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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

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This announcement, for which the directors (the “Directors”) of Linekong Interactive Group Co., Ltd. (“Linekong Interactive” or 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 (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.

SUMMARY

- Our revenue for the year ended December 31, 2024 amounted to approximately RMB146.0 million (2023: approximately RMB135.5 million), representing an increase of approximately 7.7% as compared to that of the year ended December 31, 2023.
- Our gross profit for the year ended December 31, 2024 amounted to approximately RMB21.4 million, representing a decrease of approximately 37.6% from RMB34.3 million recorded in the year ended December 31, 2023.
- Loss attributable to owners of the Company under IFRS Accounting Standards for the year ended December 31, 2024 amounted to approximately RMB29.0 million (2023: loss attributable to owners of the Company under IFRS Accounting Standards approximately RMB17.4 million).
- Loss per share under IFRS Accounting Standards for the year ended December 31, 2024 amounted to approximately RMB0.08 (2023: loss per share under IFRS Accounting Standards approximately RMB0.05).
- The unaudited adjusted non-IFRS Accounting Standards net loss for the year ended December 31, 2024 amounted to approximately RMB13.4 million (2023: unaudited adjusted non-IFRS Accounting Standards net loss approximately RMB13.8 million).

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 Linekong Interactive's future development. In 2024, 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, micro-drama business and livestreaming e-commerce, aiming to strengthen and add on to the Group's long-term development reserve.

Web3 Business: highlight of our development strategy, attaining breakthroughs 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. Through such share transfer, the Group has acquired 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. Element is one of 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 customised 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.

From January to December 2024, the number of transaction addresses on Element Market was 4,497,937, the number of transactions was 3,125,104 and the trading amount reached approximately USD412,826,503. Currently, the Element platform has the following new developments: 1) support for 7 blockchain networks was added, bringing the total number of mainstream and emerging blockchains connected to the platform to 23; 2) Drops function was added for users and project managers to create Drops lists on their own and establish multiple mint conditions; 3) mission and lottery function was added, allowing project managers to provide rewards that can be obtained by users after completing certain missions.

The Group continues to increase its investments in the Web3 business. During the reporting period, a total of 54.3479 units of Bitcoin were purchased, with a consideration of USD4.0 million paid, and 51.8 units were sold, realizing a profit of USD2.1 million. A total of 998.39 units of Ethereum were purchased, with a consideration of USD3.6 million paid, and 180.26 units were sold, realizing a profit of USD0.025 million. As of December 31, 2024, the Group held a total of 102.06568 units of Bitcoin and 818.1345 units of Ethereum. The total cash consideration incurred for these holdings amounts to USD7.6 million. Based on the closing prices as of December 31, 2024, the fair value of these assets is estimated at USD12.2 million, resulting in an unrealized floating profit of USD4.6 million. The cryptocurrency assets held by the Company have provided an excellent supplement to the growth of the Company's assets, achieving the goal of preserving and increasing the value of the assets.

With the approval of Spot BTC and ETH ETFs, the signing of Establishment of the Strategic Bitcoin Reserve and United States Digital Asset Stockpile in the United States, and the increased regulatory clarity for cryptocurrencies in the United States, Hong Kong and many other countries, globally speaking, financial institutions and investors from more countries are entering the field of cryptocurrency, leading to rising popularity within the market. Given the high volatility of cryptocurrencies, we are cautious and optimistic about the investment outlooks of cryptocurrencies. We will further purchase more Bitcoin to the extent permitted by the Board and Shareholders of the Company, with an aim to achieve the goal of asset preservation and value appreciation amidst the fluctuating market. This is not just a short-term move, but also aims to lay down the foundation for the Company to expand into the Web3 business and facilitate the Company to seize the initiative in the emerging technological fields, constructing a more competitive business layout.

In January 2024, we invested in EcoPowX, a company 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.

Game Business: progressing research and development of new products and exploration of AI technology innovations

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. 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. It 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. It was officially launched in September 2024.

As of December 31, 2024, we operated 13 games. In 2025, we will continue to maintain stable operation, providing consistent and stable cash flow for the Group. Through delicate operation and user maintenance, we extended the lifecycles of existing products and increased user activity. We thoroughly explored market trends and player needs, attempted new gameplay and mechanisms, and introduce innovative elements of strategic gaming, MOBA and random generation based on market popularity and user preferences, in order to create attractive and interesting gaming experience. We also emphasised the balance and depth of gameplay, and ensured fun gameplay and replayability through constant tests and adjustments.

We attempted to introduce AI technology to the smart matchmaking, personalised recommendation, intelligent NPC behavior and other modules of our games to improve user experience and gameplay.

