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**Linekong Interactive Group Co., Ltd.**

**藍港互動集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8267)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024**

### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

*This announcement, 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 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.*

## HIGHLIGHTS

- Our revenue for the six months ended June 30, 2024 amounted to approximately RMB58.8 million, representing a decrease of approximately 40.3% as compared to approximately RMB98.5 million for the six months ended June 30, 2023.
- Our gross profit for the six months ended June 30, 2024 amounted to approximately RMB14.7 million, representing a decrease of approximately 34.1% from RMB22.3 million recorded for the six months ended June 30, 2023.
- Loss attributable to owners of the Company under IFRSs for the six months ended June 30, 2024 amounted to approximately RMB12.8 million (for the six months ended June 30, 2023: loss attributable to owners of the Company under IFRSs approximately RMB12.9 million).
- Loss per share under IFRSs for the six months ended June 30, 2024 amounted to approximately RMB0.037 (for the six months ended June 30, 2023: loss per share under IFRSs approximately RMB0.037).
- The board of Directors (the “**Board**”) did not recommend any payment of dividends for the six months ended June 30, 2024.

## INTERIM RESULTS (UNAUDITED)

The Board announces the unaudited interim condensed consolidated results and the unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2024 together with the comparative figures for the six months ended June 30, 2023. The results were reviewed by the audit committee of the Company (the “**Audit Committee**”), which consists of all independent non-executive Directors, and is chaired by an independent non-executive Director.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS

For the six months ended June 30, 2024

		<b>Six months ended</b>	
		<b>June 30,</b>	
	<i>Note</i>	<b>2024</b>	<b>2023</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>58,787</b>	98,531
Cost of revenue		<b>(44,070)</b>	(76,236)
<b>Gross profit</b>		<b>14,717</b>	22,295
Selling and marketing expenses		<b>(7,679)</b>	(4,108)
Administrative expenses		<b>(10,324)</b>	(15,837)
Research and development expenses		<b>(10,252)</b>	(13,680)
Net impairment (losses)/reversals on receivables and contract assets		<b>(92)</b>	745
Other operating expenses — net	5	<b>(51)</b>	(1,631)
<b>Operating loss</b>		<b>(13,681)</b>	(12,216)
Other gains/(losses) — net	6	<b>998</b>	(1,203)
Finance income — net		<b>428</b>	137
Share of profit of investments using equity accounting		<b>172</b>	418
<b>Loss before income tax</b>		<b>(12,083)</b>	(12,864)
Income tax expense	7	<b>(5)</b>	(4)
<b>Loss for the period</b>		<b>(12,088)</b>	(12,868)
<b>Other comprehensive income</b>			
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		<b>247</b>	568
Items that will not be reclassified to profit or loss:			
— Currency translation differences		<b>814</b>	5,036
<b>Other comprehensive income for the period, net of tax</b>		<b>1,061</b>	5,604
<b>Total comprehensive loss for the period</b>		<b>(11,027)</b>	(7,264)

		<b>Six months ended</b>	
		<b>June 30,</b>	
	<i>Note</i>	<b>2024</b>	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(12,764)	(12,868)
Non-controlling interests		<u>676</u>	<u>—</u>
<b>Loss for the period</b>		<b><u>(12,088)</u></b>	<b><u>(12,868)</u></b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(11,703)	(7,264)
Non-controlling interests		<u>676</u>	<u>—</u>
<b>Total comprehensive loss for the period</b>		<b><u>(11,027)</u></b>	<b><u>(7,264)</u></b>
<b>Loss per share (expressed in RMB per share)</b>			
— Basic	8	<b><u>(0.037)</u></b>	<b><u>(0.037)</u></b>
— Diluted	8	<b><u>(0.037)</u></b>	<b><u>(0.037)</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2024

	<i>Note</i>	As of <b>June 30,</b> <b>2024</b> <i>RMB'000</i> <b>(Unaudited)</b>	As of December 31, 2023 <i>RMB'000</i> <b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	665	566
Right-of-use assets	9	893	613
Intangible assets	9	62,024	20,342
Deferred income tax assets		5	8
Film rights and films in progress	10	10,434	8,785
Investments using equity accounting		40,255	36,972
An associate measured at fair value through profit or loss		21,554	20,486
Financial assets at fair value through profit or loss	11	49,363	31,473
Other receivables	13	1,054	1,030
Other non-current assets		14,308	6,651
		<u>200,555</u>	<u>126,926</u>
<b>Current assets</b>			
Trade receivables and notes receivables	12	20,253	46,704
Contract assets		—	6,926
Other receivables	13	17,785	12,449
Other current assets		21,199	21,502
Short-term bank deposits		9,835	28,391
Cash and cash equivalents		92,003	77,668
		<u>161,075</u>	<u>193,640</u>
<b>Total assets</b>		<u><b>361,630</b></u>	<u><b>320,566</b></u>

