As at March 31, 2022, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 34.0% (as at December 31, 2021: approximately 32.3%).

Charge on Group Assets

As at March 31, 2022, a restricted deposit of approximately RMB55.9 million of the Group was pledged to secure bank borrowings (as at December 31, 2021: approximately RMB55.5 million).

REVIEW OF THE QUARTERLY RESULTS

The quarterly financial results of the Group for the three months ended March 31, 2022 is unaudited and has not been reviewed nor audited by the auditors of the Company, but has been reviewed by the audit committee of the Board (the “**Audit Committee**”). The Audit Committee has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters of the Group.

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

There was no significant investment, material acquisition or disposal of subsidiaries or associated companies by the Group during the three months ended March 31, 2022.



Information on Employees and Remuneration Policy

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

As at March 31, 2022, the Group had 163 employees. For the three months ended March 31, 2022, total remuneration for employees of the Group was approximately RMB13.5 million (for the three months ended March 31, 2021: approximately RMB12.9 million).

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

DIVIDEND

The Board resolved not to declare any dividend for the three months ended March 31, 2022.



USE OF IPO PROCEEDS

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

As of March 31, 2022, the IPO Proceeds have been utilised as follows:

	Net proceeds million HKD	Amounts utilised as of December 31, 2021 million HKD	Amounts utilised during the three months ended March 31, 2022 million HKD	Amounts unutilised as of March 31, 2022 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	59.7	59.7	0	0
Potential strategic acquisition or investment in companies in game business, film (movie and drama) business or related businesses	8.9	0	0	8.9
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



	Net proceeds million HKD	Amounts utilised as of December 31, 2021 million HKD	Amounts utilised during the three months ended March 31, 2022 million HKD	Amounts unutilised as of March 31, 2022 million HKD
Enhancing game development capability, developing and operating new games, distributing and operating high quality games developed by third parties and accumulation of intellectual property rights of game contents	20.7	12.20	5.2	3.3
Providing funding for our working capital and other general corporate purposes	34.3	34.3	0	0
Investing in our technology platform (including developing and improving our game development tools) and purchase of commercialized game engines developed by third parties	29.00	29.00	0	0
Mastering user usage flow entry point via developing intellectual hardware and mobile phone software	10.7	10.7	0	0
Development of and investment in movies and dramas and accumulation of intellectual property rights of movie and drama contents	22.1	17.9	4.2	0
Total	686.2	664.6	9.4	12.2



As of December 31, 2022, approximately HKD12.2 million of the IPO Proceeds remained unutilised. The unutilised IPO Proceeds have been deposited into a time deposits bank account maintained by the Group and will be utilised in accordance with the usage as announced in the announcement in relation to the change in use of proceeds of the Company dated June 29, 2021.

Among the unutilised proceeds, the Company's funding reserved for acquisition or investment in companies in game business, film (movie and drama) business or related business will be utilised in accordance with the progress of our potential acquisition projects, it is expected to be fully utilised before December 31, 2022. Funding for enhancing game development capability, developing and operating new games, distributing and operating high quality games developed by third parties and accumulation of intellectual property rights of game contents will be used according to the progress of business, it is expected to be fully utilised before December 31, 2022.

MATERIAL EVENT AFTER THE REPORTING PERIOD

There is no material event occurred after March 31, 2022 which affects the Group that needed to be reported to the Shareholders.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of March 31, 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in Shares and underlying Shares

Name of Director/ chief executive	Capacity/Nature of interest	Total number of shares	Approximate percentage of shareholding (Note 5)
Mr. Wang Feng (Note 1)	Interest of controlled corporation	66,576,160 (L)	21.53%
	Beneficial owner	12,640,380 (L)	
Ms. Liao Mingxiang (Note 2)	Interest of controlled corporation	12,168,720 (L)	5.38%
	Beneficial owner	7,626,769 (L)	
Mr. Wang Jin (Note 3)	Beneficial owner	2,540,000 (L)	0.69%
Mr. Chen Hao (Note 4)	Beneficial owner	1,815,841 (L)	0.49%
(L) Long position	(S) Short position		

Notes:

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

In addition, Mr. Wang Feng held 4,207,072 Shares and was interested in 8,433,308 RSUs granted to him under the RSU Scheme entitling him to receive 8,433,308 Shares subject to vesting. As of March 31, 2022, all the RSUs have been vested.