Film Business: focusing on premium products

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 780 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 February 20, 2025, such drama had been played 70.48 million times by paid members.

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

“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. It is currently in intense post-production stage and is expected to premiere in the second quarter of 2025.

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 (上海恒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. The drama began filming in November.

In 2024, the Group has tapped into vertical segments. Adhering to its philosophy of premium production for long dramas, the Group strives to build deep emotional resonance with the audience and deliver heartfelt audio and visual experience to viewers by creating stories related to hot social issues and people’s livelihood and exploring premium dramas with realistic themes and mystery elements. Thus, we planned the long drama series, “Linekong’s Mystery Trilogy (藍港懸疑三部曲劇場)”. “燃燒的四季” is the first social and mystery project that depicts stories of people fighting against injustice and turning their lives around in the unique and innovative perspective of a “villainess”, and is based on a true story. Mr. Zhang Yong (張勇), the creator of the popular drama “The Disguiser (偽裝者)”, acts as the chief consultant for the script. Filming is expected to begin in the third quarter of 2025.

“少年藏寶行” (originally named as “雲海傳”) is the first ancient-setting mystery and 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. Continuing our plan of creating premium long dramas, with its IP and story created by 天下霸唱 and 蔡駿 and the tag team of cinema-level screenwriter and emerging director of popular ancient-setting drama in 2024, the ancient-setting mystery and adventure drama “少年藏寶行” is a high-quality premium ancient-setting drama made for a wide audience. Filming is expected to begin in late 2025 or early 2026.

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, multiple short and micro dramas have gradually been completed and launched. Among them, “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”, “奪冠之母憑女貴”, “最強毒士”, “她從高山來”, “太極” and other dramas have been broadcasted simultaneously on our self-owned platform “Linekong Theater” and other third-party cooperative platforms since August 2024. However, with the rapid development of short drama market, many themes have become repetitive and overly prolific. After in-depth analysis and careful consideration of the market environment, the Company decided to suspend its short drama business.

FINANCIAL REVIEW

The following table sets out our consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2023 and 2024, together with changes (expressed in approximate percentages) from 2023 to 2024:

	For the year ended December 31,				Change <i>approximate</i> %
	2024		2023		
	<i>RMB'000</i>	<i>approximate</i> %	<i>RMB'000</i>	<i>approximate</i> %	
Revenue	146,049	100.0	135,506	100.0	7.8
Cost of revenue	(124,614)	(85.3)	(101,189)	(74.7)	23.1
Gross profit	21,435	14.7	34,317	25.3	(37.5)
Selling and marketing expenses	(13,321)	(9.1)	(6,321)	(4.7)	110.7
Administrative expenses	(36,545)	(25.0)	(27,760)	(20.5)	31.6
Research and development expenses	(17,553)	(12.0)	(22,088)	(16.3)	(20.5)
Net impairment losses on receivables and contract assets	(182)	(0.1)	(416)	(0.3)	(56.3)
Other operating income — net	15,030	10.3	843	0.6	1,682.9
Operating loss	(31,136)	(21.3)	(21,425)	(15.8)	45.3
Other losses — net	(3,269)	(2.2)	(935)	(0.7)	249.6
Finance income — net	965	0.7	2,071	1.5	(53.4)
Share of profit of investments using equity accounting	3,550	2.4	3,292	2.4	7.8
Loss before income tax	(29,890)	(20.5)	(16,997)	(12.5)	75.9
Income tax (expense)/credit	(10)	0.0	1	0.0	(1,100.0)
Loss for the year	(29,900)	(20.5)	(16,996)	(12.5)	75.9
Non-IFRS Accounting Standards measure: Adjusted net loss (unaudited)	(13,360)	(9.1)	(13,761)	(10.2)	(2.9)

The following is an analysis of the Group’s revenue and results by reportable segment:

	Game Business		Film Business		Total	
	2024 RMB’000	2023 RMB’000	2024 RMB’000	2023 RMB’000	2024 RMB’000	2023 RMB’000
Segment revenue	<u>39,791</u>	<u>70,134</u>	<u>106,258</u>	<u>65,372</u>	<u>146,049</u>	<u>135,506</u>
Segment (loss)/profit	<u>(38,936)</u>	<u>(23,690)</u>	<u>(3,522)</u>	<u>2,265</u>	<u>(42,458)</u>	<u>(21,425)</u>
Gains on disposal of intangible assets					15,485	—
Unallocated expenses					(4,163)	—
Other losses — net					(3,269)	(935)
Finance income — net					965	2,071
Share of profit of investment accounted for using equity method					<u>3,550</u>	<u>3,292</u>
Loss before income tax					<u>(29,890)</u>	<u>(16,997)</u>

Revenue

The Group’s revenue amounted to approximately RMB146.0 million for the year ended December 31, 2024, representing an increase of approximately 7.8% as compared to that of approximately RMB135.5 million for the year ended December 31, 2023.

