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**LINEKONG**

藍港互動

**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, 2015**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market 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.

## SUMMARY

- Our revenue for the six months ended June 30, 2015 amounted to approximately RMB301.0 million, representing a decrease of approximately 17.0% as compared to approximately RMB362.8 million for the corresponding period in 2014.
- Our profit attributable to owners of the Company for six months ended June 30, 2015 amounted to RMB9.8 million, as compared to a loss of approximately RMB78.9 million for the corresponding period in 2014.
- Our adjusted net profit for the six months ended June 30, 2015 amounted to approximately RMB51.7 million, representing a decrease of approximately 44.0% as compared to approximately RMB92.4 million for the corresponding period in 2014.
- The Board did not recommend any payment of dividends for the six months ended June 30, 2015.

## INTERIM RESULTS

The board of Directors (the “**Board**”) announces the unaudited interim consolidated results and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2015 together with the comparative figures for the six months ended June 30, 2014. The results were reviewed by the audit committee of the Company, which consists of all independent non-executive Directors and non-executive Director.

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As of <b>June 30, 2015</b> <i>RMB'000</i> (Unaudited)	As of December 31, 2014 <i>RMB'000</i> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		14,527	11,367
Intangible assets		39,996	37,127
Investments in joint ventures	8	103,257	–
Available-for-sale financial assets		7,964	–
Financial assets at fair value through profit or loss		24,912	–
Deferred income tax assets – net		14,725	5,358
Prepayments and other receivables		19,612	5,110
		<b>224,993</b>	58,962
<b>Current assets</b>			
Trade receivables		77,119	62,829
Prepayments and other receivables		113,917	51,917
Available-for-sale financial assets		64,500	–
Financial assets at fair value through profit or loss		25,668	–
Cash and cash equivalents		816,166	1,086,532
		<b>1,097,370</b>	1,201,278
<b>Total assets</b>		<b>1,322,363</b>	1,260,240

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

	<i>Note</i>	<b>As of June 30, 2015 RMB'000 (Unaudited)</b>	<b>As of December 31, 2014 RMB'000 (Audited)</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		59	59
Share premium		1,726,826	1,726,828
Share capital for RSU Scheme		(4)	(6)
Reserves	4	247,571	206,182
Accumulated losses		<u>(915,918)</u>	<u>(925,746)</u>
		<b>1,058,534</b>	<b>1,007,317</b>
<b>Non-controlling interests</b>		<u>(23)</u>	<u>(21)</u>
<b>Total equity</b>		<u><b>1,058,511</b></u>	<u><b>1,007,296</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred revenue		<u>4,549</u>	<u>9,048</u>
		<u><b>4,549</b></u>	<u><b>9,048</b></u>
<b>Current liabilities</b>			
Trade and other payables		146,875	151,466
Current income tax liabilities		4,964	3,769
Deferred revenue		<u>107,464</u>	<u>88,661</u>
		<u><b>259,303</b></u>	<u><b>243,896</b></u>
<b>Total liabilities</b>		<u><b>263,852</b></u>	<u><b>252,944</b></u>
<b>Total equity and liabilities</b>		<u><b>1,322,363</b></u>	<u><b>1,260,240</b></u>
<b>Net current assets</b>		<u><b>838,067</b></u>	<u><b>957,382</b></u>
<b>Total assets less current liabilities</b>		<u><b>1,063,060</b></u>	<u><b>1,016,344</b></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME/(LOSS)**

		<b>Six months ended June 30,</b>	
		<b>2015</b>	<b>2014</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Revenue	5	<b>300,950</b>	362,818
Cost of revenue		<b>(180,145)</b>	(176,330)
<b>Gross profit</b>		<b>120,805</b>	186,488
Selling and marketing expenses		<b>(117,103)</b>	(50,983)
Administrative expenses		<b>(37,099)</b>	(48,109)
Research and development expenses		<b>(54,768)</b>	(47,173)
Other gains – net	6	<b>89,638</b>	1,214
<b>Operating profit</b>		<b>1,473</b>	41,437
Finance income – net		<b>1,964</b>	1,384
Fair value loss of preferred shares	7	–	(116,817)
Share of loss of joint ventures	8	<b>(674)</b>	–
<b>Profit/(loss) before income tax</b>		<b>2,763</b>	(73,996)
Income tax credit/(expense)	9	<b>7,063</b>	(4,883)
<b>Profit/(loss) for the period</b>		<b>9,826</b>	(78,879)
<b>Other comprehensive loss for the period that will not be reclassified subsequently to profit or loss</b>			
– Currency translation differences		<b>(489)</b>	(6,881)
<b>Total comprehensive income/(loss) for the period</b>		<b>9,337</b>	(85,760)
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		<b>9,828</b>	(78,879)
Non-controlling interests		<b>(2)</b>	–
<b>Profit/(loss) for the period</b>		<b>9,826</b>	(78,879)

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME/(LOSS) (CONTINUED)**

		<b>Six months ended June 30,</b>	
	<i>Note</i>	<b>2015</b>	2014
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		<b>9,339</b>	(85,760)
Non-controlling interests		<b>(2)</b>	–
		<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the period</b>		<b>9,337</b>	(85,760)
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings/(loss) per share</b> <i>(expressed in RMB per share)</i>			
– Basic	10(a)	<b>0.03</b>	(4.54)
		<hr/> <hr/>	<hr/> <hr/>
– Diluted	10(b)	<b>0.03</b>	(4.54)
		<hr/> <hr/>	<hr/> <hr/>
<b>Dividends</b>	11	–	–
		<hr/> <hr/>	<hr/> <hr/>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY/(DEFICIT)

(Unaudited)	Attributable to owners of the Company							Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
			RMB'000					
<b>Balance at January 1, 2015</b>	<u>59</u>	<u>1,726,828</u>	<u>(6)</u>	<u>206,182</u>	<u>(925,746)</u>	<u>1,007,317</u>	<u>(21)</u>	<u>1,007,296</u>
<b>Comprehensive (loss)/income</b>								
Income for the period	-	-	-	-	9,828	9,828	(2)	9,826
Other comprehensive loss								
– Currency translation differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>(489)</u>	<u>-</u>	<u>(489)</u>	<u>-</u>	<u>(489)</u>
<b>Total comprehensive (loss)/income for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(489)</u>	<u>9,828</u>	<u>9,339</u>	<u>(2)</u>	<u>9,337</u>
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>								
RSU Scheme:								
– Value of employee services	-	-	-	41,878	-	41,878	-	41,878
– Vesting of shares	<u>-</u>	<u>(2)</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total contributions by and distributions to owners of the Company</b>	<u>-</u>	<u>(2)</u>	<u>2</u>	<u>41,878</u>	<u>-</u>	<u>41,878</u>	<u>-</u>	<u>41,878</u>
<b>Balance at June 30, 2015</b>	<u><u>59</u></u>	<u><u>1,726,826</u></u>	<u><u>(4)</u></u>	<u><u>247,571</u></u>	<u><u>(915,918)</u></u>	<u><u>1,058,534</u></u>	<u><u>(23)</u></u>	<u><u>1,058,511</u></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY/(DEFICIT)(CONTINUED)**

(Audited)	Attributable to owners of the Company						
	Share capital RMB'000	Shares held for	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
		RSU Scheme RMB'000					
<b>Balance at January 1, 2014</b>	<u>18</u>	<u>–</u>	<u>86,909</u>	<u>(768,227)</u>	<u>(681,300)</u>	<u>(20)</u>	<u>(681,320)</u>
<b>Comprehensive loss</b>							
Loss for the period	–	–	–	(78,879)	(78,879)	–	(78,879)
Other comprehensive loss							
– Currency translation differences	<u>–</u>	<u>–</u>	<u>(6,881)</u>	<u>–</u>	<u>(6,881)</u>	<u>–</u>	<u>(6,881)</u>
<b>Total comprehensive loss for the period</b>	<u>–</u>	<u>–</u>	<u>(6,881)</u>	<u>(78,879)</u>	<u>(85,760)</u>	<u>–</u>	<u>(85,760)</u>
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>							
Issuance of shares held for RSU Scheme	6	–	–	–	6	–	6
Deemed contribution from shareholders for the shares issued for RSU Scheme	–	(6)	6	–	–	–	–
RSU Scheme:							
– Value of employee services	<u>–</u>	<u>–</u>	<u>43,554</u>	<u>–</u>	<u>43,554</u>	<u>–</u>	<u>43,554</u>
<b>Total contributions by and distributions to owners of the Company</b>	<u>6</u>	<u>(6)</u>	<u>43,560</u>	<u>–</u>	<u>43,560</u>	<u>–</u>	<u>43,560</u>
<b>Balance at June 30, 2014</b>	<u><u>24</u></u>	<u><u>(6)</u></u>	<u><u>123,588</u></u>	<u><u>(847,106)</u></u>	<u><u>(723,500)</u></u>	<u><u>(20)</u></u>	<u><u>(723,520)</u></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Cash flows from operating activities</b>		
Cash used in operations	(48,033)	72,488
Income tax paid	(1,109)	(10,841)
	(49,142)	61,647
<b>Net cash (used in)/generated from operating activities</b>	<b>(49,142)</b>	<b>61,647</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,610)	(4,656)
Purchase of intangible assets	(14,817)	(2,085)
Purchase of a convertible note	(30,767)	–
Cash consideration paid for investment in a joint venture	(72,884)	–
Purchase of available-for-sale financial assets	(72,464)	–
Purchase of financial assets at fair value through profit or loss	(53,796)	–
Proceeds from disposal of financial assets at fair value through profit or loss	43,762	–
Loan granted to a third party	(10,000)	–
Payment for short-term investments	(230,000)	–
Proceeds from matured short-term investments	230,000	–
Proceeds from disposal of intangible assets	2,000	–
Return on short-term investments received	821	–
Decrease in short-term bank deposits	–	5,000
	(214,755)	(1,741)
<b>Net cash used in investing activities</b>	<b>(214,755)</b>	<b>(1,741)</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(CONTINUED)**

	<b>Six months ended June 30,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of convertible preferred shares	–	306,906
Subscription received on par value of ordinary shares	–	15
Contribution received on par value of the shares held for RSU Scheme	–	6
Payments for issuance costs of convertible preferred shares	–	(300)
Payment of issuance costs of ordinary shares relating to IPO	(6,087)	(1,906)
	<u>(6,087)</u>	<u>(1,906)</u>
<b>Net cash (used in)/generated from financing activities</b>	<b><u>(6,087)</u></b>	<b><u>304,721</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(269,984)</b>	<b>364,627</b>
Cash and cash equivalents at beginning of period	<b>1,086,532</b>	<b>111,777</b>
Exchange (loss)/gain on cash and cash equivalents	(382)	742
	<u>(382)</u>	<u>742</u>
<b>Cash and cash equivalents at end of the period</b>	<b><u>816,166</u></b>	<b><u>477,146</u></b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. General information

Linekong Interactive Group Co., Ltd. (the “**Company**”, formerly known as Linekong Interactive Co., Ltd.), 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 is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in developing and publishing online games in the People’s Republic of China (the “**PRC**”), Hong Kong and other countries and regions.