	<i>Note</i>	<b>As of June 30, 2024 RMB'000 (Unaudited)</b>	<b>As of December 31, 2023 RMB'000 (Audited)</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>59</b>	59
Share premium		<b>1,720,690</b>	1,720,690
Shares held for restricted share unit scheme (“RSU Scheme”)		<b>(10,555)</b>	(10,555)
Reserves		<b>428,584</b>	415,664
Accumulated losses		<b>(1,891,392)</b>	(1,878,628)
		<b>247,386</b>	247,230
<b>Non-controlling interests</b>		<b>1,106</b>	430
<b>Total equity</b>		<b>248,492</b>	247,660
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contract liabilities		<b>1,762</b>	1,968
Lease liabilities		<b>246</b>	192
		<b>2,008</b>	2,160
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>56,583</b>	32,065
Current income tax liabilities		<b>3,420</b>	3,591
Contract liabilities		<b>50,459</b>	34,637
Lease liabilities		<b>668</b>	453
		<b>111,130</b>	70,746
<b>Total liabilities</b>		<b>113,138</b>	72,906
<b>Total equity and liabilities</b>		<b>361,630</b>	320,566

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2024

(Unaudited)	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Shares held		Accumulated losses	Total			
			for RSU Scheme	Reserves					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as of January 1, 2024	59	1,720,690	(10,555)	415,664	(1,878,628)	247,230	430	247,660	
<b>Comprehensive loss</b>									
Loss for the period	—	—	—	—	(12,764)	(12,764)	676	(12,088)	
Other comprehensive income									
— Share of other comprehensive income of investments accounted for using the equity method, net of tax	—	—	—	247	—	247	—	247	
— Currency translation differences	—	—	—	814	—	814	—	814	
<b>Total comprehensive income/(loss) for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,061</b>	<b>(12,764)</b>	<b>(11,703)</b>	<b>676</b>	<b>(11,027)</b>	
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>									
Capital contribution from shareholder	—	—	—	8,980	—	8,980	—	8,980	
Share of reserve in associate	—	—	—	2,864	—	2,864	—	2,864	
Employee share option and RSU Scheme:									
— Value of employee services	—	—	—	15	—	15	—	15	
<b>Total contributions by and distributions to owners of the Company for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>11,859</b>	<b>—</b>	<b>11,859</b>	<b>—</b>	<b>11,859</b>	
Balance as of June 30, 2024	<u>59</u>	<u>1,720,690</u>	<u>(10,555)</u>	<u>428,584</u>	<u>(1,891,392)</u>	<u>247,386</u>	<u>1,106</u>	<u>248,492</u>	

(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
<b>Balance as of January 1, 2023</b>	59	1,720,690	(10,555)	413,414	(1,861,202)	262,406	—	262,406
<b>Comprehensive loss</b>								
Loss for the period	—	—	—	—	(12,868)	(12,868)	—	(12,868)
Other comprehensive income								
— Share of other comprehensive income of investments accounted for using the equity method, net of tax	—	—	—	568	—	568	—	568
— Currency translation differences	—	—	—	5,036	—	5,036	—	5,036
<b>Total comprehensive income/(loss) for the period</b>	—	—	—	5,604	(12,868)	(7,264)	—	(7,264)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>								
Employee share option and RSU Scheme:								
— Value of employee services	—	—	—	49	—	49	—	49
<b>Total contributions by and distributions to owners of the Company for the period</b>	—	—	—	49	—	49	—	49
<b>Balance as of June 30, 2023</b>	<u>59</u>	<u>1,720,690</u>	<u>(10,555)</u>	<u>419,067</u>	<u>(1,874,070)</u>	<u>255,191</u>	<u>—</u>	<u>255,191</u>



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended June 30, 2024*

	<i>Note</i>	<b>Six months ended June 30,</b>	
		<b>2024</b>	<b>2023</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations		46,475	(5,268)
Income tax refunded — net		—	(450)
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>		<b><u>46,475</u></b>	<b><u>(5,718)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(228)	(808)
Purchase of intangible assets	9	(41,927)	(6,439)
Capital reduction from an associate measured at fair value through profit or loss		—	2,191
Dividend income from financial assets at fair value through profit or loss		—	141
Proceeds from disposal of financial assets at fair value through profit or loss		—	1,000
Proceed from disposal of property, plant and equipment		—	105
Payments for film rights and films in progress	10	(1,731)	(3,165)
Loan granted to third party	13	(7,000)	—
Decrease/(increase) in short-term bank deposits		18,556	(22,900)
		<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>		<b><u>(32,330)</u></b>	<b><u>(29,875)</u></b>
<b>Cash flows from financing activities</b>			
Principal elements of lease payments		(273)	(757)
Interest elements of lease payments		(9)	—
		<hr/>	<hr/>
<b>Net cash outflow from financing activities</b>		<b><u>(282)</u></b>	<b><u>(757)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		77,668	116,371
Effects of exchange rate changes on cash and cash equivalents		472	2,347
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>		<b><u>92,003</u></b>	<b><u>82,368</u></b>

# NOTES TO THE 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 and online drama business (the “**Film Business**”) in the PRC.

The interim condensed consolidated statement of financial position of the Group as of June 30, 2024 and the related interim condensed consolidated statements of profit or loss and other comprehensive loss for the six-month period then ended, changes in equity and cash flows for the six-month period then ended, and a summary of material accounting policies information (collectively defined as the “**Interim Financial Information**”) have been approved by the Board of Directors on August 30, 2024.

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

The Interim Financial Information has not been audited.

## 2. BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”. The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2023 as set out in the 2023 annual report of the Company (the “**2023 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 MATERIAL ACCOUNTING POLICIES INFORMATION AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

#### **3.1 Summary of material accounting policies information**

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2023, 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 have been issued but are not yet effective for the financial period beginning January 1, 2024, and are not expected to have a material impact on consolidated financial statements in the foreseeable future.