For the year ended December 31, 2024, the revenue contributed by game business was approximately RMB39.8 million, representing a decrease of approximately 43.2% or RMB30.3 million as compared with 2023, which was 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.

The Group recognised revenue of approximately RMB106.3 million from licensing and production of online dramas and others for the year ended December 31, 2024, representing an increase of approximately 62.5% or RMB40.9 million as compared to the revenue of approximately RMB65.4 million recognised for the year ended December 31, 2023, which was mainly due to the recognised revenue related to “陷入我們的熱戀”.

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

	For the year ended December 31,			
	2024		2023	
	<i>RMB’000</i>	<i>Approximate %</i>	<i>RMB’000</i>	<i>Approximate %</i>
Self-developed games	13,831	34.8	15,561	22.2
Licensed games	25,960	65.2	54,573	77.8
Total	<u>39,791</u>	<u>100.0</u>	<u>70,134</u>	<u>100.0</u>

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

	For the year ended December 31,			
	2024		2023	
	<i>RMB’000</i>	<i>Approximate %</i>	<i>RMB’000</i>	<i>Approximate %</i>
China (including Hong Kong, Macau and Taiwan)	133,696	91.5	107,222	79.1
Overseas countries and regions	12,353	8.5	28,284	20.9
Total	<u>146,049</u>	<u>100.0</u>	<u>135,506</u>	<u>100.0</u>

Cost of revenue

The Group’s cost of revenue for the year ended December 31, 2024 was approximately RMB124.6 million, representing an increase of approximately 23.1% from approximately RMB101.2 million for the year ended December 31, 2023.

For the year ended December 31, 2024, the cost incurred by the game business was approximately RMB25.9 million, representing a decrease of approximately 35.7% or RMB14.4 million as compared with 2023, which was mainly due to the one-off recognition of cost related to the “伊蘇 — 夢境交織的長夜” IP in 2023, while there was no such one-off recognition of cost for game projects for the current period.

For the year ended December 31, 2024, the cost incurred by licensing and production of online dramas recognised was approximately RMB98.7 million, representing an increase of approximately 62.1% or RMB37.8 million as compared with 2023, which was due to the relevant costs arising from the production of the online drama “陷入我們的熱戀”.

Gross profit and gross profit margin

The Group’s gross profit for the year ended December 31, 2024 was approximately RMB21.4 million, representing a decrease of approximately 37.6% from approximately RMB34.3 million for the year ended December 31, 2023, which was mainly due to the recognition of the relevant revenue from authorising “伊蘇 — 夢境交織的長夜” in 2023.

The Group’s gross profit margin for the year ended December 31, 2024 was approximately 14.7%, and was approximately 25.3% for the year ended December 31, 2023. The overall gross profit margin decreased during the year, which was mainly due to the gross profit of “伊蘇 — 夢境交織的長夜“ accounting for a higher share in 2023..

Selling and marketing expenses

The Group’s selling and marketing expenses for the year ended December 31, 2024 were approximately RMB13.3 million, representing an increase of approximately 110.7% from approximately RMB6.3 million for the year ended December 31, 2023, which was mainly due to the expenses incurred by from the short drama distribution business.

Administrative expenses

The Group’s administrative expenses for the year ended December 31, 2024 were approximately RMB36.5 million, representing an increase of approximately 31.6% from approximately RMB27.8 million for the year ended December 31, 2023. Excluding share-based compensation expenses and one-off compensation for loss of office paid, the Group’s administrative expenses for the year ended December 31, 2024 were approximately RMB24.8 million, representing an increase of approximately 7.4% from approximately RMB23.1 million for the year ended December 31, 2023, which was mainly due to the fact that the depreciation of fixed assets increased during the current period.

Research and development expenses

The Group’s research and development expenses for the year ended December 31, 2024 were approximately RMB17.6 million, representing a decrease of approximately 20.5% from approximately RMB22.1 million for the year ended December 31, 2023, which was mainly due to the termination of certain game development projects with poor commercialisation capacity.

Other losses — net

The Group's other losses — net for the year ended December 31, 2024 were approximately RMB3.3 million, representing an increase in loss of approximately 249.6% from other losses — net of approximately RMB0.9 million for the year ended December 31, 2023, which was mainly due to the fair value changes of financial instruments held by the Group.

Income tax (expense)/credit

The Group's income tax expense for the year ended December 31, 2024 was approximately RMB10,000, while the Group's income tax credit for the year ended December 31, 2023 was RMB1,000. The income tax expense for 2024 was mainly affected by deferred tax.