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

In addition, Ms. Liao Mingxiang held 5,805,169 Shares and was interested in (a) 275,000 share options granted to her on May 17, 2021 under the Share Option Scheme entitling her to receive 275,000 Shares upon exercise; and (b) 1,546,600 RSUs granted to her under the RSU Scheme entitling her to receive 1,546,600 Shares subject to vesting, among which, 1,270,600 RSUs have been vested as of March 31, 2022.

- (3) The 2,540,000 Shares that Mr. Wang Jin was interested in consisted of (a) 300,000 share options, 1,000,000 share options and 125,000 share options granted to him on June 15, 2016, April 1, 2019 and May 17, 2021, respectively, under the Share Option Scheme entitling him to receive an aggregate of 1,425,000 Shares upon exercise; and (b) 1,115,000 RSUs granted to him under the RSU Scheme entitling him to receive 1,115,000 Shares subject to vesting, among which, 1,040,000 RSUs have been vested as of March 31, 2022.

- (4) The 1,815,841 Shares that Mr. Chen Hao was interested in consisted of (a) 100,000 share options, 1,000,000 share options and 125,000 share options granted to him on October 9, 2015, January 18, 2017 and May 17, 2021, respectively, under the Share Option Scheme entitling him to receive an aggregate of 1,225,000 Shares upon exercise; and (b) 590,841 RSUs granted to him under the RSU Scheme entitling him to receive 590,841 Shares subject to vesting, among which 590,841 RSUs have been vested as of March 31, 2022.

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

- (5) As of March 31, 2022, the Company issued 367,974,964 Shares.



Save as disclosed above, as of March 31, 2022, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As of March 31, 2022, the following Directors or the chief executive of the Company are directly or indirectly (other than indirectly by virtue of their interest in the Company) interested in the shares or underlying shares of other member(s) of the Group as follows:

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

Notes:

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.
2. Linekong Pictures is a subsidiary of the Company controlled through Linekong Online which is owned as to 82.19% by Linekong Online.
3. Juyingshiguang is a subsidiary of the Company controlled through Linekong Online which is owned as to 84.50% by Linekong Online.
4. Chenxi Entertainment is a subsidiary of the Company controlled through Linekong Online which is owned as to 60.00% by 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 March 31, 2022, the following persons (other than Directors and chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

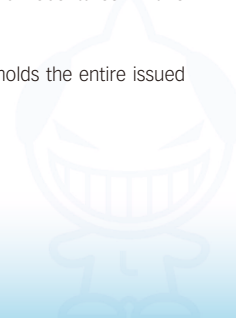
(i) Substantial Shareholder(s)

Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company <small>(Note 4)</small>
Zhu Li <small>(Note 1)</small>	Interest of spouse	79,216,540 (L)	21.53%
Wangfeng Management Limited <small>(Note 2)</small>	Beneficial owner	66,576,160 (L)	18.09%
Starwish Global Limited <small>(Note 3)</small>	Beneficial owner	52,318,760 (L)	14.22%
China Momentum Fund, L.P. <small>(Note 3)</small>	Interest of controlled corporation	52,318,760 (L)	14.22%

Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company ^(Note 4)
Fosun China Momentum Fund GP, Ltd. ^(Note 3)	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Momentum Holdings Limited ^(Note 3)	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Financial Holdings Limited ^(Note 3)	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun International Limited ^(Note 3)	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun Holdings Limited ^(Note 3)	Interest of controlled corporation	52,318,760 (L)	14.22%
Fosun International Holdings Limited ^(Note 3)	Interest of controlled corporation	52,318,760 (L)	14.22%
Guo Guangchang ^(Note 3)	Interest of controlled corporation	52,318,760 (L)	14.22%
(L) Long position	(S) Short position		