#### **3.2 Critical accounting estimates and judgments**

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

When preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2023 Financial Statements.

### **4. REVENUE AND SEGMENT INFORMATION**

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

The Group separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. For the six months ended June 30, 2024 and 2023, the Group is organised into two reportable operating segments.

The Group identifies two operations segments as follows:

- The Game Business, which is primarily engaged in developing and publishing online games in the PRC and other countries and regions, including sales of in-game virtual items and license fee and technical support fee.
- 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.

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

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Segment revenue:</b>		
— Game Business	23,334	47,044
— Film Business	35,453	51,487
	<u>58,787</u>	<u>98,531</u>
<b>Segment results — operating (loss)/profit:</b>		
— Game Business	(16,622)	(10,326)
— Film Business	2,941	(1,890)
	<u>(13,681)</u>	<u>(12,216)</u>

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

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue from external customers:		
— PRC	51,028	79,610
— South Korea	6,984	8,699
— Other overseas countries and regions	775	10,222
	<u>58,787</u>	<u>98,531</u>

A breakdown of revenue derived from the transfer of goods and services over time and at a point in time in the respective period is as follows:

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers		
— Recognised over time	<b>55,380</b>	72,809
— Recognised at a point in time	<b>3,407</b>	25,722
	<b><u>58,787</u></b>	<b><u>98,531</u></b>

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

	<b>As of</b>	<b>As of</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
— PRC	<b>18,411</b>	16,638
— Hong Kong	<b>61,892</b>	20,167
— South Korea	<b>64</b>	152
— Other overseas countries and regions	<b>7,957</b>	—
	<b><u>88,324</u></b>	<b><u>36,957</u></b>

## 5. OTHER OPERATING EXPENSES — NET

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Government subsidies	<b>195</b>	688
Foreign exchange losses, net	<b>(245)</b>	(734)
Loss on disposal of property, plant and equipment, net	<b>—</b>	(78)
Write-off of property, plant and equipment	<b>—</b>	(969)
Others	<b>(1)</b>	(538)
	<b><u>(51)</u></b>	<b><u>(1,631)</u></b>

## 6. OTHER GAINS/(LOSSES) — NET

	Six months ended	
	June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value loss from financial assets at fair value through profit or loss	(70)	(512)
Dividend income from financial assets at fair value through profit or loss	—	141
Fair value gain/(loss) from an associate measured at fair value through profit or loss	1,068	(13,058)
Dividend income from an associate measured at fair value through profit or loss	—	12,226
	<u>998</u>	<u>(1,203)</u>

## 7. INCOME TAX EXPENSE

The income tax expense of the Group for six months ended June 30, 2024 and 2023 is analysed as follows:

	Six months ended	
	June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
— Current income tax of this period	2	4
Deferred tax	<u>3</u>	<u>—</u>
Income tax expense	<u>5</u>	<u>4</u>

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 profits 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 six months ended June 30, 2024 and 2023.

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 six months ended June 30, 2024 and 2023 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 six months ended June 30, 2024 and 2023 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 six months ended June 30, 2024 and 2023; 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 six months ended June 30, 2024 and 2023.

## 8. LOSS PER SHARE

### (a) Basic

Basic loss per share for the six months ended June 30, 2024 and 2023 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.

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
Loss attributable to owners of the Company ( <i>RMB'000</i> )	<u><b>(12,764)</b></u>	<u>(12,868)</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u><b>349,688</b></u>	<u>349,588</u>
Basic loss per share (expressed in RMB per share)	<u><b>(0.037)</b></u>	<u>(0.037)</u>

### (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 six months ended June 30, 2024 and 2023, the Company had two categories of potential ordinary shares, restricted share units and share options granted to eligible person. As the Group incurred loss for the six months ended June 30, 2024 and 2023, the potential ordinary shares were not included in the calculation of dilutive loss per share where their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the six months ended June 30, 2024 and 2023 are the same as basic loss per share of the period.

## 9. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

	Property, plant and equipment <i>RMB'000</i> (Unaudited)	Right-of-use assets <i>RMB'000</i> (Unaudited)	Intangible assets <i>RMB'000</i> (Unaudited)
As of January 1, 2024	566	613	20,342
Additions	228	542	41,927
Depreciation/amortisation charge	(123)	(262)	(51)
Impairment	—	—	(475)
Exchange	(6)	—	281
	<u>665</u>	<u>893</u>	<u>62,024</u>
As of June 30, 2024	<u>665</u>	<u>893</u>	<u>62,024</u>
	Property, plant and equipment <i>RMB'000</i> (Unaudited)	Right-of-use assets <i>RMB'000</i> (Unaudited)	Intangible assets <i>RMB'000</i> (Unaudited)
As of January 1, 2023	1,326	3,992	9,613
Additions	808	965	6,439
Depreciation/amortisation charge	(192)	(1,431)	(2,207)
Disposal/write-off	(1,152)	—	—
Impairment	—	—	(6,694)
Exchange	(3)	—	(145)
	<u>787</u>	<u>3,526</u>	<u>7,006</u>
As of June 30, 2023	<u>787</u>	<u>3,526</u>	<u>7,006</u>