Loss for the year

As a result of the foregoing, loss attributable to owners of the Company for the year ended December 31, 2024 was approximately RMB29.0 million, representing an increase of approximately 66.7% from approximately RMB17.4 million for the year ended December 31, 2023.

Non-IFRS Accounting Standards measure — adjusted net loss

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

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

	For the year ended December 31,		Change
	2024	2023	approximate
	RMB'000	RMB'000	%
Loss for the year from continuing operations	(29,900)	(16,996)	75.9
Add:			
Share-based compensation expenses	4,528	64	6,975.0
One-off compensation for loss of office paid	7,586	4,607	64.7
Fair value losses/(gains) from financial assets at fair value through profit or loss	4,426	(1,436)	(408.2)
Adjusted net loss	(13,360)	(13,761)	(2.9)

The Group's adjusted net loss for the year ended December 31, 2024 was approximately RMB13.4 million, representing a decrease of approximately 2.9% as compared to the adjusted net loss of approximately RMB13.8 million for the year ended December 31, 2023. The decrease in adjusted net loss as compared to 2023 was due to a combined effect of the following factors: the recognition of revenue associated with “陷入我們的熱戀” as well as a further reduction of various costs and expenses during the reporting period.

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

LIQUIDITY AND FINANCIAL RESOURCES

In 2024, we financed our businesses primarily through cash generated from our operating activities. The Group has been maintaining a solid cash position since the initial public offering (the “**IPO**”) which was completed in December 2014. We intend to finance our expansion and business operations with internal resources and through organic and sustainable growth.

Cash and cash equivalents, short-term bank deposits

As at December 31, 2024, we had cash and cash equivalents of approximately RMB89.9 million (as at December 31, 2023: approximately RMB77.7 million), which primarily consisted of cash at bank and other financial institutions and cash in hand and which were mainly denominated in U.S. dollars (“**USD**”) (as to approximately 47.7%), Renminbi (as to approximately 45.4%), Hong Kong dollars (“**HKD**”) (as to approximately 6.5%) and other currencies (as to approximately 0.4%).

As at December 31, 2024, we had no short-term bank deposits which are all carrying fixed interests (as at December 31, 2023: approximately RMB28.4 million). Term deposits represent time deposits placed with banks. Deposits with original maturities more than 3 months and less than one year are reported as current assets. Interest earned is recorded as interest income in profit or loss during the periods presented.

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

Capital expenditures

Our capital expenditures mainly comprised expenditures on film/online drama rights and films/online drama in progress, the purchase of furniture and leasehold improvement, the purchase of server and other equipment, and the acquisition of cryptocurrencies. For the year ended December 31, 2024, our total capital expenditure amounted to approximately RMB66.4 million (2023: approximately RMB25.2 million), mainly including expenditures on film/online drama rights and films/online drama in progress of approximately RMB4.5 million (2023: approximately RMB3.8 million), the purchase of furniture and leasehold improvement of approximately RMB0.4 million (2023: approximately RMB1.2 million), the purchase of servers and other equipment of approximately RMB7.9 million (2023: nil), the acquisition of cryptocurrencies of approximately RMB53.4 million (2023: approximately RMB20.1 million). As of the end of the reporting period, we have no committed capital expenditures, and the capital expenditures for 2025 are expected to be mainly games and cryptocurrencies and films IP.

CAPITAL STRUCTURE

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

BORROWING AND GEARING RATIO

As at December 31, 2024, there was no bank loans borrowed by the Group (as at December 31, 2023: nil). As at December 31, 2024, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 25.8% (as at December 31, 2023: approximately 22.7%).

CHARGE ON GROUP ASSETS

There was no pledged asset as at December 31, 2024 (as at December 31, 2023: nil).

CONTINGENT LIABILITIES

As at December 31, 2024, the Group did not have any significant contingent liabilities (as at 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 with respect to USD. Therefore, foreign exchange risk primarily arose from recognised assets and liabilities in the Group's PRC subsidiaries when receiving or to receive foreign currencies from overseas cooperated counterparties. The Group does not hedge against any fluctuation in foreign currency. The Group will closely monitor exchange rate movement and will take appropriate measures to reduce the exchange risk.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2024 (for the year ended December 31, 2023: nil).