The Company’s shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since December 30, 2014 by way of its initial public offering (“**IPO**”). Upon the completion of the IPO on December 30, 2014, all of the Company’s 153,264,523 outstanding convertible preferred shares (“**Preferred Shares**”) were converted into ordinary shares on a one-to-one basis immediately as of the same date.

The interim condensed consolidated balance sheet of the Group as of June 30, 2015 and the related interim condensed consolidated statements of comprehensive income/(loss), changes in equity/(deficit) and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Financial Information**”) have been approved by the Board of Directors on August 11, 2015.

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

The Interim Financial Information has been reviewed, not 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 should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2014 as set out in the 2014 annual report of the Company (the “**2014 Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

## **3. Summary of significant accounting policies**

The accounting policies applied in the preparation of the unaudited Interim Financial Information are consistent with those used in the 2014 Financial Statements, which have been prepared in accordance with IFRSs. The Interim Financial Information have been prepared under the historical cost convention, as modified by the revaluation of assets and liabilities carried at fair value, such as available-for-sale financial assets and financial assets (including derivative instruments) at fair value through profit or loss.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

There are no new standards, amendments and interpretations to existing standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

The Group has not early adopted any new standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial period beginning January 1, 2015. The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards on the financial statements of the Group in their initial applications.

#### 4. Reserves

	Capital reserve <i>RMB'000</i>	Currency translation differences <i>RMB'000</i>	Statutory surplus reserve fund <i>RMB'000</i>	Share-based compensation reserve <i>RMB'000</i>	Other Reserves <i>RMB'000</i>	Total <i>RMB'000</i>
<b>(Unaudited)</b>						
<b>Balance at January 1, 2015</b>	<u>(7,831)</u>	<u>26,503</u>	<u>9,557</u>	<u>177,947</u>	<u>6</u>	<u>206,182</u>
RSU scheme:						
– Value of employee services	-	-	-	41,878	-	41,878
Currency translation differences	-	(489)	-	-	-	(489)
<b>Balance at June 30, 2015</b>	<u>(7,831)</u>	<u>26,014</u>	<u>9,557</u>	<u>219,825</u>	<u>6</u>	<u>247,571</u>
<b>(Audited)</b>						
<b>Balance at January 1, 2014</b>	<u>(7,831)</u>	<u>29,026</u>	<u>6,620</u>	<u>59,094</u>	<u>-</u>	<u>86,909</u>
RSU scheme:						
– Value of employee services	-	-	-	43,554	-	43,554
Deemed contribution from shareholders for the shares issued for RSU Scheme	-	-	-	-	6	6
Currency translation differences	-	(6,881)	-	-	-	(6,881)
<b>Balance at June 30, 2014</b>	<u>(7,831)</u>	<u>22,145</u>	<u>6,620</u>	<u>102,648</u>	<u>6</u>	<u>123,588</u>

## 5. Revenue and segment information

	Six months ended June 30,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Development and operations of online games:		
– Sales of in-game virtual items	285,540	335,953
– License fee and technical support fee	15,410	26,865
	<u>300,950</u>	<u>362,818</u>

The Group offers its online games in different forms: client-based games, web-based games and mobile games. A breakdown of revenue derived from different forms of the Group's games during the six months ended June 30, 2015 and 2014 is as follows:

	Six months ended June 30,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Sales of in-game virtual items, license fee and technical support fee:		
– Mobile games	278,892	313,898
– Web-based games	7,875	19,724
– Client-based games	14,183	29,196
	<u>300,950</u>	<u>362,818</u>

The chief operating decision makers of the Company consider that the Group's operations are operated and managed as a single segment of developing and distribution of online games, no segment information is presented accordingly.

The Group has a large number of game players, no revenue from any individual game player exceeded 10% or more of the Group's revenue during the six months ended June 30, 2015 and 2014.

Almost all the Group's non-current assets were located in the PRC as at June 30, 2015. Revenue from overseas customers was only generated by the entities located in the PRC before March 31, 2014 and generated by both the entities located in the PRC and the Group's oversea entities since April 2014. The revenue generated by the Group's oversea entities represents less than 10% of the total revenue of the Group for the six months ended June 30, 2015.

## 6. Other gains – net

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Government subsidies	6,060	269
Gain arising from disposal of subsidiaries	–	6
Foreign exchange gains, net	964	808
Realised/unrealised fair value gains on financial assets at fair value through profit or loss	64,808	–
Realised fair value gains on derivatives	14,540	–
Return on short-term investments ( <i>Note(a)</i> )	821	–
Others	2,445	131
	<u>89,638</u>	<u>1,214</u>

*Note:*

- (a) Return on short-term investments represents return on investments in certain principal protected wealth management products issued by commercial banks in the PRC.

## 7. Fair value loss of preferred shares

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Fair value loss of Preferred Shares	<u>–</u>	<u>(116,817)</u>

## 8. Investments in joint ventures

	Six months ended June 30,	
	2015 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Audited)
As of January 1	–	–
Addition of the period	103,931	–
Share of loss	(674)	–
As of June 30	<u>103,257</u>	<u>–</u>

Name	Principal activities/ country of incorporation	% Interest held as of June 30, 2015	% Interest held as of December 31, 2014	Nature of the relationship	Measurement method
Fuze Entertainment Co., Ltd. (“Fuze”)	Gaming hardware developer/PRC	37.78%	–	Note (i)	Equity

*Note:*

- (i) On March 6, 2015, the Company entered into a secured convertible note purchase agreement with, among others, Fuze Entertainment Co., Ltd. (“Fuze”) to purchase convertible promissory note (“Note”) issued by Fuze in the principal amount of USD5,000,000 with interest rate of 6% per annum and a maturity period of one year ending on March 6, 2016.

On June 8, 2015, the Company entered into a series A preferred share purchase agreement with, among others, Fuze, to subscribe 61,818,182 Series A Preferred Shares newly issued by Fuze (“Series A Preferred Shares”) with a consideration of USD17,000,000 (equivalent to RMB103,931,000), which accounted for 37.78% equity shares of Fuze, on a fully diluted basis. The consideration of Series A Preferred Shares was settled by the company on June 9, 2015 with the carrying amount of the Note of USD5,078,333 (equivalent to RMB31,047,000) and cash of USD11,921,667 (equivalent to RMB72,884,000).

According to the shareholders agreement of Fuze effected on June 9, 2015, all matters subject to the board of directors’ approval require unanimous consent of all directors of the board. Since the Company has the right to appoint two directors out of three, the directors of the Company consider that the Group has joint control of Fuze and therefore its investment in Fuze is accounted for as a joint venture of the Group accordingly.

Fuze is a limited liability company incorporated in the Cayman Islands and is engaged in gaming hardware development. There is no quoted market price available for its shares.

## 9. Income tax (credit)/expense

The income tax (credit)/expense of the Group for the six months ended June 30, 2015 and 2014 are analysed as follows:

	Six months ended June 30,	
	2015 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Audited)
Current income tax	2,304	3,548
Deferred income tax	(9,367)	1,335
Income tax (credit)/expense	<u>(7,063)</u>	<u>4,883</u>

### (a) *Cayman Islands income tax*

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 the Cayman Islands income tax.

### (b) *Hong Kong profits tax*

The Group is not subject to Hong Kong profits tax on foreign-sourced income, dividends and capital gains. The subsidiaries incorporated in Hong Kong were subject to 16.5% income tax for the six months ended June 30, 2015 and 2014 on their taxable profits generated from operations in Hong Kong. Payment of dividends is not subject to withholding tax in Hong Kong.

(c) *PRC Enterprise Income Tax (“EIT”)*

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the six months ended June 30, 2015 and 2014, based on the existing legislation, interpretations and practices in respect thereof. Linekong Online (Beijing) Internet Technology Co., Ltd. (“**Beijing Linekong Online**”), Linekong Entertainment Technology Co., Ltd. (“**Linekong Entertainment**”), Shouyoutong (Beijing) Technology Co., Ltd. (“**Shouyoutong**”) and Tianjin Baba Liusi Network Technology Co., Ltd. (“**Tianjin 8864**”) obtained the Software Enterprise Certificates and were accredited as software enterprises under the relevant PRC laws, regulations and rules. Accordingly, Beijing Linekong Online, Linekong Entertainment, Shouyoutong and Tianjin 8864 are exempt from EIT for two years, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years, commencing from the first year of profitable operation and before 2017, provided that it continues to be qualified as software enterprise during such period. Beijing Linekong Online obtained the Software Enterprise Certificate in May 2014, and the specific periods when the tax exemption and reduction being applicable are yet to commence. The applicable schedules of preferential income tax rate for Linekong Entertainment, Shouyoutong and Tianjin 8864 are as follows:

	<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Linekong Entertainment	<b>25%</b>	50% reduction
Shouyoutong	<b>50% reduction</b>	50% reduction
Tianjin 8864	<b>50% reduction</b>	EIT exemption

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses incurred in a year as tax deductible expenses in determining its tax assessable profits for that year (“**Super Deduction**”).