- (i) The additions in intangible assets for the six months ended June 30, 2024 was primarily due to the purchase of cryptocurrencies. The Group had purchased cryptocurrencies of 43.3396 units of Bitcoins and 848.3860 of Ethereum at aggregate cash considerations of USD5,904,000 (equivalent to RMB41,927,000).
- (ii) The recoverable amount of each type of cryptocurrencies are determined based on fair value less costs of disposal. In determining the fair values, the relevant available markets are identified by the Group, and the Group consider accessibility to, and activity within those markets in order to identify the principal cryptocurrency markets for the Group. The fair value of Bitcoin and Ethereum traded in active markets (such as trading and exchange platforms) is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. Therefore, the fair value used for assessment of recoverable amount in impairment tests is determined as quoted prices (unadjusted) in active markets for Bitcoin (Level 1) and Ethereum (Level 1). Based on the result of the impairment tests, the recoverable amount of Bitcoin is greater than its carrying amounts of approximately RMB63,164,000 (December 31, 2023: RMB29,701,000), while the recoverable amount of Ethereum is lower than its carrying amounts of approximately RMB20,829,000 (December 31, 2023: Nil), therefore impairment loss on Ethereum of RMB475,000 (December 31, 2023: Nil) was recognised as of June 30, 2024.



## 10. FILM RIGHTS AND FILMS IN PROGRESS

	As of <b>June 30,</b> <b>2024</b> <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
Film rights and films in progress		
— Under production/production yet to commence	<u><b>10,434</b></u>	<u>8,785</u>
	<b>Six months ended June 30,</b>	
	<b>2024</b>	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Beginning of the period	8,785	59,665
Additions	1,731	3,165
Recognised in cost of revenue	—	(49,722)
Impairment	(82)	—
End of the period	<u><b>10,434</b></u>	<u>13,108</u>

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of <b>June 30,</b> <b>2024</b> <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
<b>Included in non-current assets</b>		
Unlisted securities ( <i>Note</i> )	<u><b>49,363</b></u>	<u>31,473</u>

*Note:*

There is no quoted market price available for the unlisted securities. The Group has determined the fair value of these investments based on estimated future cash flows method. The fair values are within level 3 of the fair value hierarchy.

## 12. TRADE RECEIVABLES AND NOTES RECEIVABLES

	As of <b>June 30, 2024</b> <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
Trade receivables	5,846	41,008
Loss allowance	<u>(2,403)</u>	<u>(2,304)</u>
	3,443	38,704
Notes receivables	<u>16,810</u>	<u>8,000</u>
Total trade receivables and notes receivables	<u><b>20,253</b></u>	<u><b>46,704</b></u>

Notes receivables represent notes acceptable by bank with maturity dates within six months. As of June 30, 2024 and December 31, 2023, the Group's notes receivables were denominated in RMB.

The management of the Group considers that the notes receivables are issued by bank with high credit rating and the probability of default is low. Therefore, no impairment is considered necessary.

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

	As of <b>June 30, 2024</b> <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
0–60 days	3,320	38,905
61–90 days	88	46
91–180 days	113	72
181–365 days	427	55
Over 1 year	<u>1,898</u>	<u>1,930</u>
	<u><b>5,846</b></u>	<u><b>41,008</b></u>

### 13. OTHER RECEIVABLES

	As of <b>June 30,</b> <b>2024</b> <i>RMB'000</i> <b>(Unaudited)</b>	As of December 31, 2023 <i>RMB'000</i> (Audited)
<b>Current</b>		
Loans to third parties and related interest ( <i>Note</i> )	<b>27,990</b>	21,940
Receivable from capital reduction of an associate measured at fair value through profit or loss	<b>10,035</b>	10,035
Receivables from disposal of Food Business	—	900
Others	<b>1,899</b>	1,713
	<b>39,924</b>	34,588
Loss allowance	<b>(22,139)</b>	(22,139)
	<b>17,785</b>	12,449
<b>Non-current</b>		
Rental and other deposits	<b>150</b>	126
Others	<b>904</b>	904
	<b>1,054</b>	1,030

*Note:*

Loans to third parties are mainly due from film producers for the Group's investment in film projects. These loans are repayable within 12 months and with a fixed return of 15%~20% (2023: 15%~20%). The balance of these loans to film producers and related interest has been fully impaired, thus the net balance of these loans after allowance is nil as of June 30, 2024 and December 31, 2023. During the period ended June 30, 2024, the Group advanced a loan of RMB7,000,000 to third party with fixed interest of 3.45% per annum which is unsecured and repayable within 12 months.

#### 14. TRADE AND OTHER PAYABLES

	As of <b>June 30,</b> <b>2024</b> <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
Trade payables ( <i>Note</i> )	20,549	4,179
Accrued expenses and liabilities	15,210	7,253
Salary and staff welfare payables	14,770	12,955
Amount due to a related party	5,438	5,438
Other taxes payables	616	2,240
	<u>56,583</u>	<u>32,065</u>

*Note:*

Trade payables are mainly arising from online drama production, licensing games from game developers and products suppliers. The credit terms of trade payables granted by the vendors are usually up to 30 days. The ageing analysis of trade payables based on recognition date is as follows:

	As of <b>June 30,</b> <b>2024</b> <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
0–180 days	20,271	3,942
181–365 days	48	75
1–2 years	87	83
2–3 years	74	5
Over 3 years	69	74
	<u>20,549</u>	<u>4,179</u>

#### 15. DIVIDENDS

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2024 and 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

As a renowned internet content developer and publisher in the PRC, the Group has engaged in the Web3 business since 2024 and regarded it as the strategic focus for the Group's future development. Commencing from the first half of the year, the Group has been performing well and attaining breakthrough in 3 sectors, particularly the application of Web3, cryptocurrency investment and the provision of encrypted asset networks and AI computing services. Meanwhile, the Group continues to deepen the strategy deployment in the game and film business. The game business focused on the self-developed premium products and our own IPs, while the film business focused on the premium IP drama. We have commenced exploration of the Web3 business and the micro-drama business, aiming to strengthen and add on to the Group's long-term development reserve.