ANNUAL RESULTS

The board (the “**Board**”) of Directors announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2024 (the “**Reporting Period**”) together with the comparative figures for the year ended December 31, 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2024

	<i>Note</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue	3	146,049	135,506
Cost of revenue	6	(124,614)	(101,189)
Gross profit		21,435	34,317
Selling and marketing expenses	6	(13,321)	(6,321)
Administrative expenses	6	(36,545)	(27,760)
Research and development expenses	6	(17,553)	(22,088)
Net impairment losses on receivables and contract assets	6	(182)	(416)
Other operating income — net	4	15,030	843
Operating loss		(31,136)	(21,425)
Other losses — net	5	(3,269)	(935)
Finance income — net	7	965	2,071
Share of profit of investment accounted for using equity method		3,550	3,292
Loss before income tax		(29,890)	(16,997)
Income tax (expense)/credit	8	(10)	1
Loss for the year		(29,900)	(16,996)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
— Share of other comprehensive income of investment accounted for using the equity method, net of tax		815	440
Items that will not be reclassified to profit or loss:			
— Currency translation differences		2,125	1,746
Other comprehensive income for the year, net of tax		2,940	2,186
Total comprehensive loss for the year		(26,960)	(14,810)

	<i>Note</i>	2024 RMB'000	2023 <i>RMB'000</i>
Loss attributable to:			
Owners of the Company		(29,031)	(17,426)
Non-controlling interests		<u>(869)</u>	<u>430</u>
Loss for the year		<u><u>(29,900)</u></u>	<u><u>(16,996)</u></u>
Total comprehensive loss attributable to:			
Owners of the Company		(26,091)	(15,240)
Non-controlling interests		<u>(869)</u>	<u>430</u>
Total comprehensive loss for the year		<u><u>(26,960)</u></u>	<u><u>(14,810)</u></u>
Loss per share (expressed in RMB per share)			
— Basic	<i>9(a)</i>	<u><u>(0.08)</u></u>	<u><u>(0.05)</u></u>
— Diluted	<i>9(b)</i>	<u><u>(0.08)</u></u>	<u><u>(0.05)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

	<i>Note</i>	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		6,606	566
Right-of-use assets		—	613
Intangible assets		53,906	20,342
Deferred income tax assets		—	8
Film rights and films in progress		9,059	8,785
Investment accounted for using equity method		41,337	36,972
An associate measured at fair value through profit or loss		21,643	20,486
Financial assets at fair value through profit or loss		40,294	31,473
Other receivables		834	1,030
Other non-current assets		5,209	6,651
		178,888	126,926
Current assets			
Trade receivables and notes receivables	<i>10</i>	3,753	46,704
Contract assets		5,063	6,926
Other receivables		15,827	12,449
Other current assets		22,114	21,502
Short-term bank deposits		—	28,391
Cash and cash equivalents		89,883	77,668
		136,640	193,640
Total assets		315,528	320,566

	<i>Note</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		59	59
Share premium		1,720,690	1,720,690
Shares held for restricted share unit (“RSU”) scheme		(10,555)	(10,555)
Reserves		432,112	415,664
Accumulated losses		<u>(1,907,659)</u>	<u>(1,878,628)</u>
		234,647	247,230
Non-controlling interests		<u>(439)</u>	<u>430</u>
Total equity		<u>234,208</u>	<u>247,660</u>
Liabilities			
Non-current liabilities			
Contract liabilities		2,250	1,968
Lease liabilities		<u>—</u>	<u>192</u>
		<u>2,250</u>	<u>2,160</u>
Current liabilities			
Trade and other payables	<i>11</i>	41,920	32,065
Current income tax liabilities		3,286	3,591
Contract liabilities		33,864	34,637
Lease liabilities		<u>—</u>	<u>453</u>
		<u>79,070</u>	<u>70,746</u>
Total liabilities		<u>81,320</u>	<u>72,906</u>
Total equity and liabilities		<u>315,528</u>	<u>320,566</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The Group’s major subsidiaries are based in the PRC and the majority of their transactions are denominated in Renminbi (“**RMB**”). The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As of December 31, 2024 and 2023, other than the restrictions from exchange control regulations, there is no significant restriction on the Group’s ability to access or use the assets and settle the liabilities of the Group.

The consolidated financial statements are presented in RMB, unless otherwise stated, and have been approved by the Company’s Board of Directors on March 28, 2025.

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

2 MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and an associate measured at fair value through profit or loss which are carried at fair value.

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

2.1.1 Changes in accounting policies and disclosures

(a) Amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing January 1, 2024:

- Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to IAS 1, *Non-current Liabilities with Covenants*
- Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to IAS 7, *Supplier Finance Arrangements*

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group’s financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended December 31, 2024 and have not been early adopted by the Group.