(d) *PRC withholding Tax (“WHT”)*

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

As of June 30, 2015 and December 31, 2014, no retained earnings of subsidiaries within the Group had ever been remitted to the Company. The Group does not have any plan to conduct this remittance in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period. As of June 30, 2015 and December 31, 2014, the entities located in the PRC did not have available undistributed profit to be remitted to the Company.

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit/(loss) before income tax of consolidated entities in the respective jurisdictions as follows:

	<b>Six months ended June 30,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Profit/(loss) before income tax</b>	<b>2,763</b>	(73,996)
Tax calculated at statutory income tax rates applicable to (loss)/profit before income tax of the consolidated entities in their respective jurisdictions <i>(Note (i))</i>	<b>(15,298)</b>	12,040
<b>Tax effects of:</b>		
Preferential income tax rates applicable to subsidiaries	<b>(2,666)</b>	(29,989)
Super deduction for research and development expenses	<b>(1,070)</b>	–
Expenses not deductible for tax purposes:		
– Share-based compensation	<b>10,470</b>	10,889
– Others	<b>8,493</b>	2,611
Unrecognised temporary differences <i>(Note (ii))</i>	<b>4,108</b>	4,993
Income tax paid outside the territory which is not deductible from resident enterprise income tax payable	<b>949</b>	3,673
Adjustments to deferred income tax arising in prior periods	<b>(12,049)</b>	666
Income tax (credit)/expense	<b>(7,063)</b>	4,883

*Note:*

- (i) The Company is exempt from the Cayman Islands income tax. As such, the operating results reported by the Company on a standalone basis, including the fair value changes in profit or loss, are not subject to any income tax.
- (ii) The Group has assessed the realization of deductible temporary differences and unused tax losses for each entity as of June 30, 2015 and 2014. The temporary differences including tax losses of several subsidiaries were not recognised due to insufficient future taxable profit being available at each of these entities.

## 10. Earnings/(loss) per share

On January 15, 2014, the Board of Directors of the Company approved a share split of the Company's share capital at a ratio of 1 to 40 (the "**Share Split**"). For the purpose of computing basic and diluted earnings/(loss) per share, the number of ordinary shares outstanding during the six months ended June 30, 2015 and 2014 have been adjusted retroactively in the computation of both basic and diluted earnings/(loss) per share for the relevant periods to reflect the proportional changes in the number of ordinary shares outstanding as a result of the Share Split.

### (a) *Basic*

Basic earnings/(loss) per share for the six months ended June 30, 2015 and 2014 is calculated by dividing the profit/(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 June 30,</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Audited)
Profit/(loss) attributable to owners of the Company ( <i>RMB'000</i> )	<b>9,828</b>	(78,879)
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<b>338,083</b>	17,383
Basic earnings/(loss) per share ( <i>expressed in RMB per share</i> )	<b>0.03</b>	(4.54)

(b) *Diluted*

Diluted earnings/(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, 2014, the Company had two categories of potential ordinary shares, the Preferred Shares and restricted share units (the “RSUs”). RSUs that were issuable contingently upon the occurrence of the listing were not considered as dilutive potential ordinary shares. As the Group incurred loss for the six months ended June 30, 2014, 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, 2014 is the same as basic loss per share of the period.

For the six months ended June 30, 2015, the Company had RSUs as potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average fair value of the Company’s ordinary shares) for the outstanding RSUs.

	<b>Six months ended June 30, 2015 (Unaudited)</b>
Profit attributable to owners of the Company ( <i>RMB'000</i> )	<u>9,828</u>
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<b>338,083</b>
Adjustment for RSUs ( <i>thousand shares</i> )	<u>17,263</u>
Weighted average number of ordinary shares for calculating diluted earnings per share ( <i>thousand shares</i> )	<u>355,346</u>
Diluted earnings per share ( <i>expressed in RMB per share</i> )	<u><u>0.03</u></u>

## 11. Dividends

No dividends have been paid or declared by the Company during the six months ended June 30, 2015 and 2014.

## 12. Events after the balance sheet date

- (a) On July 1, 2015, Linekong Entertainment entered into an agreement to acquire 5% of the equity interests in Beijing Tianqu Hudong Technology Development Co., Ltd. (“**Tianqu**”) with a consideration of RMB3,500,000. Tianqu is a limited liability company incorporated in Beijing, PRC and is primarily engaged in game research and development.
- (b) On July 7, 2015, the Company, as the lender, entered into a loan agreement with the borrower, Fuze. Pursuant to the agreement, the Company granted an unsecured loan to the borrower in the principal amount of USD9,000,000 (or its equivalent in other currencies). Maturity period of the loan is 12 months from the date of the issuance of the loan.

The loan was fully issued to Fuze in instalments in July 2015 in the currency of USD and RMB. Interest rate on this USD and RMB loan is 3% per annum and 4.85% per annum respectively.

- (c) The Company’s Board of Directors approved a share repurchase plan on July 7, 2015 which authorised the management to repurchase the Company’s ordinary shares with a total value of HKD10,000,000. Accordingly, the Company repurchased 140,000 ordinary shares on July 9, 2015 and 61,000 ordinary shares on July 10, 2015 respectively on the open market for an aggregate consideration of HKD1,676,045 (equivalent to RMB1,322,000). These repurchased shares were cancelled by the company on July 16, 2015.
- (d) On July 23, 2015, Linekong Entertainment entered into an assets management agreement of Hehe Black Ant Film Fund Specific Asset Management Plan (“**Hehe Fund**”) and pursuant to which, committed to invest Hehe Fund in the amount of RMB10,000,000 as an asset trustor, which represents 4.98% of a tentative target total subscribed capital contribution of Hehe Fund.
- (e) On August 6, 2015, Linekong Entertainment entered into an agreement to acquire 5.5% of the equity interests in Coyote Games Information Technology Co., Ltd. (“**Coyote**”) with a consideration of RMB1,925,000. Coyote is a limited liability company incorporated in Beijing, PRC and is primarily engaged in game research and development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

#### Overview

We have been a leading mobile game developer and publisher in China. The shares of the Company were listed on GEM of the Stock Exchange on December 30, 2014 (the “**Listing**”). As at June 30, 2015, we have commercialized 19 games in total, including 11 self-developed games and 8 licensed games. Among the 6 successfully commercialized mobile games, *Excalibur* (王者戰魂) (formerly known as *Excalibur* (王者之劍)), was our first self-developed 2-dimensional action game which was based on the legend of King Arthur and his Knights of the Round Table during the Middle Ages in Europe, was commercialized in March 2013. *Excalibur* broke a peak monthly gross billings of RMB33,000,000 and has been released in over 20 countries and regions as at June 30, 2015. *Sword of Heaven* (蒼穹之劍), a self-developed 3-dimensional role playing game based on the background of Chinese traditional legends of fairies, was commercialized in December 2013. *Sword of Heaven* broke a peak monthly gross billings of RMB31,000,000, and was awarded “the most popular mobile game” at the 2nd Global Mobile Game Congress in 2014. In addition, *Blade of God* (神之刃) (together with the above two mobile games referred to as “Three Swords of Linekong”), a licensed 3-dimensional card game based on the fictional island named Ola, was commercialized in March 2014 broke a peak monthly gross billings of RMB41,000,000. As at June 30, 2015, the Three Swords of Linekong have been successfully commercialized for over 12 to 24 months. It is also worth noting that the three midcore and hardcore mobile games are still contributing stable and remarkable monthly gross billings, which highlighted the advantage of long-life-cycle products. The successful commercialization of the Three Swords of Linekong has enabled the Group to grow with coverage in the mobile games sector and given it more determination and confidence to continue the long-life-cycle product strategy of a variety of high-quality midcore and hardcore mobile games.

On March 18, 2015, *One Hundred Thousand Bad Jokes* (十萬個冷笑話), a massive 3-dimensional role-playing and turn-based card game, was successfully commercialized and was launched on all platforms on the first day and achieved remarkable results with a daily active user (“**DAU**”) of over 1 million. During the last four years, *One Hundred Thousand Bad Jokes* (十萬個冷笑話) developed from comics to animation, to stage performances, to major films and to mobile games. It has grown to one of the most influential and renowned Chinese original comic intellectual property (“**IP**”). Within the first 24 hours after its launch on March 18, 2015, it entered the top-15 of the best-selling list of Apple Store. Within three days after its launch, it ranked eighth in the free access list for iPhone in the Apple Store, ninth in the best-selling list of Apple Store, second in free access list for iPad in the Apple Store and fourteenth in the best-selling list of Apple Store. From the success of Three Swords of Linekong to the burst of *One Hundred Thousand Bad Jokes* (十萬個冷笑話), it proves the Group’s abilities not only in the outstanding choice of IP, but also the transformation of the products from fairy-themed games to animation-themed games.

During the first half of 2015, revenue from mobile games accounted for approximately 92.7% of our total revenue comparing to approximately 86.6% for the first half of 2014. In addition to working with about 147 third-party game distribution channels in China, the Group has endeavored to strengthen our own game distribution platform, 8864.com and diligently promoted game operation system in order to attract more players. As at June 30, 2015, the 8864.com platform had approximately 88.9 million registered users, compared to approximately 80.3 million registered users as of June 30, 2014.