### **Web3 Business: highlight of our future development strategy, attaining breakthrough in terms of application, investment and computing services**

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

In February 2024, Mr. Wang Feng transferred all of his shares in Element to the Group at nil consideration. Element has become the most popular non-fungible token (“NFT”) trading market of the global block chain network. It offers NFT block chain trading services, in particular:

- 1) NFT digital collection trading platform (Element Market), which is the most commonly used GameFi NFT trading platform and the largest second-tier block chain NFT trading platform. It provides secured and reliable trading services to game players, NFT collectors and investors around the world.
- 2) NFT-as-a-Service technology solution (Element Stack), which is a multi-chain NFT infrastructure, providing customized NFT solutions to corporations, creators and traders. It also serves as a huge tool and portal, for customers to seamlessly consolidate their NFT into their business. Through such share transfer, the Group obtained 35% equity interest in Element, which facilitates the Group's development in the Web3 business and forms a critical part in the Group's Web3 business layout.

From January to June 2024, the number of transaction addresses on Element Market was 649,241, the number of transactions was 2,546,332 and the trading volume reached approximately US\$234,589,445. Currently, the Element platform has the following new developments: 1) the NFT Creator Studio will be launched soon. It is a set of tools which enable NFT creators to quickly create, organise and formulate rules of Mint; and 2) the Token Bridge aggregator is being developed. It facilitates NFT users to cross-Token transfer to Layer2 network on the site.

The Group continues to increase its investments in the Web3 business. As of the end of this reporting period, the Group purchased 43.3396 units of Bitcoin and 848.386 units of Ethereum in open market transactions during the year. As of the end of this reporting period, the Group held 142.8539 units of Bitcoin and 848.386 units of Ethereum at a total cash consideration of approximately US\$8.8 million. As the prices of Bitcoin and Ethereum rise further, the encrypted assets held by the Group could facilitate the growth of the Group's assets in a good way to attain the purpose of asset preservation and value appreciation.

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

In January 2024, we invested in EcoPowX, a newly incorporated company which will be engaged in the provision of computing solutions for AI computing and cryptocurrencies network through establishing more environmentally friendly flare gas power generation facilities and premises. EcoPowX intends to co-operate with large oilfields and natural gas processing equipment suppliers in West Africa, to promote the eco-friendly processing of flare gas in oilfields. As part of its cryptocurrency mining and graphics processing units computing provision business, the overall operation of EcoPowX centers on power sources for AI computing and cryptocurrencies mining, providing sustainable green solutions and technical support. It is expected that EcoPowX will commence operation in the third quarter of 2024.

The Group is of the opinion that as the cryptocurrency market matures and the regulatory environment becomes more defined, professional cryptocurrency asset management services will turn into an essential demand in the market. Accordingly, the Group is now proactively organising to establish a company specialised in cryptocurrency asset management, as well as assessing the possibility of successfully applying and obtaining the relevant encrypted asset management license. The Group will continue to maintain communication with regulatory authorities, industry experts and potential partners to ensure that our plans conform to the latest regulatory requirements.

### **Game Business: progressing research and development of new products and exploration of the prospect of mini programs**

The Group continues to focus on the research and development of new mobile games, application of cutting edge technologies and extension of game IP values. During the first half of 2024, we have gradually commenced several rounds of external testing for various mobile game projects, including the “Uproar in Heaven I (鬧鬧天宮1)” (remake version) and “Uproar in Heaven II (鬧鬧天宮2)”. The previous version of “Uproar in Heaven II (鬧鬧天宮2)”, namely the light battle MOBA “Uproar in Heaven I (鬧鬧天宮1)” has completed the research and development and testing of its remake version. Registered users for “Uproar in Heaven I (鬧鬧天宮1)” amounted to over 20 million, filling in the niche in the light battle MOBA market segment. Based on the original version, the remake version optimized the matching mechanism and background, emphasised on the fairness of the game and further enhanced the characteristics of light battle MOBA products, which was officially launched in August 2024.

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

We combine mini programs with the unique gaming style of “Uproar in Heaven II (鬧鬧天宮2)”, external testing for the app version of the mini program is expected to commence in the third quarter of 2024 to further extend user base.

## **Film Business: focusing on premium products and tapping into the short drama market**

Linekong’s film business has been steadily building our product matrix, enriching our potential IP reserve and promoting the production of its high-quality premium IP drama.

