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**LINEKONG**

藍 港 互 動

**Linekong Interactive Co., Ltd.**

**藍港互動有限公司**

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

**(Stock Code: 8267)**

## **DISCLOSEABLE TRANSACTION**

### **SUBSCRIPTION OF SHARES IN SMI HOLDINGS GROUP LIMITED**

The Board is pleased to announce that on 12 March 2015 (after trading hours), the Company entered into the Subscription Agreement with SMI Holdings Group Limited, the Target, pursuant to which the Company has conditionally agreed to subscribe and the Target has conditionally agreed to issue 139,582,733 Target's Shares for the total Consideration of US\$5,000,000.00 (equivalent to approximately HK\$38,804,000.00), equivalent to approximately HK\$0.278 per Subscription Share. The Subscription Shares to be allotted and issued to the Company represent (i) approximately 1.37% of the existing issued share capital of the Target of 10,175,967,571 Target's Shares as at the date of this announcement; and (ii) approximately 1.35% of the Target's issued share capital of 10,315,550,304 Target's Shares as enlarged by the issue and allotment of the Subscription Shares.

Completion shall take place on the 3<sup>rd</sup> Business Day after the day on which the last of the Conditions of the Subscription Agreement is fulfilled (or otherwise waived by the Company under the Subscription Agreement) (or such other date as may be agreed by the Target and the Company in writing).

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

**As the Completion of the Subscription is subject to the fulfilment of the Conditions under the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any securities of the Company.**

## THE SUBSCRIPTION AGREEMENT

**Date** : 12 March 2015

**Parties** : (i) the Company as the subscriber;

(ii) SMI Holdings Group Limited as the target company.

### Subscription Shares and the Consideration

Pursuant to the terms of the Subscription Agreement, the Company has conditionally agreed to subscribe and the Target has conditionally agreed to issue the Subscription Shares, being 139,582,733 Target's Shares, free from any Encumbrance and together with all rights and benefits attaching or accruing to them on or after Completion. The Target has conditionally agreed to issue and allot to the Company the Subscription Shares under the General Mandate and the General Mandate is sufficient for the issuance of the Subscription Shares.

The 139,582,733 Target's Shares to be allotted and issued to the Company represent (i) approximately 1.37% of the existing issued share capital of the Target of 10,175,967,571 Target's Shares as at the date of this announcement; and (ii) approximately 1.35% of the Target's issued share capital of 10,315,550,304 Target's Shares as enlarged by the issue and allotment of the Subscription Shares.

The Consideration of US\$5,000,000.00 (equivalent to approximately HK\$38,804,000.00) for the Subscription Shares was determined following arm's length negotiations between the Company and the Target, after taking into consideration of the financial position of the Target's Group and the prevailing market prices of the Target's Shares on the Stock Exchange. The Consideration is equivalent to approximately HK\$0.278 per Subscription Share, representing the average closing price for the last ten consecutive trading days prior to the date of the Subscription Agreement up to and including 11 March 2015, being the last trading day for the Target's Shares before the date of this announcement.

The Consideration shall be paid by part payments according to the following manner:

- (i) US\$4,500,000.00 (equivalent to approximately HK\$34,923,600.00), which represents 90% of the Consideration, shall be paid by the Company to the Target within 2 days of the date of the Subscription Agreement via wire transfer; and
- (ii) US\$500,000.00 (equivalent to approximately HK\$3,880,400.00), which represents 10% of the Consideration, shall be paid by the Company to the Target on date of Completion via wire transfer.

In the event that the Conditions are not satisfied on or before the Longstop Date and as a result the parties do not proceed to Completion, the Target shall release the Initial Part Payment to the Company (or such nominee as the Company may direct) in full within 2 days of a notice in writing issued by either party notifying that the Conditions are not satisfied on or before the Longstop Date.

The Company will not use any of the proceeds raised from its listing to finance the Subscription.

### **Conditions precedent**

Completion of the Subscription is conditional upon the following Conditions being fulfilled at or before 5:00 p.m. (Hong Kong time) on the Longstop Date:

- a) the approval of the Board of the Subscription Agreement and the transactions contemplated therein;

- b) the approval of the board of directors of the Target of the Subscription Agreement and the transactions contemplated therein;
- c) the Listing Committee of the Stock Exchange having granted, listing of and permission to deal in the Subscription Shares; and
- d) all other necessary consents or approvals in relation to the Subscription having been obtained by the parties.