New standards, amendments, improvement and interpretation	Effective for annual years beginning on or after
Amendments to IAS 21, <i>Lack of Exchangeability</i>	January 1, 2025
Amendments to IFRS 9 and IFRS 7, <i>Contracts Referencing Nature-dependent Electricity</i>	January 1, 2026
Amendments to IFRS 9 and IFRS 7, <i>Amendments to the Classification and Measurement of Financial Instruments</i>	January 1, 2026
IFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	January 1, 2027

Except for the new and amendments to IFRS Accounting Standards mentioned below, the management anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will replace IAS 1 “Presentation of Financial Statements”, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and IFRS 7 “Financial Instruments: Disclosures”. Furthermore, the IASB has made minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share”.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss;
- provide disclosures on management-defined performance measures in the notes to the financial statements; and
- improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods.

3 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 Group separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identifies two operations segments as follows:

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

The accounting policies of the operating segments are the same as the Group's accounting policies in the notes to the consolidated financial statements. Segment profit/loss represents the profit/loss from each segment without allocation of unallocated expenses, gains on disposal of intangible assets, other losses-net, finance income-net and share of profit of investment accounted for using equity method. The CODM assesses the performance of the operating segments based on the operating profit/loss of each reporting segments.

Segment revenue and results

	Year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue:		
Game Business		
— Sales of in-game virtual items	38,506	43,238
— License fee and technical support fee	1,285	26,896
	<u>39,791</u>	<u>70,134</u>
Film Business		
— Licensing and production of online dramas and others	106,258	65,372
	<u>106,258</u>	<u>65,372</u>
Total	<u>146,049</u>	<u>135,506</u>

The following is an analysis of the Group's revenue and results by reportable segment:

	Game Business		Film Business		Total	
	2024	2023	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>39,791</u>	<u>70,134</u>	<u>106,258</u>	<u>65,372</u>	<u>146,049</u>	<u>135,506</u>
Segment (loss)/profit	<u>(38,936)</u>	<u>(23,690)</u>	<u>(3,522)</u>	<u>2,265</u>	<u>(42,458)</u>	<u>(21,425)</u>
Gains on disposal of intangible assets					15,485	—
Unallocated expenses					(4,163)	—
Other losses — net					(3,269)	(935)
Finance income — net					965	2,071
Share of profit of investment accounted for using equity method					<u>3,550</u>	<u>3,292</u>
Loss before income tax					<u>(29,890)</u>	<u>(16,997)</u>

Information about major customers

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

	Year ended December 31,	
	2024	2023
Film publisher A	N/A [#]	43.0%
Film publisher B	64.6%	N/A [#]
Game licensee A	N/A [#]	18.0%
	<u>64.6%</u>	<u>61.0%</u>

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

Segment assets and liabilities

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

Other segment information

Amounts included in the measure of segment loss:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Depreciation of property, plant and equipment		
— Game Business	240	338
— Film Business	37	—
— Unallocated	1,965	—
	<u>2,242</u>	<u>338</u>
Depreciation of right-of-use assets		
— Game Business	325	1,397
— Film Business	180	188
	<u>505</u>	<u>1,585</u>
Amortisation of intangible assets		
— Game Business	93	2,629
	<u>93</u>	<u>2,629</u>
Impairment of intangible assets		
— Game Business	—	7,018
— Unallocated	1,167	—
	<u>1,167</u>	<u>7,018</u>
Impairment of film rights and films in progress		
— Film Business	1,810	—
	<u>1,810</u>	<u>—</u>
Gains on disposal of intangible assets		
— Unallocated	15,485	—
	<u>15,485</u>	<u>—</u>

Geographical information

A breakdown of revenue derived from the PRC, South Korea and other overseas countries and regions for the years ended December 31, 2024 and 2023 is as follows:

	Year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers:		
— PRC	133,696	107,222
— South Korea	11,577	17,790
— Other overseas countries and regions	776	10,494
	<u>146,049</u>	<u>135,506</u>

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

	As of December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
— PRC	14,978	16,638
— South Korea	106	152
— Hong Kong and other overseas countries	59,696	20,167
	<u>74,780</u>	<u>36,957</u>

A breakdown of revenue derived from the transfer of goods and services over time and at a point in time for the years ended December 31, 2024 and 2023 is as follows:

	Year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers:		
— Recognised over time	134,323	53,618
— Recognised at a point in time	11,726	81,888
	<u>146,049</u>	<u>135,506</u>

4 OTHER OPERATING INCOME — NET

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Bad debt recovered	—	317
Foreign exchange losses, net	(447)	(452)
Gains on disposal of property, plant and equipment	6	210
Gains on disposal of intangible assets	15,485	—
Gains on lease termination	25	137
Penalty	(339)	—
Government subsidies (<i>Note</i>)	250	1,908
Write-off of property, plant and equipment	(72)	(1,338)
Sundry income	122	61
	<u>15,030</u>	<u>843</u>