During the period, the Group has continued to develop new elaborate mobile games as well as to publish high-quality licensed games from third-party game developers. That resulted in the expansion of our player base and multiplied our revenue sources. Furthermore, the Group focused on entertaining content, synergistic business platforms and market internationalization for the development of the Group.

In 2015, the trend of “Pan-Entertainment” has become more evident and Linekong will gradually infiltrate entertainment contents. During the six months ended June 30, 2015, the Group invested RMB23 million in Beijing Chunqiu Yongle Culture and Communication Co., Ltd. (“**Yongle**”) and US\$5 million to SMI Holdings Group Limited (“**SMI**”). The Group will conduct authorized bilateral cooperation with Yongle and SMI in term of major IP licensing projects in games, movies, TV dramas and stage performances and will carry out marketing and brand-building activities by utilizing marketing resources of both parties. Certain SMI shares were disposed during the six months ended June 30, 2015 and up to the date of this announcement, details of which are set out in the paragraph headed “Subscription and Disposals of Shares in SMI” in this announcement. In addition, the Group and Strawbear Technology Co., Ltd. (“**Strawbear Technology**”), a company controlled by Mr. Nicky Wu (“**Mr. Wu**”), a Taiwanese singer and actor, established a joint venture company called Beijing Feng & Long Culture Limited (“**Feng & Long**”). Both parties will develop and promote the mobile game adapted from *The Wars of Shushan* (蜀山戰紀), a TV drama series produced by a film company under Mr. Wu.

During the six months ended June 30, 2015, the Group completed the investment of over RMB5,700,000 in TaoShouYou, a third-party mobile game trading platform. The investment was the first step of the Group in synergistic business platforms. Taoshouyou primarily focuses on the trading of game accounts. The cooperation of both parties will enhance the synergy between mobile games development and online trading platform. *Sword of Heroes* (英雄之劍), an existing mobile game, was successfully transformed to console version and officially launched in four major console gaming platforms, namely Letv (樂視), Xiaomi (小米), Alibaba (阿里) and eGame platform of China Telecom (電信愛遊戲). By this move, the Group has become one of the first mainstream gaming developers in China launching console games.

In order to coordinate with the market internationalization development strategy, during the period, the Group successfully published the *Blade of God* (神之刃) and *Sword of Heroes* (英雄之劍) in South Korea. The Group also established a subsidiary in the United States in June 2015 and formed a US local research & development (“**R&D**”) and publishing team to collaborate with the team in China for the further expansion of the R&D and publishing international products of the Group in the US and worldwide. Such moves were to speed up the market internationalization as well as to focus on seizing specialised product categories while exploring new sectors in the market segments. These also represented the direction of our diversified products which maximizes our flexibility and sharpens our sense towards product categories to manage risks in the market segments.

Meanwhile, the Group entered into the Series A financing of US\$17,000,000 in Fuze Entertainment Co., Ltd. (“**Fuze Entertainment**”) on June 8, 2015 and held 37.78% of its equity interest. Unsecured loans in two tranches with an aggregate amount of US\$9,000,000 has been granted by the Group to Fuze Entertainment. Fuze Entertainment and its subsidiaries are gaming hardware developers. Such cooperation will further diversify the Group’s gaming publishing channels, and enhance the Company’s reputation in the gaming industry through the offering of new e-Commerce and internet entertainment platform for the Group’s game products. The Group will make further disclosure, where appropriate, in relation to the details of the cooperation.

### ***Prospect***

The online game industry remains highly competitive and the future growth of the Group is largely dependant on our ability to continuously develop, license, publish and upgrade games in a timely and effective manner. In the past few years, a significant portion of our revenue derived from a small number of games. Our ability to anticipate and effectively respond to the changing interests of players on mobile games would therefore be one of the important elements for our future growth. We have published increasing number of games in recent years, allowing us to grow from a single game company to one with diversified games.

In the second half of 2015, the Group will further profound its ascendancy in R&D and expand its global R&D cooperation network. Further, the Group will, through the cooperation with third parties and overseas licensing, supplemented with publishing, expand its coverage and step forward into the global market. The Group will establish our ascendancy in games and upgrade the coverage from a game brand to an entertainment brand.

The Group will persist in long-life-cycle games and the simultaneous operation model of various games. That can assure the Group's competitiveness in both R&D and operation, and to maintain a multiple product portfolio. The Group will further optimize the quality of self-developed products with its excellent R&D core capability as the base, the growing R&D team as the support and its proprietary IP operation model as the carrier. The Group is dedicated to ensuring and elevating the quality of its self-developed products even with a longer R&D cycle. After the release of *One Hundred Thousand Bad Jokes* (十萬個冷笑話), the Group plans to launch various popular IP supported games, in particular, *The Legend of Zhen Huan* (後宮•甄嬛傳), *The White Haired Witch* (白髮魔女傳), *The Legend of MiYue*(羋月傳) and *The Wars of Shushan* (蜀山戰紀), in the second half of 2015.

Moreover, the Group has made courageous attempts into the development of innovative game types with further exploration, innovation and development. The Group will continue to enhance the investment in R&D, and precisely select appropriate licensed games to attract and satisfy players with high-quality and diversified games. The Group will retain players by conducting comprehensive market surveys as well as responding promptly and accurately to the changes in the industry. In addition to the upcoming IP supported games, the Group will further publish innovative games to target high average revenue per paying player ("ARPPU") products such as the card game *Warrior Crash* (亂彈三國志) themed by pinball, *Rumble Jungle* (星球崛起) themed by interstellar adventure, and the fantasy game *Eternal Wars* (永恒戰記). Such full-covered game types will become another highlight of entertaining content under the pilot strategy – "Pan-Entertainment" of the Group.

In the second half of 2015, the Group will cooperate with various entertainment resources in succession. Following the establishment of the joint venture with Strawbear Technology, a company controlled by Mr. Wu for the co-development of *The Wars of Shushan* (蜀山戰紀), the Group will approach other top entertainment companies and stars for the access of their top quality IP to develop games that the Group specialises in.

The Group plans to establish a PRC subsidiary called Linekong Media (藍港影業) to interact with the Company's gaming business to complete the integration of content and brand, achieve bilateral synergy on the cross-platform of IP between film and game, and accomplish business filtration into "Pan-Entertainment" by thorough cooperation with the entertainment industry.

Together with the preliminary success of the transplantation of *Sword of Heroes* (英雄之劍) into TV version in June 25, 2015, our products have attracted more attention from manufacturers of consoles, through which the platformization strategy will be more penetrated. The Group expects to publish *Sword of Heaven* (蒼穹之劍) on Sony PS4 platform in the second half of 2015, which will also become the first batch of products in the PRC to be transplanted from mobile game into Sony PS4 console game.

In the second half of 2015, the Group will put more emphasis on expansion of and investment in overseas market. Subsequent to the establishment of subsidiaries in Hong Kong and Korea, the Group has established a subsidiary in the United States. Overseas subsidiaries will continue to publish high-quality games, whilst engaging in the overseas development of international gaming products. The DNA of the Group remains to be R&D which is our core competitiveness. Further, our global strategy will emphasize on the internationalized R&D strategy, developing more products for global market coverage.

The following table sets forth the breakdown of our revenue by (i) game forms, (ii) self-developed games and licensed games, and (iii) development and operation of online games for the period presented:

	For the six months ended June 30,			
	2015		2014	
	<i>RMB'000</i>	<i>approximate %</i>	<i>RMB'000</i>	<i>approximate %</i>
Mobile games	278,892	92.7	313,898	86.6
Web-based games	7,875	2.6	19,724	5.4
Client-based games	14,183	4.7	29,196	8.0
Total	<u>300,950</u>	<u>100.0</u>	<u>362,818</u>	<u>100.0</u>

	For the six months ended June 30,			
	2015		2014	
	<i>RMB'000</i>	<i>approximate %</i>	<i>RMB'000</i>	<i>approximate %</i>
Self-developed games	126,825	42.1	263,117	72.5
Licensed games	174,125	57.9	99,701	27.5
Total	<u>300,950</u>	<u>100.0</u>	<u>362,818</u>	<u>100.0</u>

	For the six months ended June 30,			
	2015		2014	
	<i>RMB'000</i>	<i>approximate %</i>	<i>RMB'000</i>	<i>approximate %</i>
Sales of in-game virtual items	285,540	94.9	335,953	92.6
License fee and technical support fee	15,410	5.1	26,865	7.4
Total	<u>300,950</u>	<u>100.0</u>	<u>362,818</u>	<u>100.0</u>

### ***Our payment collection channels***

We have also continued to expand our business relationships with an increasing number of payment collection channels as our business continued to expand during the first half of 2015. Third-party distribution channels continued to be our largest type of payment collection channels in terms of revenue contribution, representing a growth from approximately 80.9% to 90.1% of the sales of in-game virtual items compared with the first half of 2014. We saw a decrease in the percentage of revenue from sales of in-game virtual items with respect to revenue through third-party payment vendors and prepayment cards, accounting for approximately 8.8% and approximately 1.1% of revenue generated from sales in-game virtual items compared with that of approximately 16.4% and approximately 2.7%, respectively, in the first half of 2014, which was in line with payment preference change of game players. The following table sets forth a breakdown of revenue through our payment collection channels in absolute amounts and as percentages of our sales of in-game virtual items for the period presented, together with the change (expressed in percentages) from the first half of 2014 to the first half of 2015:

	For the six months ended June 30,				Change (approximate %)
	2015		2014		
	RMB'000	approximate %	RMB'000	approximate %	
Third-party distribution channels	257,118	90.1	271,667	80.9	(5.4)
Third-party payment vendors	25,161	8.8	54,968	16.4	(54.2)
Prepayment cards	3,261	1.1	9,318	2.7	(65.0)
Sales of in-game virtual items	<u>285,540</u>	<u>100</u>	<u>335,953</u>	<u>100</u>	<u>(15.0)</u>

### ***International markets***

We have traditionally licensed our games, including our self-developed games and licensed games for which we have global exclusive licenses, to third-party publishers in the international markets. As at June 30, 2015, our games were published in 44 countries and regions outside mainland China. In 2014, the Group set up two subsidiaries in Hong Kong and Korea, and published the Korean version of *Sword of Heaven* (蒼穹之劍) in Korea; and also published the Korean version of *Blade of God* (神之刃) and *Sword of Heroes* (英雄之劍) in Korea in the first half of 2015. Revenue generated from overseas markets reached approximately RMB29.7 million in the first half of 2015, remaining at almost the same level compared to approximately RMB29.8 million in the first half of 2014.