## **Completion**

Completion shall take place on the 3<sup>rd</sup> Business Day after the day on which the last of the Conditions is fulfilled (or otherwise waived by the Company under the Subscription Agreement) (or such other date as may be agreed by the Target and the Company in writing).

## **INFORMATION ON THE COMPANY**

The Company is principally engaged in online game and mobile game developing and publishing.

## **INFORMATION ON THE TARGET**

The Target is a company listed on the main board of the Stock Exchange (stock code: 198). The Target is principally engaged in (i) movie theater operation, (ii) expansion of new complementary business on online shopping and in-theater counter sales, and (iii) advertising and promotion business in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target and its ultimate beneficial owner are third parties independent of the Company and its connected persons and not a party acting in concert with any of them.

## FINANCIAL INFORMATION OF THE TARGET

Set out below is a summary of the audited financial information of the Target for the two years ended 31 December 2013 and 2012:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Profit before taxation	<b>172,596</b>	41,576
Profit after taxation	<b>115,718</b>	20,313

As at 30 June 2014, the unaudited net asset value of the Target was HK\$3,141,274,000.

## REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group intends to have synergic cooperation with the Target in relation to adapting more literatures, movies, TV serials into online games or vice versa, which is in line with the Company's business development strategy. As such, the Directors believe that the Subscription will provide a platform for the Company to leverage on the marketing resources of the Target to enhance the Group's brand awareness in entertainment industry.

The Directors believe that the terms of the Subscription and the transactions contemplated under the Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS OF THE SUBSCRIPTION UNDER THE GEM LISTING RULES

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

## GENERAL

**As the Completion is subject to the fulfilment of the Conditions under the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any securities of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

“acting in concert”	has the meaning as defined under The Codes on Takeovers and Mergers and Share Buy-backs;
“Board”	board of Directors;
“Business Day(s)”	any day (excluding Saturday, Sunday and public holidays in Hong Kong) on which licensed banks generally are open for business in Hong Kong;
“Company”	Linekong Interactive Co., Ltd. (藍港互動有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 May 2007 and formerly known as Linekong International Co., Ltd.;
“Completion”	the completion of the Subscription in accordance with the Subscription Agreement;
“Conditions”	the conditions precedent to Completion;
“connected person(s)”	has the meaning as defined under the GEM Listing Rules;
“Consideration”	the total aggregate consideration of US\$5,000,000.00 (equivalent to approximately HK\$38,804,000.00), equivalent to approximately HK\$0.278 per Subscription Share;
“Directors”	the directors of the Company;

“Encumbrance”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect;
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“General Mandate”	the general mandate to allot, issue and deal with the Target’s Shares as granted to the board of directors of the Target by a resolution of the shareholders of the Target which was passed at the special general meeting of the Target on 13 October 2014;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Initial Part Payment”	US\$4,500,000.00 (equivalent to approximately HK\$34,923,600.00), which represents 90% of the Consideration and shall be paid by the Company to the Target within 2 days of the date of the Subscription Agreement via wire transfer;
“Longstop Date”	26 March 2015 (or such later date as the parties may agree in writing);
“PRC”	the People’s Republic of China;
“Shares”	shares of the Company;
“Shareholders”	shareholders of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the Company’s conditional agreement to subscribe the Subscription Shares for a total consideration of US\$5,000,000.00 (equivalent to approximately HK\$38,804,000.00), equivalent to approximately HK\$0.278 per Subscription Share;
“Subscription Agreement”	a subscription agreement entered into between the Company and the Target on 12 March 2015 (after trading hours) in relation to the Subscription;
“Subscription Shares”	139,582,733 new Target’s Shares to be allotted and issued pursuant to the Subscription Agreement;
“Target”	SMI Holdings Group Limited (星美控股集團有限公司), a company incorporated under the laws of Bermuda with limited liability and the issued shares of which are listed on main board of the Stock Exchange (stock code: 198);
“Target’s Group”	the Target and its subsidiaries from time to time;
“Target’s Shares”	shares of the Target;
“%”	per cent.

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

Beijing, PRC, 12 March 2015

*As at the date of this announcement, the executive Directors are Mr. WANG Feng, Ms. LIAO Mingxiang and Mr. MAO Zhihai; the non-executive Director is Mr. QIAN Zhonghua; and the independent non-executive Directors are Mr. MA Ji, Mr. CHEN Tong and Mr. ZHANG Xiangdong.*



*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.*

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

*For the purposes of illustration only, any amount denominated in US\$ in this announcement and translated into HK\$ was translated at the rate of US\$1=HK\$7.7608. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*