Linekong Pictures has achieved satisfactory results in terms of the production and publication of sweet youth romance dramas which are well received by young female audiences. Premium online dramas, including “Long For You (我與你的光年距離)”, “Unexpected (來到你的世界)”, “Long For You 2 (我與你的光年距離2)”, “Love The Way You Are (身為一個胖子)”, “Hello Mr. Gu (原來你是這樣的顧先生)”, “花好月又圓” and the premium drama “對你不止是喜歡” based on the novel written by the famous author Mo Yan Chuan (陌言川) was broadcasted on Mango TV and Tencent Video on November 25, 2023. With 760 million views on Mango TV and the highest popularity of 21039 on Tencent, those premium dramas have appeared in the hot searches of various channels many times and have been unanimously recognized by the market and audiences.

The fictional love drama “念念人間玉” (originally named as “Mejaz Regulus in the World (摩耶人間玉)”) jointly produced by Linekong Pictures and other production companies made the most popular theme among fictional love dramas. The drama reaches a board range of audience and is about the sadistic cross-species relationship between a human and a monster. The drama was broadcasted on iQIYI (愛奇藝) on July 31, 2024 and was well received by the audiences. As of the date compiling this report, i.e., August 20, 2024, such drama had been played 22.6 million times by paid members.

In 2024, Linekong Pictures focuses on premium products and possesses class S IPs, we were ready to co-operate with the best film industry players to perform product upgrade.

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



“陷入我們的熱戀”，a romantic idol youth drama jointly produced by Tencent Video, Linekong Pictures and The Alliance of Gods, starring Liu Haocun and Wang Anyu, and directed by Liu Guanghui, commenced filming in Chengdu on June 13, 2024. “陷入我們的熱戀” is a JinJiang S-tier romance IP adapted from the fiction of the same title written by the famous author Er Dong Tu Zi (耳東兔子). It tells the youthful romance story between an arrogant high-flier and an innocent top student. Its general tone is that of a casual romance with frequent quotes and humor, providing viewers with an immersive, youthful, passionate and unrelenting love story. The filming goes smoothly currently and is expected to be finished in September and then enter the post-production stage.

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 (改革發展專案庫二零一七年入庫名額) of the State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣電總局). The comic on which the drama is based was selected for the 2016 Mobility Supporting Plan for Chinese Original Comic and Animation (二零一六年原動力中國原創動漫出版扶持計劃) by the National Radio and Television Administration (國家廣電總局). In 2024, Linekong Pictures has reached cooperation with Tencent Video on its production and entered into joint production with a PRC renowned production company Shanghai Hengxing Film Media Company Limited (上海恆行影視傳媒有限公司) to produce “Ancient Music Records (古樂風華錄)”, which was selected into the Tencent top drama list in the second quarter of 2024. The drama is expected to start filming in the third quarter of 2024.

“少年藏寶行” (originally named as “雲海傳”) is the first ancient-setting youth adventure drama in the PRC produced by the Group, which is about a treasure hunt journey without a map and the revelation of the truth of a ten-thousand-year treasure. It is a courageous and enthusiastic story of three young men growing up together hand-in-hand in adversity and making choices between right and wrong. The drama is a joint production with the renowned film company Linghe Culture Media (Shanghai) Company Limited (靈河文化傳媒(上海)有限公司), which is expected to start filming in the fourth quarter of 2024.

In 2024, the Group has tapped into the short drama sector. Adhering to its philosophy of premium production, the Group aims to deliver favourable audio and visual experience to the audience through high quality content production and profound emotional expression. After several months of development, our short dramas have gradually been launched and the micro-dramas “蝕骨千金”, “不要和陌生人結婚”, “冒牌財閥是大佬”, “異人下山”, “你好，李書惠” and “奪冠之母憑女貴” have been broadcasted simultaneously on our self-owned platform “Linekong Theater” and other cooperative platforms since August 2024. Filming of dramas such as “最強毒士”, “她從高山來”, “太極” and “腰間指痕” will also commence successively. The Group is making great strides into the short drama market.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately 40.3% from approximately RMB98.5 million for the six months ended June 30, 2023 to approximately RMB58.8 million for the six months ended June 30, 2024.

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

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment revenue:</b>		
— Game Business	23,334	47,044
— Film Business	35,453	51,487
<b>Total</b>	<b>58,787</b>	<b>98,531</b>

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

	For the six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	<i>approximate %</i>	<i>RMB'000</i>	<i>approximate %</i>
China (including Hong Kong, Macau and Taiwan regions)	51,028	86.8	79,610	80.8
South Korea	6,984	11.9	8,699	8.8
Other overseas countries and regions	775	1.3	10,222	10.4
<b>Total</b>	<b>58,787</b>	<b>100.0</b>	<b>98,531</b>	<b>100.0</b>

For the six months ended June 30, 2024, the revenue contributed by game business amounted to approximately RMB23.3 million, representing a decrease of 50.4% or RMB23.7 million as compared with the corresponding period of 2023, which was mainly attributable to the recognition of the revenue from authorising Bilibili the license to publish “伊蘇 — 夢境交織的長夜” globally in 2023, while there was no such revenue recognised from authorising for the current period.

In respect of the Group’s film business, the Group recognised revenue from licensing and production of online dramas and others of approximately RMB35.5 million for the six months ended June 30, 2024, representing a decrease of approximately 31.1% or RMB16.0 million from approximately RMB51.5 million for the six months ended June 30, 2023, which was mainly due to the recognition of most revenue related to “對你不止是喜歡” in 2023, while a partial of revenue related to “陷入我們的熱戀” was recognised during the current period.