## *Our players*

Driven by the continuous success of our games, the total registered players of our games increased from approximately 156.7 million as at June 30, 2014 to over 191.8 million as at June 30, 2015. Since 2015, the active players of our mobile games well exceed those of our client-based games and web-based games.

The table below sets forth the operating information relating to our mobile games, web-based games and client-based games for the first half of 2015 and 2014, respectively.

	<b>For the six months ended June 30,</b>		
	<b>2015</b>	2014	<b>Changes (approximate %)</b>
<b>Average Monthly Active Players</b> <i>(in thousands)</i>			
Mobile games	<b>3,736.7</b>	4,788.3	(22.0)
Web-based games	<b>41.3</b>	145.0	(71.5)
Client-based games	<b>289.3</b>	409.6	(29.4)
Total	<b>4,067.3</b>	5,342.9	(23.9)

	<b>For the six months ended June 30,</b>		
	<b>2015</b>	2014	<b>Changes (approximate %)</b>
<b>Average Daily Active Players</b> <i>(in thousands)</i>			
Mobile games	<b>614.9</b>	675.4	(9.0)
Web-based games	<b>16.0</b>	43.7	(63.4)
Client-based games	<b>95.6</b>	121.7	(21.4)
Total	<b>726.5</b>	840.8	(13.6)

**For the six months ended June 30,**

	<b>2015</b>	2014	Changes ( <i>approximate %</i> )
<b>Average Monthly Paying Players</b>			
Mobile games	<b>285,343</b>	240,501	18.6
Web-based games	<b>1,310</b>	4,567	(71.3)
Client-based games	<b>4,554</b>	10,968	(58.5)
Total	<b>291,207</b>	256,036	13.7

**For the six months ended June 30,**

	<b>2015</b>	2014	Changes ( <i>approximate %</i> )
<b>Monthly average revenue per paying player (RMB)</b>			
Mobile games	<b>162.9</b>	217.5	(25.1)
Web-based games	<b>1,001.9</b>	719.8	39.2
Client-based games	<b>519.1</b>	443.7	17.0
All games	<b>172.2</b>	236.2	(27.1)

**Financial Review**

The following table sets forth our consolidated statement of comprehensive income/ (loss) for the six months ended June 30, 2015 and 2014, together with changes (in approximate percentage) in the first half of 2015 and 2014.

**For the six months ended June 30,**

	<b>2015</b>	2014	Changes ( <i>approximate %</i> )
<b>Revenue (in RMB'000)</b>			
Mobile games	<b>278,892</b>	313,898	(11.2)
Web-based games	<b>7,875</b>	19,724	(60.1)
Client-based games	<b>14,183</b>	29,196	(51.4)
Total	<b>300,950</b>	362,818	(17.0)

## Revenue

Revenue of the Group decreased by approximately 17.0% from approximately RMB362.8 million for the six months ended June 30, 2014 to approximately RMB301.0 million for the six months ended June 30, 2015. The decrease in revenue was mainly due to the change in strategies by the Group in the first half of 2015 to exert more time and resources for research and development of mobile games to improve their qualities. Such change in strategies has caused adjustments to the release time of certain self-developed or licensed mobile games of the Group, and in turn affected the revenue generated.

## Revenue by games

The following table sets forth a breakdown of revenue by games for the six months ended June 30, 2015 and 2014, respectively:

	For the six months ended June 30,			
	2015		2014	
	RMB'000	approximate %	RMB'000	approximate %
<i>One Hundred Thousand Bad</i>				
<i>Jokes</i>	112,046	37.2	–	–
<i>Sword of Heaven</i>	49,756	16.5	150,911	41.6
<i>Blade of God</i>	47,917	15.9	77,042	21.2
<i>Sword of Heroes</i>	41,367	13.8	–	–
<i>Excalibur</i>	25,217	8.4	85,557	23.6
<i>Three Kingdoms</i>	6,033	2.0	17,176	4.7
<i>Daybreak</i>	4,773	1.6	12,079	3.3
Others	13,841	4.6	20,053	5.6
Total	<u>300,950</u>	<u>100.0</u>	<u>362,818</u>	<u>100.0</u>

## Cost

The Group's cost for the six months ended June 30, 2015 was approximately RMB180.1 million, representing an increase of approximately 2.2% from approximately RMB176.3 million for the corresponding period in 2014. After adjustment, the Group's cost for the six months ended June 30, 2015, excluding share-based compensation expenses of approximately RMB3.9 million, was approximately RMB176.2 million, representing an increase of approximately 1.4% from approximately RMB173.8 million (after adjustment) for the corresponding period in 2014, mainly due to the increase in costs paid for game developers.

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

The Group's gross profit for the six months ended June 30, 2015 was approximately RMB120.8 million, representing a decrease of approximately 35.2% from approximately RMB186.5 million for the six months ended June 30, 2014. The Group's gross profit for the six months ended June 30, 2015, excluding share-based compensation expenses, was approximately RMB124.7 million, representing a decrease of approximately 34.0% from approximately RMB189.0 million for the six months ended June 30, 2014. The decrease in the Group's gross profit was primarily due to the increase in costs paid for gaming developers.

The Group's gross profit margin for the six months ended June 30, 2015 was approximately 40.1%, representing a decrease of approximately 11.3 percentage points compared to approximately 51.4% for the six months ended June 30, 2014. The Group's gross profit margin for the six months ended June 30, 2015, excluding share-based compensation expenses, was approximately 41.4%, representing a decrease of approximately 10.7 percentage points compared to approximately 52.1% for the six months ended June 30, 2014. The decrease in the Group's gross profit margin for the period was primarily due to the increase in costs paid for gaming developers.

### ***Selling and marketing expenses***

The Group's selling and marketing expenses for the six months ended June 30, 2015 were approximately RMB117.1 million, representing an increase of approximately 129.6% from approximately RMB51.0 million for the six months ended June 30, 2014. The Group's selling and marketing expenses for the six months ended June 30, 2015, excluding share-based compensation expenses, were approximately RMB113.9 million, representing an increase of approximately 133.4% from approximately RMB48.8 million for the six months ended June 30, 2014. The increase was primarily due to the significant increase in pre-launch promotion and marketing expenses in *One Hundred Thousand Bad Jokes* (十萬個冷笑話), a licensed game which was launched on March 18, 2015.

### ***Administrative expenses***

The Group's administrative expenses for the six months ended June 30, 2015 were approximately RMB37.1 million, representing a decrease of approximately 22.9% from approximately RMB48.1 million for the six months ended June 30, 2014. Excluding share-based compensation expenses, the Group's administrative expenses for the six months ended June 30, 2015 were approximately RMB20.9 million, representing an increase of approximately 36.6% from approximately RMB15.3 million for the six months ended June 30, 2014. The increase in the Group's administrative expenses was primarily due to the increase in number of administration staff, remuneration and related professional fees after the Listing.

### ***Research and development expenses***

The Group's research and development expenses for the six months ended June 30, 2015 were approximately RMB54.8 million, representing an increase of approximately 16.1% from approximately RMB47.2 million for the six months ended June 30, 2014. The Group's research and development expenses for the six months ended June 30, 2015, excluding share-based compensation expenses, were approximately RMB36.1 million, representing an increase of approximately 19.5% from approximately RMB30.2 million for the six months ended June 30, 2014. The increase in the Group's research and development expenses was primarily due to an increase in number of research and development staff and related salaries and welfare expenses arising from improvement in overall research and development capability following the Group's strategic decision during the period.

### ***Other gains – net***

The Group's other income gains for the six months ended June 30, 2015 was approximately RMB89.6 million, compared to approximately RMB1.2 million for the corresponding period in 2014. The increase in the Group's other income gains was primarily due to realised and unrealised gains arising from changes of fair value of shares of SMI held by the Group and the grant of specialized funds for technological development and innovation by the PRC local government.

### ***Finance income – net***

Our finance income for the first half of 2015 represented an increase compared to the corresponding period last year. Our finance income increased from approximately RMB1.4 million in the first half of 2014 to approximately RMB2.0 million in 2015. No interest was capitalized during the six months ended June 30, 2015 (2014: Nil).

### ***Fair value loss of Preferred Shares***

Fair value loss of the Preferred Shares significantly decreased to nil for the six months ended June 30, 2015 from approximately RMB116.8 million for the six months ended June 30, 2014. The decrease was mainly due to the automatic conversion of all Preferred Shares into ordinary Shares upon the Listing on December 30, 2014 and there was no further fair value changes recorded for Preferred Shares for six months ended June 30, 2015. It is expected that such cost would not recur in the forthcoming financial year.

### ***Share of loss of joint venture***

The Group's share of loss of joint venture for the six months ended June 30, 2015 was approximately RMB0.7 million, which was due to a loss occurred by Fuze Entertainment in its product development stage.

### *Income tax (credit)/expense*

The Group's income tax credit for the six months ended June 30, 2015 was approximately RMB7.1 million representing a decrease of approximately 244.9% as compared to the Group's income tax expense of approximately RMB4.9 million for the six months ended June 30, 2014. The decrease in the Group's income tax expenses was primarily due to the decrease in current income tax expense resulting from the decrease in profit before income tax and increase in deferred tax assets recorded by certain of the Group's subsidiaries for tax losses carried forward from previous years and temporary difference from deferred revenue.

