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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by Linekong Interactive Group Co., Ltd. (the “**Company**”) dated December 9, 2014 (the “**Prospectus**”) in relation to the public offering (the “**Global Offering**”) and the listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS

It was disclosed in the section headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus that the Company intended to use the net proceeds of the Global Offering (assuming the net proceeds was HK\$627.5 million) for the following purposes:

- approximately 25%, or HK\$156.9 million, will be used for developing and operating existing and new self-developed games and purchasing intellectual properties for popular entertainment franchises;
- approximately 25%, or HK\$156.9 million, will be used for licensing more high-quality games with different genres and themes from Chinese and overseas game developers and the operation of such games;
- approximately 15%, or HK\$94.1 million, will be used for potential strategic acquisition or investment in companies in online game and related businesses;
- approximately 10%, or HK\$62.7 million, will be used for further enhancement and promotion of our own distribution platform, 8864.com;
- approximately 10%, or HK\$62.7 million, will be used for investing in our technology platform, including developing and improving our game development tools and potential purchase of commercialized game engines developed by third parties;

- approximately 10%, or HK\$62.7 million, will be used for our overseas expansions, including enhancing our publishing business in South Korea and expanding our business into more countries and regions;
- the remaining amount of approximately HK\$31.5 million, representing not more than 5% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

The actual net proceeds from the Global Offering, after deducting the underwriting commission and other estimated expenses in connection with the Global Offering, amounted to approximately HK\$686.2 million (the “**IPO Proceeds**”) and all of the IPO Proceeds remain unutilized as at the date of this announcement.

CHANGE IN USE OF PROCEEDS

The Board has resolved to change the use of the IPO Proceeds. Breakdown of the use of the proceeds as stated in the Prospectus, breakdown of the IPO Proceeds utilised up to the date of this announcement and the proposed change of use of the remaining unutilised IPO Proceeds (the “**Proposed Change**”) are summarized as follows:

	Proposed Use of Proceeds stated in the Prospectus (adjusted on a pro-rata basis according to the actual IPO Proceeds)		Utilised IPO Proceeds up to the date of this announcement (HK\$ million) approximately	Unutilised IPO Proceeds (HK\$ million) approximately	Proposed Change of Use of Proceeds	
	(HK\$ million) approximately	% of IPO Proceeds			(HK\$ million) approximately	% of IPO Proceeds
Self-developed games	171.6	25%	0	171.6	137.2	20%
— developing and operating existing and new self- developed games						
— purchasing intellectual properties for popular entertainment franchises						
Licensing games	171.6	25%	0	171.6	68.6	10%
— licensing more high-quality games with different genres and themes from Chinese and overseas game developers and the operation of such games						

	Proposed Use of Proceeds stated in the Prospectus (adjusted on a pro-rata basis according to the actual IPO Proceeds)		Utilised IPO Proceeds up to the date of this announcement (HK\$ million) approximately	Unutilised IPO Proceeds (HK\$ million) approximately	Proposed Change of Use of Proceeds	
	(HK\$ million) approximately	% of IPO Proceeds			(HK\$ million) approximately	% of IPO Proceeds
Potential strategic acquisition	102.9	15%	0	102.9	68.6	10%
— potential strategic acquisition or investment in companies in online game and related businesses						
Distribution platform	68.6	10%	0	68.6	0	0%
— further enhancement and promotion of our own distribution platform, 8864.com						
Technology upgrade	68.6	10%	0	68.6	34.3	5%
— investing in our technology platform, including developing and improving our game development tools						
— potential purchase of commercialized game engines developed by third parties						
Overseas expansion	68.6	10%	0	68.6	137.2	20%
— overseas expansions, expanding our business in overseas markets						
Working capital	34.3	5%	0	34.3	34.3	5%
— providing funding for our working capital and other general corporate purposes						
Creating pan-entertainment environment	—	—	—	—	157.8	23%
— developing, producing and investing in film and TV drama						
— purchasing popular intellectual properties for multi-entertainment product adaption						