## **Cost**

The Group’s cost for the six months ended June 30, 2024 was approximately RMB44.1 million, representing a decrease of approximately 42.1% as compared to approximately RMB76.2 million for the six months ended June 30, 2023, which was mainly due to the recognition of cost related to “對你不止是喜歡” in 2023 and the one-off recognition of cost related to IP of “伊蘇 — 夢境交織的長夜”; and the lower recognised cost from the film business for the current period with no one-off cost recognised for game projects.

## **Gross profit and gross profit margin**

The Group’s gross profit for the six months ended June 30, 2024 was approximately RMB14.7 million, representing a decrease of approximately 34.1% from approximately RMB22.3 million for the six months ended June 30, 2023, which was mainly due to the recognition of revenue from authorising “伊蘇 — 夢境交織的長夜” in 2023.

The Group’s gross profit margin for the six months ended June 30, 2024 was approximately 25.0%, representing an increase of approximately 2.4% as compared to approximately 22.6% for the six months ended June 30, 2023, which was mainly due to partially recognising the revenue from rights of film business related to “對你不止是喜歡” but recognising all cost in 2023.

## **Selling and marketing expenses**

The Group’s selling and marketing expenses for the six months ended June 30, 2024 were approximately RMB7.7 million, representing an increase of approximately 86.9% from approximately RMB4.1 million for the six months ended June 30, 2023, which was mainly due to the preliminary promotion expenses of the project, namely “Uproar in Heaven II (鬧鬧天宮2)”, and the expenses arose from the short drama distribution business of the Group.

## Administrative expenses

The Group's administrative expenses for the six months ended June 30, 2024 were approximately RMB10.3 million, representing a decrease of approximately 34.8% from approximately RMB15.8 million for the six months ended June 30, 2023, which was mainly due to the decrease in one-off compensation for loss of office paid and the further reduction of scale of administrative expenses.

## Research and development expenses

The Group's research and development expenses for the six months ended June 30, 2024 were approximately RMB10.3 million, representing a decrease of approximately 25.1% from approximately RMB13.7 million for the six months ended June 30, 2023, which was mainly due to the termination of certain game development projects with poor commercialisation capacity.

## Segments results — operating (loss)/profit

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
— Game Business	(16,622)	(10,326)
— Film Business	<u>2,941</u>	<u>(1,890)</u>
<b>Total</b>	<b><u><u>(13,681)</u></u></b>	<b><u><u>(12,216)</u></u></b>

The operating loss for the six months ended June 30, 2024 was approximately RMB13.7 million, as compared to the operating loss for the corresponding period of 2023 of approximately RMB12.2 million.

For the six months ended June 30, 2024, the operating loss from the game business was approximately RMB16.6 million, and the operating loss from the game business for the corresponding period of 2023 was approximately RMB10.3 million, which was mainly due to the decline in revenue from game licensing for the current period.

For the six months ended June 30, 2024, the operating profit from the film business was approximately RMB2.9 million, and the operating loss from the film business for the corresponding period of 2023 was approximately RMB1.9 million, which was mainly due to the recognised revenue of the current period related to “陷入我們的熱戀” and the further reduction of administrative expenses.

## **Share of profit of investments using equity accounting**

The Group's share of profit of investments using equity accounting for the six months ended June 30, 2024 was approximately RMB0.2 million, and the share of profit of investments for the six months ended June 30, 2023 was approximately RMB0.4 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As of June 30, 2024, we mainly financed our business with cash generated from the operating activities. The Group has been maintaining a solid cash position since the completion of the initial public offering (the “**IPO**”) in December 2014. We intend to fund our expansion and business operations through our internal resources and on-going internal growth.

### **Treasury policy**

During the six months ended June 30, 2024, the Group has adopted a prudent financial management approach to its funding policy to maintain a healthy liquidity position. In order to manage the liquidity risk, the Board closely monitors the liquidity position of the Group to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding needs from time to time.

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

As of June 30, 2024, we had cash and cash equivalents of approximately RMB92.0 million (as of December 31, 2023: approximately RMB77.7 million), which primarily consisted of cash at bank, other financial institutions and cash in hand and were mainly denominated in U.S. dollars (“**USD**”) (as to approximately 10.2%), RMB (as to approximately 80.3%), HKD (as to approximately 9.1%) and other currencies (as to approximately 0.4%).

As of June 30, 2024, we had short-term bank deposits of RMB9.8 million (as of December 31, 2023: approximately RMB28.4 million).

## CAPITAL EXPENDITURES

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Procurement of furniture and office equipment	228	808
Expenditures on film/online drama rights and films/online drama in progress	1,731	3,165
Expenditures on purchase of cryptocurrencies	41,927	6,432
Total	<u>43,886</u>	<u>10,405</u>

Our capital expenditures comprised expenditures on film/online drama rights and films/online drama in progress, procurement of furniture and office equipment and expenditures on purchase of cryptocurrencies. For the six months ended June 30, 2024, our total capital expenditure amounted to approximately RMB43.9 million (for the six months ended June 30, 2023: approximately RMB10.4 million), including expenditures on film/online drama rights and films/online drama in progress of approximately RMB1.7 million (for the six months ended June 30, 2023: approximately RMB3.2 million), procurement of furniture and office equipment of approximately RMB0.2 million (for the six months ended June 30, 2023: approximately RMB0.8 million) and expenditures on purchase of cryptocurrencies of approximately RMB41.9 million (for the six months ended June 30, 2023: approximately RMB6.4 million). As of the end of the reporting period, we had no committed capital expenditures, and the capital expenditures for 2024 are expected to be expenditures on cryptocurrencies in particular.