### *Earnings for the period*

As a result of the foregoing, the profit attributable to owners of the Company was approximately RMB9.8 million for the first half of 2015, as compared to a loss of approximately RMB78.9 million for the first half of 2014, representing an increase of approximately 112.5%.

To supplement our unaudited consolidated financial statements which are presented in accordance with the International Financial Reporting Standards (“**IFRS**”), we also use adjusted net profit as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted net profit was derived from our profit for the period excluding share-based compensation expenses, fair value loss of Preferred Shares and Listing-related expenses. The adjusted net profit is an unaudited figure.

The table below sets out the reconciliation between the adjusted net profit and the unaudited profits for the six months ended June 30, 2015 and June 30, 2014 calculated in accordance with the IFRS:

	<b>For the six months ended June 30,</b>		
	<b>2015</b>	2014	Changes
	<b>RMB'000</b>	RMB'000	<i>approximate %</i>
Profit/(Loss) for the period	<b>9,826</b>	(78,879)	(112.5)
Add:			
Share-based compensation expenses	<b>41,878</b>	43,554	(3.8)
Listing-related expenses	–	10,893	(100.0)
Fair value loss of Preferred Shares	–	116,817	(100.0)
	<hr/>	<hr/>	
Adjusted net profit (unaudited)	<b><u>51,704</u></b>	<b><u>92,385</u></b>	(44.0)

The Group's adjusted net profit for the six months ended June 30, 2015 was approximately RMB51.7 million, representing a decrease of 44.0% as compared to approximately RMB92.4 million for the six months ended June 30, 2014. The decrease in our adjusted earnings was in line with the decrease in our income during the period, and was also affected by the effect of increase in sales and marketing expenditure during the six months ended June 30, 2015. We have presented adjusted net profit for the six months ended June 30, 2015 in this announcement as we believe that the adjusted net profit for the period is a meaningful supplement to the income statement data because it enables us to measure our profitability without taking into account of the Listing-related expenses, share-based compensation expenses and fair value loss of Preferred Shares, which were converted to ordinary shares of the Company on December 30, 2014. Accordingly, the Company envisages that it will not incur any further fair value change of the liability component of Preferred Shares or Listing-related expenses. However, adjusted net profit for the period should not be considered in isolation or construed as an alternative to net profit or operating income, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted net profit for the period 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**

During the six months ended June 30, 2015, we financed our operations primarily through cash generated from our operating activities. We have also strengthened our cash position by the net proceeds we received from the Listing which was completed in December 2014. We intend to finance our expansion and business operation with internal resources and through organic and sustainable growth.

### ***Treasury policy***

During the six months ended June 30, 2015, the Group's idle capital was invested in short-term wealth management products which are principal protected and are issued by commercial banks in the PRC. For the purpose of generating better return for the Group's idle cash, the Group's treasury policy is to invest in these short-term wealth management products, and not to engage in any investments with high risks or speculative derivative instruments.

### ***Cash and cash equivalents***

As of June 30, 2015, we had cash and cash equivalents of approximately RMB816.2 million (December 31, 2014: approximately RMB1,086.5 million), which primarily consisted of cash at bank and in hand and which were mainly denominated in Renminbi (as to approximately 11.5%), Hong Kong dollars (as to approximately 67.8%), U.S. dollars (as to approximately 20.3%) and other currencies (as to approximately 0.4%).

### ***Capital expenditures***

Our capital expenditures comprised expenditures on the purchase of furniture and office equipment, server and other equipment, motor vehicles, leasehold improvements, trademarks and licenses and computer software. For the six months ended June 30, 2015, our total capital expenditure amounted to RMB22.5 million (for the six months ended June 30, 2014: approximately RMB12.3 million), including the purchase of furniture and office equipment of approximately RMB1.9 million (for the six months ended June 30, 2014: approximately RMB0.7 million), server and other equipment of approximately RMB0.9 million (for the six months ended June 30, 2014: approximately RMB2.6 million), vehicles of approximately RMB0.7 million (for the six months ended June 30, 2014: approximately RMB1.6 million), leasehold improvements of approximately RMB2.8 million (for the six months ended June 30, 2014: nil), trademarks and licenses approximately RMB15.8 million (for the six months ended June 30, 2014: approximately RMB7.0 million) and computer software of approximately RMB0.4 million (for the six months ended June 30, 2014: approximately RMB0.4 million). We funded our capital expenditure by using our cash flow generated from our operations.

### **Capital Structure**

The shares of the Company have been listed on GEM of the Stock Exchange since December 30, 2014. The capital structure of the Group comprised of ordinary shares.

### **Borrowing and Gearing Ratio**

As of June 30, 2015, we did not have any short-term or long-term bank borrowings.

As at June 30, 2015, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was approximately 20.0% (December 31, 2014 approximately 20.1%).

### **Charge on Group Assets**

As at June 30, 2015, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (June 30, 2014: Nil).

## Information on Employees and Remuneration Policy

As of June 30, 2015, the Group had 612 employees (June 30, 2014: 457), who mainly worked and are located in the PRC. The table below sets forth the number of employees in each functional area as at June 30, 2015 and June 30, 2014, respectively:

Function	As at June 30,			
	2015 Number of Employees	approximate %	2014 Number of Employees	approximate %
Research and development	341	55.7	253	55.4
Game publishing	185	30.2	153	33.5
– Game licensing	48	7.8	23	5.0
– Customer service	60	9.8	58	12.7
– Sales and marketing	77	12.6	72	15.8
General and administrative	86	14.1	51	11.2
Total	<u>612</u>	<u>100.00</u>	<u>457</u>	<u>100.00</u>

The total remuneration of the employees of the Group was approximately RMB95.5 million for the six months ended June 30, 2015 (2014 corresponding period: approximately RMB86.7 million).

The Group has established the remuneration committee of the Company on April 21, 2014 with written terms of reference in compliance with Appendix 15 to the GEM Listing Rules. The Remuneration Committee will regularly review and recommend to the Board from time to time the remuneration and compensation of the Directors and senior management of the Group. The Group offers 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.

In determining staff remuneration, the Group takes into account salaries paid by comparable companies, time commitment and responsibilities and employment conditions in other similar companies to the Group. The staff remuneration is reviewed regularly.

The Group has adopted a share option scheme as incentive to the Directors and eligible persons, details of which are set out in the paragraph headed “Share Option Scheme” of this announcement.

In addition, the Group has adopted a restricted unit share scheme (the “**RSU Scheme**”) on March 21, 2014 with the objective to incentivize Directors, senior management, employees and any person who provides or has provided consultancy or other advisory services to the Group, and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. Share-based compensation expenses in connection with the RSU Scheme for the six months ended June 30, 2015 were approximately RMB41.9 million, representing a decrease of approximately 3.9% from approximately RMB43.6 million for corresponding period in 2014. The decrease was primarily due to net effect of grant of 2,275,000 restricted share units (the “**RSUs**”) in January 2015 and the resignation of certain employees of Group (being participants of the RSU Scheme).

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 advancement opportunities. The Group organises various training programs on a regular basis for its employees to enhance their knowledge of online game development and operation, to improve time management and internal communication and to strengthen team building. The Group also provides various incentives to motivate its employees. In addition to providing performance-based bonuses and share-based awards, the Group offers unsecured, interest-free housing loans to employees with good performance.

### **Significant Investments, Material Acquisitions Or Disposal of Subsidiaries and Associated Companies**

Save as disclosed herein, there were no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended June 30, 2015.

### **Contingent Liabilities**

As at June 30, 2015, the Group did not have any significant contingent liabilities (June 30, 2014: Nil).

### **Foreign Exchange Risk**

Most of the transactions of the Company are denominated and settled in its functional currency, USD. The Company’s foreign exchange risk primarily arose from the cash and cash equivalents denominated in HKD.

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 recognized assets in the Group’s PRC subsidiaries when receiving or to receive foreign currencies from oversea cooperated counterparties. The Group does not hedge against any fluctuation in foreign currency.

## Dividend

The Board did not recommend the payment of dividend for the six months ended June 30, 2015.

### *Comparison between Business Objectives with Actual Business Progress*

An analysis comparing the business objectives as set out in the Company's prospectus (the "Prospectus") dated December 9, 2014 with actual business progress for the six months ended June 30, 2015.