Note:

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

5 OTHER LOSSES — NET

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Fair value (losses)/gains from financial assets at fair value through profit or loss	(4,426)	1,436
Dividend income from financial assets at fair value through profit or loss	—	220
Fair value gain/(loss) from an associate measured at fair value through profit or loss	1,157	(2,591)
	<u>(3,269)</u>	<u>(935)</u>

6 EXPENSES BY NATURE

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

	Year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Service charges by game distribution channels	9,967	10,640
Content fees to game developers	4,840	6,266
Bandwidth and server custody fees	4,659	4,981
Film production costs and other film business costs	92,678	59,179
Employee benefit expenses (excluding share-based compensation expenses)	48,137	47,575
Share-based compensation expenses	4,528	64
Depreciation of property, plant and equipment	2,242	338
Depreciation of right-of-use assets	505	1,585
Amortisation and impairment of intangible assets	1,260	9,647
Net impairment losses on receivables and contract assets	182	416
Impairment of film rights and films in progress	1,810	—
Write-off of prepayment	—	377
Promotion and advertising expenses	8,157	1,692
Travelling and entertainment expenses	986	1,186
Office rental expenses	2,214	1,562
Other professional service fees	5,962	7,093
Game development outsourcing costs	128	429
Utilities and office expenses	570	1,247
Auditor's remuneration		
— Audit related services	1,600	1,440
— Non-audit related services	442	774
Others	1,348	1,283
	192,215	157,774
Total	<u>192,215</u>	<u>157,774</u>

7 FINANCE INCOME — NET

	Year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income on bank deposits	803	1,572
Interest income from a loan to a third party	140	—
	<u>943</u>	<u>1,572</u>
Finance costs		
Interest cost on lease liabilities	(18)	(88)
Interest on advance drawn on notes receivables discounted	(174)	—
Foreign exchange gains, net	214	587
	<u>214</u>	<u>587</u>
Finance income — net	<u><u>965</u></u>	<u><u>2,071</u></u>

8 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group for each of the years ended December 31, 2024 and 2023 is analysed as follows:

	Year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
— Current income tax of this year	2	7
Deferred tax	8	(8)
	<u>10</u>	<u>(1)</u>
Income tax expense/(credit)	<u><u>10</u></u>	<u><u>(1)</u></u>

9 LOSS PER SHARE

(a) Basic

Basic loss per share for the years ended December 31, 2024 and 2023 is calculated by dividing:

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

	Year ended December 31,	
	2024	2023
Loss attributable to owners of the Company (RMB'000)	<u>(29,031)</u>	<u>(17,426)</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	<u>351,288</u>	<u>349,623</u>
Basic loss per share (expressed in RMB per share)	<u>(0.08)</u>	<u>(0.05)</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 years ended December 31, 2024 and 2023, the Company had two categories of potential ordinary shares, i.e. RSUs and share options granted to eligible persons. As the Group incurred a loss for the years ended December 31, 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, diluted loss per share for the years ended December 31, 2024 and 2023 are the same as basic loss per share of the years.

10 TRADE RECEIVABLES AND NOTES RECEIVABLES

	As of December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	5,973	41,008
Loss allowance	(2,220)	(2,304)
	<u>3,753</u>	<u>38,704</u>
Notes receivables	—	8,000
	<u>—</u>	<u>8,000</u>
Total trade receivables and notes receivables	<u><u>3,753</u></u>	<u><u>46,704</u></u>

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

	As of December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
0–60 days	3,459	38,905
61–90 days	125	46
91–180 days	201	72
181–365 days	582	55
Over 1 year	1,606	1,930
	<u>5,973</u>	<u>41,008</u>
	<u><u>5,973</u></u>	<u><u>41,008</u></u>

11 TRADE AND OTHER PAYABLES

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Trade payables (<i>Note</i>)	3,175	4,179
Accrued expenses and liabilities	17,095	7,253
Salary and staff welfare payables	15,609	12,955
Amount due to a related party	5,438	5,438
Other taxes payables	603	2,240
	<u>41,920</u>	<u>32,065</u>

Note:

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

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
0–180 days	2,933	3,942
181–365 days	43	75
1–2 years	47	83
2–3 years	82	5
Over 3 years	70	74
	<u>3,175</u>	<u>4,179</u>

12 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2024 and 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 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 at December 31, 2024, the Company did not hold any treasury shares.

CORPORATE GOVERNANCE PRACTICE

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

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

In the opinion of the Board, the Company has complied with the code provisions as set out in Part 2 of the Code for the year ended December 31, 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 in consultation with the Board members and the senior management of the Company. In addition, the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information. Under the current relatively independent board structure (independent non-executive Directors accounting for 50%), the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

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

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 year ended December 31, 2024.