Notes:

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



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

As of March 31, 2022, based on information available on the Stock Exchange, Fosun International is 72.72% owned by Fosun Holdings Limited ("**Fosun Holdings**") which is in turn wholly-owned by Fosun International Holdings Ltd. ("**Fosun International Holdings**"), a company controlled as to approximately 85.29% by Mr. Guo Guangchang.

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

4. As of March 31, 2022, the Company issued 367,974,964 Shares.

(ii) Other Shareholder(s)

Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company (Note 4)
The Core Trust Company Limited (note 1)	Trustee of a trust	36,442,917 (L)	9.90%
TCT (BVI) Limited (note 1)	Trustee of a trust	36,442,917 (L)	9.90%
Premier Selection Limited (note 1)	Nominee for another person	36,442,917 (L)	9.90%
Ho Chi Sing (Notes 2&3)	Interest of controlled corporation	29,922,996 (L)	8.13%
IDG-Accel China Growth Fund GP Associates Ltd. (Note 2)	Interest of controlled corporation	27,774,323 (L)	7.55%

Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company (Note 4)
IDG-Accel China Growth Fund Associates, L.P. (Note 2)	Interest of controlled corporation	27,774,323 (L)	7.55%
IDG-Accel China Growth Fund L.P. (Note 2)	Beneficial owner	23,061,443 (L)	6.27%
Zhou Quan (Note 2)	Interest of controlled corporation	27,774,323 (L)	7.55%
Fubon Financial Holding Co., Ltd. (Note 4)	Interest of controlled corporation	21,987,000 (L)	5.98%
Fubon Life Insurance Co., Ltd. (Note 4)	Beneficial owner	21,987,000 (L)	5.98%
(L) Long position	(S) Short position		

Notes:

- The Core Trust Company Limited, being the RSU trustee, directly held the entire issued share capital of TCT (BVI) Limited, which in turn directly held the entire issued share capital of Premier Selection Limited (the RSU nominee).
- Each of IDG-Accel China Growth Fund L.P. ("**IDG Fund**", holding 23,061,443 Shares) and IDG-Accel China Growth Fund-A LP. ("**IDG Fund-A**", holding 4,712,880 Shares) is controlled by its sole general partner, IDG-Accel China Growth Fund Associates, L.P. ("**IDG Fund Associates**"), which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd. ("**IDG GP Associates**"). IDG GP Associates is held as to 35.00% by each of Mr. Zhou Quan and Mr. Ho Chi Sing.

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

3. IDG-Accel China Investors L.P. ("**IDG China Investors**", holding 2,148,673 Shares) is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd. ("**IDG Associates**"), which in turn is held as to 100.00% by Mr. Ho Chi Sing.

Accordingly, each of Mr. Ho Chi Sing and IDG Associates is deemed to be interested in all the Shares held by IDG China Investors under the SFO.

4. Fubon Life Insurance Co., Ltd. is wholly-owned by Fubon Financial Holding Co., Ltd..
5. As of March 31, 2022, the Company issued 367,974,964 Shares.

Share Option Scheme

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

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

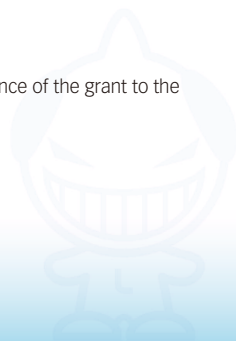


Details of the granted and outstanding share options of the Company as of March 31, 2022 and movement during the three months ended March 31, 2022 are as follows:

Category	Date of grant	Option period (note 1)	Number of Share options granted	Exercise price HKD	Closing Price of the Shares immediately before the date of grant HKD	Outstanding balance as at January 1, 2022	During the three months ended March 31, 2022				Outstanding balance as at March 31, 2022
							Granted	Exercised	Cancelled	Lapsed	
Ms. Liao Mingxiang	May 17, 2021	May 17, 2021 to May 16, 2031	1,100,000 (note 3)	0.784	0.75	1,100,000	—	—	—	825,000	275,000
Mr. Chen Hao	October 9, 2015	October 9, 2015 to October 8, 2025	100,000 (note 3)	7.18	7.18	100,000	—	—	—	—	100,000
	January 18, 2017	January 18, 2017 to January 17, 2027	1,000,000 (note 3)	3.10	3.10	1,000,000	—	—	—	—	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 (note 3)	0.784	0.75	500,000	—	—	—	375,000	125,000
Mr. Wang Jin	June 15, 2016	June 15, 2016 to June 14, 2026	300,000 (note 3)	4.366	4.18	300,000	—	—	—	—	300,000
	April 1, 2019	April 1, 2019 to March 31, 2029	1,000,000 (note 4)	0.88	0.88	1,000,000	—	—	—	—	1,000,000
	May 17, 2021	May 17, 2021 to May 16, 2031	500,000 (note 3)	0.784	0.75	500,000	—	—	—	375,000	125,000
Employees	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 (note 2)	8.10	8.10	462,298	—	—	—	—	462,298
	October 9, 2015	October 9, 2015 to October 8, 2025	5,910,000 (note 3)	7.18	7.18	2,778,750	—	—	—	—	2,778,750
	June 15, 2016	June 15, 2016 to June 14, 2026	1,450,000 (note 3)	4.366	4.18	675,000	—	—	—	—	675,000
	January 18, 2017	January 18, 2017 to January 17, 2027	8,225,000 (note 3)	3.10	3.10	2,291,250	—	—	—	—	2,291,250
	April 1, 2019	April 1, 2019 to March 31, 2029	300,000 (note 4)	0.88	0.88	300,000	—	—	—	—	300,000
	August 16, 2019	August 16, 2019 to August 15, 2029	860,000 (note 3)	0.65	0.64	668,750	—	—	—	—	668,750
	May 17, 2021	May 17, 2021 to May 16, 2031	845,000 (note 3)	0.784	0.75	765,000	—	—	—	20,000	745,000
	May 17, 2021	May 17, 2021 to May 16, 2031	700,000 (note 3)	0.784	0.75	700,000	—	—	—	525,000	175,000

Notes:

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



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 and those 845,000 share options granted to employees on May 17, 2021 may be exercised in accordance with the following vesting timetable:

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

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

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

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

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



Share Incentive Scheme

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

As of March 31, 2022, there were 18,652,270 RSUs granted and outstanding, among which 17,728,770 RSUs have been vested.

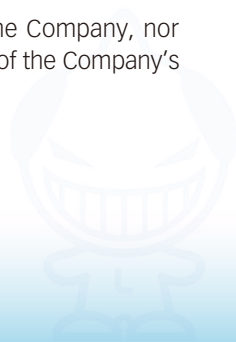
During the three months ended March 31, 2022, no RSU was granted; no RSU was exercised; no RSU has been cancelled and 2,935,000 RSUs have been lapsed. In addition, The Core Trust Company Limited, the RSU trustee assisting with the administration and vesting of RSUs granted, did not purchase any Share on the Stock Exchange during the three months ended March 31, 2022 for satisfying the RSUs upon exercise.

Interests in Competing Business

None of the Directors or controlling shareholders of the Company or any of their respective close associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during the three months ended March 31, 2022.

Purchase, Sale or Redemption of Listed Securities of the Company

During the three months ended March 31, 2022, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.



Corporate Governance

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

In the opinion of the Board, the Company has complied with the CG Code throughout the three months ended March 31, 2022.

Audit Committee

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

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

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

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. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standards of dealings throughout the three months ended March 31, 2022.