	<b>Business objectives for the period from 1 January 2015 to 30 June 2015 as stated in the Prospectus</b>	<b>Actual business progress for the period from 1 January 2015 to 30 June 2015</b>
Development of New games, on-going optimization and update of existing games, and purchase intellectual properties for popular entertainment franchises	<ul style="list-style-type: none"><li>• Start development of <i>The White Haired Witch</i>, <i>Excalibur II</i> and <i>The Legend of Zhen Huan II</i></li></ul>	<ol style="list-style-type: none"><li>1) We have started development of <i>The White Haired Witch</i>.</li><li>2) We have not started development of <i>Excalibur II</i> (formerly known as <i>Excalibur II</i>) and <i>The Legend of Zhen Huan II</i>. We are optimizing <i>Excalibur</i> to be a long-life-cycle game and developing <i>The Legend of Zhen Huan</i>.</li></ol>
	<ul style="list-style-type: none"><li>• Commercialize <i>The Legend of Zhen Huan II</i>, <i>DT All Star</i> and <i>Warrior Crash</i></li></ul>	<ol style="list-style-type: none"><li>1) We have started closed beta testing for <i>Warrior Crash</i> and still optimizing it with more internal testings.</li><li>2) We have not commercialized <i>The Legend of Zhen Huan II</i> and <i>DT All Star</i>. We have decided to perform more internal testings of <i>DT All Star</i>.</li></ol>

**Business objectives for the period from 1 January 2015 to 30 June 2015 as stated in the Prospectus**

**Actual business progress for the period from 1 January 2015 to 30 June 2015**

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• Cooperate with online television operators to launch console version of <i>Sword of Heroes</i></li></ul>                      | <p>Console version of <i>Sword of Heroes</i> was officially launched on June 25, 2015 and made available on four major console gaming platforms, including Letv (樂視), Xiaomi (小米), Alibaba (阿里) and eGame platform of China Telecom (電信愛遊戲)</p> |
| <ul style="list-style-type: none"><li>• Enter into additional license agreements for the rights to adapt popular entertainment franchises into online games</li></ul> | <p>We have entered into additional license agreements for the rights to adapt popular entertainment franchises into online games, such as <i>The Wars of Shushan</i>, <i>The Legend of MiYue</i> and <i>B.E.E.</i></p>                          |
| <ul style="list-style-type: none"><li>• Recruit additional talented game R&amp;D personnel</li></ul>  | <p>We have recruited more talented game R&amp;D engineers during the six months ended June 30, 2015.</p>  |

	<b>Business objectives for the period from 1 January 2015 to 30 June 2015 as stated in the Prospectus</b>	<b>Actual business progress for the period from 1 January 2015 to 30 June 2015</b>
License and publishing of high - quality games from third-party developers	<ul style="list-style-type: none"> <li>Commercialise <i>The Monkey King, I am Playboy, One Hundred Thousand Bad Jokes</i> and <i>Sharpshooter</i></li> </ul>	<ol style="list-style-type: none"> <li>We have commercialized <i>One Hundred Thousand Bad Jokes</i> and open beta testing for <i>I am Playboy</i>.</li> <li>We have postponed commercializing <i>The Monkey King</i> and <i>Sharpshooter</i> for optimizing purposes.</li> </ol>
	<ul style="list-style-type: none"> <li>Commercialize at least another three licensed games</li> </ul>	<p>We have commercialized one licensed game, namely <i>One Hundred Thousand Bad Jokes</i>. We have postponed commercializing another two games to second half of 2015.</p>
	<ul style="list-style-type: none"> <li>Recruit additional talented game operating personnel</li> </ul>	<p>We have recruited more talented game operating personnel during the six months ended June 30, 2015.</p>
Enhance and promote our own distribution platform, 8864.com	<ul style="list-style-type: none"> <li>Recruit additional talented personnel</li> </ul>	<p>We have recruited more talented personnel during the six months ended June 30, 2015.</p>
	<ul style="list-style-type: none"> <li>Increase spending on promotion of 8864.com</li> </ul>	<p>We have increased the spending on promotion of 8864.com.</p>
	<ul style="list-style-type: none"> <li>Complete development of our software tools package 2.0</li> </ul>	<p>We have completed development of our software tools package 2.0.</p>

	<b>Business objectives for the period from 1 January 2015 to 30 June 2015 as stated in the Prospectus</b>	<b>Actual business progress for the period from 1 January 2015 to 30 June 2015</b>
Development of our own game development tools, and potential purchase of commercialized game engines developed by third - parties	<ul style="list-style-type: none"> <li>• Enter into license agreements to acquire more foundational development tools from third parties</li> </ul>	We have entered into license agreement to acquire one additional foundational development tools from a third party.
	<ul style="list-style-type: none"> <li>• Recruit additional talented software engineers</li> </ul>	We have recruited more talented software engineers during the six months ended June 30, 2015.
Expand our business in overseas markets	<ul style="list-style-type: none"> <li>• Initiate the process for establishing a presence in Southeast Asia based on and subject to our market research result</li> </ul>	We have completed marketing research of Southeast Asia in Hongkong, Macau ,Taiwan.
	<ul style="list-style-type: none"> <li>• Initiate market research on U.S. online game market</li> </ul>	We have established a subsidiary in San Francisco.

## **Use of Proceeds**

Net proceeds from our Listing, after deducting the underwriting commission and other estimated expenses in connection with the Listing, which the Company received amounted to approximately HK\$686.2million. As at the date of this announcement, the net proceeds from our Listing had not yet been utilised and all of the net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group. In 2015, the Company will start to apply the proceeds from the Listing for developing self-developed games, according to the use set out in the section headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus.

## **CORPORATE GOVERNANCE CODE**

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

In the opinion of the Board, the Company has complied with the Code for the six months ended June 30, 2015, except for the deviation of code provision A.2.1 of the Code.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the six months ended June 30, 2015, the roles of chairman and chief executive officer of the Company were performed by the executive Director, Mr. Wang Feng. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Mr. Wang Feng), one non-executive Director and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

## **DIRECTORS’ SECURITIES TRANSACTION**

The Company has adopted the required standard of dealings regarding directors’ securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Among other things, the Company periodically issues notices to its Directors reminding them to 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.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standards of dealings during the six months ended June 30, 2015.

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme on November 20, 2014 (the “**Share Option Scheme**”). As at June 30, 2015, no option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

## GRANT OF RSUS

On January 21, 2015, the Company granted 2,275,000 RSUs to employees and directors of the Group pursuant to the RSU Scheme, among which, each of Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Mei Song and Mr. Zhao Jun, being our executive Directors, was granted 1,000 RSUs. The underlying Shares involved by the grant of RSUs will be settled by existing Shares held by the trustee of the RSU Scheme. For details, please refer to the announcement of the Company dated January 21, 2015.

## COMPETING INTEREST

Mr. Wang Feng holds approximately 4.02% of the total equity interest in Beijing Locojoy Technology Co., Ltd (“**Locojoy**”), an Internet company operating in the PRC, which is primarily engaged in developing and publishing online games. Mr. Wang does not hold any directorship, nor is he entitled to any special shareholder’s rights (such as information right or management right) in Locojoy. There is no overlapping management between Locojoy and our Company.

Mr. Qian Zhonghua, a non-executive Director, is a managing director of Fosun Equity Investment Management Ltd. Fosun Equity Investment Management Ltd. and Starwish Global Limited (a substantial shareholder of the Company) are members of Fosun International Limited (a company listed on the main board of the Stock Exchange (stock code: 656)) and its subsidiaries (together the “**Fosun Group**”). Fosun Group is an investment group taking roots in China with a global foothold. It has established four business engines comprising insurance, industrial operations, investment and asset management. The Fosun Group has an interest in a portfolio of online and mobile game companies with headquarters and/or operations in the PRC, including a listed company, Perfect World Co., Ltd. (NASDAQ: PWRD) and in private mobile game companies including Joy.me.com, Shanghai MUYOU Internet Technology Co., Ltd. and LL Games PTE LTD. Fosun Group does not hold a controlling interest in any of the portfolio companies.

In addition, Fosun Group does not hold any board seat in the two listed online and mobile game portfolio companies. On the other hand, Fosun Group has the right to nominate one of its representatives to act as a non-executive director in each of the private portfolio companies and the Fosun Group does not control any of the board of directors of the private portfolio companies.

Save as aforementioned, 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 during six months ended June 30, 2015.

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

During the six months ended June 30, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On July 9, 2015, the Company repurchased on-market (i) 140,000 Shares at the highest and lowest prices of HK\$8.95 and HK\$8.00 per Share, respectively; and (ii) 61,000 Shares on July 10, 2015 at the highest and lowest prices of HK\$8.74 and HK\$8.727222 per Share, respectively (altogether the "**Share Repurchase**"). The aggregate purchase price paid (before brokerage and expenses) for the Share Repurchase was approximately HK\$1,676,045, which was funded by internal resources of the Company and not from any of the proceeds raised from its listing. The Shares repurchased were cancelled on July 16, 2015, which represents approximately 0.05% of the total number of issued Shares as at the date of this announcement.

Details of the Share Repurchase are set out in the announcement of the Company dated July 10, 2015.

## **AUDIT COMMITTEE**

The Audit Committee was established on April 24, 2014. The chairman of the Audit Committee is Mr. Ma Ji, our independent non-executive Director, and other members included Mr. Wang Xiaodong, Ms. Zhao Yifang and Mr. Zhang Xiangdong, our independent non-executive Directors and Mr. Qian Zhonghua, our non-executive Director. The written terms of reference of the Audit Committee are posted on the GEM website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, 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 at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's unaudited financial statements for the six months ended June 30, 2015 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, 2015 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

## **INTERESTS OF THE COMPLIANCE ADVISOR**

As confirmed by the Group's compliance advisor, REORIENT Financial Markets Limited (the "**Compliance Advisor**"), save as the compliance advisor agreement entered into between the Company and the Compliance Advisor dated August 20, 2014, none of the Compliance Advisor or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **EVENTS DURING THE REPORTING PERIOD AND SUBSEQUENT EVENTS**

### **Subscription and Disposals of Shares of SMI**

On March 12, 2015 (after trading hours), the Company as the subscriber entered into a subscription agreement (the "**Subscription Agreement**") with SMI as the target company, pursuant to which the Company has conditionally agreed to subscribe and SMI has conditionally agreed to issue 139,582,733 SMI's shares (the "**Subscription Shares**") for the total consideration of US\$5,000,000 (equivalent to approximately HK\$38,804,000), equivalent to approximately HK\$0.278 per Subscription Share (together the "**Subscription**").

On April 13, 2015, the Subscription had been completed and the Subscription Shares had been issued to the Company.

Up to the date of this announcement, the Company disposed an aggregate of 114,240,000 SMI's shares at an aggregate consideration of HK\$109,194,825 (the "**Disposals**"). The Company currently holds 25,342,733 SMI's shares, representing approximately 0.20% of the issued share capital of SMI as at the date of this announcement.

The Company recognised an unaudited gain from the Disposals in the amount of approximately HK\$77,436,105, which is calculated on the basis of (i) total purchase cost of US\$4,092,196 (equivalent to approximately HK\$31,758,720) for 114,240,000 SMI shares of approximately HK\$0.278 per SMI share, and (ii) the aggregated consideration of the Disposals amounted to HK\$109,194,825. The amount of the actual gain or loss as a result of the Disposals is subject to audit.