## 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 of June 30, 2024, there was no bank loans borrowed by the Group (as of December 31, 2023: Nil). The gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 31.3% (as of December 31, 2023: approximately 22.7%).

## **PLEDGE OF GROUP ASSETS**

As of June 30, 2024, there was no pledge of assets (as of December 31, 2023: Nil).

## **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 C1 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 of June 30, 2024, the Group had 130 employees. For the six months ended June 30, 2024, total remuneration for employees of the Group was approximately RMB21.2 million (for the six months ended June 30, 2023: approximately RMB25.7 million).

The Company has adopted a share option scheme which awards Share options (the “**Share Option Scheme**”) and two share award schemes which award restricted share units as incentive to the Directors and eligible persons. For details, please refer to the 2024 interim report of the Company to be published in due course.

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 Group is able to provide its employees with ample career development choices and opportunities of advancement. The Group 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 Group also provides various incentives to motivate its employees.

## **CONTINGENT LIABILITIES**

As of June 30, 2024, the Group did not have any significant contingent liabilities (December 31, 2023: Nil).

## **FOREIGN EXCHANGE RISK**

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily USD. Therefore, foreign exchange risk primarily arises from recognised assets and liabilities in the Groups’ subsidiaries when receiving or to receive foreign currencies from overseas cooperated counterparties. For the six months ended June 30, 2024, the Group has not hedged any foreign currency fluctuations, the Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

## DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2024.

## SUBSEQUENT EVENTS

On July 12, 2024, the Company offered to grant an aggregate of 11,039,249 share options to 5 employees of the Group (including Mr. Wang Jin, an executive Director) pursuant to the Share Option Scheme. The exercise price of these share options is HK\$0.335 per share. For details, please refer to the announcement of the Company dated July 12, 2024.

As the share award scheme which awards restricted share units adopted by the Company on March 21, 2014 expired in March 2024, the Company adopted a restricted share units (“RSUs”) scheme (the “**2024 RSU Scheme**”) on July 12, 2024. The 2024 RSU Scheme is a share award scheme, pursuant to which existing shares (excluding shares being repurchased and held as treasury shares) will be purchased by the trustee from the secondary market out of funding contributed by the Group and be held on trust for the eligible participants until such shares are vested with the eligible participants in accordance with the 2024 RSU Scheme. The maximum number of RSUs that may be granted under the 2024 RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules for the 2024 RSU Scheme) shall be such number of shares held by the trustee for the purpose of the 2024 RSU Scheme from time to time (excluding treasury shares). The Board has appointed Core Trust Company Limited to assist with the administration and vesting of RSUs granted under the 2024 RSU Scheme. Unless terminated earlier either by the Board or its committee, the 2024 RSU Scheme will be valid for a term of 10 years commencing from the first grant date. Pursuant to the 2024 RSU Scheme, the Board or its committee may, from time to time, select any eligible participants to participate in the 2024 RSU Scheme based on the contributions that they have made to the development and growth of the Group, or other factors that the Board or its committee may deem necessary, and determine, among other things, the number of RSUs to be awarded to them, the vesting criteria and conditions, the vesting schedule, exercise price (if any), etc. The Company granted an aggregate of 11,039,249 RSUs to 5 employees of the Group (including Mr. Wang Jin, an executive Director) pursuant to the 2024 RSU Scheme. The exercise price of these RSUs is HK\$ nil per share. For details, please refer to the 2024 interim report of the Company to be published in due course.



## **INTERESTS IN COMPETING BUSINESS**

None of the Directors or controlling shareholders of the Company or any of their respective associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group for the six months ended June 30, 2024.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended June 30, 2024, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including treasury shares). As of June 30, 2024, the Company did not hold any treasury shares.

## **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 and other members include Mr. Zhang Xiangdong and Mr. Fu Frank Kan, independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.linekong.com](http://www.linekong.com).

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

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

The Group's unaudited financial statements for the six months ended June 30, 2024 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited financial statements of the Group for the six months ended June 30, 2024 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

## CORPORATE GOVERNANCE

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

In the opinion of the Board, the Company has complied with the code provisions as set out in Part 2 of the Code for the six months ended June 30, 2024, except for the deviation from code provision C.2.1 of the Code.

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

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

## DIRECTORS' SECURITIES TRANSACTIONS

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

After specific enquiries were made with all Directors, all Directors confirmed that they have complied with the Required Standard of Dealings for the six months ended June 30, 2024.

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

Beijing, the PRC, August 30, 2024

*As of the date of this announcement, the executive Directors are Mr. WANG Feng, Mr. CHEN Hao and Mr. WANG Jin (also known as YAN Yusong); and the independent non-executive Directors are Mr. ZHANG Xiangdong, Ms. WU Yueqin and Mr. FU Frank Kan.*

*This announcement will remain on the “Latest Company Announcements” page of the HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its posting and be posted on the website of the Company at [www.linekong.com](http://www.linekong.com).*