	Proposed Use of Proceeds stated in the Prospectus (adjusted on a pro-rata basis according to the actual IPO Proceeds)		Utilised IPO Proceeds up to the date of this announcement (HK\$ million) approximately	Unutilised IPO Proceeds (HK\$ million) approximately	Proposed Change of Use of Proceeds	
	(HK\$ million) approximately	% of IPO Proceeds			(HK\$ million) approximately	% of IPO Proceeds
Developing user platform	—	—	—	—	48.0	7%
— mastering user usage flow entry point via developing intellectual hardware and mobile phone software						
Total	<u>686.2</u>	<u>100%</u>	<u>0</u>	<u>686.2</u>	<u>686.2</u>	<u>100%</u>

REASONS FOR THE PROPOSED CHANGE

Reference is made to the analysis of pan-entertainment trend in mobile game industry as set out on pages 9 to 11 of the 2015 Interim Report of the Company and pages 20 to 24 of the 2015 Third Quarterly Report of the Company.

In light of the rapid change in the market environment of the online games industry, the Board considered that creating and developing multi-entertainment products in addition to mobile games, basing on the same intellectual properties will be the future trend and focus in the industry. Meanwhile, the provision of multi-entertainment products will bring in more attention from the market and broaden the client base of the Company, which in turn will increase the number of our games users and revenue.

Therefore, the Board has resolved to, while maintaining the focus on our principal business, invest 23% of the unutilised IPO Proceeds into creating and developing a pan-entertainment environment, including investing in the production of films and TV dramas, and purchase of popular intellectual properties. The intellectual properties to be purchased by us will not be limited to those for adaption for games only but those for adaption for multi-entertainment products, including the games.

Since user usage flow is the basis of cash realization of games, hence developing user platform and mastering user usage flow entry point will provide great assistance to our principal business. Therefore the Board has also resolved to invest 7% of the unutilised IPO Proceeds into developing user platform, with a view to mastering user usage flow entry point via developing intellectual hardware and mobile phone software.

With regard to the proposed use of proceeds for the purposes of self-developed games, licensing games and technology upgrade, the Company considers that the sound liquidity capability of the games business can fully support the needs of its own development. Therefore, the Board has resolved to decrease the percentage of unutilised IPO Proceeds for such purposes from a total of 60% to 35%, which still hold the largest share among all sectors. The Company would like to reiterate that there has been no change to the principal business of the Company, namely the development and operation of mobile games, as at the date of this announcement.

With regard to the proposed use of proceeds for the purpose of potential strategic acquisition, according to the business development plans of the Company, the Board has resolved to decrease the percentage of unutilised IPO Proceeds for such purpose from 15% to 10%.

With regard to the proposed use of proceeds for the purpose of distribution platform, considering the future trend and the focus in the industry, we realize that the provision of multi-entertainment products will bring in more attention from the market and broaden the client base of the Company compared with just building a single distribution platform. Therefore, the Board has resolved to decrease the percentage of unutilized IPO Proceeds for such purpose from 10% to nil.

With regard to the proposed use of proceeds for the purpose of overseas expansion, the Company considers that the work involved has been substantially increased, including but not limited to (i) the continuous establishment of the development team of Linekong US Inc. for developing high-quality game products for US and European markets, and (ii) the continuous acquisition of pan-entertainment resources in South Korea comprising game development team, animation and comics intellectual properties, user platform and content production companies. Therefore, the Board has resolved to increase the percentage of unutilised IPO Proceeds for such purpose from 10% to 20%.

The Proposed Change will not only further promote and strengthen the development of our principal business as stated in the Prospectus but also better meet the development trend of the market.

The Directors (including independent non-executive Directors) consider that the Proposed Change is in the best interest of the Company and its shareholders as a whole. The Proposed Change will allow the Company to deploy its financial resources more effectively and enable the Company to capture more new opportunities. The Board believes that the Proposed Change will strengthen the Group's image as an integrated player in the mobile game industry.

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

Beijing, PRC, March 29, 2016

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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 Stock Exchange website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.linekong.com.