As certain applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) were more than 5% but less than 25%, each of the Subscription and the Disposals constituted a discloseable transaction of the Company and was subject to the requirements under Chapter 19 of the GEM Listing Rules.

Details of the Subscription and the Disposals are set out in the announcements of the Company dated March 12, 2015, March 26, 2015, April 13, 2015 and July 10, 2015.

### **Cooperation with Strawbear Technology**

On April 13, 2015, Linekong Entertainment and Strawbear Technology, a company controlled by Mr. Wu, have agreed to establish a new company in Beijing, PRC. The new company, Feng & Long, has been established to conduct research and development as well as to promote a mobile game called *The Wars of Shushan* (蜀山戰紀). The registered capital of Feng & Long is RMB12,500,000, and contributed as to RMB10,000,000 by Linekong Entertainment and RMB2,500,000 by Strawbear Technology in cash. As at the date of this announcement, Linekong Entertainment and Strawbear Technology own 80% and 20% equity interest in Feng & Long, respectively.

Details of the cooperation with Strawbear Technology are set out in the announcement of the Company dated April 14, 2015.

### **Investment in Guizhou Zhiqu**

On April 30, 2015, Linekong Entertainment entered into an investment agreement (the “**Investment Agreement**”) with Guizhou Zhiqu Network Technology Co., Ltd. (“**Guizhou Zhiqu**”), the existing shareholders of the Guizhou Zhiqu and the investors, pursuant to which Linekong Entertainment agreed to acquire 6% of the shareholding of Guizhou Zhiqu at the consideration of RMB5,714,300. Guizhou Zhiqu is a company established in the PRC with limited liability and is primarily engaged in the development of online trading platforms, including Taoshouyou (<http://www.taoshouyou.com/>). Taoshouyou is a third party mobile games trading platform which primarily focuses on the trading of gaming accounts.

Details of the Investment Agreement are set out in the announcement of the Company dated April 30, 2015.

### **Investments in Fuze Entertainment Co., Ltd.**

On March 6, 2015, the Company entered into a secured convertible note purchase agreement, with among others, Fuze Entertainment, to purchase the convertible promissory notes in the principal sum of US\$5,000,000 (approximately HK\$39,000,000) with interest accrued on the outstanding principal amount (the “**Convertible Promissory Notes**”).

To make further investment in Fuze Entertainment, on June 8, 2015, the Company entered into a series A preferred share purchase agreement (the “**Series A Preferred Shares Agreement**”) with, among others, Fuze Entertainment, pursuant to which the Company conditionally agreed to cancel the Convertible Promissory Notes and purchase 61,818,182 series A preferred shares (the “**Series A Preferred Shares**”) in Fuze Entertainment for the aggregate consideration of US\$17,000,000 (being approximately US\$0.275 per each Series A Preferred Share, and in aggregate, equivalent to approximately HK\$132,600,000), which is payable by (i) approximately US\$5,078,333 (equivalent to approximately HK\$39,610,997) resulting from the cancellation of indebtedness owed by Fuze Entertainment to the Company under the Convertible Promissory Notes and (ii) the cash payment of approximately US\$11,921,667 (equivalent to approximately HK\$92,989,000). As at the date of this announcement, Fuze Entertainment is owned by the Company as to approximately 37.78%, taking into account all the ordinary shares and Series A Preferred Shares of Fuze Entertainment issued.

On July 7, 2015 (after trading hours), a loan agreement was also entered into between the Company as the lender, and Fuze Entertainment as the borrower. The Company agreed to grant an unsecured loan in the amount of US\$9,000,000 (or its equivalent in other currencies) to the Borrower for a period of 12 months from the date of advance of the Loan amount. As agreed between the Company and Fuze Entertainment, the loan comprises US\$4,500,000 and a sum of RMB equivalent to US\$4,500,000.

The loan was fully advanced to Fuze Entertainment by several instalments in July 2015 in the currency of USD and RMB. The interest rate of the amount issued in USD and in RMB is 3% per annum and 4.85% per annum respectively.

Details of the investments in Fuze Entertainment are set out in the announcements of the Company dated March 10, 2015, June 8, 2015, July 7, 2015 and July 14, 2015.

### **Update on Trademark Dispute**

On April 30, 2015, the Group received a notice from the Trademark Office of the State Administration For Industry and Commerce of the PRC (the “**SAIC Trademark Office**”) dated April 8, 2015, stating that the application to register the trademark “王者之劍” by another company, Shishou Ditanke Electronics Business Department (石首市低碳客電子經營部) was approved and the objection to this application filed by the Group in March 2013 was rejected. On May 12, 2015, the Group has changed the Chinese name of Excalibu from “王者之劍” to “王者戰魂” to mitigate impact of any potential infringement claim on the Group.

## **Change of Company Name**

On May 11, 2015, the Board proposed to change the name of the Company from “Linekong Interactive Co., Ltd. 藍港互動有限公司” to “Linekong Interactive Group Co., Ltd. 藍港互動集團有限公司” (the “**Change of Company Name**”).

The Change of Company Name was duly passed as a special resolution at the annual general meeting on June 11, 2015. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on June 19, 2015, certifying the Change of Company Name. The Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company has issued by the Registration of Companies in Hong Kong on July 21, 2015, confirming the registration of the Company’s new name in Hong Kong.

Details of the Change of Name are set out in the announcements of the Company dated May 11, 2015 and June 25, 2015 and July 30, 2015 and the supplemental circular of the Company dated May 20, 2015.

## **Investment in Beijing Tianqu**

On July 1, 2015, Linekong Entertainment entered into an agreement to acquire 5% of the equity interests in Beijing Tianqu Hudong Technology Development Co., Ltd. (“**Beijing Tianqu**”) with a consideration of RMB3,500,000. Beijing Tianqu is a limited liability company registered in Beijing, PRC and is primarily engaged in game research and development.

## **Investment in Hehe Fund**

On July 23, 2015, Linekong Entertainment entered into an assets management agreement of Hehe Black Ant Film Fund Specific Asset Management Plan (“**Hehe Fund**”) and pursuant to which, committed to invest Hehe Fund in the amount of RMB10,000,000 as an asset trustor, which represents 4.98% of a tentative target total subscribed capital contribution of Hehe Fund.

## **Investment in Coyote**

On August 6, 2015, Linekong Entertainment entered into an agreement to acquire 5.5% of the equity interests in Coyote Games Information Technology Co., Ltd. (“**Coyote**”) with a consideration of RMB1,925,000. Coyote is a limited liability company registered in Beijing, PRC and is primarily engaged in game research and development.

## **CHANGES IN DIRECTORS AND SENIOR MANAGEMENT, AND UPDATE ON DIRECTOR'S INFORMATION**

Mr. Mao Zhihai, an executive Director, has resigned as an executive Director, the chief financial officer, the joint company secretary, the authorised representative, the compliance officer and the secretary to the Board with effect from June 11, 2015.

Mr. Chen Tong, an independent non-executive Director, has retired as an independent non-executive Director, member of the Audit Committee, Nomination Committee and Remuneration Committee, all with effect from June 11, 2015.

Mr. Wang Feng, an executive Director, will assume the role as an authorised representative of the Company, and Ms. Liao Mingxiang, an executive Director, will assume the role of compliance officer of the Company, all with effect from June 11, 2015.

Mr. Mei Song and Mr. Zhao Jun were appointed as executive Directors, and Mr. Wang Xiaodong and Ms. Zhao Yifang were appointed as independent non-executive Directors, all with effect from June 11, 2015.

Mr. Ma Ji, an independent non-executive Director, has served as the chief financial officer at Autonavi Holdings Limited, a company previously listed on Nasdaq Stock Market (NASDAQ: AMAP) from August 2013 to October 2014 before it was delisted as a result of an acquisition in July 2014 by Alibaba Group Holding Limited (“**Alibaba**”), a company listed on the New York Stock Exchange (NYSE: BABA). Mr. Ma ceased to hold any position in Alibaba group since July 30, 2015.

With regards to the Board committees, Mr. Wang Xiaodong and Ms. Zhao Yifang were appointed as members of the Audit Committee. Mr. Zhao Jun, Mr. Wang Xiaodong and Ms. Zhao Yifang were appointed as members of the Remuneration Committee. Ms. Liao Mingxiang, Mr. Mei Song, Mr. Wang Xiaodong and Ms. Zhao Yifang were appointed as members of the Nomination Committee, all with effect from June 11, 2015.

Mr. Leung Hoi Kin has been appointed as the chief financial officer of the Company with effect from June 11, 2015.

Details of the changes in directors and senior management are set out in the announcements of the Company dated March 25, 2015 April 24, 2015 and June 11, 2015.

## **CHANGE OF COMPANY SECRETARY**

Ms. Lam Wai Yee Sophie has resigned as the company secretary of the Company (the “**Company Secretary**”) and authorised representative of the Company for acceptance of service of process and notice under the Companies Ordinance (Cap.622) of the Laws of Hong Kong (the “**Authorised Representative**”) with effect from June 30, 2015.

Ms. Leung Wing Han Sharon has been appointed as the Company Secretary and Authorised Representative of the Company with effect from June 30, 2015.

Details of the Change of Company Secretary are set out in the announcement of the Company dated June 30, 2015.

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

Beijing, PRC, August 11, 2015

*As at the date of this announcement, the executive Directors are Mr. WANG Feng, Ms. LIAO Mingxiang, Mr. MEI Song and Mr. ZHAO Jun; the non-executive Director is Mr. QIAN Zhonghua; and the independent non-executive Directors are Mr. MA Ji, Mr. ZHANG Xiangdong, Mr. WANG Xiaodong and Ms. ZHAO Yifang.*

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