NON-COMPETITION UNDERTAKINGS IN DIRECTORS' SERVICE CONTRACT

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

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each of the Directors attended various trainings in 2024, including the trainings for the amendment of the GEM Listing Rules, for Directors' responsibilities and continuous obligations and for enforcement of the GEM Listing Rules, etc. The Company will arrange suitable training for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

REMUNERATION COMMITTEE

The chairman of the Remuneration Committee is Mr. Zhang Xiangdong, our independent non-executive Director, and other members include Mr. Wang Feng, our executive Director, Ms. Wu Yueqin and Mr. Fu Frank Kan, our independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the HKEXnews website at www.hkexnews.hk and the Company's website at www.linekong.com.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration, including making recommendations to the Board on the remuneration packages of executive Directors and senior management. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended December 31, 2024. Moreover, the Remuneration Committee has reviewed the provisions of the RSU Scheme and Share Option Scheme of the Company, and noted that both RSU Scheme and Share Option Scheme expired in 2024, approved the 2024 RSU Scheme on July 12, 2024, and granted the equity awards under the 2024 RSU Scheme on July 12, 2024 and December 20, 2024.

NOMINATION COMMITTEE

The Nomination Committee was established on April 24, 2014. The chairman of the Nomination Committee is Mr. Wang Feng, our chairman of the Board and executive Director, and other members include Mr. Zhang Xiangdong, Ms. Wu Yueqin and Mr. Fu Frank Kan, our independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the HKEXnews website at www.hkexnews.hk and the Company's website at www.linekong.com.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. During the Reporting Period, the Nomination Committee has reviewed and assessed the composition of the Board and the appointments of those Directors who offered themselves for re-election at the 2024 annual general meeting. The Nomination Committee also assessed the independence of all independent non-executive Directors.

Nomination Policy

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

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

Selection Procedures of Directors

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

- (a) the Board office and the Nomination Committee shall actively communicate with the relevant departments of the Company to assess the demand for new Directors and their re-election and prepare written materials;
- (b) the Nomination Committee may extensively seek candidates for Directors within the Company, its holding (or non-wholly owned) enterprises, as well as in the recruitment market;

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

Board Diversity Policy

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

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

As at the date of this announcement, the Board consisted of five Directors with a male-to-female ratio of 4:1, three of whom are independent non-executive Directors, who assist in critical review and monitoring of the management processes. The Board is considered to be rather diverse in terms of the professional background and skills of the Directors, where, one of them has professional financial knowledge, one of them has years of experiences in the gaming industry, one of them has years of experiences in the film and television industry, one of them has professional knowledge in the technology industry, and one of them has professional knowledge in the internet industry. The Company also reviews the Board Diversity Policy on an annual basis. Considering the actual diversity of the members of the Board, the Board considers that the Board Diversity Policy is implemented and effective.

Furthermore, the overall male-to-female ratio of the employees is 29:28. The Company values diversity among employees, treats employees of different gender, party, religion, nationality and race equally, and fully ensures that employees enjoy equal rights in recruitment, post adjustment, training and promotion. We appreciate and encourage diversity in the workplace and create a professional, inclusive and diversified working environment. The Company has a balanced structure of male and female employees. The Company will continue to maintain gender balance to achieve gender diversity among employees.

AUDIT COMMITTEE

The Audit Committee was established on April 24, 2014. The chairman of the Audit Committee is Ms. Wu Yueqin, our independent non-executive Director, and other members include Mr. Zhang Xiangdong and Mr. Fu Frank Kan, our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the HKEXnews website at www.hkexnews.hk and on the Company's website at www.linekong.com.

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

The Company has complied with Rule 5.28 of the GEM Listing Rules in that the Audit Committee must comprise a minimum of three members with a majority of independent non-executive 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 consolidated financial statements for the year ended December 31, 2024 as well as the consolidated 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 consolidated financial statements of the Group for the year ended December 31, 2024 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made. The Audit Committee also provided recommendations to the Board on the appointment of the external auditors of the Company and review of the Company's internal control procedures and risk management matters.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended December 31, 2024 as set out in the Group's annual results announcement for the year have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, with the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2024. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the annual results announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company is scheduled to be held on Friday, June 20, 2025. A notice convening the annual general meeting will be published on the HKEXnews website at www.hkexnews.hk and the Company's website at www.linekong.com in due course.

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, June 17, 2025 to Friday, June 20, 2025, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, June 16, 2025.

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

Beijing, PRC, March 28, 2025

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